How To Fund The Budget

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 FY08 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 7a estimates, as prepared by M-NCPPC, and are based on fiscal and economic data and analyses used or prepared by the Department of Finance.

- County population, which was 953,000 in 2006, will continue to increase an average of 10,150 persons each year throughout the next seven years reaching over one million by 2010. This reflects an average annual growth rate of 1.2 percent, which is below the average annual growth rate of 1.6 percent during the late 1990s.
- There were an estimated 351,000 households in the County in 2006. Household growth throughout the next seven years is now projected to range between 4,000 to 5,000 units each year, which translates into a growth rate of 1.2 percent annually. As a result, current projections estimate 370,00 households by the year 2010 and 382,000 by 2013.
- The County's senior population continues to grow with an estimated 104,272 persons 65 or older living here in 2005 and projected to increase to 131,620 by 2015.
- County births, which are one indicator of future elementary school populations and child day care demand, are now projected to gradually increase, from an estimated 13,640 in 2007 to 14,590 by 2013.
- Montgomery County Public School enrollments are projected to increase modestly over the next six years. The County expects an enrollment increase of 1,893 students from FY08 to FY13.
- Montgomery College enrollments are projected to increase from 23,390 in September 2007 to 24,029 in September 2011 (FY12). 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.

The scenario is based on demographic assumptions resulting from COG Round 7a estimates as projected by M-NCPPC. A *Trends and Projections* chart located at the end of this chapter provides several demographic and planning indicators.

Policy Assumptions

Revenue and resource estimates presented are the result of the recommended policies of the County Executive for the FY08 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 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 employment, retail sales, housing sales, residential and nonresidential construction, inflation, and consumer confidence. The assumptions for each of those indicators will affect the revenue projections over the six-year horizon. Because of the large presence

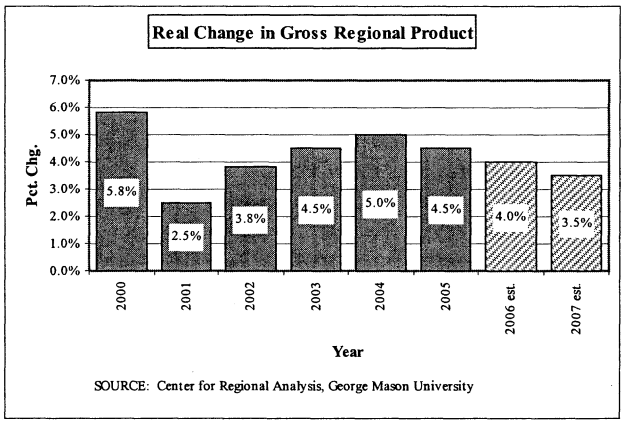
of the federal government, in terms of employment, procurement, and federal retirees, Montgomery County's economy does not experience the volatility that is experienced nationally.

The economic projections for the next six fiscal years assume a slow but sustainable growth rate. However, such projections are dependent on a number of factors – fiscal and monetary policy, consumer and business confidence, the stock market, mortgage interest rates, and geopolitical risks, especially international terrorism.

The national economy experienced sustainable growth during calendar year 2006. For the year, real gross domestic product (GDP) grew 3.4 percent with much of the growth attributable to consumer spending, business investment in equipment and software, and non-residential construction. Moreover, economic growth decelerated after the first quarter of 2006 to just 2.0 percent. Prospects for economic growth are projected to decelerate in 2007 with real GDP expected to increase 2.8 percent — slightly below the latest five-year recovery and expansion period (2.9 percent). That growth rate will depend in large measure on whether the consumer increases spending and business investment continues to expand, which will help offset the estimated decline of 12.3 percent in residential construction. Total national payroll employment is projected to increase 1.3 percent year-over-year or an average monthly increase of 135,100 new jobs. Inflation is expected to be below the 3 percent level in 2007 with the long-term average of the overall inflation rate at 2.4 percent between calendar years 2007 through 2011.

According to data from the Center for Regional Analysis, George Mason University, the gross regional product (GRP) for the Washington Metropolitan area grew 4.5 percent in 2005, is expected to have grown 4.0 percent in 2006, and increase 3.5 percent in 2007. The Washington Coincident Index, which represents the current state of the region's economy, increased less than 1.0 percent in 2006 (through November). The Washington Leading Index, which estimates the performance of the regional economy six to eight months ahead, decreased nearly 1.0 percent in 2006 (through November). Both regional indices suggest that the local economy is experiencing a slowdown as suggested by the decline in the GRP from 4.5 percent in 2005 to 3.5 percent in 2007.

While the regional economy may be slowing down, the Washington region has experienced remarkable job growth. Between 2004 and 2006, the region's economy added an average of 70,000 new jobs per year, the largest increase among the country's major metropolitan areas. During this same period, the unemployment rate declined from 3.6 percent in 2004 to 3.0 percent in 2006, one of the lowest among the nation's largest metropolitan areas.



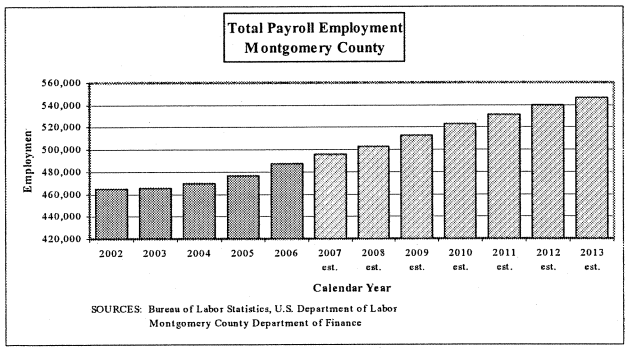
Montgomery County experienced mixed economic activity during 2006. The primary reasons for the County's mixed performance were a continuation in the contraction of residential construction growth, a dramatic decline in home sales, and slowdown in consumer spending. Residential construction activity in the County declined during 2006. The number of projects, total number of units, and the value added were down significantly. However, non-residential construction, especially new commercial properties, improved during the year. Home sales in the County declined nearly 21 percent during the year compared to 2005. Although housing prices continued to increase, they have decelerated dramatically to a 4.4 percent increase compared to over 18 percent annually during the previous two years. However, a number of economic indicators for the County continued to experience significant improvement during this period. Foremost among the indicators that exhibited strong performance was the labor market.

It is against this backdrop of a strong labor market, a decline in home sales, and weak construction activity that the Department of Finance estimates a slightly slower pace of growth in employment in 2007 and 2008, a slight deceleration in the growth of personal income and wages and salaries, and somewhat higher yields on investment attributed to the policy of the Federal Reserve Board through 2007.

Employment Situation

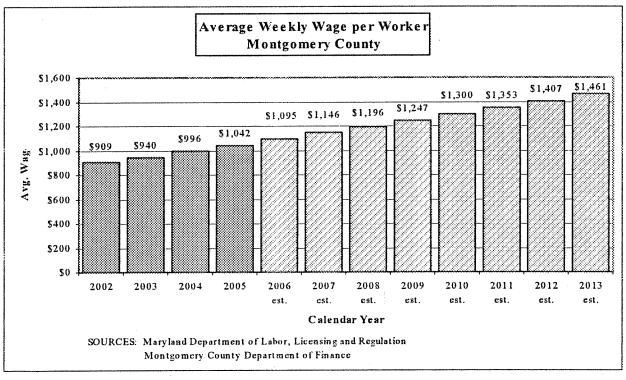
During the past ten years, total payroll employment in Montgomery County has experienced three distinct cycles: significant growth from 1996 to 2000 of an average 3.5 percent per year, a period of weak growth between 2000 and 2004 with the average annual rate of 0.6 percent, and moderate employment growth between 2004 and 2005 of 1.5 percent per year. In terms of the number of jobs added to the County's total payroll employment, an average of over 15,000 per year were added between 1996 and 2000, an average of 2,700 jobs per year between 2000 and 2004, and approximately 9,000 in 2005.

Based on data derived by the Department of Finance, the County's total payroll employment grew over 11,000 (↑2.3%) in 2006. While payroll employment made significant gains during this period, data from the labor force series reported that employment based on place of residence rather than place of employment grew 3.2 percent in 2006, or nearly 16,000. With significant improvement in resident employment, the unemployment rate for the County remained well below the State's average. For the entire year, the County's unemployment rate was 2.8 percent. The low unemployment rate also suggests that both the public and private sectors are providing a stable foundation against significant labor market volatility and that the County is close to full employment.



Based on this assessment of the employment situation in Montgomery County, the Department of Finance assumes that employment will grow at a rate better than the nation's rate with a 1.7 percent increase in 2007 (compared to 1.2 percent nationally) followed by growth of 1.4 percent in 2008 (compared to 1.1 nationally). However, the number of jobs is one indicator of the labor market in the County, the other important factor is the growth in wages and salaries.

From 1996 through 2001, wages of employees in Montgomery County increased an average of 4.9 percent per year but decelerated in 2002 and 2003 to an average annual rate of slightly less than 3.2 percent. Since that time, the average weekly salary increased 6.0 percent in 2004, 4.6 percent in 2005, and is expected to have grown 5.1 percent in 2006 based on preliminary data from the Maryland Department of Labor, Licensing and Regulation.

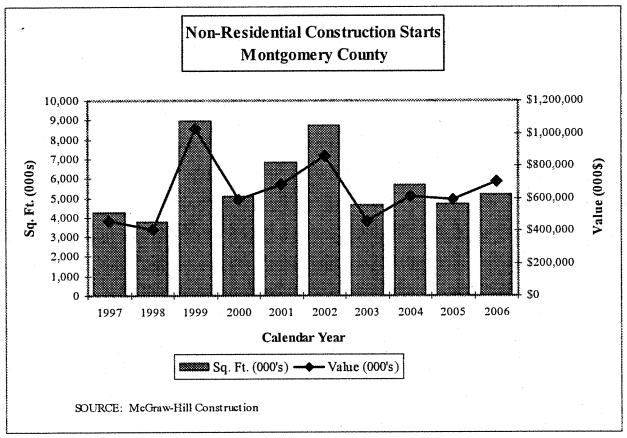


With the significant increase in employment and average weekly wages in 2005 and 2006, the Department of Finance estimates that wage and salary income grew 6.4 percent and 7.1 percent, respectively. As a result of sustainable job growth and strong gains in wages and salaries, Finance assumes that total personal income grew 6.7 percent and 6.5 percent in 2005 and 2006, respectively. With Finance estimating a slowdown in the growth of the County's employment between 2006 and 2013, total wage and salary income is assumed to grow at an average annual rate of 5.7 percent, slightly lower than the ten-year average of 6.3 percent between 1996 and 2006. Total personal income is assumed to grow at an average annual rate of 5.4 percent, which is also slightly lower than the ten-year average of 6.0 percent between 1996 and 2006.

Construction Activity

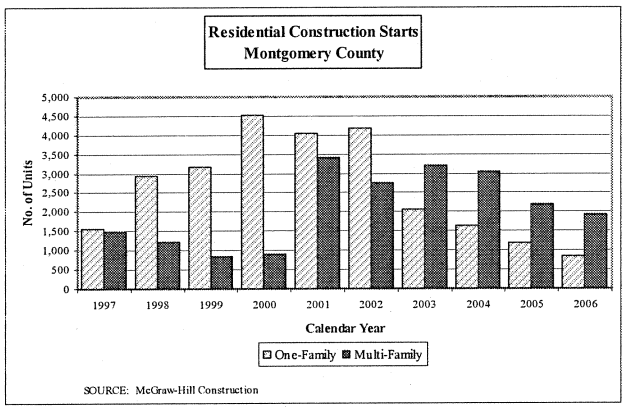
Construction is a very cyclical activity that can have a significant effect on a local economy and employment owing to secondary and tertiary effects on construction supply and services industries. Starts and permits are key indicators of the near-term economic condition of the housing industry and are considered leading 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 construction activity as opposed to construction permits, which measure planned activity. However, starts and permits closely track each other and as such, a four-month moving average provides a more reliable indicator of the housing trend compared to month-to-month changes. Construction outlays are the value of new construction put in place. In contrast to information about permits and starts, outlays refer to actual construction rather than planned (permits) or initiated (starts) activity. The primary source of such data is McGraw-Hill Construction.

The amount of square footage added to non-residential property increased 10.8 percent in 2006 from 4.698 million square feet in the prior year to 5.203 million square feet, while the value of new construction in the County increased 19.0 percent. The sector that experienced the largest growth was the commercial sector. The amount of square footage added to the County's property base increased from 2.599 million square feet in 2005 to 4.259 million square feet (↑63.9%). Essentially, commercial construction accounted for nearly 82 percent of the additional square footage in 2006. Of the commercial construction activity during 2006, the major contributor to growth was construction of new office and bank buildings. That sector added 2.503 million square feet of additional capacity and nearly $333.0 million in added value to the property base. Even with the addition of commercial property, the vacancy rate among Class A properties in the County was only 6.0 percent – down from the 9.7 percent in 2004 and 8.2 percent in 2005.



While non-residential construction activity improved in 2006, residential construction continued to decline. The number of starts declined nearly 27 percent, the value of additional property declined 15 percent, and the amount of additional square footage declined nearly 24 percent. For the past four years, the value of additional residential property added to the County's property base averaged less than $700 million per year, while the number of projects and additional square footage steadily declined. That trend suggests that for each of the last four years, home builders are constructing fewer but more expensive homes.

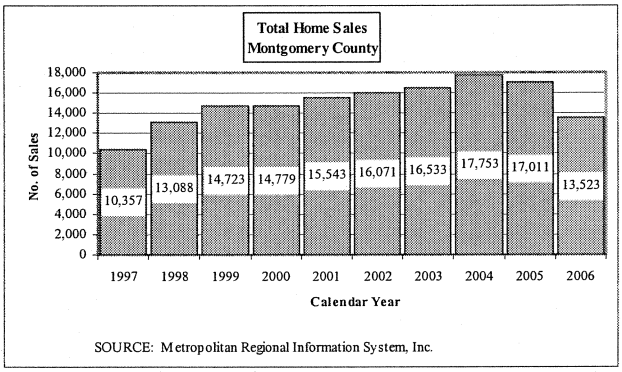
Finally, the type of dwelling units constructed in the County experienced a dramatic decline over the past four years. The number of single-family units started in the County declined at an average annual rate of 40.2 percent between 2002 and 2006. The decline in 2006 was across the board with the construction of new single-family homes down from 1,200 units in 2005 to 835 units in 2006, a decline of 30.6 percent. The number of multi-family units also decreased from 2,200 units in 2005 to slightly more than 1,900 units in 2006 (↓12.6%).



The weak growth in the number of new residential starts is not enough to match the modest growth in the formation of households which would require an additional 1,600 to 1,700 units annually between 2007 and 2013 in addition to what is currently constructed. Maryland-National Capital Park and Planning Commission (M-NCPPC) estimates that the number of households in the County will increase 1.2 percent annually over the seven years comparable to the late 1990s through 2004.

Residential Real Estate

Home sales in Montgomery County declined 20.5 percent in 2006, which followed a 4.2 percent decline in 2005. Despite the drop in sales, average home prices were up 4.4 percent for the year, which followed increases of 18.3 percent and 18.1 percent for 2004 and 2005, respectively. The decline in sales was reflected in the dramatic increase in inventory-to-sales ratio. For example, there was an increase in the ratio of one buyer to one seller in June 2005 to a ratio of one buyer to five sellers by September 2006. Since September, the ratio had steadily declined such that by December, there was one buyer to four sellers. While the number of listings to buyers had declined, the high ratio remained above the historical average.



Retail Sales

Using sales tax receipts as a measure of the level of retail sales for the County, sales increased 3.5 percent in 2006 compared to 5.0 percent in 2005 and 6.7 percent in 2004. The sale of nondurable goods, which includes food and beverage, apparel, general merchandise, and utilities and transportation, increased 3.9 percent while purchases of durable goods were down 4.6 percent.

Sales of utilities and transportation (↑11.0%), food (↑2.7%) and general merchandise (↑3.0%) led purchases of nondurable goods in 2006. Sales of building and industrial supplies (↑2.9%) led purchases of durable goods. Sales of hardware, machinery and equipment; and furniture and appliances were down 1.7 percent and 17.2 percent, respectively, compared to 2005.

Consumer Prices and Inflation

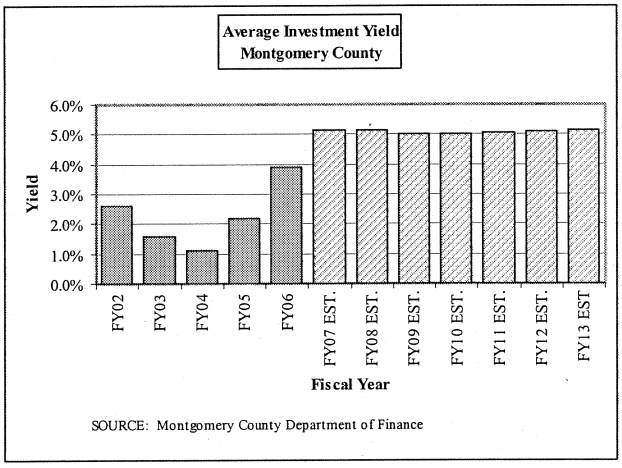
As measured by the Consumer Price Index for All Urban Consumers (CPI-U), inflation in the Washington-Baltimore consolidated metropolitan statistical area was slightly above the national average in 2006 of 3.2 percent. Overall consumer prices were up 3.6 percent in the region

compared to 2.8 percent in 2004, and 4.0 percent in 2005. The Department of Finance assumes that inflation will continue to retreat from 3.6 percent to 3.2 percent in 2007 and below the 3 percent threshold over the following six years with an average inflation rate of 2.7 percent.

While overall consumer prices increased largely due to energy prices, the "core" inflation rate, which is the CPI excluding the volatile food and energy prices, increased 3.1 percent in 2006. That rate was slightly lower compared to the rate of 3.2 percent in 2005 but significantly higher than the 1.8 percent in 2004, largely due to rent increases.

Interest Rates

Since June of 2006, the Federal Reserve Board, through its Federal Open Market Committee (FOMC), has kept the target rate on federal funds at 5.25 percent. Based on data from the Chicago Board of Trade's Federal Funds futures market, the Department of Finance (Finance) assumes that the FOMC will not change the target rate through the first half of FY08. As of January 2007, the futures market assumes that the FOMC may cut the target rate by 25 basis points either at the end of calendar year 2007 or at the beginning of calendar year 2008. Since the yield on the County's short-term investments are highly correlated with the federal funds rate, Finance estimates that the County will earn 5.15 percent for FY08. Beginning with FY09, the investment yields will remain between 5.00 and 5.15 percent.



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 were designed and intended to provide guidance prior to the preparation of the recommended budget as to the level of expenditure that is affordable based on the latest revenue estimates.

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. A proposed *Taxes and User Charges for an Average Homeowner* chart displays the total burden on the average household taxpayer and business including solid waste and water and sewer charges. This chart is found at the end of the chapter.

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 Amendments to the FY07-12 CIP (as of January 11, 2007). Current revenue adjustments to the January 11, 2007 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 audited FY06 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 transfer from the General Fund to Montgomery Housing Initiative to support the Executive's housing policy. 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. These are offset in part by transfers from non-tax supported funds, the largest of which is the earnings transfer from the Liquor Control Fund to the General Fund and the transfers for indirect costs from the non-tax supported funds. 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 Amendments to the FY07-12 Capital Improvements Program (as of January 11, 2007). Debt service obligations over the six years are based on servicing debt issued to fund planned capital projects, as well as amounts necessary for 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 48 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.

In accordance with the County's Fiscal Policy, these obligations are expected to stay manageable, representing less than 10.0 percent of General Fund revenues. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns and that services are not reduced over time due to increased Debt Service burdens.

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, 2006, is 1.4 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

Mandatory contributions to the Revenue Stabilization Fund (Rainy Day Fund) are made if certain revenues increase above their budgeted projections and/or if projected revenue growth is stronger than in a selected historical period. Revenues include County Income Tax, Transfer Tax, General Fund Investment Income, and Recordation Tax excluding school CIP. The projection assumes that a mandatory transfer of $11.9 million will be made to this fund at the end of FY07 reaching a fund balance of $119.6 million, which is the result of higher than previously estimated income tax revenues and investment income. Because of higher than expected revenue collections in nine of the ten previous fiscal years (FY97-FY02 and FY04-FY06), in addition to the two discretionary transfers made in FY95 ($10.0 million) and FY96 ($4.5 million), the Revenue Stabilization Fund reached its maximum allowable fund size of $107.8 million at the close of FY06 with a mandatory contribution of $6.6 million.

Since the fund has reached more than half of its maximum fund size, interest earned from the fund must fund PAYGO expenditures in the CIP fund. The estimate of the interest in FY07 is $6.0 million. A similar funding of PAYGO from earned interest was made in FY02 ($2.2 million), FY03 ($1.3 million), FY04 ($1.1 million), FY05 ($2.4 million), and FY06 ($4.7 million). Due to a projected growth in revenues, the maximum allowable fund size is projected at $153.9 million by FY13. However, barring future discretionary or mandatory contributions to the fund, the fund will remain at the current $119.6 million level through FY13.

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 total reserves for tax supported funds that include both an operating margin reserve and the Revenue Stabilization Fund (or "Rainy Day Fund"). For tax supported funds, the budgeted total reserve of the operating margin and the Revenue Stabilization Fund should be at least 6.0 percent of total resources (i.e.,

revenues, transfers, prior year undesignated and designated fund balance).

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, intergovernmental revenues, service charges, fees and licenses, college tuition, and investment income. In order of magnitude, however, the income tax and property tax are the most important with 45.0 percent and 42.2 percent, of the estimated total tax supported revenues in FY08. The third category is the combined real estate transfer and recordation taxes with a 6.7 percent share. In fact, these three revenue sources represent 94 percent of total tax supported revenues. 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.

In the late 1990s and early 2000s, the property tax stood in the shadow of the income tax in terms of growth. In fact, in FY99 measured by General Fund revenues, the income tax surpassed the property tax for the first time as the largest tax source in the County. At the time, the low single-digit growth in property tax revenue was dwarfed by the double-digit growth in the income tax. But with all this explosive growth in the income tax also came considerable volatility. For that reason, it was a welcome sign to observe that the property tax – the most stable of all revenue sources – gained considerable ground at a time that the income tax experienced considerable weakness. Because of adhering to the Charter Limit through tax rate cuts and income tax offset credit, the growth rates in property taxes were lower than would have been under current rates. As a result, FY08 marks the second consecutive year in which the income tax maintains its prominent position as the largest tax supported revenue source.

Property Tax

Total estimated FY08 tax supported property tax revenues of $1,207.5 million are 4.4 percent above the revised FY07 estimate. Property tax revenues for FY08 are estimated based on the recommendation by the County Executive of an income tax offset credit to help alleviate the tax burden on County residents and to comply with the 1990 Charter limitation on the growth in property tax revenues. The recommended schedule reflects a $149.1 million reduction from the Levy Year 2006 schedule. The general countywide rate recommended for FY08 is $0.627 per $100 of assessed real property, while a rate of $1.567 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 super-majority vote of seven 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 reassessments are growing faster than the rate of inflation for the fifth consecutive year, current rates generate revenues that are above the Charter limit for FY08. The recommended income tax offset credit reduces property tax revenues in line with the Charter limit.

The countywide total property tax assessable base is estimated to increase 12.7 percent from a revised $129.9 billion in FY07 to $146.3 billion in FY08. The base is made up of real property and personal property. In FY08, the Department of Finance estimates real property of approximately $142.4 billion with the remaining $3.9 billion in personal property. The growth in the total property base has fluctuated significantly over time, with an average of 10.2 percent growth during the late 1980s and early 1990s, followed by considerable deceleration with base growth generally close to an average 3.0 percent between FY93 and FY99. In FY00, the total property tax base increased 2.8 percent and since that time has improved steadily reaching 11.9 percent by FY06. Reflecting changes in new construction and a dramatic pick-up in reassessments, the real property tax base is expected to grow a revised 14.0 percent in FY07 and 13.0 percent in FY08.

The real property base is divided into three groups based on their geographic location in the County. Each group is reassessed tri-annually 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. Because of the different phase-ins of increases and declines during periods of modest reassessment growth,

the reassessment cycle for a particular group may produce either no growth or a decline in the first year, followed by reassessment gains in the two subsequent years. Growth in reassessments for Group I, effective FY08, will increase 43.4 percent (44.2 percent for residential and 36.4 percent for commercial properties). That increase follows the growth in reassessments for Group III of 63.3 percent (70.4 percent for residential properties and 46.7 percent for commercial properties) in FY07, and an increase of 65.0 percent (69.3 percent for residential properties and 49.7 percent for commercial properties) for Group II in FY06. This also follows a 36.3 percent increase (47.0 percent for residential properties and 16.1 percent for commercial properties) for Group III in FY04 and 51.8 percent (55.5 percent for residential properties and 26.1 percent for commercial properties) for Group I in FY05. Those growth rates show a sharp improvement in recent years compared to the 1990s and early 2000s, and now exceed the high double-digit growth in reassessments observed during the late 1980s.

There is a ten percent annual assessment growth limitation for residential property that is owner-occupied. As a result of this "homestead tax credit," taxable reassessments in Montgomery County may not grow more than ten percent in any one year. Due to strong reassessment growth in the late 1980s and early 1990s, this assessment limitation credit topped the $2.5 billion mark in FY92 (using the current 100 percent full cash value method). As growth in home prices decelerated in subsequent years, reassessments either declined or grew less rapidly. The homestead tax credit reflects this trend, with the total credit dropping steadily to $48 million in FY01. However, as the real estate market rebounded in the County starting in the late 1990s, home prices rose at a faster clip causing a sharp increase in reassessments. This is reflected in an increase in the credit to $1.33 billion in FY04, $3.80 billion in FY05, $8.47 billion in FY06, $14.95 billion in FY07, and an estimated $21.87 billion in FY08, which is an all time record. The outlook for the remainder of the six-year forecast period is for the homestead tax credit to continue the explosive trend through FY09 then moderate through FY13.

Decreases in the personal property base beginning in FY04 reflect 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 exemptions (e.g., manufacturing, Research and Development, and certain computer software) and depreciation rules (e.g., for computer equipment). Personal property includes public utility equipment, business furniture and equipment, and computers. According to SDAT, the corporate personal property base is projected to increase 0.6 percent in FY08. The public utility portion, which is estimated to account for 40.3 percent of the personal property base in FY07, is projected to increase 1.1 percent in FY08. The public utility personal property base, which accounted for slightly less than half prior to the electric deregulation process, now exempts 50 percent of personal property used to generate electricity. The 50 percent exemption was phased in during FY01 (25 percent) and completed in FY02 (50 percent), and exempts an estimated $124 million in personal property. In order to prevent a revenue shortfall, the Maryland Legislature provides for an annual grant equal to the amount lost in revenues, which is expected to be $2.8 million in Montgomery County in FY08.

The real property base of $142.4 billion in FY08 is estimated to grow $16.4 billion compared to a revised FY07 estimate, the result of $1.6 billion in addition to the base from new construction, and $21.7 billion in reassessments, offset by a $6.9 billion rise in the homestead tax credit. The level of new reassessments is a near-term record high in the County and represents substantial growth in the property tax base. Construction is projected to increased modestly in FY08, then is expected to grow above $2.5 billion by FY13. Similarly, reassessments remain the largest contributor to the base growth during this six-year forecast period. Reflecting a phase-in of the 43.4 percent reassessment growth is expected for Group I in FY08 (levy year 2007), an 18.2 percent growth for Group II in FY09 (levy year 2008), and 10.0 percent for Group III in FY10 (levy year 2009). As a result of these decelerating trends, growth in the total assessable base is projected to steadily moderate to 9.1 percent by FY09 and 8.8 percent by FY13.

Income Tax

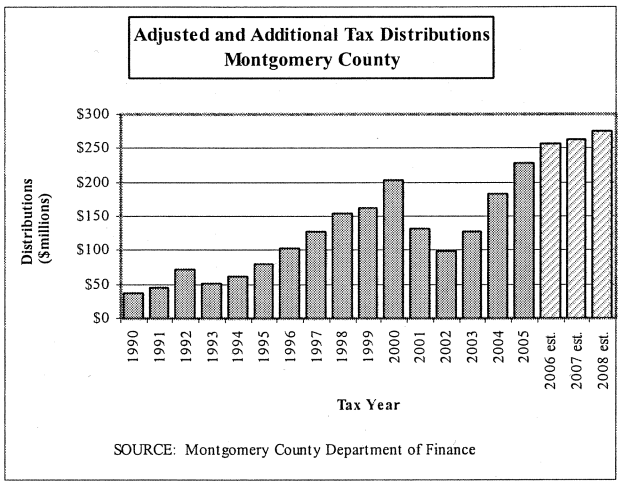
Estimated FY08 income tax revenues of $1,286.9 million are 5.7 percent above the revised FY07 estimate. Enacted in 1967 as a State-collected local surtax on the State income tax, the Montgomery County local rate began at 20 percent in 1967, increased to 35 percent in 1968, 45 percent in 1969, and was 50 percent of the State tax from 1970 through 1991. The local rate was increased from 50 percent to 55 percent for calendar 1992 and increased to 60 percent for calendar 1993. Effective tax year 1998, the State of Maryland enacted a five-year phased-in ten percent income tax cut, which results from a doubling of the personal exemption to $2,400 and a drop in the tax rate from 5.0 percent to 4.75 percent. Due to a de-coupling of State and local income tax base calculations in 1998, income tax revenues for the counties and the City of Baltimore are not affected by this change. However, since tax liability for local tax computation purposes is different from the tax liability computation for State taxes, it required taxpayers to compute the 1998 local tax using the pre-1998 State rate and exemption schedules. Due to the increased complexity of computing the 1998 tax, the Maryland State Comptroller proposed an alternative method - one that simplified the tax return and maintained revenue neutrality for local jurisdictions. This new method computes a local tax rate, applied to Maryland State taxable income. Since local jurisdictions had different piggyback tax rates, it also required different income tax rate schedules for each local jurisdiction. In

addition, annual increases in exemption amount reduced State taxable income through tax year 2002 - the year in which the State's tax relief program was fully phased in. Since State taxable income declined over the period 1999 through 2002, in order to maintain revenue neutrality, the local income tax rate increased slightly during that period. In 2002, once the exemptions were phased in, the local income tax rate remained unchanged. This method was enacted by the State Legislature and became effective tax year 1999. Montgomery County adopted a local income tax rate of 3.01 percent for tax year 1999. Note that, under the pre-1998 State tax relief scenario, the Montgomery County income tax rate would have been 3.0 percent (60 percent piggyback tax based on the State's 5.0 percent income tax rate).

Effective tax year 2000, the County reduced the "piggyback" tax rate from 60 percent to 58 percent. As a result of this change, the new local income tax rate schedule became: 2.90 percent (2000), 2.92 percent (2001), and 2.95 percent (2002 and 2003). Effective with tax year 2004, the County Council increased the rate to the maximum allowed under State law (3.20 percent).

Total income tax revenues are estimated at $1,286.9 million in FY08, which reflects a 5.7 percent increase from the revised FY07 estimate. Growth slowed during the early part of the decade reflecting moderation in the trend attributed to very weak growth in County employment – an average annual growth rate of 0.5 percent between calendar years 2001 and 2003. For example, adjusted for the rate cut, 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 2001 and 2003. However, since 2003 withholdings and estimated payments rebounded with an increase of 10.5 percent in 2004, 5.0 percent in 2005, and 13.4 percent in 2006.

Since, during any one fiscal year, the County receives income tax distributions pertaining to, at least, three different tax years, it is important to analyze the data on a tax year basis. During the 1990s, average annual tax liability based on current tax rate basis grew considerably slower in the first half (7.5 percent) of the decade compared to the second half (10.4 percent). During the second half of the 1990s, quarterly income tax distributions grew rapidly, with ten percent growth rates in the years 1997 through 1999. However, such growth decelerated rapidly to only 6.8 percent in 2000, 1.1 percent in 2001, 1.4 percent in 2002, and 0.3 percent in 2003. However, with the County Council raising the local tax rate to 3.2 percent effective tax year 2004, revenues from withholdings and estimated payments increased 19.9 percent, 5.0 percent in 2005, and 13.4 percent in 2006. In addition to the quarterly distributions that represent withholdings and estimated payments, receipts from late filers who had underestimated their tax liability jumped to unprecedented levels during the late 1990s and 2000. For example, while a total of only $37.0 million was received for tax year 1990, that amount gradually increased and peaked at $192.4 million in 2000, but fell sharply in the two subsequent years to $98.0 million by 2002. Since that time, revenues from later filers have rebounded dramatically reaching $127.0 million in 2003, $183.0 million in 2004, and $227.9 million in 2005. As taxpayers underestimate their tax liability from, generally, non-employment related earnings, additional payments are made when tax returns are filed. Taxpayers with more complicated tax returns, reflecting significant non-employment related earnings such as stock options and capital gains (from either the stock market or real estate), increasingly file for an extension. However, recent federal tax law now allows a later filer to get a six-month extension rather than a four-month extension with a request for the extra two months. Since taxpayers now file for one extension (October 15th), income tax receipts from late filers are distributed to the County in November and January. Hence, the Department of Finance assumes for FY07 and beyond that the bulk of revenues from late filers will occur in the November and January distributions rather than in the previous two distributions of September and January. These late filer distributions reflect significant shifts in one-time tax liability and, thus, represent the most volatile component of the income tax. Even though, in aggregate, this tax liability may continue to shift over a longer period of time, the shift remains one-time in the sense that tax liability changes as a result of the one-time exercise of a stock option or sale of stock at a price that is different from the original issuance or purchase and more recently gains from the home sales. Once that action has been taken, gains (or losses) are recognized, with no addition to future tax liability. By contrast, employment growth is an addition to the base that increases tax liability through wage growth in future years and is, thus, a more predictable indicator of future revenue growth.



Transfer and Recordation Taxes

Estimated FY08 revenues of $193.3 million, which excludes the school CIP portion, are 8.5 percent above the revised FY07 estimate. This reflects an FY08 estimate of $120.8 million in the transfer tax and $72.5

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 FY06, 83.6 percent of transfer tax revenue came from the residential sector compared to nearly 87.7 percent in FY04 and 85.5 percent in FY05. 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. Through FY02 the recordation tax was generally $4.40 per $1,000 of the value of the contract. Beginning in FY03, the recordation tax rate was raised to $6.90 per $1,000 of the value of the contract 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. Generally, both transfer and recordation taxes are levied when properties are sold. In a few 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.

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, and mortgage interest rates. The same holds true for the commercial sector, which is equally affected by business activity and investment, office vacancy rates, and financing costs. The volatility in revenues from the transfer and recordation is best illustrated in the trend since FY99. The growth rate in the number of residential transfers slowed to 7.5 percent in FY00 when the number of residential transfers peaked at 22,000, decreased 4.5 percent in FY01 (21,005), increased 12.5 percent in FY02 (23,633), decreased 3.7 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). While the number of residential transfers exhibited significant volatility since FY99, the acceleration in home prices during FY04 and FY05 had a significant effect on revenues and offset the volatility in the number of transfers. Due to the strong demand for new and existing homes, property values increased such that total transfer taxes from the residential sector increased 29.6 percent in FY04 and 20.3 percent in FY05.

However, developments in the real estate market for Montgomery County that began in FY06 indicate a change in the number of residential transfers for FY07 and FY08. Because home sales declined 21.9 percent during calendar year 2006 and assumed to decline an additional 8.8 percent during calendar year 2007, the Department of Finance assumes that the number of residential transfers will decline 22.4 percent in FY07 but followed by an increase of 5.0 percent in FY08, reflecting a modest recovery in home sales during the latter half of calendar year 2007 and the first half of calendar year 2008. While home prices have reached double-digit rates during calendar years 2004 and 2005, the potential "softening" of the real estate markets in calendar year 2006 suggests that price increases will decelerate rather than decline over the next two calendar years. Because of the assumptions by the Department of Finance of a decline in the number of transfers and a slowdown in price appreciation, revenues from the residential portion of the transfer tax are expected to decrease 23.7 percent in FY07 but increase 8.7 percent in FY08 — although down significantly from the double-digit rates experienced in FY04 and FY05.

At the same time that revenues from the residential portion of the transfer tax experienced significant growth since FY99, revenues from non-residential properties experienced a more medium-term cyclical pattern that began in FY99. Beginning in FY99, revenues from non-residential property declined for three consecutive years 28.9 percent in FY99, 1.5 percent in FY00 and 7.4 percent in FY01. However, based on a healthy commercial boom since FY01, non-residential transfer taxes recovered in FY02 (↑12.0%), FY04 (↑29.6%), FY05 (↑47.5%) and FY06 (↑23.1%). Only FY03 (↓1.7%) experienced a decline during the FY02-FY06 cycle. However, the Department of Finance assumes that the dramatic increases during the last three fiscal years are not sustainable and assumes that revenues will decrease 39.3 percent in FY07 but increase slightly at 3.6 percent in FY08.

Recordation tax revenues generally track the trend in transfer tax revenues. More recently, the relationship increased to approximately 98.9 percent of transfer tax in FY04, declined slightly to 91.5 percent in FY05, and declined further to 88.0 percent in FY06. Revenues from the recordation tax excluding school CIP portion increased 35.7 percent in FY02, 17.7 percent in FY03, 27.8 percent in FY04, 13.8 percent in FY05, and 9.8 percent in FY06. The current estimate for FY07 reflects a decrease of 30.4 percent reaching a level $67.0 million but an increase of 8.2 percent in FY08 to $72.5 million. With the estimated modest increase in FY08, revenues from the recordation tax are expected to be the fourth highest. The combined transfer and recordation taxes are projected to reach $193.3 million in FY08, excluding revenues for school construction, also the third highest behind the $221.3 million in FY05 and $241.7 million in FY06.

Energy Tax

Estimated FY08 revenues of $119.9 million are 1.6 percent above the revised FY07 estimate. 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. Effective FY04, the previous rate schedule was increased threefold by the County Council on May 14, 2003. The rate schedule was changed again on May 20, 2004, with rates increasing 52.15 percent for FY05 and thereafter. Since the rates per unit of energy consumed are fixed, collections change only with shifts in energy consumption and not due to changes in the price of the energy product. Based on partial fiscal year data, the Department of Finance assumes that residential consumption as a percentage of total energy consumption will remain at 46.6 percent. Due to a different rate schedule, the share of receipts from residential users is approximately 26.7 percent of total collections, with the larger share received from the non-residential sector. Measured for all energy types, the two largest sources of revenues in FY06 were electricity (79.9 percent) and natural gas (18.4 percent). Since actual collections vary with weather conditions, a harsh winter weather increases usage of electricity, natural gas, and heating oil, while milder summer weather reduces electricity usage for climate control systems. The impact of weather patterns is partly offset by an expansion of the user base with more businesses and households. With a continuation of the "mild weather" pattern for the next fiscal year, the budget estimate for FY08 is projected to increase 1.6 percent.

Telephone Tax

Estimated FY08 revenues of $30.2 million are 2.6 percent above the revised FY07 estimate. The telephone tax is levied as a fixed amount per landline and per wireless line. 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 lines is $2.00 per month. With business expansion combined with a surge in new home sales in the County in FY00 and FY01, and an increased demand for second phone lines for computer access to the internet, collections from the telephone tax grew 12.0 percent in FY00 and 4.1 percent in FY01. With the slowdown in the local economy during FY02 and FY03 and alternative computer internet access, collections declined 5.8 percent and 8.6 percent, respectively. Assuming modest growth in businesses and households, revenues are expected to increase 2.6 percent in FY08 to $30.2 million primarily due to an increase in cellular telephones. Reflecting, in part, modest growth in new household and business formations, the outlook for FY09 through FY13 is for revenues from wireless communication to increase at a slower rate attributed to a deceleration in the rate of household formations and a growing saturation of the market for wireless devices while the number of landlines experience little growth in the near term.

Hotel/Motel Tax

Estimated FY08 revenues of $18.4 million are 8.3 percent above the revised FY07 estimate. The hotel/motel tax is levied as a percentage of the hotel bill. The current tax rate of 7 percent in FY07 is also assumed for FY08. In FY97, the rate was increased from 5 percent to 7 percent with the increase earmarked for funding the Montgomery County Conference Center located in North Bethesda. 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 upcounty area where rates are generally lower than in the District. Reflecting improved economic conditions during the mid and late 1990s and the presidential primaries and presidential inauguration during 2000 and early 2001, respectively, spurred both business travel and tourism, hotel occupancy rates grew from just under 67 percent in FY96 to a record high 72.3 percent in FY01. The second component – average room rate – grew 34.4 percent between FY96 and FY01 to a record $102.60. The third component that makes up revenues – room supply – grew by five percent between FY96 and FY01. As a result, total hotel revenues doubled between FY96 and FY01 to over $13.1 million.

However, in the aftermath of the terrorist attacks on September 11, 2001, and war on terrorism, business travel and tourism were reduced significantly in the greater Washington region. In an effort to stimulate hotel occupancy, hotels dramatically cut room rates thereby reducing revenues in FY02 by over $2 million for a decline of 15.8 percent compared to FY01. The rebound in hotel occupancy during FY04 and FY05 and an increase in the average room rate in FY05 allowed hotels to recoup some of the losses made during FY02 and FY03. The revised estimated revenue for FY07 is solely attributed to an increase in the average room rate that offsets a decline in the average occupancy rate. However, the average occupancy rate is expected to increase slightly to 65.5 percent in FY08, attributed to an increase in estimated demand. Room rates are expected to climb to $133 as a countywide average, resulting in an 8.3 percent growth in the hotel/motel tax in FY08 which follows an estimate of 7.1 percent growth in FY07. Long-term estimates are tied to projected room occupancy and rate increases, partially reflecting the forecast of inflation and population growth that result in annual projected revenues through FY13 in the $18.2 million and $23.6 million range. The Montgomery County Conference and Visitors Bureau is funded, in part, through a 3.5 percent share of the hotel/motel tax.

Admissions Tax

Estimated FY08 revenues of $2.5 million are 2.5 percent above the revised FY07 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 rate is five percent. 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 FY06, coin and non-coin-operated amusement devices accounted for 16 percent of total collections, while other major categories include golf green fees, driving ranges and golf cart rentals (28 percent), and motion picture theaters (29 percent). Revenue growth for the period FY09 through FY13 is expected to range between 1.8 percent and 2.4 percent, reflecting modest population growth and rising inflation.

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 $769.1 million in FY08. This is a $75.2 million increase, or 10.8 percent, from the revised FY07 estimate, reflecting a 16.4 percent increase in state aid in public school funding. Non-tax revenues include: intergovernmental aid; investment income; licenses and permits; user fees, fines, and forfeitures; and miscellaneous revenues, the largest of which is rental property income.

General Intergovernmental Aid

General Intergovernmental Aid is 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 FY08, 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 change. The projection does not assume that State aid formulas will necessarily remain in place. It is assumed that State aid will increase with either the projected rate of inflation, by an amount based on the projected increase in County population, or a combination of those two factors. The Recommended Budget for FY08 assumes $54.6 million, or 10.5 percent, increase in Intergovernmental Aid above the revised FY07 estimate, of which 67.5 percent is allocated to the Montgomery County Public Schools, 6.7 percent to Highway User Revenue, 4.0 percent to Mass Transit, and 5.0 percent to Montgomery College. The increase is attributed to an estimated $55.0 million increase to public schools. Total Intergovernmental Aid is estimated to total $576.7 million in FY08 or 75.1 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 FY08 assumes a 16.3 percent decline over the revised projections for FY07, resulting in $10.5 million in available resources in FY08.

Charges for Services (User Fees)

Excluding intergovernmental revenues to Montgomery County public schools and college tuition, charges for services, or user fees, is the largest non-tax revenue source, especially when Enterprise Funds such as Solid Waste Collection, Solid Waste Disposal, Liquor Fund, M-NCPPC user fees, MCPS food service sales, 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, and recreation services and are included in the tax supported funds. Without rate increases, these revenues tend to show little growth although there is some variance because of weather, population changes, the economy, and changes in commuting patterns. However, it is the policy of the County to increase rates or fees to keep up with inflation. It is not always possible to achieve this goal for each fee, either because of market competition or because prices normally rise in rounded steps. The long-term estimates assume that rates will rise. The Recommended Budget for FY08 assumes 17.1 percent growth over the revised projections for FY07, resulting in $55.5 million in available resources in FY08.

Fines and Forfeitures

Revenues from fines and forfeitures relate primarily to photo red light citations, and library and parking fines (excluding the County's four Parking Districts). The Recommended Budget for FY08 assumes that fines and forfeitures will increase 66.2 percent over the revised estimates for FY07, resulting in $19.1 million in available resources in FY08.

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 budget assumes enrollment as projected, and assumes that the tuition rate will increase. While the Board of Trustees has not yet taken final action on a tuition increase, a three dollar per semester hour increase for County residents is assumed in this projection, based on the revenues in the Board's recommended budget. The Recommended Budget for FY08 assumes that College tuition will increase 5.4 percent over the approved FY07 budget resulting in $61.7 million in available resources in FY08.

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 as a guide. 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 FY07 estimate of pooled investment income of $48.4 million assumes a 5.23 percent yield on equity and an average daily balance of $925 million. The FY08 projected estimate of $48.7 million assumes a slight decline to a 5.15 percent yield and an average daily balance of $946 million. Reflecting robust growth in revenues in the second half of the 1990s, the amount of available funds for investments, measured by the daily cash balance, doubled between FY93 ($437 million) and FY00 ($890 million). As a result of weak economic and revenue conditions starting in 2001, the cash balance declined from $890 million to $566 million between FY00 and FY04. Because of the improvement in economic and revenue outlook, the cash balance rebounded to $710 million in FY05 and $884 million in FY06. Using current revenue projections, the daily cash balance is expected to grow from $925 million in FY07 to $1,146 million by FY13. Yields have fluctuated significantly over time. When the Fed tightened monetary policy in 1999 and 2000, yields jumped to 6.7 percent in the latter part of 2000 – a ten-year high. On a fiscal year basis, yield rates increased to 6.2 percent in FY01. However, as the economy weakened significantly in calendar year 2001, the Federal Open Market Committee (FOMC) of the Federal Reserve initiated an aggressive monetary policy and cut the federal fund interest rate 13 times, reducing the rate from 6.5 percent at the onset of 2001 to just 1.0 percent by June 2003 – the lowest level since 1958. Not surprisingly, investment income yields followed interest rates on their downward trend, with the yield falling from 6.6 percent in December 2000 to 1.5 percent in December 2002. This 84 percent drop (or 554 basis points) in yield is the main reason for the 87 percent drop in investment income between FY00 and FY04. However, beginning in June 2004, the FOMC began to raise interest rates at a measured pace such that between June 2004 and June 2006, the target rate on federal funds increased from 1.0 percent to 5.25 percent. As a result, yields are expected to climb to 5.34 percent by the end of FY07 and decline slightly to 5.15 percent in FY08.

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, prior year encumbrance liquidations, abandoned vehicle auctions, net proceeds from the Conference Center, and current fund (other revenues). These five categories make up 78.0 percent of the total $12.7 million projected for FY08. The projection for subsequent fiscal years assumes growth at the rate of inflation.

TRENDS AND PROJECTIONS

DEMOGRAPHIC AND PLANNING INDICATORS	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
POPULATION	**953,000**	**964,000**	**976,000**	**988,000**	**1,000,000**	**1,008,000**	**1,016,000**	**1,024,000**
Annual Increase	11,000	11,000	12,000	12,000	12,000	8,000	8,000	8,000
Population Growth Since 1998	13.1%	14.4%	15.8%	17.2%	18.6%	19.6%	20.5%	21.5%
County Resident Births (Prior Calendar Year)	13,507	13,640	13,800	13,970	14,140	14,300	14,450	14,590
HOUSEHOLDS	**351,000**	**356,000**	**361,000**	**366,000**	**370,000**	**374,000**	**378,000**	**382,000**
Household Annual Growth (%)	0.8%	1.4%	1.4%	1.4%	1.1%	1.1%	1.1%	1.1%
Household Growth Since 1998	11.4%	13.0%	14.6%	16.2%	17.5%	18.7%	20.0%	21.3%
Household Growth Since 1992	20.5%	22.3%	24.0%	25.7%	27.1%	28.4%	29.8%	31.2%
Household Size	2.72	2.71	2.70	2.70	2.70	2.70	2.69	2.68
RESIDENT EMPLOYMENT (Jan = Calendar Year)	**506,700**	**514,100**	**517,900**	**522,100**	**527,600**	**534,400**	**540,900**	**546,600**
Resident Employment Annual Growth (%)	3.0%	1.5%	0.7%	0.8%	1.1%	1.3%	1.2%	1.1%
Resident Employment Growth Since 1998	10.9%	12.5%	13.4%	14.3%	15.5%	17.0%	18.4%	19.6%
Resident Employment Per Household	1.44	1.44	1.43	1.43	1.43	1.43	1.43	1.43
Jobs in County	508,650	518,000	527,000	536,000	545,000	552,000	559,000	566,000
PERSONAL INCOME ($ Millions)	**$59,300**	**$62,700**	**$66,100**	**$69,800**	**$73,800**	**$77,900**	**$82,200**	**$86,700**
Per Capita Personal Income	**$62,225**	**$65,041**	**$67,725**	**$70,648**	**$73,800**	**$77,282**	**$80,906**	**$84,668**
Annual Growth (%)	5.2%	4.5%	4.1%	4.3%	4.5%	4.7%	4.7%	4.6%
CONSUMER PRICE INDEX (CPI) - Fiscal Year	**4.07%**	**3.40%**	**3.05%**	**2.80%**	**2.70%**	**2.65%**	**2.60%**	**2.55%**
Inflation Growth (Fiscal Year) Since Nov. 1998 (%)	291.3%	226.9%	193.3%	169.2%	159.6%	154.8%	150.0%	145.2%
CONSUMER PRICE INDEX (CPI) - Calendar Year (%)	**3.62%**	**3.25%**	**2.85%**	**2.75%**	**2.65%**	**2.60%**	**2.55%**	**2.50%**
ASSESSABLE TAX BASE ($ Millions)	**$114,361**	**$129,903**	**$146,349**	**$159,720**	**$175,245**	**$191,151**	**$207,490**	**$225,717**
Annual Growth (%)	11.9%	13.6%	12.7%	9.1%	9.7%	9.1%	8.5%	8.8%
Growth of Base Since 1992 (%)	91.2%	117.2%	144.6%	167.0%	192.9%	219.5%	246.8%	277.3%
Growth of Base Since 1998 (%)	59.2%	80.8%	103.7%	122.3%	143.9%	166.1%	188.8%	214.2%
INVESTMENT INCOME YIELD (%)	**4.12%**	**5.23%**	**5.15%**	**5.00%**	**5.00%**	**5.05%**	**5.10%**	**5.15%**
MCPS ENROLLMENT (Sept = Calendar Year)	**139,387**	**137,798**	**137,007**	**136,258**	**136,603**	**137,168**	**137,991**	**138,900**
Annual Growth (%)	0.0%	-1.1%	-0.6%	-0.5%	0.3%	0.4%	0.6%	0.7%
Annual Increase (Decrease)	50	(1,589)	(791)	(749)	345	565	823	909
MONTGOMERY COLLEGE ENROLLMENTS (a)	**22,263**	**22,893**	**23,390**	**23,620**	**23,770**	**23,910**	**24,029**	**24,029**
Annual Growth (%)	0.04%	2.83%	2.17%	0.98%	0.64%	0.59%	0.50%	0.00%
Full Time Equivalents (Sept = Calendar Year) (a)	**18,217**	**19,393**	**19,804**	**20,184**	**20,461**	**20,736**	**20,923**	**20,923**
Annual Growth in FTE's (%)	6.54%	6.46%	2.12%	1.92%	1.37%	1.34%	0.90%	0.00%
MOTOR VEHICLE REGISTRATIONS	**726,000**	**736,000**	**746,000**	**756,000**	**764,000**	**772,000**	**780,000**	**788,000**
Automobile Registrations	613,000	622,000	631,000	640,000	647,000	654,000	661,000	668,000
Trucks and Other	113,000	114,000	115,000	116,000	117,000	118,000	119,000	120,000
Automobile Registrations per Household	1.746	1.747	1.748	1.749	1.749	1.749	1.749	1.749
Vehicle Registrations per Household	2.068	2.067	2.066	2.066	2.065	2.064	2.063	2.063

(a) Projections related to Montgomery College Enrollments and Full Time Equivalents are provided by Montgomery College and only include projections thru FY12. Since no projections are provided for FY13, the projections for FY12 were used for FY13.

FY08 Taxes & User Charges for Average Household In Montgomery County

	FY07	FY08	$ CHG	% CHG
Property	$ 3,277	$ 3,377	$ 100	3.0%
Income	$ 3,419	$ 3,565	$ 145	4.3%
Other	$ 921	$ 959	$ 37	4.1%
Total Taxes	**$ 7,618**	**$ 7,901**	**$ 283**	**3.7%**
Water & Sewer	$ 572	$ 600	$ 28	4.9%
Solid Waste/Leaf Collection	$ 271	$ 279	$ 8	2.8%
Water Quality Protection Charge	$ 25	$ 25	$ 0	0.9%
Total Charges	**$ 868**	**$ 904**	**$ 36**	**4.1%**
Total Taxes & Charges	**$ 8,486**	**$ 8,805**	**$ 318**	**3.8%**

Note (1): Average household tax burden computed as total estimated revenue divided by number of households.

Note (2): Property Tax for FY07 at adopted rates effective July 1, 2006. Property tax for FY08 incorporates income-tax offset credit of $613 for an owner-occupied home.

Note (3): Other taxes include transfer, recordation, fuel/energy, telephone, and admissions.

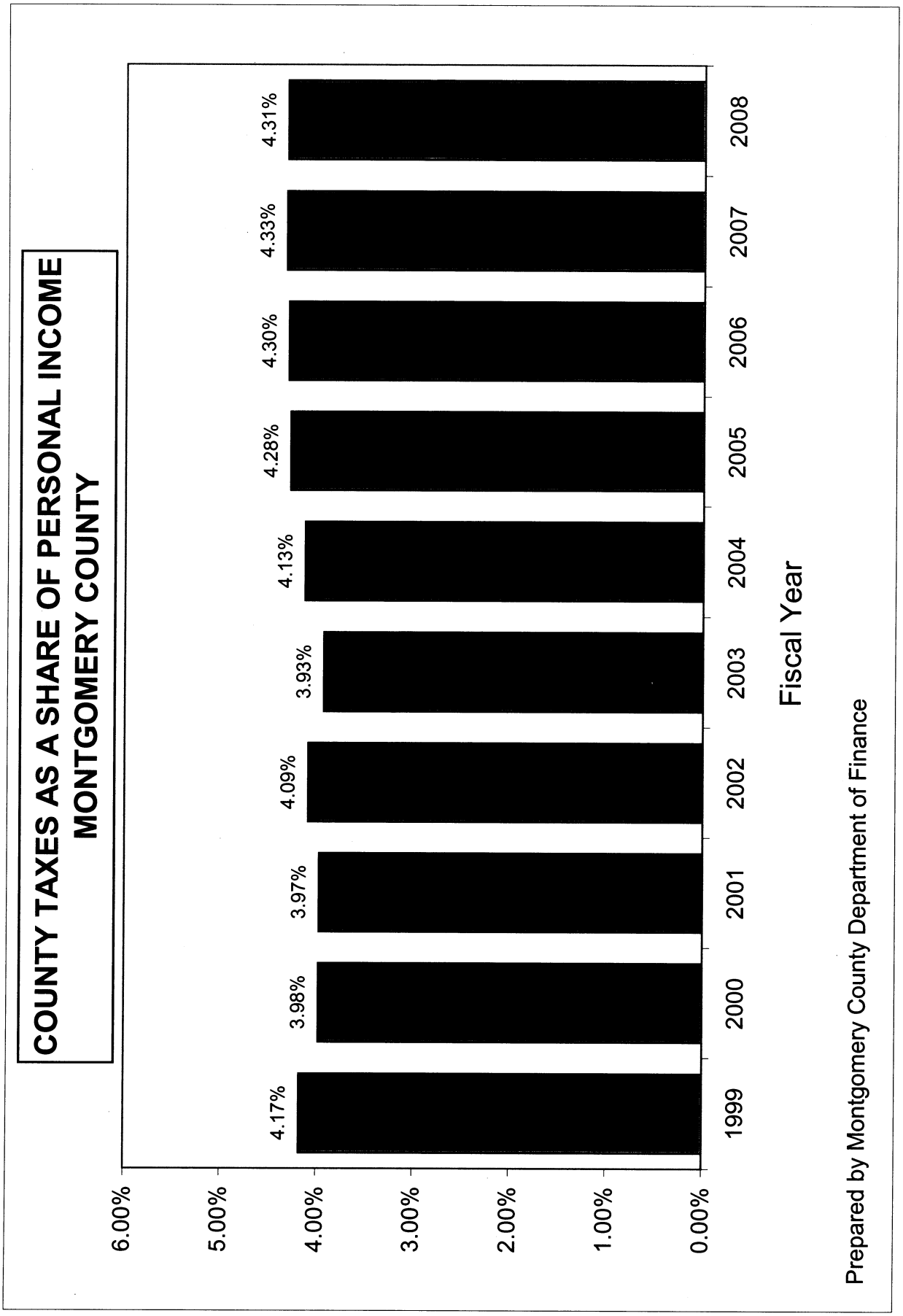
Note (4): Tax & User Charges are not adjusted for inflation.

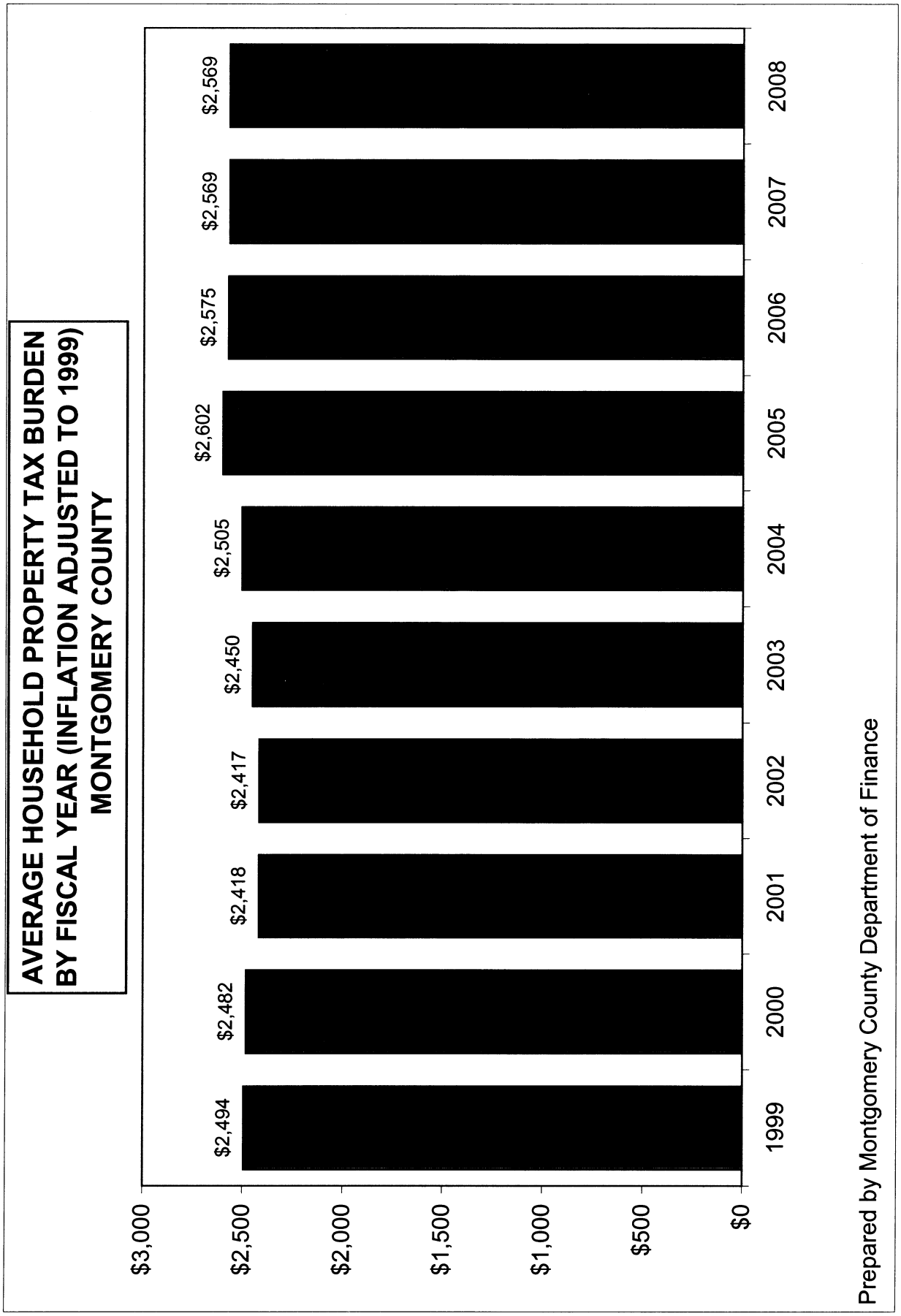
Note (5): Water & Sewer bill includes 5.3% water and sewer rate increase and no change in the Account Maintenance Fee. The amount assumes 210 gallons average daily consumption. Source: Fiscal Year 2008 Proposed Budget, Washington Suburban Sanitary Commission, pages 11-13.

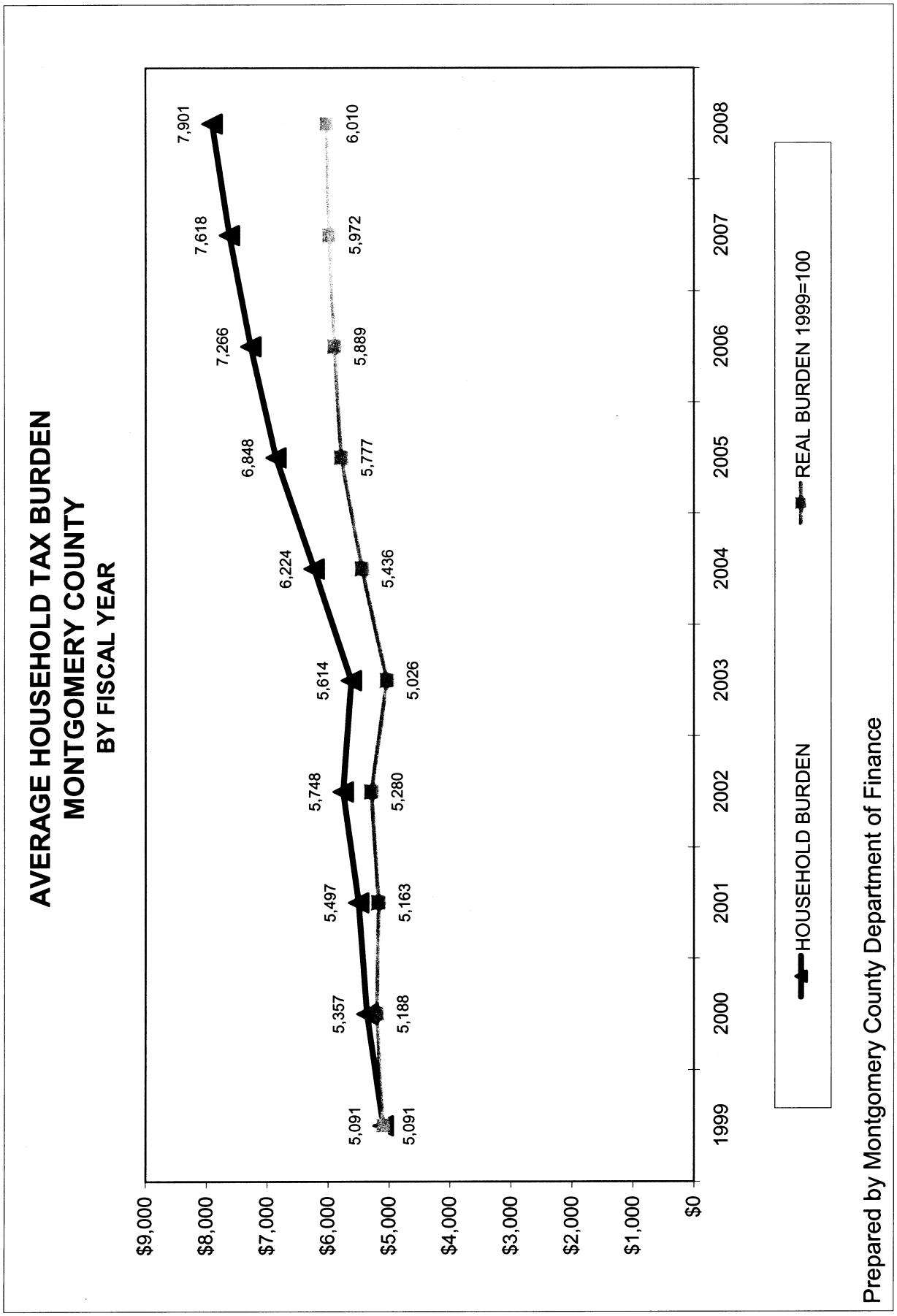
Note(6): Water Quality Protection Charge is on a per equivalent residential unit and increases from $25.00 in FY07 to $25.23 in FY08.

Note(7): Totals may not add due to rounding

Source: Montgomery County Department of Finance


COUNTY TAXES AS A SHARE OF PERSONAL INCOME
MONTGOMERY COUNTY
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
4.17%
3.98%
3.97%
4.09%
3.93%
4.13%
4.28%
4.30%
4.33%
4.31%
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Fiscal Year
Prepared by Montgomery County Department of Finance


AVERAGE HOUSEHOLD PROPERTY TAX BURDEN
BY FISCAL YEAR (INFLATION ADJUSTED TO 1999)
MONTGOMERY COUNTY
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
$2,494
$2,482
$2,418
$2,417
$2,450
$2,505
$2,602
$2,575
$2,569
$2,569
$2,569
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Prepared by Montgomery County Department of Finance


AVERAGE HOUSEHOLD TAX BURDEN
MONTGOMERY COUNTY
BY FISCAL YEAR
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
5,091
5,357
5,497
5,748
5,614
6,224
6,848
7,266
7,618
7,901
5,091
5,188
5,163
5,280
5,026
5,436
5,777
5,889
5,972
6,010
HOUSEHOLD BURDEN
REAL BURDEN 1999=100
Prepared by Montgomery County Department of Finance

FY08 FEE AND FINE CHANGES*

DEPARTMENT/FEE AND FINE	FY08 REVENUE CHANGE	METHOD OF CHANGE	NOTE
MONTGOMERY COLLEGE			
Tuition rate increase	3,000,000	Board of Trustees action	Increase per semester hour rate from $93 to $96 for County residents, $191 to $197 for State residents, and $257 to $266 for non-residents.
OFFICE OF CONSUMER PROTECTION			
Increase all Office of Consumer Protection New Home Builder License and Business Fees	37,810	Executive Regulation Method 2 and 3	Increase New Home Builder, Auto Repair, Towing Facility, Radio, Television and Appliance Installation and Repair License Fees by 15%. Secondhand Personal Property Dealers License fee to be increased from $25.00 to $50.00.
PERMITTING SERVICES			
Increase all allowable Permitting Fees and Fines	1,984,470	Executive Regulation Method 2 and 3 for most fees. Council Resolutions for administration and enforcement of registered home occupations, requests to waive parking standards, zoning compliance letters, enforcement of sign permits & licenses and special exceptions	A 6.7% fee increase in all allowable permitting fees and fines is recommended consistent with the previously adopted policy increasing fees to cover increased labor costs.
Building Permit Fee Increases Related to New Drainage and Runoff Bill Requirements	705,830	Executive Regulation Method 2	Effective March 1, 2007, building permit fees were increased by 40% to cover costs associated with Bill 26-05 Stormwater - Drainage and Runoff.
Realignment of Existing Fees to Reflect Costs	1,590,500	Executive Regulation Method 3 for land development fees. Resolution for special exception fees	Effective April 1, 2007, all land development fees will be increased by 25% to improve cost recovery. Effective July 1, 2007, special exception fees will be increased by 45% to improve cost recovery.
PUBLIC WORKS AND TRANSPORTATION			
MONTGOMERY HILLS PARKING LOT DISTRICT			
Parking Fees	18,000	Council Resolution	Increase parking fees from $0.15 per hour to $0.25 per hour and add enforcement on Saturdays from 9:00am to 6:00pm.
WHEATON PARKING LOT DISTRICT			
Parking Fees	228,400	Council Resolution	Extend enforcement hours from 6:00pm to 10:00pm [4 additional hours].
SOLID WASTE SERVICES			
Increase Solid Waste Charges	2,048,160	Council Resolution	Increase single family charge per household from $194.38 to $198.42. Increase the refuse tipping fee from $52.00 per disposal ton to $56.00 per disposal ton.
Increase Solid Waste Yard Trim Tipping Charge	125,930	Council Resolution	Increase the yard trim tipping fee from $36.00 per ton to $40.00 per ton.
Increase Vacuum Leaf Collection Fees	-227,540	Council Resolution	Increase single family charge per household from $76.92 to $80.54. Reduction in total revenue from vacuum leaf charges due to a reduction in the charges to town homes.
TRANSIT SERVICES			
Eliminate Ride On Fare for Seniors and People with Disabilities	-206,330	Council Resolution	Discontinue the $.60 Ride On Fare for Seniors and People with Disabilities beginning January 2008.
RECREATION			
Activity Fees	250,000	Executive Regulation 12-05 Method 3	Fee increases to cover increases in aquatics contracts.
Activity Fees	110,560	Executive Regulation 12-05 Method 3	Increase fees to cover fee increases from Parks.
Activity Fees	78,950	Executive Regulation 12-05 Method 3	Increase fees to cover fee increases from CUPF.
Activity Fees	27,540	Executive Regulation 12-05 Method 3	Increase fees to cover contract increases for arts and crafts supplies.
Activity Fees	4,500	Executive Regulation 12-05 Method 3	Increase fees to cover increases for personnel costs for camps.
GRAND TOTAL	**9,776,780**		

*** All changes are assumed to be effective July 1, 2007 except as noted.**
Revenues above do not include implementation costs.

PROJECTED TOTAL USES OF RESOURCES (COMBINED USES)

($ Millions)

	A USE OF RESOURCES	B Approved FY07	C Estimate FY07	D % Chg. FY07-08	E % Chg. FY07-08	F Rec FY08	G % Chg. FY08-09	H Projected FY09	I % Chg. FY09-10	J Projected FY10	K % Chg. FY10-11	L Projected FY11	M % Chg. FY11-12	N Projected FY12	O % Chg. FY12-13	P Projected FY13
		5-25-06	3-13-07	Rec / Bud	Rec / Est											
1	**Total Resources**															
2	Revenues	3,321.5	3,412.6	9.2%	6.3%	3,627.8	4.5%	3,790.5	4.4%	3,958.6	5.0%	4,156.5	4.4%	4,339.8	4.4%	4,531.6
3	Beginning Reserves Undesignated	233.4	239.5	-27.0%	-28.8%	170.5	-38.8%	104.3	4.1%	108.6	9.3%	118.7	10.2%	130.8	8.7%	142.2
4	Beginning Reserves Designated	2.8	5.0	630.3%	315.3%	20.7		5.7		6.4		6.7		7.1		7.5
5	Net Transfers In	24.6	23.9	-64.9%	-63.8%	8.6	15.7%	10.0	2.7%	10.3	2.7%	10.5	2.6%	10.8	2.6%	11.1
6	**Total Resources**	**3,582.4**	**3,681.0**	**6.8%**	**4.0%**	**3,827.6**	**2.2%**	**3,910.5**	**4.4%**	**4,083.9**	**5.1%**	**4,292.4**	**4.6%**	**4,488.5**	**4.5%**	**4,692.4**
7	$ Change from prior Budget	370.1	247.8			146.6		82.9		173.4		208.5		196.1		203.8
8	**Uses: Non-Agency**															
9	**Capital Investment** (a)															
10	Debt Service: GO Bonds for all Agy's.	206.4	206.9	9.5%	9.3%	226.1	6.7%	241.2	7.1%	258.3	3.8%	268.1	3.4%	277.4	4.7%	290.3
11	Debt Service: Local Parks	4.5	4.5	3.2%	3.2%	4.7	-6.1%	4.4	0.0%	4.4	0.0%	4.4	0.0%	4.4	0.0%	4.4
12	Debt Service: Leases	13.2	12.6	-1.8%	2.8%	13.0	40.9%	18.3	-6.2%	17.2	-2.3%	16.8	-11.8%	14.8	-5.9%	13.9
13	CIP Current Revenue (b)	35.0	40.6	57.2%	35.5%	54.9	-37.4%	34.4	-10.4%	30.8	-17.9%	25.3	0.0%	25.3	0.0%	25.3
14	CIP Paygo (b)	26.4	26.4	0.0%	0.0%	26.4	66.7%	44.0	-25.0%	33.0	-33.3%	22.0	0.0%	22.0	0.0%	22.0
14a	CIP Paygo Rec Tax (b)	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
15	**Sub-total Capital**	**285.5**	**291.0**	**13.8%**	**11.7%**	**325.1**	**5.3%**	**342.3**	**0.4%**	**343.7**	**-2.1%**	**336.6**	**2.2%**	**343.9**	**3.5%**	**356.0**
16	**Other Uses**															
17	Set Aside: Potential Supplementals	0.0	9.5	n/a	n/a	0.0		20.0		20.0		20.0		20.0		20.0
18	Set Aside:Other Claims	0.0	0.0	n/a	n/a	0.0		0.0		0.0		0.0		0.0		0.0
19	Revenue Stabilization Fund	0.0	11.9	n/a	n/a	0.0		0.0		0.0		0.0		0.0		0.0
20	**Sub-total Other**	**0.0**	**21.4**			**0.0**		**20.0**		**20.0**		**20.0**		**20.0**		**20.0**
21	**Reserves**															
22	Revenue Stabilization Fund	107.8	119.6	11.0%	0.0%	119.6	0.0%	119.6	0.0%	119.6	0.0%	119.6	0.0%	119.6	0.0%	119.6
23	Reserve Undesignated	102.7	170.5	1.6%	-38.8%	104.3	4.1%	108.6	9.3%	118.7	10.2%	130.8	8.7%	142.2	8.3%	154.0
24	Reserve Designated	18.7	20.7	-69.4%	-72.3%	5.7		6.4		6.7		7.1		7.5		7.9
25	**Sub-total Reserves**	**229.2**	**310.8**	**0.2%**	**-26.1%**	**229.7**	**2.2%**	**234.6**	**4.4%**	**245.0**	**5.1%**	**257.5**	**4.6%**	**269.3**	**4.5%**	**281.5**
26	Less Revenue Stabilization Fund	(107.8)	(119.6)	11.0%	0.0%	(119.6)	0.0%	(119.6)	0.0%	(119.6)	0.0%	(119.6)	0.0%	(119.6)	0.0%	(119.6)
27	Less Designated Reserve	(18.7)	(20.7)	-69.4%	-72.3%	(5.7)		(6.4)		(6.7)		(7.1)		(7.5)		(7.9)
28	**Sub-total Undesignated Reserves**	**102.7**	**170.5**	**1.6%**	**-38.8%**	**104.3**	**4.1%**	**108.6**	**9.3%**	**118.7**	**10.2%**	**130.8**	**8.7%**	**142.2**	**8.3%**	**154.0**
29	**Total Uses: Non-Agency**	**406.9**	**503.5**	**6.9%**	**-13.6%**	**435.1**	**9.7%**	**477.3**	**2.5%**	**489.1**	**1.1%**	**494.5**	**3.8%**	**513.5**	**4.7%**	**537.8**
30	**Uses: Available for Agency Services**	**3,175.5**	**3,177.4**	**6.8%**	**6.8%**	**3,392.5**	**1.2%**	**3,433.2**	**4.7%**	**3,594.8**	**5.7%**	**3,797.9**	**4.7%**	**3,975.0**	**4.5%**	**4,154.5**
31	**$ Change from prior Budget**	**298.8**	**255.2**			**215.1**		**40.7**		**161.6**		**203.1**		**177.1**		**179.5**

(a) See separate displays elsewhere in this book for allocation of Debt Service and CIP Current Revenue by Agency (A3 Schedule).

(b) FY07-12 PAYGO and CIP Current Revenue as recommended by the County Executive on January 11, 2007 with further changes to be transmitted shortly.

REVENUE SUMMARY
TAX SUPPORTED BUDGETS
($ Millions)

	A KEY REVENUE CATEGORIES	B Approved FY07	C Estimate FY07	D % Chg. FY07-08	E % Chg. FY07-08	F Rec. FY08	G % Chg. FY08-09	H Projected FY09	I % Chg. FY09-10	J Projected FY10	K % Chg. FY10-11	L Projected FY11	M % Chg. FY11-12	N Projected FY12	O % Chg. FY12-13	P Projected FY13
	TAXES	5-25-06	3-13-07	Rec/Bud	Rec/Est											
1	Property Tax (less PDs)	1,154.0	1,156.2	**4.6%**	**4.4%**	1,207.5	3.0%	1,243.5	3.4%	1,286.2	3.4%	1,329.8	3.3%	1,374.1	3.4%	1,420.3
2	Income Tax	1,079.4	1,217.3	**19.2%**	**5.7%**	1,286.9	5.7%	1,360.5	5.9%	1,440.5	7.1%	1,542.6	6.4%	1,641.1	6.4%	1,746.3
3	Transfer Tax	140.6	111.1	**-14.1%**	**8.7%**	120.8	6.6%	128.8	6.1%	136.7	5.3%	143.9	5.3%	151.5	5.3%	159.5
4	Recordation Tax	85.2	67.0	**-14.9%**	**8.2%**	72.5	5.9%	76.8	5.5%	81.0	4.7%	84.8	5.3%	89.2	5.3%	94.0
5	Energy Tax	124.4	118.0	**-3.6%**	**1.6%**	119.9	1.8%	122.1	1.7%	124.1	1.5%	126.0	1.4%	127.8	1.3%	129.4
6	Telephone Tax	30.2	29.4	**0.2%**	**2.6%**	30.2	3.8%	31.4	2.0%	32.0	2.3%	32.7	2.4%	33.5	2.2%	34.2
7	Hotel/Motel Tax	16.9	17.0	**8.7%**	**8.3%**	18.4	2.9%	19.0	-3.5%	18.3	8.3%	19.8	9.4%	21.7	9.0%	23.6
8	Admissions Tax	2.8	2.4	**-10.9%**	**2.5%**	2.5	2.4%	2.6	2.0%	2.6	2.3%	2.7	2.3%	2.7	1.8%	2.8
9	**Total Local Taxes**	**2,633.4**	**2,718.5**	**8.6%**	**5.2%**	**2,858.7**	**4.4%**	**2,984.5**	**4.6%**	**3,121.4**	**5.2%**	**3,282.2**	**4.9%**	**3,441.6**	**4.9%**	**3,610.1**
	INTERGOVERNMENTAL AID															
10	Highway User	40.4	38.2	**-4.1%**	**1.5%**	38.7	1.4%	39.3	1.1%	39.7	1.1%	40.2	1.1%	40.6	1.1%	41.0
11	Police Protection	13.0	13.2	**1.5%**	**0.0%**	13.2	1.2%	13.4	1.2%	13.5	0.8%	13.7	0.8%	13.8	0.8%	13.9
12	Libraries	4.0	4.0	**5.0%**	**5.0%**	4.2	1.2%	4.3	1.2%	4.3	0.8%	4.4	0.8%	4.4	0.8%	4.4
13	Health Services Case Formula	5.6	5.6	**0.0%**	**0.0%**	5.6	2.8%	5.7	2.7%	5.9	2.7%	6.0	2.6%	6.2	2.6%	6.4
14	Mass Transit	25.1	25.1	**-9.3%**	**-9.2%**	22.8	2.8%	23.4	2.7%	24.1	2.7%	24.7	2.6%	25.4	2.6%	26.0
15	Public Schools	334.4	334.4	**16.4%**	**16.4%**	389.3	5.2%	409.8	5.1%	430.7	5.8%	455.6	2.6%	467.6	2.4%	478.6
16	Community College	24.3	24.3	**18.4%**	**18.4%**	28.8	2.8%	29.6	2.7%	30.4	2.6%	31.2	2.6%	32.0	2.5%	32.8
17	Direct Reimbursements	29.5	34.3	**7.7%**	**-7.4%**	31.8	3.4%	32.9	3.3%	33.9	3.1%	35.0	3.0%	36.0	2.9%	37.1
17a	Direct Reimb: DSS Services	36.6	29.9	**-15.2%**	**4.0%**	31.1	0.0%	31.1	0.0%	31.1	0.0%	31.1	0.0%	31.1	0.0%	31.1
18	Other	9.7	11.2	**-1.5%**	**-14.0%**	9.6	3.4%	9.9	3.3%	10.3	3.1%	10.6	3.0%	10.9	2.9%	11.2
19	**Subtotal State Aid**	**522.7**	**520.2**	**10.0%**	**10.6%**	**575.2**	**4.2%**	**599.4**	**4.1%**	**623.9**	**4.6%**	**652.4**	**2.4%**	**667.9**	**2.2%**	**682.5**
20	Federal Aid	1.5	1.9	**4.0%**	**-19.4%**	1.6	1.7%	1.6	1.7%	1.6	1.5%	1.6	1.5%	1.7	1.5%	1.7
21	**Total Intergovernmental Aid**	**524.2**	**522.1**	**10.0%**	**10.5%**	**576.7**	**4.2%**	**601.0**	**4.1%**	**625.5**	**4.6%**	**654.0**	**2.4%**	**669.6**	**2.2%**	**684.2**
	FEES AND FINES															
22	Licenses & Permits	12.1	12.5	**-13.7%**	**-16.3%**	10.5	1.5%	10.6	1.5%	10.8	1.5%	10.9	1.5%	11.1	1.5%	11.3
23	Charges for Services	46.2	47.4	**20.1%**	**17.1%**	55.5	2.2%	56.8	2.2%	58.0	2.1%	59.2	2.1%	60.5	2.0%	61.7
24	Fines & Forfeitures	13.9	11.5	**37.7%**	**66.2%**	19.1	1.6%	19.5	1.6%	19.8	1.6%	20.1	1.6%	20.4	1.6%	20.7
25	Montgomery College Tuition	59.6	59.3	**5.4%**	**6.0%**	62.8	15.7%	72.6	4.2%	75.7	6.0%	80.2	5.3%	84.4	5.3%	88.9
26	**Total Fees and Fines**	**131.8**	**130.7**	**12.2%**	**13.2%**	**147.9**	**7.8%**	**159.5**	**3.0%**	**164.2**	**3.8%**	**170.4**	**3.5%**	**176.4**	**3.5%**	**182.6**
	MISCELLANEOUS															
27	Investment Income	22.0	29.4	**44.4%**	7.9%	31.7	2.4%	32.5	4.9%	34.1	5.7%	36.0	5.9%	38.1	5.3%	40.2
28	Other Miscellaneous	10.1	12.0	**26.2%**	6.2%	12.7	2.8%	13.1	2.7%	13.4	2.7%	13.8	2.6%	14.2	2.6%	14.5
29	**Total Miscellaneous**	**32.1**	**41.4**	**38.7%**	**7.4%**	**44.4**	**2.5%**	**45.6**	**4.3%**	**47.5**	**4.8%**	**49.8**	**5.0%**	**52.3**	**4.5%**	**54.7**
30	**TOTAL REVENUES**	**3,321.5**	**3,412.6**	**9.2%**	**6.3%**	**3,627.8**	**4.5%**	**3,790.5**	**4.4%**	**3,958.6**	**5.0%**	**4,156.5**	**4.4%**	**4,339.8**	**4.4%**	**4,531.6**
31	$ Change from prior Budget	280.6	198.4			215.2		162.7		168.1		197.9		183.3		191.8

County Executive's Recommended FY08-13 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

	App FY07 5-25-06	Est FY07 3-13-07	% Chg. FY07-08 Rec/Bud	% Chg. FY07-08 Rec/Est	Rec FY08	% Chg. FY08-09	Projected FY09	% Chg. FY09-10	Projected FY10	% Chg. FY10-11	Projected FY11	% Chg. FY11-12	Projected FY12	% Chg. FY12-13	Projected FY13
Total Resources															
Revenues	3,321.5	3,412.6	9.2%	6.3%	3,627.8	4.5%	3,790.5	4.4%	3,958.6	5.0%	4,156.5	4.4%	4,339.8	4.4%	4,531.6
Beginning Reserves Undesignated	233.4	239.5	-27.0%	-28.8%	170.5	-38.8%	104.3	4.1%	108.6	9.3%	118.7	10.2%	130.8	8.7%	142.2
Beginning Reserves Designated	2.8	5.0	630.3%	315.3%	20.7	-72.3%	5.7	11.3%	6.4	5.5%	6.7	5.6%	7.1	5.8%	7.5
Net Transfers In (Out)	24.6	23.9	-64.9%	-63.8%	8.6	15.7%	10.0	2.7%	10.3	2.7%	10.5	2.6%	10.8	2.6%	11.1
Total Resources Available	3,582.4	3,681.0	6.8%	4.0%	3,827.6	2.2%	3,910.5	4.4%	4,083.9	5.1%	4,292.4	4.6%	4,488.5	4.5%	4,692.4
Less Other Uses of Resources (Capital, Debt Service,Reserve)	406.9	503.5	6.9%	-13.6%	435.1	9.7%	477.3	2.5%	489.1	1.1%	494.5	3.8%	513.5	4.7%	537.8
Available to Allocate to Agencies	**3,175.5**	**3,177.4**	**6.8%**	**6.8%**	**3,392.5**	**1.2%**	**3,433.2**	**4.7%**	**3,594.8**	**5.7%**	**3,797.9**	**4.7%**	**3,975.0**	**4.5%**	**4,154.5**
Agency Uses															
Montgomery County Public Schools (MCPS)	1,724.4	1,724.8	6.7%	6.7%	1,839.7	8.5%	1,995.5	8.1%	2,156.2	7.9%	2,327.3	7.8%	2,509.3	7.2%	2,689.8
Montgomery College (MC)	180.2	176.9	6.8%	8.8%	192.4	8.8%	209.4	8.7%	227.6	8.6%	247.3	8.6%	268.5	8.3%	290.8
MNCPPC (w/o Debt Service)	89.5	89.7	9.5%	9.3%	98.1	6.0%	103.9	6.3%	110.5	6.2%	117.2	6.0%	124.3	4.9%	130.4
MCG	1,181.3	1,186.0	6.9%	6.4%	1,262.3	8.3%	1,367.3	8.5%	1,483.4	8.3%	1,606.7	8.1%	1,737.7	7.2%	1,862.6
Subtotal Agency Uses	**3,175.5**	**3,177.4**	**6.8%**	**6.8%**	**3,392.5**	**8.4%**	**3,676.0**	**8.2%**	**3,977.7**	**8.1%**	**4,298.6**	**7.9%**	**4,639.8**	**7.2%**	**4,973.7**
Subtotal Other Uses of Resources (Capital, Debt Service,Reserve)	**406.9**	**503.5**	**6.9%**	**-13.6%**	**435.1**	**9.7%**	**477.3**	**2.5%**	**489.1**	**1.1%**	**494.5**	**3.8%**	**513.5**	**4.7%**	**537.8**
Total Uses	**3,582.4**	**3,681.0**	**6.8%**	**4.0%**	**3,827.6**	8.5%	**4,153.3**	7.5%	**4,466.8**	7.3%	**4,793.0**	7.5%	**5,153.3**	7.0%	**5,511.6**
(Gap)/Available	**0.0**	**0.0**			**0.0**		**(242.8)**		**(382.9)**		**(500.6)**		**(664.8)**		**(819.2)**

Notes:

1. **Projected FY09-13 Agency Uses are based on 10-year average rate of growth plus phase-in of GASB 45 incremental cost.**
2. **Property tax revenues are assumed at the Charter Limit.**