
Message from the County Executive

I am pleased to submit my Fiscal Year 2025 Recommended Operating Budget. Thanks to the strength of our local economy, the County's revenue streams substantially outperformed our fiscally prudent revenue projections for both FY23 and FY24. This year's budget reflects growing demands for services, increased costs for operations as a result of inflation, a commitment to fulfilling our contracts with our labor partners, a commitment to schools, and a strengthening of our approach to economic development activities. Our County's current resources, while increasing, cannot fully support the growing needs of the community and demand for services. Consequently, I am not able to recommend funding for all requests for service enhancements I have received from stakeholders, community groups, and County departments. However, despite the challenges we face, this recommended budget makes significant investments to improve the quality of life in our community without raising taxes.

Looking forward, our economic advisors are indicating that a mild recession could take place later this calendar year. As a result of our strong taxbase, we are projecting that the County will end FY24 with \$956.6 million in reserves. This represents 15.0 percent of adjusted governmental revenue in reserve and exceeds the County's fund balance policy of holding 10 percent in reserve by \$318 million. My administration was able to achieve this goal for the first time in FY21, and we have continued to exceed it, despite all the challenges we have faced.

In this budget, I am proposing to use some of our surplus reserve funds to cover one-time capital costs in FY24 and FY25 and to provide bridge funding for County operations over the mild recession assumed by our economic forecasts. This will leave our reserve levels at 11.6 percent (\$761.3 million), which is \$106.1 million more than required to meet the County's reserve policy. At the same time, I am proposing several reductions to County government expenditures, including the elimination of 60 positions and repurposing of 40 positions, the vast majority of which have been vacant for longer than one year. With these reductions, the repurposing of vacant positions to control growth, and use of surplus reserves, I am able to recommend additional targeted investments in services that our residents demand most.

It was important to me that this budget incorporate feedback from our very diverse community. In order to get that feedback, I undertook the largest budget-related outreach effort to date in the County. Over the course of four months, I conducted 10 community conversations on the budget. These took place in all five regions of the County, and included focused sessions with the Montgomery County Parent Teacher Associations, older adults, and three sessions conducted in languages other than English (Chinese, Spanish, and Amharic). In addition, several of these sessions were hybrid so that they were accessible to more residents. Over 3,000 people attended these conversations (in-person and online) and I want to thank everyone who participated. In addition, I have received numerous letters and e-mail messages from, and held meetings with, members of the community regarding service needs. The feedback I received from the community conversations, letters, e-mail messages, and meetings has been invaluable and was used in informing my funding recommendations for FY25.

Agency	Total Budget	Tax Supported
Montgomery County Government	2,723,984,481	2,133,996,288
Montgomery County Public Schools	3,292,806,526	3,076,389,411
Montgomery College	334,695,418	283,758,780
M-NCPPC (including debt service)	200,325,729	177,935,048
Retiree Health Insurance	62,759,555	62,603,845
Debt Service (MCG)	480,587,710	452,847,090
Total	7,095,159,419	6,187,530,462

I want to thank and acknowledge our dedicated County workforce. As has been the case for the past few years, employers throughout the region are struggling to recruit and retain staff. Once again, I am making recommendations for investments in our workforce, who are the ones that deliver the services our County residents expect and need. To this end, my budget fully funds the

negotiated agreements with our labor partners and makes additional targeted investments in our Office of Human Resources and Office of Labor Relations to ensure that we can attract and retain the best public servants in the region.

I also want to thank the incredible work of our community partners. County government alone could not reach everyone who needs assistance. Through our partnerships with nonprofit organizations and faith communities, we continue to connect more deeply with our residents to deliver much needed services

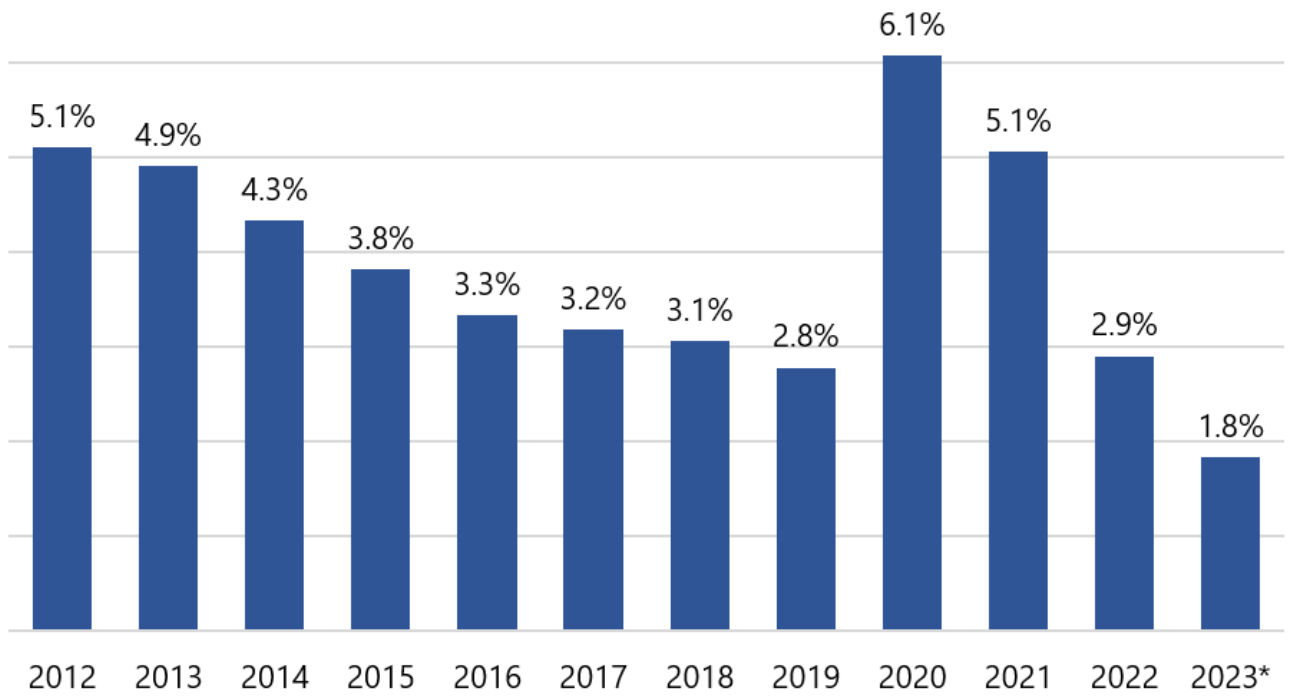
Overview

As is the case with businesses and families around the country, County government operations are impacted by rising prices. This budget provides over \$20 million to fund cost increases associated with County operating contracts because of inflation, including inflationary adjustments for nonprofit service provider contracts. The typical County contract has a three-year lifespan (a one-year initial term with two additional one-year renewal options). Most of the County's contracts that locked in pre-COVID pricing are now coming to the end of their lifespan. With inflation affecting goods and services we are seeing significant price increases as these older contracts are replaced with new ones. Since 2021, inflation for the Washington, DC metro area has increased by 13.5 percent.

As the economic engine of Maryland, the County's economy is currently holding steady; however, due to continued uncertainty in overall economic conditions, the County's economic forecast continues to assume a mild recession will begin in 2024. In 2023, the County's unemployment rate averaged 1.8 percent; this is down from 2.9 percent the year before. This historically low unemployment rate shows that residents are working but indicates that there may be a shortage of labor to meet all the needs of businesses. One of the identified causes has been the lack of affordable childcare, which is why many women have not reentered the workforce. My budget provides resources to help close this gap.

Resident employment is one of the key components in forecasting income tax revenue. For 2024-30 resident employment is assumed to grow in each calendar year except 2024, when a 2.4 percent decline is assumed. In 2025, resident employment is expected to remain stable with a small increase of 0.1 percent, which could cause the unemployment rate to rise to over 3 percent, which is still quite low.

Montgomery County Unemployment Rate



*Preliminary

Total personal income is also a key component in forecasting income tax revenue. The assumption for total personal income remains positive in all years of the forecast, averaging 3.7 percent growth per year from 2024-2030.

Sales of existing single-family homes and the median sales price of single-family homes are key components in forecasting property tax, transfer tax, and recordation tax revenues. Home sales are estimated to decrease 15.1 percent in 2024 following a decrease of 14.9 percent in 2023 before beginning to increase 2.2 percent in 2025. We are hopeful that projection will turnaround once the Federal Reserve decides to adjust interest rates to a more normal level.

County total tax revenues continue to grow on a year-over-year basis. FY24 estimated total tax revenues are forecast to increase 1.7 percent over FY23 and FY25 total tax revenues are forecast to exceed the FY24 estimate by 3.0 percent. This reflects the continued strength in our property tax base which offsets forecasted decreases in transfer and recordation taxes and slower growth in income taxes.

In FY23, income tax revenue was at a record high amount which was driven by Federal pandemic stimulus payments and extremely strong capital gains income from calendar year 2021. Coming off that record amount, income tax revenue is estimated to decline by 6.1 percent in FY24 over FY23 due to weak capital gains income and the end of stimulus payments from tax year 2022. The forecast for a mild recession in 2024 is estimated to result in a modest 2.1 percent increase in FY25 income tax revenues, reflecting growth in total personal income that supports growth in withholding revenue.

FY25 property tax revenues reflect the growth in actual and projected taxable assessed value of property in the County, pursuant to the triennial reassessment conducted by the State Department of Assessments and Taxation plus new construction and personal property. Assessed valuation changes lag economic cycles and are forecast to increase 5.6 percent in FY25, with growth slowing in each of the subsequent fiscal years.

Transfer and recordation taxes have experienced significant declines in FY24 due to reductions in real estate transaction activity caused by a dramatic decrease in home sales attributed to increased mortgage rates and housing prices, and low inventory. This trend is forecast to return to growth in FY25, albeit at a rate of 4.7 percent and then continue recovering in FY26. The reductions in transfer and recordation had a major impact on the budget. The real estate market has been negatively impacted by sharp rate increases and the lack of relief from the Federal Reserve.

Allocation of Additional Federal Reimbursement for COVID-19 Costs

The County has been approved to receive \$33.5 million in reimbursements from the Federal Emergency Management Agency (FEMA) for COVID-19 related expenditures. We are just waiting for the check. Consistent with the County's fiscal policy, this revenue assumption is not included in this budget submission. It is highly likely that we will receive these revenues while the Council is considering my budget. When we receive the funding, I intend to submit the following items as budget amendments using the revenue from this reimbursement so the Council can consider them as part of the FY25 Recommended Operating Budget package.

Allocation of Additional Federal Reimbursement for COVID Costs		
Department	Amendment	Amount
DGS	Support for BlackRock Center for the Arts	\$260,000
EDF	Fund for High Growth Small Businesses	\$7,500,000
HHS	Newcomers Program	\$7,155,143
NDA - COA	Additional Funding for Children's Opportunity Alliance	\$231,200
NDA - KID	KID Museum Programmatic Enhancements	\$1,145,366
NDA - Vision Zero	La Abuelina Outreach Phase 2	\$50,000
OEMHS	Additional Nonprofit Security Grants	\$300,000
OFSR	Food Staples Program	\$3,500,000
POL	Cadet Program	\$495,498
POL	Equipment Planned Lifecycle Asset Replacement Fund	\$500,000
POL	Technology Maintenance Contract	\$1,600,000
REC	Damascus Senior Center Rental Space	\$74,472
REC	IT Enhancement for ePact Software and Equipment	\$145,100
TEBS	Customer Relationship Management Software	\$400,000
TEBS	Web 2.0 Project	\$1,500,000
CIP	Sexual and Gender Minorities Health Center Project	\$500,000
CIP	Transportation Land Purchase Project	\$1,000,000
CIP	Incubator Enhancement Project	\$3,000,000
CIP	Glen Echo Park Spanish Ballroom Capital Project	<u>\$3,250,000</u>
Total		\$32,606,779

Racial Equity and Social Justice

During the development of this budget, the County continued investing in efforts to normalize, organize, and operationalize racial equity and social justice. Incorporating lessons learned from previous budget development seasons, the Office of Racial Equity and Social Justice's (ORESJ) Director and policy analysis staff refined its budget equity tool, training, and guidance manual to support the use of a racial equity lens throughout budget development. These resources support the County's implementation of the Racial Equity and Social Justice Act and bring into focus how the budget impacts racial disparities and inequities in the County.

This is the second budget that fully integrated use of the Operating Budget Equity Tool by departments and ORESJ. The tool was incorporated into the Office of Management and Budget's oversight of the budget process. Responses in the tool and analysis of those responses provided decisionmakers with new insights and pathways for allocating resources in ways that contribute to reducing and ultimately eliminating racial disparities and inequities in the County.

In its analysis, ORESJ analyzed the level of commitment to advancing racial equity and social justice. ORESJ found that 12 departments demonstrated emerging commitment to racial equity and social justice, 23 demonstrated commitment, 8 demonstrated a strong commitment, and 1 department demonstrated exemplary commitment. As a government and a community, we still have work to do. However, throughout this budget, you will see programmatic enhancements that seek to guide us to a more equitable and just community.

K-12 Education and Services for Children and Youth

My FY25 Recommended Operating Budget provides 98.2 percent of the Board of Education's request for Montgomery County Public Schools (MCPS) funding, a total budget of \$3.3 billion, or more than half the total County's tax supported budget. The Board of Education's requested FY25 budget is \$187.9 million higher than its approved FY24 budget, with \$162.6 million of that increase assumed from the County.

My recommended budget increases County funding for the MCPS budget by \$106.8 million, which is the third largest ever increase for MCPS. State funds for MCPS increase by \$38.1 million and Federal funds increase by approximately \$1.0 million. Per-pupil funding grows by \$888 and my recommended MCPS budget exceeds the State's Maintenance of Effort requirement by over \$132 million.

The County is funding the increase to the school system's request within current revenues. This budget funds the negotiated compensation agreements for teachers and other MCPS employees to retain and recruit outstanding educators and other essential

school staff. Since the start of the COVID-19 pandemic, MCPS has received a number of grants from the Federal government to respond to the impact of the pandemic on teaching, learning, and the well-being of students and staff, and sustain the operations of the school district. All the remaining Federal pandemic relief funding, known as the Elementary and Secondary School Emergency Relief Fund (ESSER), ends September 30, 2024. In FY24, the Council directed the school system to use one-time ESSER funds to fund ongoing needs. Therefore, to continue to fund services and positions that meet critical needs, this shift of \$33 million to MCPS' base operating budget for FY25 was anticipated.

In addition to funding provided directly to MCPS, this budget contains significant funding to County departments supporting the mission of our school system and ensuring that children have access to healthcare and mental healthcare services in our schools.

This budget contains a total of \$45.7 million in funding for school health services in the Department of Health and Human Services with \$2.2 million in additional funding to provide dedicated nurses for schools designated to be a "community school" under the Blueprint for Maryland's Future. It also provides almost \$600,000 to open the School Based Health Center at South Lake Elementary School.

My FY25 Recommended Operating Budget also includes funding to expand the Excel Beyond the Bell program to two additional middle schools - Eastern and Benjamin Banneker. I am also recommending an expansion of our RecZone program. These programs will give additional youths access to quality out-of-school time programs that are proven to have positive impacts on development, learning, and wellness.

Recognizing that a systemic approach is required to address youth safety needs, in the summer of 2022, I, along with the Council, convened a group to address the rise in gun violence and a growing culture of violence among the County's youths. In FY23, I requested, and Council approved, a special appropriation for the Youth Harm Initiative. In FY24, I requested, and Council approved, a special appropriation for a Youth Safety Special Assistant to coordinate the public-private health response, including administrative program management, research, monitoring and evaluation, data analysis, and formulation of comprehensive reports. For FY25, I am requesting ongoing support for the Youth Safety Initiative Program in HHS. This program will provide physical fitness training to develop and promote healthy living, positive youth development outreach groups that provide peer engagement to at-risk youth, community mental health groups for low-income youth in out-of-school-time programs and their families, and crisis intervention, gang intervention, capacity building, and community strengthening training for County community providers and community leaders to address community violence.

When schools close during the summer months and winter break, free school meals often disappear, and many low-income families struggle to put food on the table due to higher grocery bills and additional childcare costs. I am recommending a total increase for the Summer and Winter Break Children's Food program of \$440,000 (including funds from the Early Care and Education Initiative). This program, which will leverage additional State funding, is estimated to serve nearly 72,000 children in Montgomery County in FY25.

Early Childhood

Early Care and Education is one of the top priorities of my administration. My recommended budget includes a total of almost \$841,000 (an increase of \$112,000) in funding for the Children's Opportunity Alliance (COA). This program seeks to build a high-quality and equitable early childhood system in the County for children from birth through age eight with a focus on children from birth to age five. Additional funding will support the COA's ongoing implementation of key elements of the legislation establishing it, including community engagement that will educate families and the wider community about Early Care and Education opportunities. Funding will also support ongoing research that will support facilitation of innovative service models and approaches to increase access and affordability of childcare. As discussed above, I will be requesting an amendment to this budget of \$231,000 once we receive Federal reimbursement for COVID expenditures.

The Early Care and Education Initiative (ECEI) will continue to fund programming such as Working Parents Assistance and the County's supplement to the State Child Care Scholarship Program that will provide childcare subsidies for families with incomes up to 450 percent of the Federal poverty level. In addition, the initiative allocates funds for an innovative EquiCare Subsidy Seats Grant program that will cover the cost of quality childcare for infants and toddlers (age 6 weeks to 36 months). The grants aim to enhance the availability of high-quality infant and toddler childcare seats and address the needs of families that do not meet the eligibility criteria for current early childhood public programs.

The initiative will also provide a \$5 million appropriation for a new Early Care and Education Facility Fund Capital Improvements Program (CIP) project that will provide financial resources and technical assistance to both family childcare providers and childcare centers. This program will extend no-interest and forgivable loans to licensed EXCEL-rated childcare providers to expand and upgrade their facilities, prioritizing those catering to low-income and underserved communities within the County.

Support for Individuals and Families

Economic and social inequities exist in our community that are life or death struggles for many of our residents. My recommended budget makes targeted investments in programs that alleviate some of these inequities.

My budget recommends an increase of \$2.9 million that will be used to enhance homeless shelter capacity, provide additional funding for hypothermia overflow sheltering for our unhoused neighbors during the coldest months, and enhance security in our homeless shelters. I am also recommending additional one-time funding of \$2.6 million in FY25 to continue overflow sheltering in motels.

The Federal Emergency Rental Assistance Program ends this year. This program, which began during the COVID-19 pandemic, has provided invaluable assistance and subsidies to residents at risk of becoming homeless. As we transition away from the availability of these Federal funds that provide direct financial assistance to our most vulnerable residents, we will need to fill the gap with prevention services. Prevention is far more cost effective than shelters or motels. Furthermore, it saves people from the emotional and physical toll of losing one of the most important determinants of health - housing. To that end, I am recommending funding a team within our Health and Human Services department to work directly with households to help them stay housed.

Montgomery Cares is a public-private partnership that provides primary care to uninsured or underinsured adults. A key strength of the partnership is the clinics' ability to fundraise and leverage volunteer support in their operations. At its inception, the County's reimbursements paid for most of the total cost of care but in FY23 the County's reimbursements are roughly one-third of the cost of care. My FY24 budget included an additional \$2.0 million in funding to begin addressing this need. In FY25, I am continuing to bolster this organization by recommending an additional \$1.8 million to bring us closer to providing 50 percent of the cost of care.

While the COVID-19 pandemic is behind us, we must focus on preventing future outbreaks in our community. To support this goal, I am recommending almost \$600,000 for ongoing infectious disease prevention, response, and community support. This funding will pay for outbreak staffing, booster shot vaccination campaigns, COVID-19 testing in congregate living facilities, and a risk communications campaign for minority populations. This budget reflects changes in our service levels based on the most recent guidance from the Centers for Disease Control.

Governor Moore's FY25 proposed budget includes funds to provide three percent provider rate increases for behavioral health, developmental disability, and Medicaid providers statewide. Adult medical day care providers and care providers for residents with developmental disabilities are under significant economic pressure due to the high cost of doing business in Montgomery County, and the wages for workers in this sector are surprisingly low given the complexity of the work they perform. The County already provides a supplemental payment for these providers, and I am recommending a three percent increase to that supplement - this will be on top of the funding increase provided by the State.

Food insecurity remains a significant challenge for many households. Federal pandemic aid has ended, many temporary enhancements to key safety net programs have ended, and inflation continues to rise. Each week the Food Distribution Hubs help thousands access food and connect families to case management for other critical assistance programs. Recognizing this need, I recommend \$3 million to continue providing food assistance through the hubs. Without Federal aid, the County must also plan for a long-term approach to addressing food insecurity. In FY25, the Office of Food Systems Resilience will oversee the transition from the food staples approach used during the pandemic, to a targeted strategy designed to efficiently serve residents most in need, while addressing vulnerabilities in our local food system. This transition includes \$1.75 million to bridge the previous food staples program with the County's long-term food systems resilience strategy- \$1.1 million for the Capital Area Food Bank and Manna Food Center to assist with bridging the transition; \$6 million for new competitive grants; and \$1.8 million for the Retail Food Access Program.

Affordable Housing

My FY25 Recommended Operating Budget provides funding for the full spectrum of affordable housing and related services

in the County. The FY25 budget allocates over \$169.4 million to expand the preservation and production of affordable housing to our most economically burdened residents. I have included \$56.2 million in the Housing Initiative Fund (HIF) in my recommended operating budget and \$113.2 million in funding for three CIP projects, including the Affordable Housing Acquisition and Preservation project, the Nonprofit Preservation Fund, and the Revitalization for Troubled and Distressed Common Ownership Communities project. This amount includes \$65 million in new capital funding for the Affordable Housing Acquisition and Preservation project. The \$56.2 million in HIF operating funds includes \$22.9 million for the Rental Assistance Program (RAP) to continue providing rental assistance and supportive services to help the County's most vulnerable residents. The budget also continues funding to support the Building Neighborhoods to Call Home, Design for Life, and Home Ownership Assistance programs.

My FY25 Recommended Operating Budget provides funding so the new Rent Stabilization program will be fully operational in FY25. This program establishes maximum allowable rent increases to stabilize rents in the County while ensuring landlords can earn a fair return on their investment. I am also providing annualized funding to support the implementation and enforcement of Bill 22-23 which reassigned the regulation of short-term residential rental units from the Department of Health and Human Services to the Department of Housing and Community Affairs (DHCA). The funding allows for improvement of the licensing application processes, enhancement of required housing inspections and enforcement of those activities.

For FY25, DHCA has reorganized departmental functions by creating a new Rental Housing Division to support synergy and collaboration between the Office of Landlord and Tenant Affairs (OLTA) and the Rent Stabilization Program, realigning some programs and positions among different divisions for more effective operations, and adding needed staffing to close operational gaps and enhance service delivery.

The department is also proposing an increase in licensing fees on multifamily rental units and other housing types to align with the fees charged by surrounding local jurisdictions and offset additional staffing needs for required inspections. The revenue generated from the increased licensing fees will be utilized to directly support programmatic operations and improve service delivery in Licensing and Registration, Code Enforcement, OLTA, Rent Stabilization, and the Short-term Residential Rental programs.

Finally, I am increasing support for the Common Ownership Communities (COC) program by adding additional staff to manage and administer a new loan program for those troubled and distressed COCs, as recommended in my FY25-30 Recommended Capital Improvements Program. Some of our COCs are the most affordable homeownership opportunities available, and they need assistance in order to ensure their ongoing viability. This new loan program will help COCs address needed capital improvements and avoid loss or displacement of housing units, particularly for those low-income homeowners.

Public Safety

As with our human services departments, I continue to make recommendations to enhance public safety services in our Fire and Rescue Service, Correction and Rehabilitation, and Police departments.

This budget continues to make important investments in the health and safety of our first responders. Firefighters have a fourteen percent higher risk of dying from cancer than the general population. To that end, this budget funds early detection cancer screenings for our career firefighters. In addition, funding is added to provide COVID-19 booster vaccinations for career firefighters and two additional contracted staff to provide timely physicals and occupational medical services to fire personnel.

In the Montgomery County Fire and Rescue Service, my recommended budget leverages additional funding from the State's Emergency Services Transporter Supplemental Payment Program to provide additional staffing at Sandy Spring Fire Station 40 to address failures to respond and to continue the Fire Cadet program in partnership with Montgomery County Public Schools. In addition, this budget launches a new Girls Fire Camp to diversify gender representation in the fire service by empowering girls to consider firefighting careers later in life.

To maximize the impact of existing resources, this budget recognizes staffing adjustments to the Emergency Medical Services (EMS) disposition unit and redeploys staff from an Advanced Life Support Chase Car to establish a new EMS Duty Officer to improve health outcomes in diverse areas of the County. In addition, to address vacancies and overtime, this budget adds three firefighter positions in the Fire and Explosives Investigations Unit to increase unit effectiveness and free up law enforcement personnel to focus on case follow-up.

Finally, work continues to address structural budget deficiencies in the Fire and Rescue Service budget and my recommended

budget adds nearly \$3.7 million to better align historical personnel costs to the budget.

In the Department of Correction and Rehabilitation, funds are provided to restore one-time lapse savings needed to support the reopened Pre-Release Center. This center is a recognized national model that helps nonviolent offenders transition to post-incarceration life and reduce recidivism rates. My budget also provides funding to repair kitchen equipment in support of the relaunched Bakery Program, which provides crucial training for post-incarceration life, and to continue retention bonuses for our correctional health nurses.

In the Department of Police, this budget expands the innovative Drone as a First Responder pilot program to increase the effectiveness of police response and reduce incidences of unnecessary use of force through improved surveillance and information on calls which can help indicate whether a suspect is armed to improve officer decision-making.

I was proud to introduce Bill 14-23 that requires late night businesses in high call volume areas to develop and operate under a safety plan. This budget establishes a \$100,000 grant program to aid affected businesses in establishing safety plans and to implement required safety enhancements.

The proliferation of video evidence has created cross-departmental challenges in collecting, storing, reviewing, redacting, and managing data. In the Police Department, my budget funds software to facilitate the extraction of digital data in compliance with the *Richardson v. State of Maryland* case. In the State's Attorney's Office, I recommend creating a new Evidence Review Unit to enhance digital evidence processing to facilitate the redaction, upload, and review of digital evidence. In addition, this budget enhances real time crime fighting by adding funds for the implementation of new FUSUS software to unify multiple public safety system data including cameras, license plate readers and Drone as First Responder data into a single technology platform. This budget also leverages technology to enable our Police Department to respond to community requests for increased transparency; I am adding funds to support digitization of critical historical records catalogues and installation of computer/printer kiosks at district stations to facilitate community access to police records.

Montgomery County is a community of diversity, inclusion, and compassion, but we are not untouched by hate and vitriol. This budget continues to support nonprofit organizations at high risk of experiencing hate crimes and provides \$900,000 to enhance the security of their facilities and the safety of our residents. When the FEMA reimbursement funds arrive, I will request an additional \$300,000 for this program as I note earlier in this memo.

In the Office of Emergency Management and Homeland Security, my recommended budget replaces Federal funds with local dollars to ensure uninterrupted implementation of the Regional Preparedness Program.

Mental Health and Substance Misuse

For the past three years, the County has used grants from the Federal Substance Abuse and Mental Health Services Administration (SAMHSA) to fund our Mobile Crisis Teams. These teams, available 24 hours a day, 7 days a week, are staffed by licensed mental health professionals and respond to community psychiatric emergencies along with the police. The Mobile Crisis Teams served 930 individuals in FY22 and 846 in FY23. These grant funds end this year. To ensure that we continue to provide these services, I am recommending funding this service with County funds. In addition, I am augmenting these services by funding two additional teams (for a total of seven). Without the Mobile Crisis Teams available to provide on-site behavioral care, law enforcement responses to behavioral health incidents may increase.

In FY24, the Opioid Abatement Fund was established to manage Montgomery County's share of the State's legal settlement with opioid manufacturers and distributors. Latest estimates project that the County will receive approximately \$43.3 million over 18 years. The Opioid Abatement Fund will support initiatives designed to address the harm opioids have caused in Montgomery County. My FY25 budget includes \$1.6 million to continue ongoing services that began in FY24, including funding for the County's new Office of Prevention and Harm Reduction, the continuation of a contract to provide targeted emergency interventions, a public awareness campaign, and community grants.

Environmental Sustainability and Climate Change

As I have said many times before and as we know all too well, we are facing a climate crisis that is not easily solved and cannot be solved at the County level alone; however, we must do what we can and serve as a model for other jurisdictions around the

country. I am able to add \$9.0 million in new General Fund spending, and \$77.6 million in other funds to further the County's efforts to fight climate change. As deadlines approach for the County's landmark law to reduce climate change pollution from existing buildings, the Building Energy Performance Standards (BEPS), I am adding \$275,000 to help under-resourced building owners like nonprofits and small businesses to identify energy efficiency improvements they can implement to comply with BEPS. Improving the energy efficiency of buildings around the County will help us meet our greenhouse gas reduction goals. My budget also adds funds to help low-income residents access Federal incentives and tax credits for climate-friendly investments that are available via the Federal Inflation Reduction Act of 2022 and the Jobs Act of 2023 and to engage more County residents in adopting local climate solutions. To aid the transition to electric vehicles, I am recommending enhancements to build out the County's charging infrastructure and to accelerate the purchase of electric vehicles for the County fleet. Finally, my budget adds a position and operating support to build out the County's solar energy infrastructure.

This \$9.0 million investment is on top of \$5.1 million in new General Fund spending in FY23 and \$1.2 million added in FY24. In fact, the FY25 climate budget totals \$57.4 million in general funds and \$365.0 million when including all fund sources in the operating and capital budgets.

Turning to our County's rivers and streams, I recommend that we add two positions to inspect and maintain stormwater management facilities throughout the County. A third position is added to more effectively implement the Tree Montgomery program, which expands the County's tree canopy and earns credit towards our Municipal Separate Storm Sewer System (MS4) permit requirement to control pollution running into our waterways. Additionally, I added resources to better enforce the collection of the County's bag fee and increase the funds available for the Clean Water Montgomery grant program.

My Administration is hard at work to divert as much material as possible from the trash stream, and several studies are underway to guide a new path for us to follow. To that end, my recommended budget adds operating funds for contractual expertise to advise on next steps, and a new position is added to implement the guidance we receive from our outside partners.

I am recommending an increase for the Montgomery County Green Bank. If approved this year, my FY25 Recommended Operating Budget would provide a record \$19.1 million for the Montgomery County Green Bank - an increase of almost \$500,000 from the prior year. These funds will be used to promote investment in energy efficiency, renewable energy, and other projects that will lower our community's carbon footprint and make us more resilient to the effects of climate change.

■ Transportation and Transit Services

I continue to be concerned about our ability build transportation infrastructure. Additional resources to support capital investments to move our County forward are essential, particularly to support important investments in transportation to enhance mobility within and around the County, support economic development, and improve safety for pedestrians, bikers, and drivers. While regional competitors race ahead implementing transportation improvements using taxes on commercial property levied to address congestion relief in Northern Virginia, we are hamstrung by constrained resources. To move forward, we must identify new revenues and new approaches as Northern Virginia did to plan for regional growth, provide transportation choices, and increase accessibility. Northern Virginia made this transition about a dozen years ago and it's time for us to follow suit. This will improve our economy, strengthen our tax base, and allow us to grow toward our future. State legislation modernizing local revenue structures and allowing localities to be more self-sufficient in addressing challenges and opportunities is a key piece to this puzzle. State legislation providing local governments authority to implement a differential tax rate to support transportation improvements is essential, and I am partnering with members of our delegation to support such a bill during the current 2024 Maryland General Assembly Session.

My recommended budget for the Department of Transportation addresses critical traffic safety needs by increasing funding for road markings to install raised pavement markers, refresh crosswalk markings, and maintain street signs. The budget also contains an increase in funding for Safe Routes to School. Funding for these programs is crucial to improving transportation safety within the County and achieving our Vision Zero goal.

The budget prioritizes environmental stewardship, safety, and community well-being by allocating additional funding for tree removal and planting in County rights of way. This investment is crucial to address significant backlogs in tree removal, tree pruning, and stump removal to ensure safety on roads and sidewalks and maintain the County's tree canopy.

Recognizing the importance of transportation infrastructure maintenance, the budget adds funding for residential road resurfacing with slurry seal to maintain pavement condition and avoid the need for more costly road maintenance. The budget also

funds the maintenance of new subdivision roads and inspection of short span bridges to ensure that maintenance and repairs are performed when needed.

To sustain the current level of transportation services and infrastructure maintenance, the budget accounts for contractual increases, enabling the County to uphold its commitment to various program service levels. These investments collectively contribute to a comprehensive and forward-looking approach to maintaining and improving these investments in our community.

As part of the effort to encourage greater transit use and reduce reliance on cars, my recommended budget for Transit Services adds funding for the launch of the Great Seneca Transit Network (GSTN). This new service will provide more frequent transit service and improve mobility and access to jobs in the healthcare, biotech, and education sectors in Rockville, Gaithersburg, and the Shady Grove area. GSTN is a crucial factor in supporting the continued growth of the burgeoning medical sciences industry and will improve transportation equity and choices for all residents by offering a new transportation option for connections to jobs, healthcare providers, and medical facilities. The GSTN incorporates upgraded bus stops, dedicated bus lanes, new pedestrian and bike infrastructure, and other improvements that were previously funded in the Capital Improvements Program.

The safety, comfort, and accessibility of our bus stops and shelters is a major priority. Many of the over 5,000 bus stops in the County are in need of repairs and accessibility improvements. The recommended budget boosts funding for the maintenance and improvement of bus shelters to provide riders with a safer and more convenient transit experience.

To reflect the current regional trend of lower transit ridership, we are re-evaluating and re-aligning the budgets for various programs including Seniors Ride Free, Kids Ride Free, Bethesda Circulator, and Fare Share. These adjustments reflect reduced program utilization, ensuring that resources are allocated efficiently in response to changing transit patterns. It is my hope that new and improved transit services in the County will encourage potential riders to switch to transit and reverse this trend in the future.

As we continue to address the challenge of hiring and retaining bus operators in a competitive labor market, County employees are working diligently to ensure that Ride On service continues without interruption. To this end, my budget funds an increase in bus operator overtime to acknowledge that these costs will be paid whether they are budgeted or not and accurately reflect the current reliance on overtime work.

Economic Development and Workforce Training

My FY25 Recommended Operating Budget includes a more targeted and improved approach to economic development with approximately \$27.3 million to support growing the County's economy, an increase of 17 percent from the FY24 Approved Operating Budget. My recommendation builds on our goal for an inclusive and innovative economy by leveraging our talented workforce, our existing biohealth strengths, innovation economy, location, and quality of life assets. Economic development is not the responsibility of any one department or organization, and these activities are funded through multiple County departments and economic development organizations. Through these combined efforts, the County supports business and startup growth, attracts domestic and international relocation, and measures impact to continuously improve service delivery.

When we began developing this budget, I was looking at creating a larger economic development fund predicated on revenue projections from the December forecast, but with the revised forecast I was forced to lower my goal to create a \$20 million fund. As stated above, I am proposing we use \$7.5 million from the forthcoming FEMA reimbursement from the for COVID-19 related expenditures to create a fund for high growth small businesses. It is my hope that when we receive additional FEMA reimbursement later this year, we can go back to my original \$20 million plan. At the same time, the amount of funding we are putting into this fund exceeds similar initiative proposed by our regional neighbors.

My recommended budget includes several enhancements and realignments for a more targeted use of limited tax dollars. I am recommending additional staff support for the Montgomery County Business Center. This team provides a core service to our business community by not only answering incoming queries, but also by proactively providing outreach and direct assistance to navigate County processes. I am recommending two more Business Liaisons, so that the Business Center has staff in each of the County's five regions. I also am recommending additional staff to support broader outreach, data collection, and reporting to ensure accountability as this team grows.

My FY25 Recommended Operating Budget also realigns the County's funding to provide technical and targeted support for our innovation ecosystem and strategic industries. While we have climbed to be the anchor of third largest life sciences cluster in the

country, we have been examining what assets our leading competitors have that we are not currently able to provide. This budget will address areas where we can assure bio-health businesses they do not have to go elsewhere to find the local supports needed to grow. Without this targeted support, the County's economy will be left behind as other jurisdictions leverage these resources to support early-stage entrepreneurs.

The recommended funding for the Montgomery County Economic Development Corporation fully supports its strategic attraction, retention, and marketing efforts for the County. I am recommending a new investment in our innovation ecosystem. This investment will allow the County's three incubators to provide robust assessments, technical assistance, educational programming, networking and operational activities for current tenants and other County entrepreneurs by providing strong, targeted expertise across certain industry sectors. Funding is also recommended to establish a new industry-led County alliance focused on promoting the high-tech and life sciences sector ecosystem in Montgomery County.

My recommended budget ensures that County residents have the skills needed to succeed in the 21st Century economy, which is crucial to our community's growth. I am recommending a total budget of \$2.4 million to WorkSource Montgomery. This is a 21 percent increase over the prior fiscal year and includes additional funding to support the Summer RISE youth program and programming at Montgomery County Correctional Facility to support successful reentry opportunities.

BioHub Maryland at Montgomery County is a new partnership with the Maryland Tech Council. My recommend budget provides funding for this partnership that will train our workforce at a state-of-the art and multifunctional facility equipped with cutting-edge industrial bioprocessing equipment and globally industry-recognized curriculum to equip residents, including veterans and members of disadvantaged communities, with skills and knowledge they need to enter the life sciences field.

Libraries and Recreation

Since the implementation of its new public online access catalog, Montgomery County Public Library's (MCPL) customers are discovering and using online resources more than ever. Since 2021, MCPL has seen a threefold increase in the use of digital materials. Because of increased utilization and increased costs to purchase access for digital materials, I am recommending an increase to the MCPL budget to meet public demand for online materials.

In my FY24 budget I recommended funding for the creation of the World Languages Collection so we can serve customers who speak languages other than English. As part of my goal to address racial and ethnic disparities, I am recommending increasing the MCPL budget for its World Languages Collection from \$105,000 to \$465,000. This increase will be used to purchase additional materials in Chinese and Spanish in the ten branches identified to carry these language collections.

Last year I announced that Montgomery County Recreation fitness passes would be free for Montgomery County residents. The free pass provides individuals 16 years and older access to fully equipped fitness rooms, open gym (drop-in) activities and game rooms at any recreation center (excluding aquatic facilities) during regularly scheduled hours. I am happy to report that because of the success of this initiative, this budget recommends continuing it into the next fiscal year.

After receiving feedback from residents during the fall community budget conversations, I am recommending additional funding for senior programming, and I am adding funds for the Senior Barbecue Bonanza event.

Effective and Sustainable Government

The way elections are conducted has permanently changed. My FY25 recommended budget includes an additional \$4.4 million increase to pay for the expenses necessary to conduct the 2024 Presidential Election. My recommended budget includes increased funds for higher printing costs, enhanced funding for election judges, enhanced funding for seasonal workers, and funding to rebuild the election worker management system. For FY24, the Public Election Fund Committee requested that \$250,000 be provided annually for the FY24-28 so that the Public Election Fund balance would increase by a total of \$1 million before the next County election. My FY25 budget includes \$333,000 for this purpose. Combined with similar actions in the next two years, we will be able to reach the Public Election Fund Committee's recommended funding level in the requested timeframe.

My budget provides funding for the Department of Technology and Enterprise Business Solutions (TEBS) to continue to modernize Montgomery County Government information technology systems. TEBS must invest in enhanced cybersecurity and is also exploring how to better use artificial intelligence to provide efficient information technology services and revolutionize the way

County government functions. My budget will make our network more secure while creating new tools to save time and resources. To take advantage of efficiencies generated by technology systems and new tools, my budget shifts MC311 from the Office of Public Information into TEBS. This realignment will allow MC311 to continue to improve customer service for Montgomery County residents while leveraging TEBS's expertise with chatbots and artificial intelligence to help our residents find answers to their questions faster.

Consistent with national trends, Cable Fund revenues are declining at an accelerated rate as customers "cut the cord" and shift to streaming services that are not required to pay cable franchise fees. The time has come to make significant changes to the Cable Fund. My recommended budget makes strategic decisions to shift critical programs out of the Cable Fund immediately while forcing all partner organizations in the Cable Fund to make hard decisions about the more limited resources now available. Over the course of the next year, I anticipate significant progress towards identifying additional revenue streams and a strategic plan to guide our Public, Education, and Government communications efforts moving forward.

■ Creating a 21st Century Workforce

Our Office of Human Resources (OHR) works to build a strong and resilient workforce to meet the service needs of our diverse and growing community - today and into the future. OHR is responsible for recruitment and hiring; health and wellness programs; professional growth and development; and occupational medical services. The County's prime geographic location places it in direct competition for top talent in the region, with private businesses, nonprofit organizations and think tanks, as well as Federal, State and other local governments. Our workforce is a mix of maturing employees, with increasing numbers retiring or retirement eligible, and a growing number of newer workers, with different workplace expectations. Our leader-managers are experts in their technical and supervisory skills; however, they are faced with ever shifting priorities and service dynamics fueled by the fast pace of change in our communities and the world. Exacerbated by historically low unemployment rates, opportunities for career mobility and employment options that support enhanced work-life balance, the County - like every local government - is experiencing persistent staffing challenges.

In recognition of these new realities, I have directed realignment of six existing positions and funding for online hiring platforms, to strengthen our recruitment program. Along with the new applicant tracking system, these resources will bring the County's recruitment and hiring efforts current with best practices, reduce time to fill, and bring increased visibility to the County as a preferred employer. Additionally, the budget funds management training programs, to increase the effectiveness of the County's leadership teams. And in order to reform the County's long outdated classification plan and to bring transparency to the County's pay practices, the budget funds a comprehensive review of job classes and compensation structures, with a view towards developing and implementing a competitive pay philosophy. Without revising these job classifications, we are forced to deal with the disconnect between outdated job descriptions and the work required of a 21st century workforce. Allocation of these positions and funding for online hiring platforms, management training programs, and classification and compensation review reflects our commitment to our single greatest resource - our employees. By leveraging these resources, we aim to modernize our recruitment practices, enhance leadership effectiveness, and foster transparency and equity in our classification and compensation structures.

The Office of Labor Relations (OLR) supports County departments in all manner of labor and employee relations issues. However, some departments maintain embedded positions that are designated to perform labor and employee relations functions. Over the past year, at my direction, OLR has moved to centralize labor and employee relations functions in the County by taking on those functions being performed by embedded department positions. To ensure a more consistent approach to labor and employee relations Countywide and compliance with negotiated provisions of the various collective bargaining agreements and the Montgomery County Personnel Regulations, OLR will assume those functions. Given OLR's responsibility as set forth in the County Code, which includes formulating and implementing labor and employee relations policies, processing grievances, collective bargaining with the certified bargaining representatives, among other required duties, it makes sense to centralize these functions to OLR.

However, in order to do this, OLR requires additional staff. Currently, the OLR staffing compliment is comprised of eight positions, including the Chief Labor Relations Officer. This is insufficient to achieve its responsibilities. Because OLR is taking on the labor and employee relations functions of three large and active departments, I have identified five vacant positions that will be repurposed and reassigned to OLR to bolster these efforts in the current fiscal year. These positions are necessary to continue providing high-level support to departments, lead collective bargaining on behalf of the County, provide quality training programs and expand the services it offers Countywide.

Community Partners

This budget strengthens and improves the County's relationship with community partners. The services offered by our partners help us to address poverty and social inequity, provide emergency services and health care, serve disconnected youth in our community, and ensure that seniors and persons with disabilities receive quality services. These partnerships help our neighbors who are most in need access the services they require to thrive in a cost-effective manner. I am recommending a three percent inflationary adjustment for nonprofit contracts across County government.

This budget also expands the capacity of the Office of Grants Management by creating a pool of flexible funding for grant pursuit and management tools that can be allocated strategically across departments. Included in this enhancement is funding for shared grant writer contractors, funding for lobbying efforts related to major funding initiatives that the County is pursuing, and grant writing and management training for County employees. In addition, I have directed a position from the Department of Environmental Protection be reallocated to the Office of Grants Management to coordinate cross-departmental efforts in seeking climate related Federal Inflation Reduction Act of 2022 and the Jobs Act of 2023 grant funding opportunities.

The budget continues to fund all multi-year Community Grants Non-Departmental Account (NDA) grant awards with the addition of a three percent inflationary increase for all continuing grant awards. The continuing social and economic impacts of the COVID-19 pandemic, emergence of new nonprofits providing new kinds of services or targeting new County communities, national trends in the nonprofit sector that negatively impact County nonprofits, and unprecedented direct nonprofit funding opportunities from the Federal government require a significant investment in the County's most critical partners. To meet these challenges and opportunities the Community Grants NDA more than doubles the amount of funding being provided support the institutional capabilities of the County's nonprofit partners with a total of \$3.2 million. My budget recommends an additional \$200,000 to the Community Project Funds to mentor, train, and coach small and emerging organizations as they implement these starter grants and projects. An additional \$1 million, bringing the total to \$2 million, will provide support to nonprofits through institutional development grants and expanded development programming. Funding for nonprofit incubators to provide sustained developmental support and shared services support increases to \$1 million in my FY25 budget. I am also recommending \$1.5 million in the FY25 Capital Budget to provide matching funds for cost sharing capital grants.

Legislative Branch

My FY25 Recommended Operating Budget fully funds the request of the County Council, Office of Legislative Oversight, Board of Appeals, and Merit System Protection Board. My FY25 budget increases funds for the Office of Inspector General by \$695,000 and provides two additional investigator positions for the office to support MCPS investigations.

For the third year, I am recommending funding for the Office of the People's Counsel, which is housed in the Legislative Branch. As I have contended for years, as the County Council conducts, deliberates, and votes on land-use hearings and zoning amendments, it is important that residents have direct input into these processes. For residents to have direct input, they need access to legal guidance and assistance to understand the implications of complex land-use and zoning issues. The Office of People's Counsel was last funded in FY10, and I recommended funding the Office in both FY23 and FY24, but these recommendations were ultimately not approved by Council. Once again, I am recommending funding that will allow the Council to fund the Office of Peoples' Counsel with two staff members. It is time again for the residents of Montgomery County to have a seat at the table and direct input into the County's complex land-use and zoning actions.

Outside Agencies and Municipal Partners

My budget fully funds the request of Montgomery College. In FY25, the College's budget will decrease by \$10.5 million, or 3 percent. Because of the efforts begun by my Administration, and in collaboration with the Montgomery College, I am pleased to report that the East County Education Center will offer classes during the spring 2024 semester, with a more robust schedule launching in summer and fall 2024. This center will bring the College's unique services and academic programs to the residents of the East County to expand access in this region and to serve as an anchor institution in the community.

I am recommending a budget increase for the Maryland-National Capital Park and Planning Commission of 6.2 percent for the Administration Fund and 6.3 percent for the Park Fund.

My FY25 Recommended Operating Budget for WSSC Water provides for an 8.5 percent rate increase, consistent with the request from the Commission and keeping in line with the approved spending affordability limit for that agency.

As part of the final year of the three-year phased implementation plan for the revised negotiated Payments to Municipalities calculation, my budget increases the Payments to Municipalities budget by \$2.1 million, including the estimated cost for speed camera reimbursements.

Conclusion

The funding recommendations included in my plan for FY25 reflect months of effort and feedback from residents, community groups, stakeholders, advocates, businesses, nonprofit organizations, County employees, and our labor partners.

Working within our current resources, my plan balances the needs of the community, economic forecasts, and the growing cost of doing business. Looking to the future, we will need to have frank conversations about the structural imbalance that exists between the growing demands for County services and the revenue streams we currently have available to us.

To continue to thrive, we must be able to provide businesses with access to talented employees and good infrastructure; provide residents with access to quality education and employment opportunities, affordable housing, safe neighborhoods, and a transportation infrastructure system that works well; ensure that our most vulnerable neighbors remain housed and have access to services so they can live healthy and thriving lives; attract talent to County government to deliver the services residents demand most; and address climate change which is a threat to our very existence. This budget addresses each of these challenges.

While I am able to recommend solutions that address many of these challenges - there is still much more that we must reckon with as a community. I still remain hopeful that, in collaboration with the State, we will reach a resolution about improved funding streams for transportation infrastructure projects that will ensure we can become competitive with our regional neighbors. Our inability to provide timely transportation improvements puts us at a strategic disadvantage when compared to our neighbors across the Potomac River. We must address this now.

Other infrastructure challenges, such as improving storm drains, water and wastewater infrastructure, and building improvements must also take priority, as the aging system we currently have is inadequate for our changing climate and community need. These improvements will not come cheap. In addition, while we may be on track to meet our 2030 housing goals in terms of numbers of units, the affordable component of those numbers remains elusive. We will continue to face challenges in funding education, as the State's Blueprint initiative rolls out. Finally, with regard to our capital budget, our current bond limit policy flies in the face of rising costs and ignores the changing purchasing power of the dollar from when this policy was adopted. Due to inflation and escalation, our bond limit of \$280 million a year doesn't buy what it once did. In fact, we would need to be issuing about \$340 million a year today to maintain the buying power \$280 million had in 2018.

Even still, we continue to attract individuals and businesses because of our talented workforce, diversity, strong economic base, geographic location, and important amenities - including good schools and beautiful parks. I remain extremely optimistic about the trajectory of our County's future because we are choosing to make critical investments in the public policies that keep our community attractive, strong, and competitive - investments in people, businesses, and infrastructure.



Marc Elrich
County Executive, Montgomery County