
Revenues

INTRODUCTION

This chapter provides demographic and economic assumptions, including detailed discussions of the national, State and local economies. Revenue sources, both tax supported and non-tax supported, used to fund the County Executive's Recommended FY12 Operating Budget incorporate policy recommendations.

ESTIMATING SIX-YEAR COSTS

Demographic Assumptions

The revenue projections of the Public Services Program (PSP) incorporate demographic assumptions based on Council of Governments (COG) Round 8.0 estimates and are based on fiscal and economic data and analyses used or prepared by the Department of Finance. A *Demographic and Economic Assumptions* chart located at the end of this chapter provides several demographic and planning indicators.

- County population, which was 971,777 in 2010, will continue to increase an average of approximately 9,200 persons each year throughout the next eight years reaching over one million by 2014 and nearly 1,045,400 by 2018. This reflects an average annual growth rate of 0.9 percent, which is slightly below the average annual growth rate of 1.0 percent between 2007 and 2010.
- There were 357,086 households in the County in 2010 and current projections estimate the number of households to increase to 364,900 in 2012. Household growth throughout the subsequent six years is now projected to grow at an average annual rate of 1.0 percent. As a result, current projections estimate 389,400 households by 2018.
- The County's senior population continues to grow with an estimated 119,769 persons 65 and older living here in 2010 and projected to increase to 154,061 by 2020.
- County births, which are one indicator of future elementary school populations and child day care demand, are projected to gradually increase, from an estimated 13,400 in 2010 to 14,120 by 2017.
- The County expects Montgomery County Public School student enrollment to increase by 7,062 between FY13 and FY18.
- Montgomery College enrollments are projected to increase from 26,013 in FY11 to 28,151 in FY18. These estimates are based on a continuation of growth in fall enrollment.

Using moderate economic and demographic assumptions to develop fiscal projections does not mean that all possible factors have been considered. It is likely that entirely unanticipated events will affect long-term projections of revenue or expenditure pressures. Although they cannot be quantified, such potential factors should not be ignored in considering possible future developments. These potential factors include the following:

- Changes in the level of local economic activity,
- Federal economic and workforce changes,
- State tax and expenditure policies,
- Federal and State mandates requiring local expenditures,
- Devolution of Federal responsibilities to states and localities,
- Local tax policy changes,
- Changes in financial markets,
- Major demographic changes,
- Military conflicts and acts of terrorism, and
- Major international economic and political changes.

Policy Assumptions

Revenue and resource estimates presented are the result of the recommended policies of the County Executive for the FY13 budget. Even though it is assumed that these policies will be effective throughout the six-year period, subsequent Council actions, State law and budgetary changes, actual economic conditions, and revised revenue projections may result in policy changes in later years.

Economic Assumptions

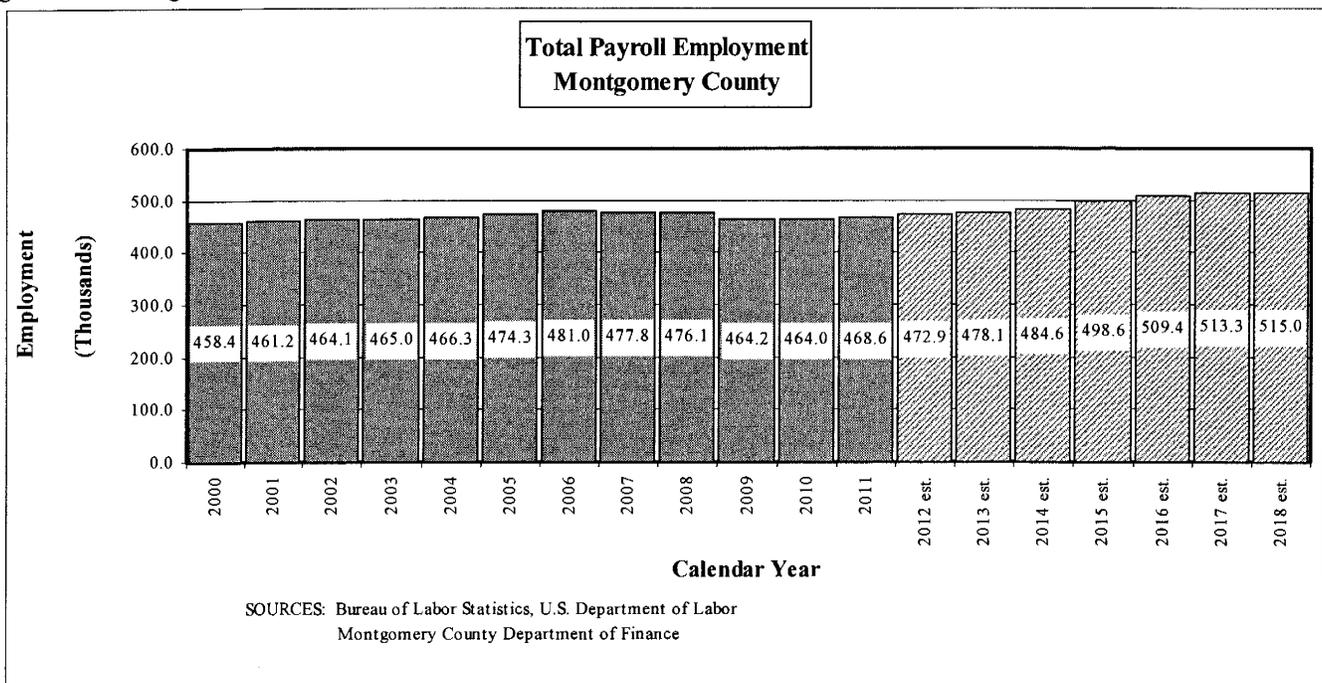
Revenue projections depend on the current and projected indicators of the national, regional, and local economy. National economic indicators also influence the County's revenue projections. Such indicators include short-term interest rates, mortgage interest rates, and the stock market. Local economic indicators include residential (labor force survey) and payroll (establishment survey) employment, residential and nonresidential construction, housing sales, retail sales, and inflation. The assumptions for each of those indicators will affect the revenue projections over the six-year horizon. Because of the large presence of the federal government in terms of employment, procurement, and federal retirees, Montgomery County's economy, generally, does not experience the volatility that is experienced nationally. Of concern over the next fiscal year are the potential reductions in federal spending with the failure of the Congressional Super Committee in late calendar year 2011.

The economic projections for the next six fiscal years assume sustainable growth rates. Economic growth is assumed to be stronger during the early part of this forecast period and dependent on the current forecasts for the metropolitan region and Maryland economies. Such projections are dependent on a number of factors – fiscal and monetary policy, real estate, employment, consumer and business confidence, the stock market, mortgage interest rates, and geopolitical risks.

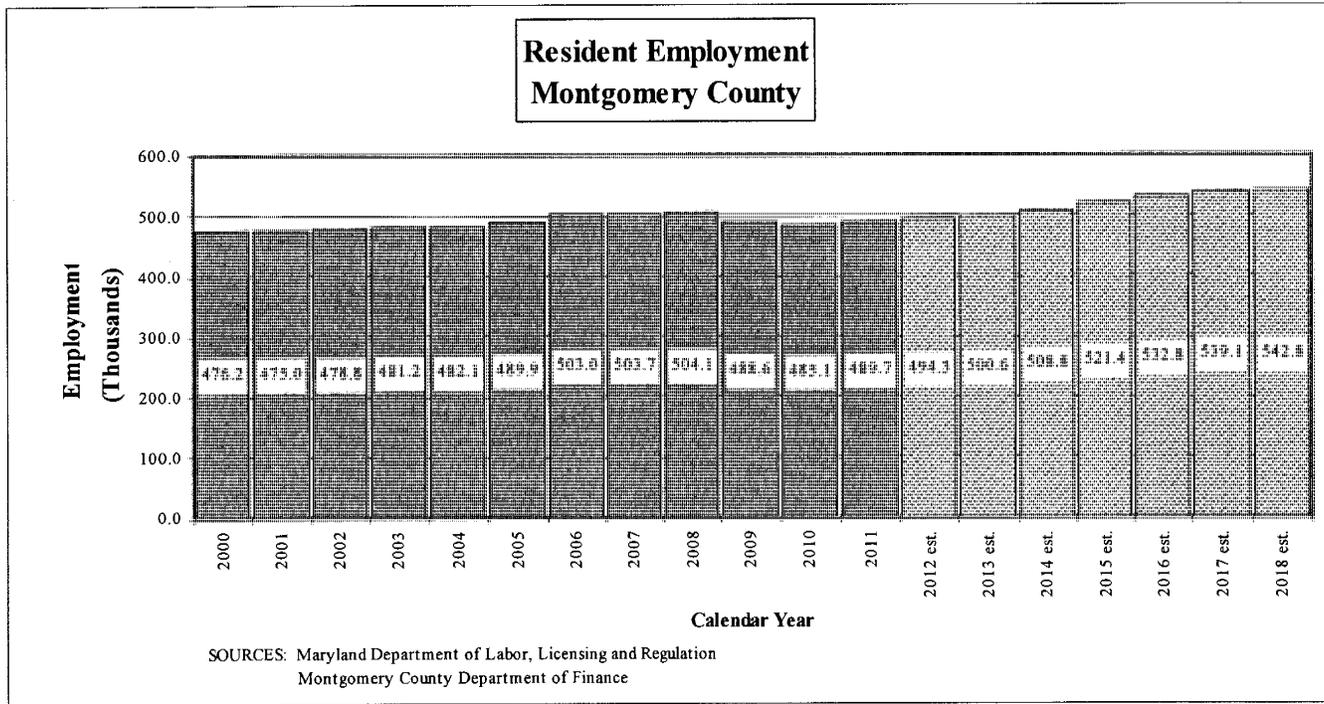
Montgomery County's economy continued to experience a weak recovery in calendar year 2011. The primary indicators of the weak recovery were a decline in housing sales, modest construction in single-family homes, and unemployment rates that remained at historically high levels. Resident employment showed a modest increase but not enough to substantially offset the high rate of unemployment, and the construction of multi-family units boosted residential construction which helped offset the modest construction in single-family units.

Employment Situation

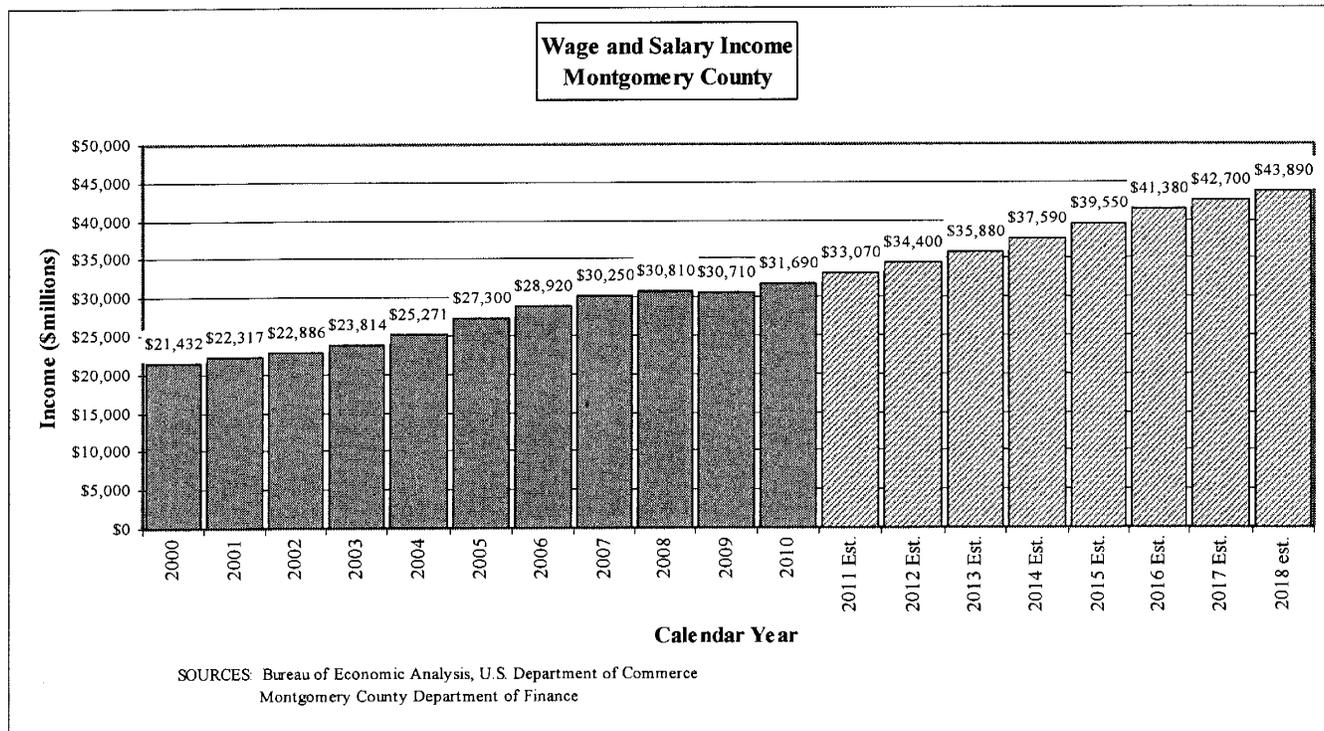
During the past twelve years (CY2000 – CY2011), total payroll employment in Montgomery County, based on the survey of establishments, experienced three distinct cycles: modest growth from CY2000 to CY2006 at an average annual rate of 0.8 percent, a decline from CY2006 to CY2010 at an average annual rate of -0.9 percent, and an increase of 1.0 percent in CY2011. The Department of Finance assumes payroll employment will continue to increase from CY2011 to CY2018 and grow at an average annual rate of 1.3 percent over that period. In terms of the number of jobs added to the County's total payroll employment, an average of 6,630 new jobs per year is estimated between CY2012 and CY2018 with most of that growth occurring in CY2015 and CY2016.



Resident employment in the County, which is based on a survey of County households, provides a slightly different picture of employment growth. For example, resident employment grew at an average annual rate of 0.9 percent between CY2000 and CY2006 (compared to the 0.8 percent for payroll employment). Between CY2007 and CY2008, resident employment in the County experienced no growth and remained at the 503,000-504,000 level during that period while payroll employment declined. Following declines in employment in CY2009 and CY2010 and an increase in CY2011, Finance assumes that resident employment is expected to increase at an average annual rate of 1.5 percent from CY2011 to CY2018.



Finance expects wage and salary income to grow at an average annual rate of 4.2 percent between CY2010, the latest date for which actual data are available from the Bureau of Economic Analysis, U.S. Department of Commerce, and CY2018, compared to a rate of 5.0 percent between CY2000 and CY2006, and a modest rate of 2.3 percent between CY2006 and CY2010. Total wage and salary income is estimated to reach \$43.890 billion by CY2018.

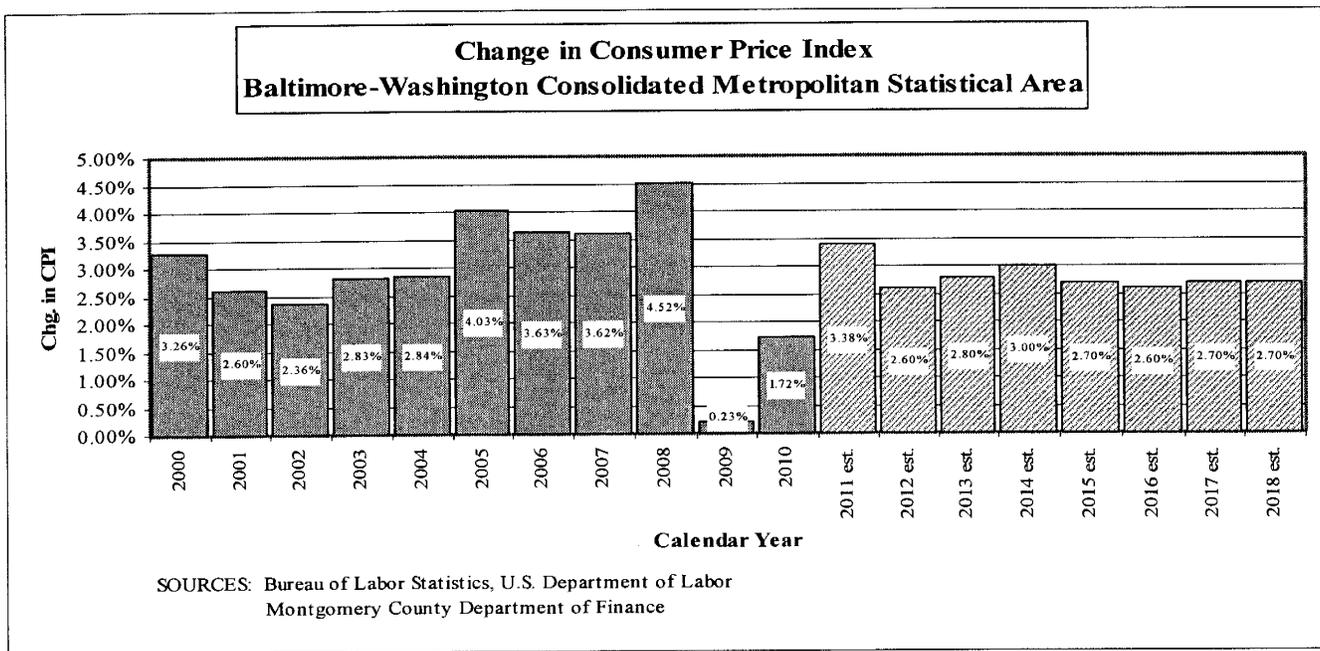


Personal Income

Finance assumes that total personal income in Montgomery County will grow at an average annual rate of 4.6 percent from CY2010 to CY2017, which is slightly greater than the average of 4.3 percent from CY2000 to CY2010. By CY2018, Finance assumes that total personal income will reach \$93.980 billion.

Inflation

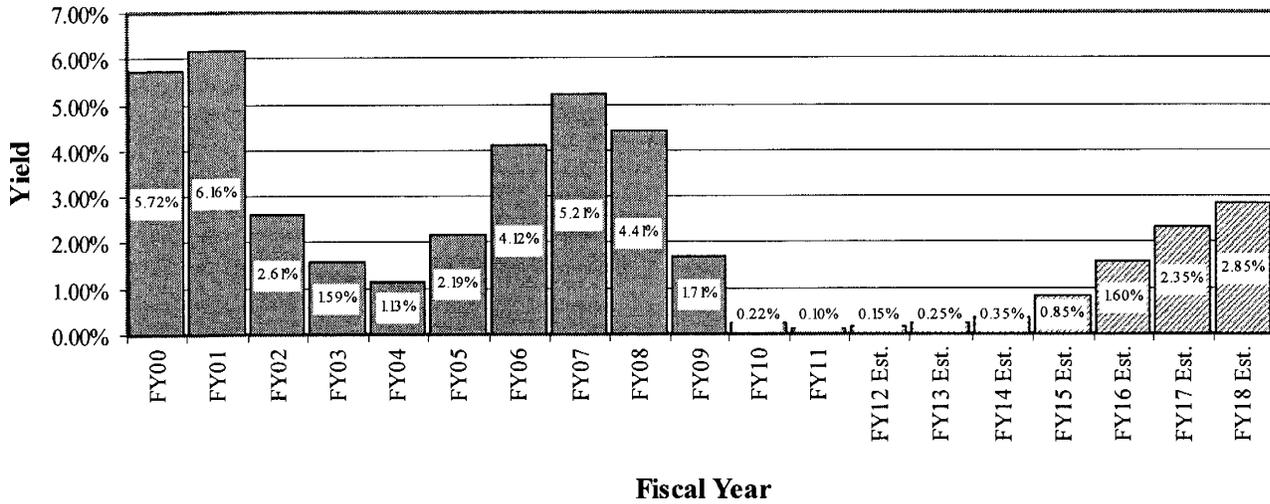
As measured by the Consumer Price Index for All Urban Consumers (CPI-U), inflation in the Washington-Baltimore Consolidated Statistical Metropolitan Area was slightly above the national average in CY2011 (3.4% compared to 3.2% through November, respectively). The high inflation rate compared to previous years was largely attributed to an increase in the “core” inflation rate (2.4% in CY2011 compared to 1.4% in CY2010 through November, respectively), which is the CPI excluding the volatile food and energy prices. Finance assumes that the overall regional inflation index will decrease from 3.4 percent in CY2011 to 2.6 percent in CY2012, and then gradually increase to 3.0 by CY2014 before settling at 2.6-2.7 percent from CY2015 to CY2018.



Interest Rates

From September 2007 to December 2008, the Federal Reserve Board, through its Federal Open Market Committee (FOMC), aggressively cut the target rate on federal funds from 5.25 percent to a range of 0.00-0.25 percent. The ten rate cuts were in response to the credit crisis that had significantly affected the financial markets (both bond and stock markets) and the national economy since the summer of CY2007. Based on its decision at the January 2012 meeting, the FOMC will maintain its current position of an effective target rate of 0.00-0.25 percent through CY2014 at which time interest rates may begin to increase at a moderate rate. Since the yield on the County’s short-term investments are highly correlated with the federal funds rate, Finance assumes that the County will earn an average of less than 0.40 percent in investment income on its short-term portfolio for FY2012 through FY2014 with a modest increase to 0.85 percent in FY2015.

Yield on Investment Income Montgomery County

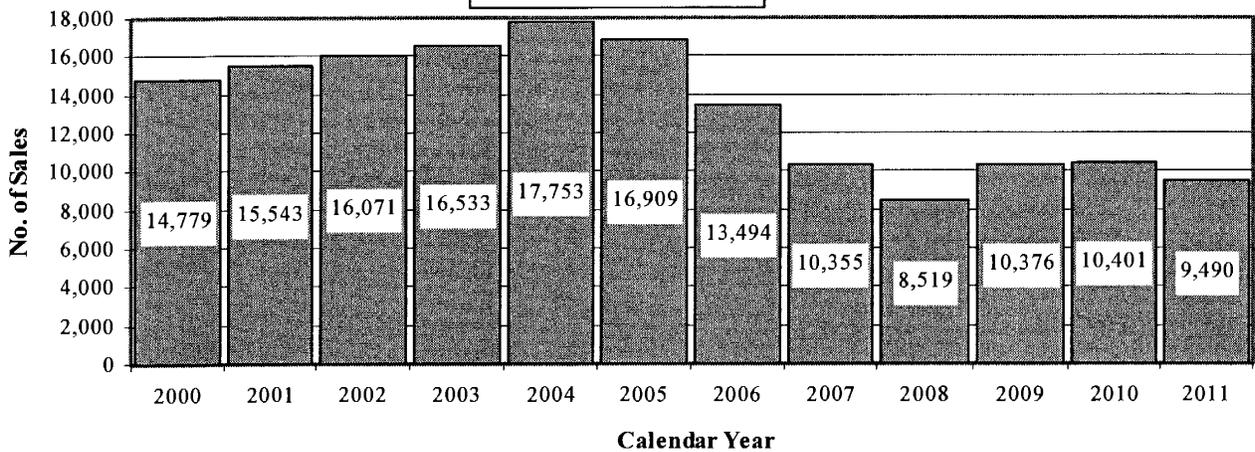


SOURCE: Montgomery County Department of Finance

Real Estate Market

The housing market in Montgomery County experienced two different trends in CY2011: 1) a dramatic decrease in existing home sales, and 2) an increase in the average sales price for existing homes. Overall, existing home sales decreased 8.8 percent in CY2011, which followed a modest increase of 0.2 percent in CY2010. After two consecutive years of price declines in CY2008 (↓8.4%) and in CY2009 (↓13.8%), housing prices increased 1.7 percent in CY2010 and 2.3 percent in CY2011. However, the increase in CY2011 occurred from January to October of 2011. During the final quarter of CY2011, average home prices declined an average of 6.3 percent compared to the final quarter of CY2010. With home sales also declining in the final quarter, the residential real estate market weakened further during the final three months of CY2011.

Total Home Sales Montgomery County

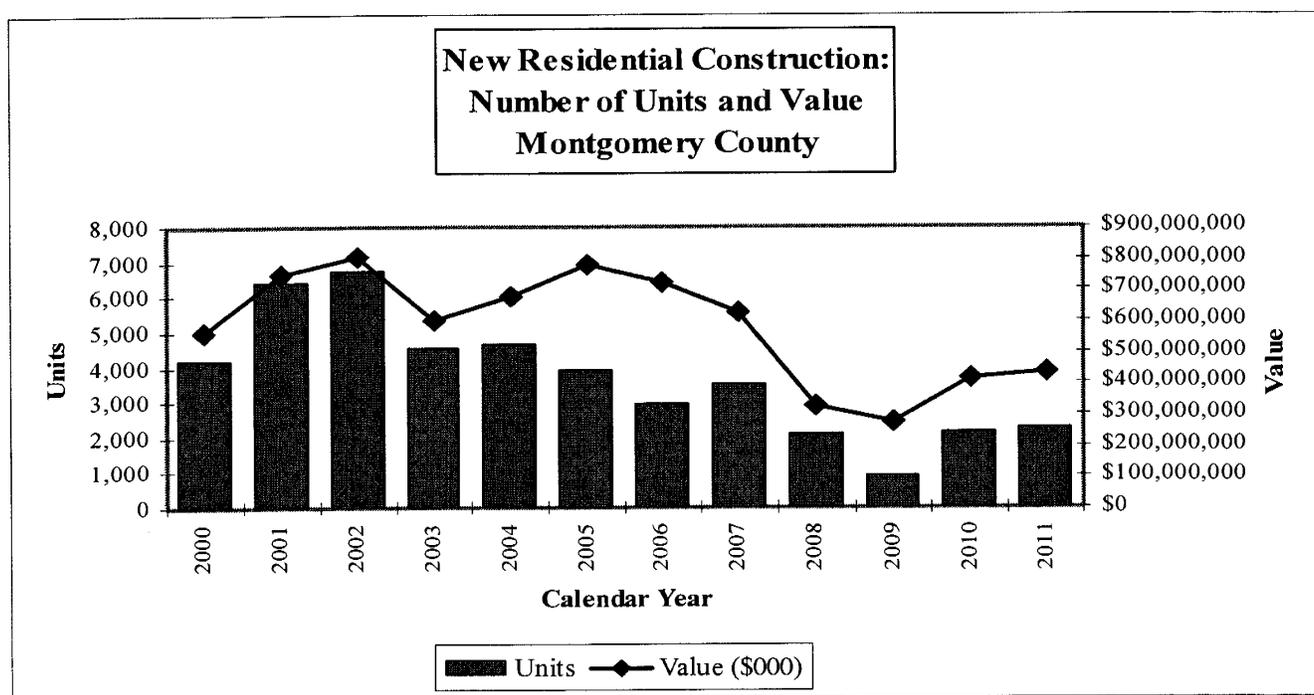


SOURCES: Metropolitan Regional Information System, Inc.
Montgomery County Department of Finance

Construction Activity

Construction is a cyclical activity that can have a significant effect on a local economy and employment due to secondary and tertiary effects on construction supply and service industries. Permits and starts are key indicators of the near-term economic condition of the housing industry and are considered crucial indicators for the local economy. Of lesser note, new single-family home sales and construction outlays are important indicators for monitoring the level of current investment activity. Construction starts measure initial activity as opposed to permits, which measure planned activity. The primary source of construction data is McGraw-Hill Construction, formerly known as Dodge Analytics.

While the value of additional residential property increased a modest 4.8 percent in CY2011 (\$434.3 million), following an increase of 49.9 percent in CY2010, it remained significantly below the \$688.8 million average between CY2000 and CY2007. The number of new single-family units was 605 compared to 676 in CY2010 (↓10.5%). Since CY2007, the construction of new single-family units declined steadily from 978 to 605 units in CY2011. All of the increase in residential construction during the past two calendar years had been in multi-family units.



REVENUE SOURCES

The major revenue sources for all County funds of the Operating Budget and the Public Services Program are described below. Revenue sources which fund department and agency budgets are included in the respective budget presentations. Six-year projections of revenues and resources available for allocation are made for all County funds. This section displays projections of total revenues available for the tax supported portion of the program. Tax supported funds are those funds subject to the Spending Affordability Guideline (SAG) limitations. The SAG limitations are intended to ensure that the tax burden on residents generally is affordable. The County Council has based the guidelines on inflation and personal income of County residents.

The PSP also includes multi-year projections of non-tax supported funds. These funds represent another type of financial burden on households and businesses and, therefore, should be considered in determining the "affordability" of all services that affect most of the County's population. Projections for non-tax supported funds within County government are presented in the budget section for each of those funds.

IMPACT ON REVENUES AND THE CAPITAL BUDGET

The use of resources represented in this section includes appropriations to the operating funds of the various agencies of the County as well as other resource requirements, such as current revenue funding of the Capital Budget, debt service, and fund balance (operating margin). These other uses, commonly called "Non-Agency Uses of Resources," affect the total level of resources available for allocation to agency programs. Some of these factors are determined by County policy; others depend, in part, on actual revenue receipts and expenditure patterns.

The level of PSP-related spending indirectly impacts the local economy and, hence, the level of County revenues. However, the effect on revenues from expenditures of the Executive's Recommended Operating Budget and PSP are expected to be minimal. The PSP also impacts revenues available to fund the Capital Budget. The revenue projections included in this section subtract projected uses of current revenues for both debt eligible and non-debt eligible capital investments. Therefore, the Executive's Recommended Operating Budget and PSP provide the allocations of annual resources to the Capital Budget as planned for in the County Executive's Recommended FY13-18 Capital Improvements Program (as of January 17, 2012). Anticipated current revenue adjustments to the January 17, 2012 CIP have been made as part of the Executive's Recommended Operating Budget.

Prior Year Fund Balance

The prior year fund balance for the previous fiscal year is the preliminary unaudited FY11 closing fund balance for all tax supported funds. The current year fund balance results from an analysis of revenues and expenditures for the balance of the fiscal year. Prior year fund balance for future fiscal years is assumed to equal the target fund balance for the preceding year.

Net Transfers

Net transfers are the net of transfers between all tax supported and non-tax supported funds in all agencies. The largest single item is the earnings transfer from the Liquor Control Fund to the General Fund. The transfer from the General Fund to Montgomery Housing Initiative to support the Executive's housing policy is the largest transfer to a non-tax supported fund. The payment from the General Fund to the Solid Waste Disposal Fund for disposal of solid waste collected at County facilities is the next largest transfer to a non-tax supported fund. The level of transfers is an estimate based on individual estimates of component transfers.

Debt Service Obligations

Debt service estimates are those made to support the County Executive's Recommended FY13-18 Capital Improvements Program (as of January 17, 2012). Debt service obligations over the six years are based on servicing debt issued to fund planned capital projects, as well as amounts necessary for short-term and long-term leases. Debt service requirements have the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization. Approximately 51.4 percent of the CIP is funded with G.O. bonds. Each G.O. bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future G.O. bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

The State authorizes borrowing of funds and issuance of bonds up to a maximum of 6.0 percent of the assessed valuation of all real property and 15.0 percent of the assessed value of all personal property within the County. The County's outstanding G.O. debt plus short-term commercial paper as of June 30, 2011, is 1.43 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities.

CIP Current Revenue and PAYGO

Estimates of transfers of current revenue and PAYGO to the CIP are based on the most current County Executive recommendations for the Capital Budget and CIP. These estimates are based on programmed current revenue and PAYGO funding in the six years, as well as additional current revenue amounts allocated to the CIP for future projects and inflation.

Revenue Stabilization

On June 29, 2010, the Montgomery County Council enacted Bill 36-10 amending the Montgomery County Code (Chapter 20, Finance, Article XII) that repealed the limit on the size of the Revenue Stabilization Fund (Fund), modified the requirement for mandatory County contributions to the Fund, and amended the law governing the Fund. Mandatory contributions to the Fund are the greater of 50 percent of any excess revenue, or an amount equal to the lesser of 0.5 percent of the Adjusted

Governmental Revenues or the amount needed to obtain a total reserve of 10 percent of the Adjusted Governmental Revenues. Adjusted Governmental Revenues include tax supported County Governmental revenues plus revenues of the County Grants Fund and County Capital Projects Fund; tax supported revenues of the Montgomery County Public Schools, not including the County's local contribution; tax supported revenues of Montgomery College, not including the County's local contribution; and tax supported revenues of the Montgomery County portion of the Maryland-National Capital Park and Planning Commission. All interest earned on the Fund must be added to the Fund. The FY13 Recommended Budget estimates that the Revenue Stabilization fund balance will be \$139.6 million in FY12 and the balance is estimated to increase to \$160.6 million in FY13 (↑15%).

Other Uses

This category is used to set aside funds for such items as possible legal settlement payments and other special circumstances such as set-aside of revenues to fund future years.

Reserves

The County will maintain an unrestricted General Fund balance (or, an "operating margin reserve") of five percent of prior year's General Fund revenues and the Revenue Stabilization Fund (or "rainy day fund"). It is the County's policy to increase and maintain the budgeted total reserve of the General Fund and the Revenue Stabilization Fund to 10 percent of Adjusted Governmental Revenues.

REVENUE ASSUMPTIONS

Projections for revenues are included in six-year schedules for County Government Special Funds and for Montgomery College, M-NCPPC, and WSSC in the relevant sections of this document. See the MCPS Budget Document for six-year projections of MCPS funds. Projections for revenues funding County government appropriations are provided to the Council and public as fiscal projections. Such projections are based on estimates of County income from its own sources such as taxes, user fees, charges, and fines, as well as expectations of other assistance from the State and Federal government. The most likely economic, demographic, and governmental policy assumptions that will cause a change in revenue projections are included in this section.

TAX REVENUES

Tax supported revenues come from a number of sources including but not limited to property and income taxes, real estate transfer and recordation taxes, excise taxes, intergovernmental revenues, service charges, fees and licenses, college tuition, and investment income. In order of magnitude, however, the property tax and the income tax are the most important with 46.4 percent and 39.4 percent, respectively, of the estimated total tax revenues in FY13. The third category is the energy tax estimated for the General Fund with a 7.8 percent share. In fact, these three revenue sources represent 93.6 percent of total tax revenues. Of the total tax supported revenues, property tax and income tax are also the most important with 36.3 percent and 30.9 percent, respectively. The third category is intergovernmental revenues with a 17.2 percent share of the total tax supported revenues in FY13. Income and transfer and recordation taxes are the most sensitive to economic and, increasingly, financial market conditions. By contrast, the property tax exhibits the least volatility because of the three year re-assessment phase-in and the ten percent "homestead tax credit" that spreads out changes evenly over several years.

Property Tax

Using *proposed* rates (levy year 2012) and a recommended \$692 credit, total estimated FY13 tax supported property tax revenues of \$1,462.2 million are 1.8 percent above the revised FY12 estimate. The general countywide rate for FY13 is \$0.726 per \$100 of assessed real property, while a rate of \$1.815 per \$100 is levied on personal property. In addition to the general countywide tax rate, there are special district area tax rates. The 1990 Charter amendment (FIT) limits the growth in property tax revenues to the sum of the previous year's estimated revenue, increased by the rate of inflation, and an amount based on the value of new construction and other minor factors. This Charter Limit, however, may be overridden by a unanimous vote of the nine members of the County Council. Growth in the previous calendar year's CPI-U for the Washington-Baltimore Consolidated Metropolitan Statistical Area is used to measure inflation. Since the triennial reassessment declined for real property in FY13, the recommended tax rates along with the income tax offset credit (rebate) of \$692 will generate revenues that are below the Charter Limit for FY13. The County Executive's proposal to maintain the rebate of \$692 at the same level as in the two prior years for each owner-occupied residence (principal residence) and an increase in the General Fund tax rate from \$0.713 to \$0.726 are estimated to maintain tax supported revenues at the original FY12 estimate. However with the decline in real property taxable assessments during the past three years and maintaining the income tax offset of \$692, the effects on the rate increase are held to a minimum across residential, commercial, and apartment properties.

The countywide total property taxable assessment is estimated to decrease approximately 2.9 percent from a revised \$165.7 billion in FY12 to \$161.0 billion in FY13. The base is comprised of real property and personal property. In FY13, the Department of Finance estimates real property taxable assessment of approximately \$157.1 billion – a decline of 2.9 percent from FY12 – with the remaining \$3.9 billion in personal property. This is the second such decline in the total property taxable assessment in over twenty-five years. The change in the total property tax base has fluctuated significantly over the past ten fiscal years, with an annual average increase of 11.0 percent between FY04 and FY09, followed by considerable deceleration in the growth of taxable assessments in FY10 (↑5.7%) and FY11 (↑0.2%). Reflecting a reduced level of new construction and negative reassessment rates for Group 3 (levy year 2009), Group 1 (levy year 2010), Group 2 (levy year 2011), and again for Group 3 (levy year 2012), the real property tax base is expected to decline 3.6 percent in FY12 and 2.9 percent in FY13.

The real property base is divided into three groups based on their geographic location in the County. Each group is reassessed triennially by the State Department of Assessments and Taxation (SDAT), which has the responsibility for assessing properties in Maryland. The amount of the change in the established market value (full cash value) of one-third of the properties reassessed each year is phased in over a three-year period. Declines in assessed values, however, are effective in the first year. The real property reassessments effective for FY13 declined 8.6 percent for Group 3 (↓12.7% for residential) and follows a decline of 14.5 percent for Group 2 (↓17.4% residential), a decline of 17.0 percent in FY11 for Group 1 (↓19.4% residential), and a decline of 10.6 percent in FY10 for Group 3 (↓16.3% for residential).

There is a ten percent annual assessment growth limitation for residential property that is owner-occupied. As a result of this “homestead tax credit,” these taxable reassessments in Montgomery County may not grow more than ten percent in any one year. However, because of the decline in the reassessment rates for residential properties the past three fiscal years (FY10 to FY12) the amount of the homestead tax credit declined from \$23.8 billion in FY09, which is an all time record, to an estimated \$224.1 million in FY13.

Decreases in the personal property base between FY04 and FY06 reflected the residual effects of weak labor market conditions that occurred between calendar years 2001 and 2003 and resulted in a lower number of new businesses and associated investments. This was exacerbated by tax law changes, including partial exemption of electricity generating equipment (energy deregulation), other exemptions (e.g., manufacturing, Research and Development, and certain computer software), and new depreciation rules (e.g., for computer equipment). The personal property tax base since FY06 increased three out of the four subsequent years achieving a rate of 5.2 percent in FY10 before declining 6.5 percent in FY11. Finance estimates that the total personal property base is projected to decrease 0.4 percent in FY13, which follows an increase of 0.2 percent in FY12.

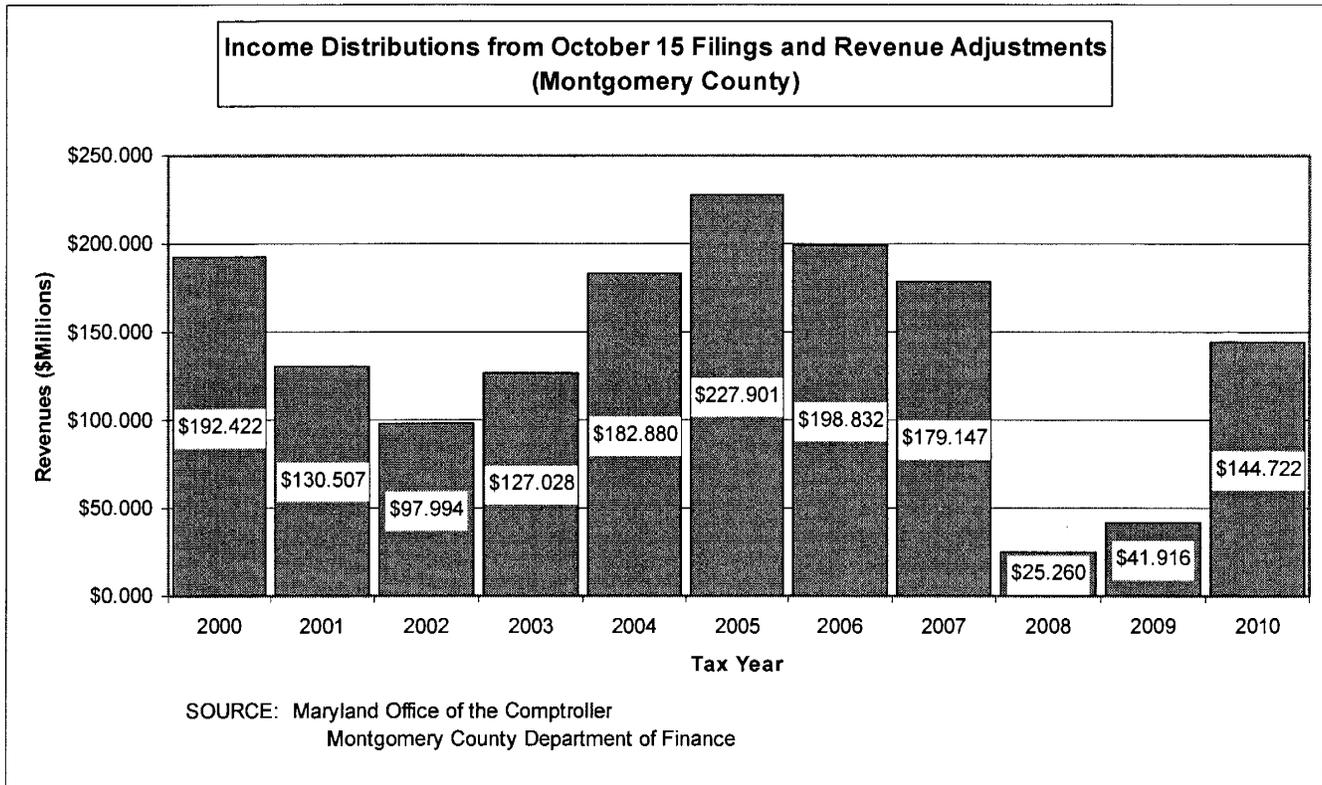
Income Tax

Estimated FY13 income tax revenues of \$1,242.9 million are 1.3 percent above the revised FY12 estimate. Growth slowed during the early part of the previous decade reflecting moderation in the trend attributed to very weak growth in County employment – an average annual growth rate of 0.5 percent between tax years 2001 and 2003. For example, adjusted for the changes in the tax rate, the percent change in withholdings and estimated payments declined steadily from a peak of 10.5 percent in tax year 2000 to an annual average growth rate of 0.9 percent between tax years 2000 and 2003. Since 2003 withholdings and estimated payments rebounded with an increase of 10.5 percent in 2004, 5.0 percent in 2005, 13.4 percent in 2006, and 13.0 percent in 2007, decelerated to only 1.5 percent in 2008, then declined 6.7 percent in 2009 and another 3.4 percent in 2010, before increasing 5.9 percent in 2011.

During any one fiscal year the County receives income tax distributions pertaining to at least three different tax years. During the period between tax years 2000 and 2010, the total annual tax distributions can be divided into three cycles: 2000-2003 (the dot.com stock market crash and the economic recession of 2001), 2003-2007 (economic expansion), and 2007-2010 (stock market crash and the great recession). During the dot.com stock market crash and 2001 recession, total income tax distributions declined at an average annual rate of 2.6 percent. With the economic expansion underway in 2003, total income tax distributions increased at an average annual rate of 10.1 percent through 2007 - adjusted for the tax rate increase from 2.95 percent to 3.20 percent enacted by the County Council in 2004. With the stock market crash of 2008 and subsequent severe recession, withholdings and estimated payments declined at an average annual rate of 2.2 percent from 2007 to 2010.

In addition to the quarterly distributions that represent withholdings and estimated payments, receipts from October 15th filers and adjustments to prior year distributions by the Maryland Comptroller declined dramatically since the peak of tax year 2005. Since that time, revenues from October 15th filers and distribution adjustments gradually declined from tax year 2005 (\$227.9 million) to tax year 2007 (\$179.1 million). Because of the stock market crash of 2008 and the subsequent severe recession (December 2007 to June 2009), distributions from October 15th filers and distribution adjustments experienced a decline of 86 percent in tax year 2008 and a modest increase in 2009. While those distributions showed modest increases in 2010, they remained below the \$50 million level. However, in 2011, revenues increased sharply to \$144.7 million but below the pre-

recession level. These distributions represent the most volatile component of the income tax, with volatility expected to continue over the near term.

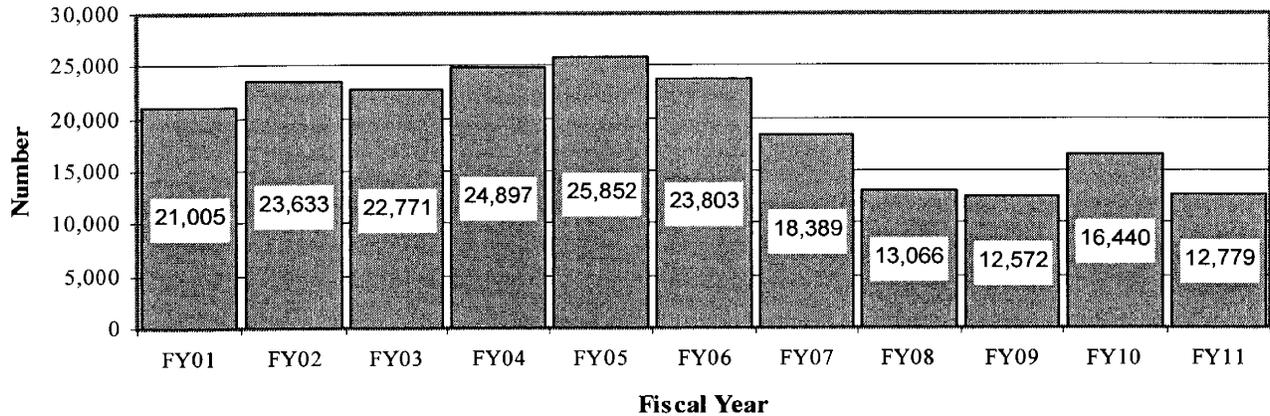


Transfer and Recordation Taxes

Estimated FY13 revenues for the General Fund of \$129.9 million, which *excludes* the school CIP portion, condominium conversions, and the tax premium, are 8.7 percent above the revised FY12 estimate. This reflects an FY13 estimate of \$80.7 million in the transfer tax and \$49.3 million in the recordation tax. Transfer and recordation tax revenues have fluctuated greatly over time and primarily reflect shifting trends in the real estate market. In FY11, 81.2 of transfer tax revenue came from the residential sector compared to 85.5 percent in FY05, 83.6 percent in FY06, 87.1 percent in FY07, 85.7 percent in FY08, 86.6 percent in FY09, and 88.0 percent in FY10. The transfer tax rate is generally one percent of the value of the property transferred to a new owner. This applies to both improved (i.e., building) and unimproved (i.e., land) residential and commercial properties. The recordation tax is levied when changes occur in deeds, mortgages, leases, and other contracts pertaining to the title of either real or personal property. Beginning in FY03, the recordation tax rate was raised from \$4.40 to \$6.90 per \$1,000 of the value of the contract (0.69%) with the first \$50,000 of the consideration exempted from the tax for owner-occupied residential properties. The Council earmarked the revenues attributed to the rate increase for school capital programs and college information technology projects. Generally, both transfer and recordation taxes are levied when properties are sold. In some cases, only one of the two taxes is levied. One example is refinancing of a mortgage, in which case there may be an increase in the mortgage amount and, hence, recordation tax, but since there is no transfer of property, there is no transfer tax. Beginning March 1, 2008, the Council also levied an additional recordation tax (premium) of 0.31 percent on transactions above \$500,000 for the Housing Initiative and CIP for County government.

Residential transfer tax revenues are affected by the trends in real estate sales for existing and new homes. Real estate sales, in turn, are highly correlated with specific economic indicators such as growth in employment and wages and salaries, formation of households, mortgage lending conditions, and mortgage interest rates. The same holds true for the commercial sector, which is equally affected by business activity and investment, office vacancy rates, property values, and financing costs. The volatility in revenues from the transfer and recordation is best illustrated in the trend since FY01.

Number of Residential Transfers Montgomery County



SOURCE: Montgomery County Department of Finance

The growth rate in the number of residential transfers increased 12.5 percent in FY02 (23,633), decreased 3.6 percent in FY03 (22,771), increased 9.3 percent in FY04 (24,897), increased modestly to 3.8 percent in FY05 (25,852), but declined 7.9 percent in FY06 (23,803), declined 22.7 percent in FY07 (18,389), declined 28.9 percent in FY08 (13,066), declined 3.8 percent in FY09 (12,572), increased 30.8 percent in FY10 attributed to the federal first-time homebuyers credit, and decreased 22.8 percent in FY11 (12,779). While the number of residential transfers exhibited significant volatility since FY01, the acceleration in home prices during FY04, FY05, and FY06 had a significant effect on revenues and partially offset the volatility in the number of transfers during this period. However, since the peak in the housing bubble in FY06, transfer tax revenues from residential transactions declined 23.3 percent in FY07, 26.5 percent in FY08, 18.1 percent in FY09, but increased 20.9 percent in FY10 then declined 15.1 percent in FY11.

The decline in transfer taxes between FY07 and FY09 is attributed to both a decline in home sales that began in the summer of 2005 and in the median sales price for existing homes that began the late summer of 2007. Home sales declined 10.6 percent in FY07, 38.3 percent in FY08, increased a modest 4.2 percent in FY09, increased 28.5 percent in FY10, but decreased 17.6 percent in FY11. While sales increased significantly in FY10, which was attributed to the federal first-time homebuyers credit, the average sales price for an existing home declined 5.4 percent in FY10.

At the same time that revenues from the residential portion of the transfer tax experienced significant growth between FY02 and FY06, revenues from non-residential properties experienced a similar pattern during this same period. Beginning in FY02, revenues from non-residential property (excluding farms and rezoning) increased for five consecutive years: 3.0 percent in FY02, 18.6 percent in FY03, 33.9 percent in FY04, in 48.5 percent in FY05, and 13.4 percent in FY06. By contrast, in FY07 revenues from non-residential properties declined 49.2 percent, increased a modest 1.8 percent in FY08, declined 25.7 percent in FY09, but increased 12.9 percent in FY10 and 45.9 percent in FY11.

Recordation tax revenues (excluding the school CIP portion and the tax premium) generally track the trend in transfer tax revenues. Revenues from residential recordation tax revenues increased 6.5 percent in FY04, 21.7 percent in FY05, and 20.1 percent in FY06, before declining 19.4 percent in FY07, 21.1 percent in FY08, 18.3 percent in FY09, increasing 25.3 percent in FY10, and decreasing 18.3 percent in FY11. The estimate for FY13 reflects an increase of 8.7 percent reaching \$49.3 million for the General Fund.

General Fund transfer and recordation tax revenues are projected to grow 8.7 percent in FY13. That year-over-year growth rate is a reduction from a previous estimate and is attributed to a continuing decline in home sales during calendar year 2011 and a recent decline in home prices during the final quarter of calendar year 2011. Both declines reflect a reduction in the number and value of residential real estate transactions.

Energy Tax

Estimated FY13 revenues of \$245.2 million are 0.9 percent above the revised FY12 estimate. The estimated revenues for FY13 are based on the County Executive's recommendation to continue the FY12 rates without a sunset. The fuel-energy tax is imposed on persons transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas. Different rates apply to residential and nonresidential consumption and to the various types of energy. Since the rates per unit of energy consumed are fixed, collections change only with shifts in energy consumption and not with changes in the price of the energy product. Based on partial fiscal year data for FY12, Finance assumes that share of receipts from residential users is approximately 34.6 percent of total collections, with the larger share received from the non-residential sector (65.4%). Measured for all energy types, the two largest sources based on partial fiscal year data for FY12 have been electricity (83.6%) and natural gas (15.4%). .

Telephone Tax

Estimated FY13 revenues of \$48.7 million are 2.6 percent above the revised FY12 estimate. The telephone tax is levied as a fixed amount per landline, wireless communications, and other communication devices. The tax on a traditional landline is \$2.00 per month, while multiple business lines (Centrex) are taxed at \$0.20 per month. The tax rate on wireless communications was \$2.00 per month prior to FY11. Effective FY11, the County Council increased the rate schedule for wireless communications from \$2.00 per month to \$3.50 per month. Revenues from this tax are driven primarily by the expansion of wireless communications such as cell phone usage. In contrast, the number of land lines continues to decline. As a result, revenues from land lines are estimated to fall 3.7 percent while revenues from wireless communications are estimated to grow 3.5 percent in FY13.

Hotel/Motel Tax

Estimated FY13 revenues of \$19.1 million are 2.4 percent above the revised FY12 estimate. The hotel/motel tax is levied as a percentage of the hotel bill. The current tax rate of 7 percent in FY12 is also assumed for FY13. Collections grow with the costs of hotel rooms and the combined effect of room supply and hotel occupancy rate in the County. Occupancy rates in the County are generally the highest in the spring (April and May) and autumn (September and October) as tourists and schools visit the nation's capital for such events as the Cherry Blossom Festival and school trips, while organizations often schedule conferences during such periods. During peak periods, many visitors to Washington, D.C. use hotels in the County, especially those in the lower county.

Admissions Tax

Estimated FY13 revenues of \$2.5 million are 3.6 percent above the revised FY12 estimate. Admissions and amusement taxes are State-administered local taxes on the gross receipts of various categories of amusement, recreation, and sports activities. Taxpayers are required to file a return and pay the tax monthly while the County receives quarterly distributions of the receipts from the State. Montgomery County levies a seven percent tax, except for categories subject to State sales and use tax, where the County rate would be lower. Such categories include rentals of athletic equipment, boats, golf carts, skates, skis, horses; and sales related to entertainment. Gross receipts are exempt from the County tax when a Municipal admissions and amusement tax is in effect. For FY11, coin and non-coin-operated amusement devices accounted for 23.8 percent of total collections, while other major categories include golf green fees, driving ranges and golf cart rentals (19.9%), and motion picture theaters (23.0%).

NON-TAX REVENUES

Non-tax revenues throughout all tax supported funds (excluding Enterprise Funds, such as Permitting Services, Parking Districts, Solid Waste Disposal, and Solid Waste Collection Funds) are estimated at \$876.7 million in FY13. This is a \$37.5 million increase, or ↑4.5 percent, from the revised FY12 estimate, primarily attributed to an increase in General Intergovernmental Revenues (↑4.6%). Non-tax revenues include: intergovernmental aid; investment income; licenses and permits; user fees, fines, and forfeitures; and miscellaneous revenues.

General Intergovernmental Revenues

General Intergovernmental Revenues are received from the State or Federal governments as general aid for certain purposes, not tied, like grants, to particular expenditures. The majority of this money comes from the State based on particular formulas set in law. Total aid is specified in the Governor's annual budget. Since the final results are not known until the General Assembly session is completed and the State budget adopted, estimates in the March 15 County Executive Recommended Public Services Program are generally based on the Governor's budget estimates for FY13, unless those estimates assume a change in existing law. If additional information on the State budget is available to the County Executive, this information will be incorporated into the budgeted projection of State aid. For future years, it is difficult to know confidently how State

aid policy may be implemented; therefore, the projection assumes State aid will remain flat. The Recommended Budget for FY13 assumes a \$30.7 million, or 4.6 percent, increase in Intergovernmental Revenues from the revised FY12 estimate, of which 84.9 percent is allocated to the Montgomery County Public Schools, 4.4 percent to Montgomery Community College, and 3.3 percent to Mass Transit. Total Intergovernmental Aid is estimated to total \$692.9 million in FY13 or 79.0 percent of all non-tax revenues.

Licenses and Permits

Licenses and permits include General Fund business licenses (primarily public health, traders, and liquor licenses) and non-business licenses (primarily marriage licenses and Clerk of the Court business licenses). Licenses and permits in the Permitting Services Enterprise Fund, which include building, electrical, and sediment control permits, are Enterprise Funds and thus not included in tax supported projections. The Recommended Budget for FY13 assumes a decrease (↓5.1%) over the revised projections for FY12, resulting in \$11.3 million in available resources in FY13.

Charges for Services (User Fees)

Excluding intergovernmental revenues to Montgomery County Public Schools, Montgomery College, and college tuition, charges for services, or user fees, is the largest non-tax revenue source such as activity fees, Ride On fares, and parking revenues are considered. Tax supported fee revenues come primarily from fees imposed on the recipients of certain County services including mass transit, human services, use of facilities, and recreation services and are included in the tax supported funds. The Recommended Budget for FY13 assumes 0.2 percent growth over the revised projections for FY12, resulting in \$52.6 million in available resources in FY13.

Fines and Forfeitures

Revenues from fines and forfeitures relate primarily to photo red light citations, speed camera citations, and library and parking fines (excluding the County's four Parking Districts). The Recommended Budget for FY13 assumes that fines and forfeitures will increase 19.8 percent over the revised estimates for FY12, resulting in \$23.1 million in available resources in FY13. The main contributor to the increase is from a projected 29.2 percent increase in speed camera citation revenue, which is the largest category representing a 67.2 percent share of fines and forfeitures.

College Tuition

Although College tuition is no longer included in the County Council Spending Affordability Guideline Limits (SAG), it remains in the tax supported College Current Fund. Calculation of the aggregate operating budget is under the SAG Limits. Tuition revenue depends on the number of registered students and the tuition rate. The Recommended Budget for FY13 assumes an increase of 4.7 percent over the revised projections for FY12 resulting in \$87.1 million in available resources in FY13.

Investment Income

Investment income includes the County's pooled investment and non-pooled investment and interest income of other County agencies and funds. The County operates an investment pool directed by an investment manager who invests all County funds using an approved, prudent investment policy. The pool includes funds from tax supported funds as well as from Enterprise Funds, municipal taxing districts, and other governmental agencies. Two major factors determine pooled investment income: (1) the average daily investment balance which is affected by the level of revenues and expenditures, fund balances, and the timing of bond and commercial paper issues; and (2) the average yield percentage which reflects short-term interest rates and may vary considerably during the year.

The revised FY12 estimate of tax-supported investment income of \$214,205 assumes a yield on equity of 0.15 percent and an average daily balance of \$260.0 million. The FY13 projected estimate of tax-supported investment income of \$477,250 assumes a yield on equity of 0.25 percent and a slightly higher average daily balance of \$270.7 million. Using current revenue projections, the daily cash balance is expected to increase to \$281.9 million in FY14 and continue to increase over the following four fiscal years to \$331.4 million by FY18. Yields have fluctuated significantly over time due to changes in the targeted federal funds rate set by the Federal Open Market Committee (FOMC) of the Federal Reserve System. Since August 2007, the FOMC has reduced the target rate for federal funds from 5.25 percent to a range of 0.00-0.25 percent in December 2008 and is expected to remain at that range through the first half of calendar year 2014. The revisions to the FY12 estimate for tax-supported investment income was revised downward to incorporate the significant decline in the average daily balance while the federal funds futures market expects no rate adjustments until the latter part of calendar year 2014.

Other Miscellaneous

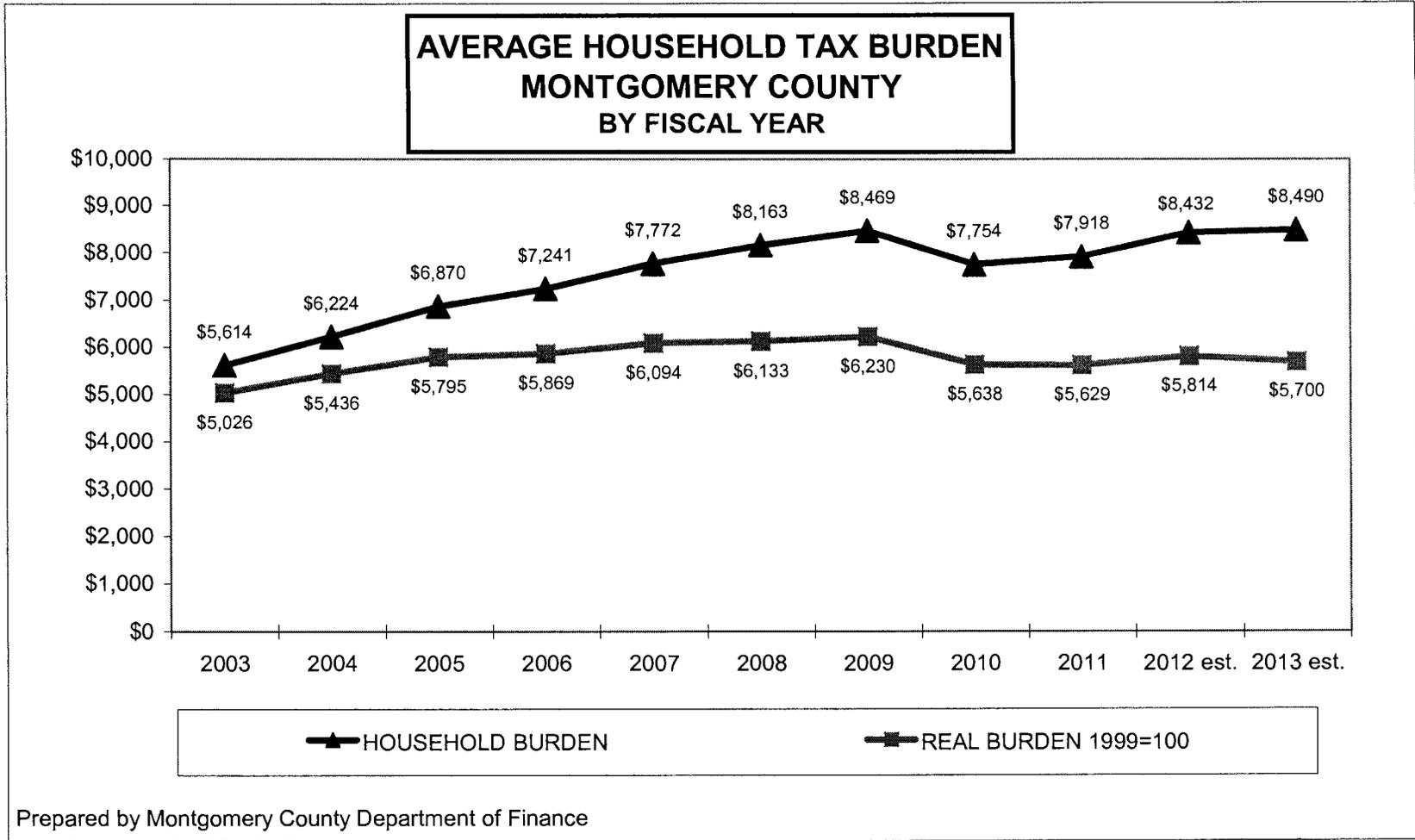
The County receives miscellaneous income from a variety of sources, the largest of which are rental income for the use of County property, and operating revenue from the Conference Center. These two categories make up 60.9 percent of the total \$9.4 million projected for FY13.

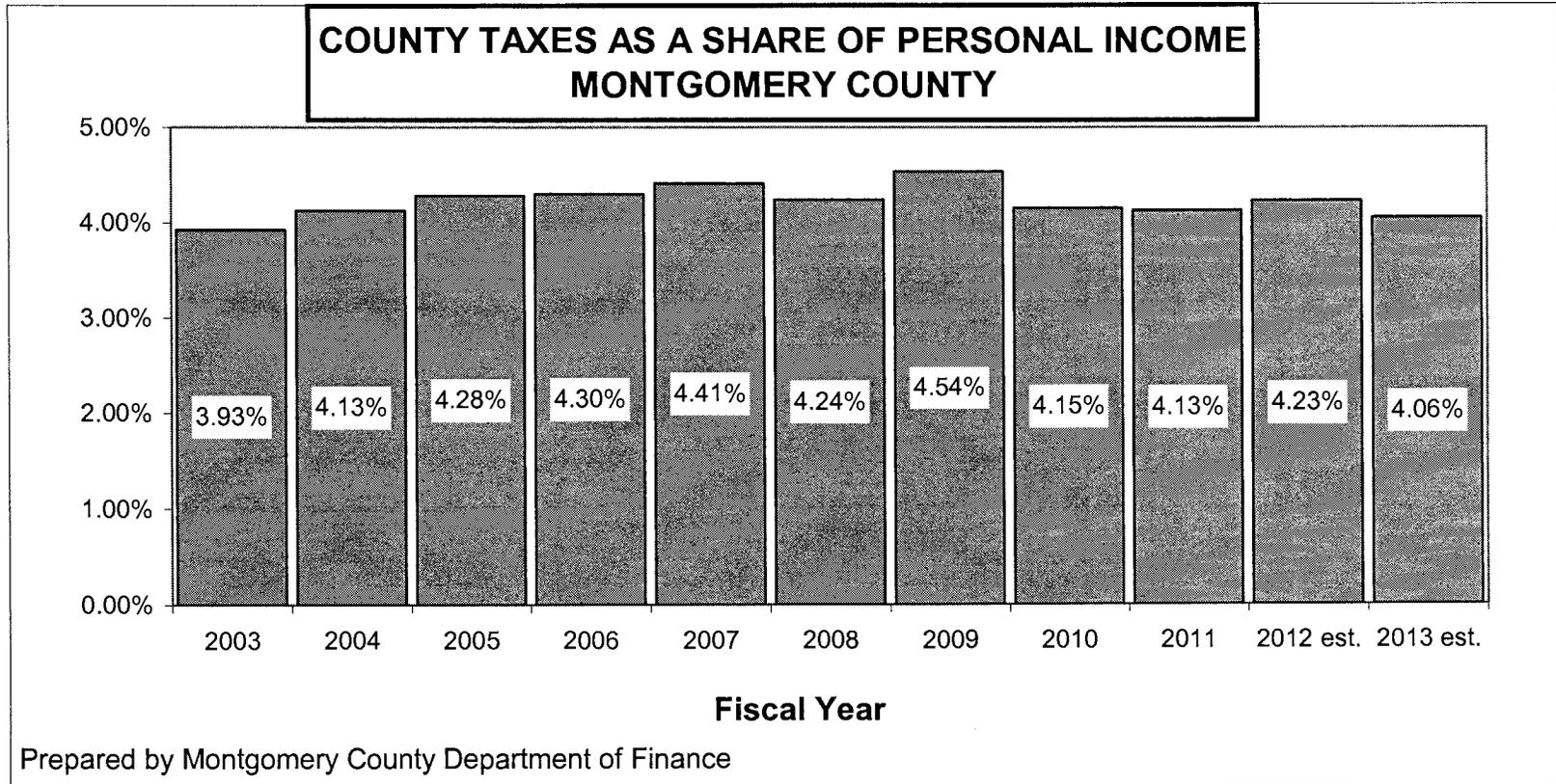
TRENDS AND PROJECTIONS								
DEMOGRAPHIC AND PLANNING INDICATORS	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
POPULATION	980,620	989,540	998,540	1,007,620	1,017,000	1,026,380	1,035,850	1,045,400
Annual Increase	16,520	8,920	9,000	9,080	9,380	9,380	9,470	9,550
Population Growth Since 2003	7.2%	8.1%	9.1%	10.1%	11.1%	12.2%	13.2%	14.2%
County Resident Births (Prior Calendar Year)	13,400	13,530	13,650	13,750	13,850	13,950	14,030	14,120
HOUSEHOLDS	360,960	364,880	368,840	372,840	377,000	381,090	385,220	389,400
Household Annual Growth (%)	0.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Household Growth Since 2003	5.8%	6.9%	8.1%	9.2%	10.5%	11.7%	12.9%	14.1%
Household Growth Since 1992	24.0%	25.3%	26.7%	28.0%	29.5%	30.9%	32.3%	33.7%
Household Size	2.72	2.71	2.71	2.70	2.70	2.69	2.69	2.68
RESIDENT EMPLOYMENT (Jan = Calendar Year)	489,666	494,250	500,630	508,770	521,420	532,760	539,110	542,760
Resident Employment Annual Growth (%)	1.3%	0.9%	1.3%	1.6%	2.5%	2.2%	1.2%	0.7%
Resident Employment Growth Since 2003	1.8%	2.8%	4.1%	5.8%	8.4%	10.8%	12.1%	12.9%
Resident Employment Per Household	1.36	1.35	1.36	1.36	1.38	1.40	1.40	1.39
Jobs in County	512,800	519,600	526,400	533,200	540,000	549,000	558,000	567,000
PERSONAL INCOME (\$ Millions)	\$69,430	\$72,550	\$76,100	\$80,110	\$84,290	\$88,170	\$91,180	\$93,980
Per Capita Personal Income	\$70,800	\$73,320	\$76,210	\$79,500	\$82,880	\$85,900	\$88,020	\$89,900
Annual Growth (%)	2.3%	3.6%	3.9%	4.3%	4.3%	3.6%	2.5%	2.1%
CONSUMER PRICE INDEX (CPI) - Fiscal Year	2.28%	3.10%	2.70%	2.90%	2.85%	2.65%	2.65%	2.70%
Inflation Growth (Fiscal Year) Since 2003 (%)	-18.6%	10.7%	-3.6%	3.6%	1.8%	-5.4%	-5.4%	-3.6%
CONSUMER PRICE INDEX (CPI) - Calendar Year (%)	3.38%	2.60%	2.80%	3.00%	2.70%	2.60%	2.70%	2.70%
ASSESSABLE TAX BASE (\$ Millions)	\$171,647	\$165,686	\$160,958	\$164,259	\$167,659	\$174,883	\$184,705	\$196,386
Annual Growth (%)	0.2%	-3.5%	-2.9%	2.1%	2.1%	4.3%	5.6%	6.3%
Growth of Base Since 1992 (%)	186.9%	177.0%	169.1%	174.6%	180.3%	192.3%	208.8%	228.3%
Growth of Base Since 2003 (%)	98.1%	91.2%	85.8%	89.6%	93.5%	101.9%	113.2%	126.7%
INVESTMENT INCOME YIELD (%)	0.10%	0.15%	0.25%	0.35%	0.85%	1.60%	2.35%	2.85%
MCPS ENROLLMENT (Sept = Calendar Year)	144,064	146,497	148,958	150,681	151,966	153,122	154,495	156,020
Annual Growth (%)	1.6%	1.7%	1.7%	1.2%	0.9%	0.8%	0.9%	1.0%
Annual Increase (Decrease)	2,287	2,433	2,461	1,723	1,285	1,156	1,373	1,525
MONTGOMERY COLLEGE ENROLLMENTS (a)	26,013	26,996	27,348	27,640	27,953	28,145	28,151	28,151
Annual Growth (%)	-0.50%	3.78%	1.30%	1.07%	1.1%	0.7%	0.02%	0.00%
Full Time Equivalents (Sept = Calendar Year) (a)	21,995	22,348	22,706	23,011	23,334	23,554	23,628	23,628
Annual Growth in FTEs (%)	0.59%	1.60%	1.60%	1.34%	1.40%	0.94%	0.31%	0.00%

(a) Projections related to Montgomery College Enrollments and Full Time Equivalents are provided by Montgomery College and only include projections thru FY17. Since no projections are provided for FY18, the projections for FY17 were used for FY18.

FY13 FEE AND FINE CHANGES*			
DEPARTMENT/FEE AND FINE	FY13 REVENUE CHANGE	METHOD OF CHANGE	NOTE
MONTGOMERY COLLEGE			
Tuition and Related Fees	3,124,000	Board of Trustees Action	Increase per semester hour rate from \$110 to \$112 for County residents, \$225 to \$229 for State residents, and \$308 to \$314 for non-residents.
ENVIRONMENTAL PROTECTION			
Water Quality Protection Charge	5,473,846	Council Resolution	Increase charge from \$70.50 to \$92.60 per equivalent residential unit (ERU) to cover increased expenditures in the Water Quality Protection Fund.
TRANSIT SERVICES			
Ride On Monthly Pass	107,890	Council Resolution	Increase monthly pass from \$40 to \$45.
Ride On Fares	491,000	Council Resolution	Increase base cash fare from \$1.70 to \$2.00; increase Smartrip fare from \$1.50 to \$1.60
DEPARTMENT OF TRANSPORTATION			
Parking Fees - Bethesda	569,500	Council Resolution	Raise Long-Term Parking Fee from \$0.75 Per Hour to \$0.85 Per Hour
Parking Fees - Bethesda	736,000	Council Resolution	Charge on Saturday in Lots and Garages
Parking Fees - Silver Spring	354,350	Council Resolution	Raise Long-Term Parking Fee from \$0.60 Per Hour to \$0.70 Per Hour
Parking Fees - Silver Spring	828,160	Council Resolution	Charge on Saturday in Lots, Garages, and On Street
Parking Fees - Wheaton	271,500	Council Resolution	Expand Enforcement hours to include 6pm-10pm Monday Through Saturday in Lots and On Street
SOLID WASTE SERVICES			
Solid Waste Collection Fee	-337,440	Council Resolution	Decrease single family charge per household from \$70 to \$66
GRAND TOTAL	11,618,806		

* All changes are assumed to be effective July 1, 2012 except as noted.
Revenues above do not include implementation costs.





REVENUE SUMMARY
TAX SUPPORTED BUDGETS
(\$ Millions)

A KEY REVENUE CATEGORIES	B App. FY12	C Estimate FY12	D		F Projected FY13	G % Chg. FY13-14	H Projected FY14	I % Chg. FY14-15	J Projected FY15	K % Chg. FY15-16	L Projected FY16	M % Chg. FY16-17	N Projected FY17	O % Chg. FY17-18	P Projected FY18
			Rec/Bud FY12-13	Rec/Est FY12-13											
TAXES															
1 Property Tax (less PDs)	1,462.2	1,437.0	0.0%	1.8%	1,462.2	3.0%	1,505.8	3.1%	1,553.2	3.5%	1,608.2	3.5%	1,664.5	3.1%	1,715.4
2 Income Tax	1,117.2	1,227.1	11.2%	1.3%	1,242.9	2.9%	1,278.9	6.7%	1,364.4	4.7%	1,428.8	3.6%	1,480.0	4.2%	1,541.5
3 Transfer Tax	83.3	74.2	-3.2%	8.7%	80.7	9.2%	88.1	5.8%	93.2	6.9%	99.6	7.3%	106.9	5.7%	113.0
4 Recordation Tax	51.9	45.3	-4.9%	8.7%	49.3	6.4%	52.4	5.3%	55.2	8.3%	59.8	7.6%	64.4	5.4%	67.8
4a Recordation Tax Premium	8.3	4.3	-100.0%	-100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
4b Recordation Tax CIP	0.0	0.0	0.0%	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
5 Energy Tax	251.2	243.1	-2.4%	0.9%	245.2	1.3%	248.5	2.4%	254.4	1.8%	259.0	0.9%	261.3	0.6%	262.7
6 Telephone Tax	51.5	47.5	-5.4%	2.6%	48.7	1.4%	49.4	1.7%	50.2	1.7%	51.1	1.8%	52.0	1.9%	53.0
7 Hotel/Motel Tax	20.0	18.6	-4.6%	2.4%	19.1	2.7%	19.6	2.0%	20.0	1.3%	20.2	1.6%	20.5	1.6%	20.9
8 Admissions Tax	2.6	2.4	-3.1%	3.6%	2.5	3.8%	2.6	3.8%	2.7	3.6%	2.8	3.6%	2.9	3.6%	3.0
9 Total Local Taxes	3,048.3	3,099.6	3.4%	1.6%	3,150.6	3.0%	3,245.2	4.6%	3,393.3	4.0%	3,529.5	3.5%	3,652.4	3.4%	3,777.2
INTERGOVERNMENTAL AID															
10 Highway User	1.8	1.8	86.7%	85.1%	3.3	0.0%	3.3	0.0%	3.3	0.0%	3.3	0.0%	3.3	0.0%	3.3
11 Police Protection	8.2	8.7	5.9%	0.0%	8.7	0.0%	8.7	0.0%	8.7	0.0%	8.7	0.0%	8.7	0.0%	8.7
12 Libraries	5.5	5.8	-3.5%	-8.0%	5.3	0.0%	5.3	0.0%	5.3	0.0%	5.3	0.0%	5.3	0.0%	5.3
13 Health Services Case Formula	3.6	3.6	0.0%	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6
14 Mass Transit	22.8	22.8	0.0%	0.0%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8
15 Public Schools	559.8	559.5	5.1%	5.1%	588.3	0.0%	588.3	0.0%	588.3	0.0%	588.3	0.0%	588.3	0.0%	588.3
16 Community College	29.8	29.8	1.4%	1.4%	30.2	0.0%	30.2	0.0%	30.2	0.0%	30.2	0.0%	30.2	0.0%	30.2
17 Direct Reimbursements	14.3	0.0	-100.0%	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
18 Other	11.2	30.2	172.3%	1.4%	30.6	0.0%	30.6	0.0%	30.6	0.0%	30.6	0.0%	30.6	0.0%	30.6
19 Subtotal State Aid	657.1	662.2	5.5%	4.6%	692.9	0.0%	692.9	0.0%	692.9	0.0%	692.9	0.0%	692.9	0.0%	692.9
20 Federal Aid	8.0	0.0	-100.0%	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
21 Total Intergovernmental Aid	665.0	662.2	4.2%	4.6%	692.9	0.0%	692.9	0.0%	692.9	0.0%	692.9	0.0%	692.9	0.0%	692.9
FEES AND FINES															
22 Licenses & Permits	11.8	11.9	-4.6%	-5.1%	11.3	1.5%	11.4	1.5%	11.6	1.5%	11.8	1.5%	11.9	1.5%	12.1
23 Charges for Services	49.2	52.4	6.9%	0.2%	52.6	2.3%	53.8	2.3%	55.0	2.1%	56.2	2.1%	57.4	2.1%	58.6
24 Fines & Forfeitures	19.8	19.3	16.4%	19.8%	23.1	1.6%	23.4	1.6%	23.8	1.6%	24.2	1.6%	24.6	1.6%	25.0
25 Montgomery College Tuition	82.0	83.2	6.2%	4.7%	87.1	2.3%	89.1	2.3%	91.1	2.1%	93.1	2.1%	95.1	2.1%	97.1
26 Total Fees and Fines	162.8	166.7	6.9%	4.3%	173.9	2.2%	177.7	2.1%	181.5	2.0%	185.2	2.0%	188.9	2.0%	192.8
MISCELLANEOUS															
27 Investment Income	1.6	0.2	-70.3%	122.8%	0.5	33.6%	0.6	94.0%	1.2	134.2%	2.9	55.8%	4.5	26.3%	5.7
28 Other Miscellaneous	14.4	10.0	-35.0%	-6.3%	9.4	2.9%	9.6	2.9%	9.9	2.7%	10.2	2.7%	10.5	2.7%	10.7
29 Total Miscellaneous	16.0	10.2	-38.5%	-3.6%	9.9	4.4%	10.3	8.5%	11.2	17.2%	13.1	14.4%	15.0	9.8%	16.4
30 TOTAL REVENUES	3,892.1	3,938.7	3.5%	2.2%	4,027.2	2.5%	4,126.1	3.7%	4,278.8	3.3%	4,420.7	2.9%	4,549.2	2.9%	4,679.3
31 \$ Change from prior Budget	112.9				135.1		98.9		152.7		141.8		128.5		130.1
Calculation for Adjusted Governmental Revenues															
32 Total Tax Supported Revenues	3,892.1	3,938.7	3.5%	2.2%	4,027.2	2.5%	4,126.1	3.7%	4,278.8	3.3%	4,420.7	2.9%	4,549.2	2.9%	4,679.3
33 Capital Projects Fund	45.6	60.3	43.7%	8.5%	65.5	52.1%	99.6	2.3%	101.9	-11.8%	89.9	1.1%	90.8	-11.0%	80.8
34 Grants	108.9	108.9	-1.7%	-1.7%	107.0	2.9%	110.1	2.9%	113.3	2.7%	116.3	2.7%	119.4	2.7%	122.6
35 MCG Adjusted Revenues*	4,046.6	4,108.0	3.8%	2.2%	4,199.7	3.2%	4,335.9	3.6%	4,494.0	3.0%	4,626.8	2.9%	4,759.4	2.6%	4,882.7

County Executive's Recommended FY13-18 Public Services Program Tax Supported Fiscal Plan Summary

(\$ in Millions)														
	App. FY12	Estimate FY12	% Chg. FY12-13 Rec/Bud	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
Total Revenues	5-26-11			3-15-12										
1 Property Tax (less PDs)	1,462.2	1,437.0	0.0%	1,462.2	3.0%	1,505.8	3.1%	1,553.2	3.5%	1,608.2	3.5%	1,664.5	3.1%	1,715.4
2 Income Tax	1,117.2	1,227.1	11.2%	1,242.9	2.9%	1,278.9	6.7%	1,364.4	4.7%	1,428.8	3.6%	1,480.0	4.2%	1,541.5
3 Transfer/Recardation Tax	143.5	123.9	-9.5%	129.9	8.1%	140.5	5.6%	148.4	7.4%	159.4	7.4%	171.2	5.6%	180.8
4 Investment Income	1.6	0.2	-70.3%	0.5	33.6%	0.6	94.0%	1.2	134.2%	2.9	55.8%	4.5	26.3%	5.7
5 Other Taxes	325.3	311.6	-3.0%	315.5	1.4%	320.1	2.3%	327.3	1.8%	333.1	1.1%	336.7	0.8%	339.6
6 Other Revenues	842.2	838.9	4.0%	876.2	0.5%	880.3	0.5%	884.3	0.4%	888.3	0.5%	892.3	0.5%	896.4
7 Total Revenues	3,892.1	3,938.7	3.5%	4,027.2	2.5%	4,126.1	3.7%	4,278.8	3.3%	4,420.7	2.9%	4,549.2	2.9%	4,679.3
8														
9 Net Transfers In (Out)	41.3	35.9	-27.6%	29.9	2.9%	30.7	2.8%	31.6	2.6%	32.5	2.7%	33.3	2.7%	34.2
10 Total Revenues and Transfers Available	3,933.4	3,974.6	3.1%	4,057.1	2.5%	4,156.9	3.7%	4,310.5	3.3%	4,453.1	2.9%	4,582.5	2.9%	4,713.5
11														
12 Non-Operating Budget Use of Revenues														
13 Debt Service	296.2	279.0	2.5%	303.5	6.8%	324.3	9.6%	355.3	5.4%	374.6	4.1%	389.8	0.0%	389.8
14 PAYGO	31.0	31.0	-4.8%	29.5	0.0%	29.5	0.0%	29.5	0.0%	29.5	0.0%	29.5	0.0%	29.5
15 CIP Current Revenue	35.0	35.0	52.8%	53.5	51.4%	81.0	-26.5%	59.5	-2.7%	58.0	-1.8%	56.9	16.2%	66.1
16 Change in Montgomery College Reserves	(9.0)	(4.0)	46.4%	(4.8)	102.3%	0.1	1.4%	0.1	-4.6%	0.1	2.1%	0.1	2.1%	0.1
17 Change in MNCPPC Reserves	(1.5)	(2.5)	37.1%	(1.0)	99.9%	(0.0)	9543.7%	0.1	14.1%	0.1	0.4%	0.1	35.5%	0.2
18 Change in MCPS Reserves	(17.0)	7.4	0.0%	(17.0)	22.1%	(13.3)	100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0
19 Change in MCG Special Fund Reserves	22.8	1.4	-24.3%	17.3	-100.0%	0.0	532.7%	0.0	18.5%	0.0	-9.7%	0.0	-10.8%	0.0
20 Contribution to General Fund Undesignated Reserves	66.4	90.6	-122.8%	(15.1)	106.1%	0.9	527.6%	5.8	18.5%	6.8	-9.7%	6.2	-10.8%	5.5
21 Contribution to Revenue Stabilization Reserves	20.4	45.1	3.0%	21.0	3.3%	21.7	4.1%	22.6	3.7%	23.5	3.6%	24.3	3.1%	25.1
22 Retiree Health Insurance Pre-Funding	49.6	49.6	123.1%	110.7	28.9%	142.8	20.4%	171.9	0.0%	171.9	0.0%	171.9	0.0%	171.9
23 Set Aside for other uses (supplemental appropriations)	0.2	10.2	-67.2%	0.1	30441.4%	20.1	0.0%	20.1	0.0%	20.1	0.0%	20.1	0.0%	20.1
24 Total Other Uses of Resources	494.3	542.9	0.7%	497.8	22.0%	607.2	9.5%	665.0	2.9%	684.6	2.1%	698.9	1.3%	708.3
25 Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)	3,439.1	3,431.7	3.5%	3,559.3	-0.3%	3,549.7	2.7%	3,645.5	3.4%	3,768.6	3.1%	3,883.6	3.1%	4,005.2
26														
27 Agency Uses														
28														
29 Montgomery County Public Schools (MCPS)	1,950.9	1,926.8	2.6%	2,001.6	-0.3%	1,996.2	2.7%	2,050.1	3.4%	2,119.3	3.1%	2,184.0	3.1%	2,252.4
30 Montgomery College (MC)	218.0	214.6	0.2%	218.4	-0.3%	217.8	2.7%	223.7	3.4%	231.2	3.1%	238.3	3.1%	245.7
31 MNCPPC (w/o Debt Service)	94.3	94.3	4.7%	98.8	-0.3%	98.6	2.7%	101.2	3.4%	104.6	3.1%	107.8	3.1%	111.2
32 MCG	1,175.8	1,196.0	5.5%	1,240.5	-0.3%	1,237.1	2.7%	1,270.5	3.4%	1,313.4	3.1%	1,353.5	3.1%	1,395.9
33 Agency Uses	3,439.1	3,431.7	3.5%	3,559.3	-0.3%	3,549.7	2.7%	3,645.5	3.4%	3,768.6	3.1%	3,883.6	3.1%	4,005.2
34 Total Uses	3,933.4	3,974.6	3.1%	4,057.1	2.5%	4,156.9	3.7%	4,310.5	3.3%	4,453.1	2.9%	4,582.5	2.9%	4,713.5
35 (Gap)/Available	0.0	0.0		0.0		0.0		0.0		0.0		0.0		0.0

Assumptions:

1. Property tax revenue is \$21.5 million below the Charter Limit and kept the same as the FY12 approved budget. Assumes \$692 income tax offset credit.
2. May 2010 Energy Tax increase is retained.
3. Reserve contributions at the policy level and consistent with legal requirements.
4. PAYGO, Debt Service, and Current Revenue updated to reflect the FY13 recommended CIP and current revenue amendments.
5. Retiree health insurance pre-funding is increased up to full funding by FY15, and then kept level beyond FY15. FY13 is year 6 of 8-year funding schedule.

County Executive's Recommended FY13-18 Public Services Program Tax Supported Fiscal Plan Summary

(\$ in Millions)														
	App. FY12	Est FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
36 Beginning Reserves														
37 Unrestricted General Fund	66.9	64.0	131.2%	154.7	-9.8%	139.5	0.7%	140.4	4.1%	146.2	4.7%	153.0	4.0%	159.1
38 Revenue Stabilization Fund	94.5	94.5	47.7%	139.6	15.1%	160.6	13.5%	182.4	12.4%	205.0	11.5%	228.5	10.6%	252.9
39 Total Reserves	161.4	158.6	82.3%	294.2	2.0%	300.2	7.6%	322.8	8.8%	351.2	8.6%	381.5	8.0%	412.0
40														
41 Additions to Reserves														
42 Unrestricted General Fund	66.4	90.6	-122.8%	-15.1	106.1%	0.9	527.6%	5.8	18.5%	6.8	-9.7%	6.2	-10.8%	5.5
43 Revenue Stabilization Fund	20.0	45.1	5.4%	21.0	3.3%	21.7	4.1%	22.6	3.7%	23.5	3.6%	24.3	3.1%	25.1
44 Total Change in Reserves	86.4	135.7	-93.2%	5.9	283.5%	22.7	25.3%	28.4	6.7%	30.3	0.6%	30.5	0.3%	30.6
45														
46 Ending Reserves														
47 Unrestricted General Fund	133.3	154.7	4.6%	139.5	0.7%	140.4	4.1%	146.2	4.7%	153.0	4.0%	159.1	3.4%	164.6
48 Revenue Stabilization Fund	114.5	139.6	40.3%	160.6	13.5%	182.4	12.4%	205.0	11.5%	228.5	10.6%	252.9	9.9%	278.0
49 Total Reserves	247.8	294.2	21.1%	300.2	7.6%	322.8	8.8%	351.2	8.6%	381.5	8.0%	412.0	7.4%	442.6
50 Reserves as a % of Adjusted Governmental Revenues	6.1%	7.2%		7.1%		7.4%		7.8%		8.2%		8.7%		9.1%
51 Other Reserves														
52 Montgomery College	7.0	11.2	-7.6%	6.4	1.7%	6.5	1.7%	6.6	1.6%	6.7	1.6%	6.9	1.6%	7.0
53 M-NCPPC	3.7	4.8	3.3%	3.9	0.0%	3.9	3.2%	4.0	3.6%	4.1	3.5%	4.3	4.5%	4.5
54 MCPs	0.0	30.3	n/a	13.3	-100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
55 MCG Special Funds	2.6	(16.5)	-67.6%	0.8	0.7%	0.8	4.1%	0.9	4.7%	0.9	4.0%	0.9	3.4%	1.0
56 MCG + Agency Reserves as a % of Adjusted Govt Revenues	6.5%	7.9%		7.7%		7.7%		8.1%		8.5%		8.9%		9.3%
57 Retiree Health Insurance Pre-Funding														
58 Montgomery County Public Schools (MCPS)	20.0	20.0		61.9		80.3		101.6		100.9		99.7		99.7
59 Montgomery College (MC)	1.0	1.0		1.9		2.4		3.1		3.0		2.8		2.8
60 MNCPPC	2.6	2.6		3.4		6.3		7.7		7.4		7.2		7.2
61 MCG	26.1	26.1		43.6		53.8		59.5		60.6		62.2		62.2
62 Subtotal Retiree Health Insurance Pre-Funding	49.6	49.6		110.7		142.8		171.9		171.9		171.9		171.9
63 Adjusted Governmental Revenues														
64 Total Tax Supported Revenues	3,892.1	3,938.7	3.5%	4,027.2	2.5%	4,126.1	3.7%	4,278.8	3.3%	4,420.7	2.9%	4,549.2	2.9%	4,679.3