

**MEMORANDUM**

July 14, 2015

TO: Government Operations and Fiscal Policy and Health and Human Services  
Committee

FROM: Linda Price, Legislative Analyst

SUBJECT: FY16 Savings Plan: Health Insurance Requirements

At this session, the Committee will review the Executive's recommended FY16 Savings Plan items that are under its jurisdiction. This includes the proposed cuts to the Department of Health and Human Services (HHS) and Office of Procurement to Implement Bill 14-14, Health Insurance Requirements. See ©1-6 for the Executive's July 8 transmittal and related information.

**HEALTH AND HUMAN SERVICES**

**Health Insurance Application Assistance for Employees of County Contractors - \$30,000**  
The savings plan includes a reduction of \$30,000 in HHS for Health Insurance application assistance for employees of county contractors. It is Council staff's understanding that navigators, assistants and staff will be available to help in the event that funding has to be reduced. The Committee may wish to get a better idea of how this work will be carried out without funding in place.

**PROCUREMENT**

**Staff and Operating Expenses for Health Insurance Wage Requirements - \$101,468**  
The Executive has proposed cutting two 0.5 FTEs from Procurement and Business Relations and Compliance. This would produce savings of \$101,468. Without staff in place, the work will be performed by existing staff.

Council Staff recommends against taking the Executive's proposed reductions for Procurement. The existing staff at Procurement are already having to absorb the work responsibilities of the fiscal impacts of the Bills that were enacted but unfunded in FY16.

Of the Bills that had been enacted in FY15, Bill 14-14 was the only fiscal impact that had been funded by the Council in FY16. If funding for this initiative is reduced as the Executive has proposed, 3 FTEs and \$288,562 worth of work responsibilities will be absorbed by existing Office of Procurement staff. Additionally, there are four Bills currently pending before the Council. Three of those Bill have resource needs. Council staff has prepared the following table listing recent legislation that was approved or is pending before the Council.

|  | Status    | Expense          | FTEs<br>OBRC | FTE<br>Proc. |
|--|-----------|------------------|--------------|--------------|
| <b>Enacted Legislation</b>                           |           |                  |              |              |
| Bill 14-14 - Health Insurance Requirements           | Funded    | \$101,468        | 0.5          | 0.5          |
| Bill 48-14 – Minority Owned Business Procedures      | No impact | \$0              | 0.0          | 0.0          |
| Bill 29-14 - Wage Reporting                          | Unfunded  | \$101,468        | 0.5          | 0.5          |
| Bill 49-14 - Reciprocal Local Preference             | Unfunded  | \$85,626         | 1.0          | 0.0          |
| <b>Total Enacted (Both Funded and Unfunded)</b>      |           | <b>\$288,562</b> | <b>2.0</b>   | <b>1.0</b>   |
| <b>Pending Legislation</b>                           |           |                  |              |              |
| Bill 40-14 - Apprenticeship Training                 |           | \$47,000*        | 0.0          | 0.0          |
| Bill 61-14 - Local Business Subcontracting Program   |           | \$79,220         | 0.5          | 0.5          |
| Bill 5-15 - Health Insurance Preference              |           | \$85,942         | 0.5          | 0.5          |
| Bill 23-15 - Local Small Business Reserve Amendments | No Impact | \$0              | 0.0          | 0.0          |
| <b>Total Pending</b>                                 |           | <b>\$212,162</b> | <b>1.0</b>   | <b>1.0</b>   |

*\*The expense could go as high as \$130,000. The GO Committee will continue their review of this Bill on July 23, 2015.*



OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

MEMORANDUM

July 8, 2015

TO: George Leventhal, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: FY16 Savings Plan

Attached please find my Recommended FY16 Savings Plan for Montgomery County Government and the other tax supported County Agencies. The attached plan identifies savings of approximately \$51 million including \$10 million in current revenue, the minimum I believe necessary at this time as we begin planning for the FY17 budget.

Only one income tax distribution remains for FY15, and year-to-date collections are \$21.4 million short of the estimate included in the FY16 approved budget. Given the size of the final FY15 distribution and the pattern of shortfalls we have experienced, it is unlikely that the final distribution will result in additional revenues that would significantly offset the \$21.4 million shortfall. Therefore, it is prudent to assume a significant overall shortfall will continue into FY16 and FY17. In addition, more recent information indicates that the recent Supreme Court decision in the case of *Wynne v. Comptroller for the State of Maryland* will further reduce income tax revenues by approximately \$15.1 million in FY16 and \$76.7 million in FY17. Altogether, the cumulative revenue loss by FY17 is currently projected to reach well over \$150 million.

This potential revenue loss, combined with significant expenditure pressures, raises the possibility of a very substantial budget gap for FY17 in addition to the FY16 shortfall. Please keep in mind that we must close this substantial and growing gap without the options that have been available to us in the past. Therefore, it is critical for our taxpayers, residents and employees that we plan for and implement a savings plan now to avoid even more significant and potentially disruptive budget reductions later.

In the last County savings plan in FY11, Montgomery County Public Schools savings constituted a higher percentage of the total. I do not believe that it is possible today, given the elimination of over 380 positions and other constraints the school system has experienced within a maintenance-of-effort budget in recent years. However, I believe a \$10 million savings target is realistic. Montgomery College has benefited from unprecedented increases in County funding in the last two years - 29 percent since FY14. While their programs and goals are worthy and I have supported the College with recommended increases in excess of all other County agencies, I believe they must also be part of this solution. I am recommending a \$5 million operating budget savings target for Montgomery College and an additional \$6.5 million savings plan reduction in capital budget current revenue. Even with this recommended savings, the College will experience a nearly 24 percent increase in County resources in the last two years. The savings plan target for Maryland National Capital Park and Planning Commission is approximately \$1.5 million, or about 1.3 percent of its tax-supported budget (excluding debt service and retiree health insurance prefunding).

George Leventhal, Council President

July 8, 2015

Page 2

For Montgomery County Government, the total operating budget savings plan target is \$24.1 million or 1.7 percent of the approved budget, and \$3.64 million in capital budget current revenue. As a starting point, the operating budget savings plan target included a two percent across-the-board reduction in all tax supported budgets, and also included some of the enhancements added to the budget in FY16. The savings plan includes enhancements I recommended in my March 15<sup>th</sup> budget and some of those added by the Council. However, in order to meet the necessary savings goal for FY16 and beyond, we must find even greater savings beyond that which was added in FY16. This savings plan reflects reductions in service, though we have sought to minimize reductions to the most critical and basic services.

While no one disputes the value these new and expanded programs would provide, I am convinced they are not sustainable in the current fiscal environment we are facing for the foreseeable future. Therefore, I do not believe it is advisable to initiate them at this time. If, however, you reach a different conclusion, you should recommend additional programs and services that are part of the base budget for reduction or elimination. The Council should identify those reductions as alternatives but approve my overall savings target. Again, it is critical to pull back on our current spending as soon as possible, in order to address the revenue shortfalls.

Given the long-term nature of the fiscal problems, I have also maximized reductions to ongoing expenditures. The Council's reductions should similarly avoid focusing on one-time items such as current revenue. While some one-time savings are part of my proposed savings plan, there are far more dollars assumed from ongoing expenditures. Without this approach, we will almost certainly be confronting the same difficult decisions at a later time when our flexibility is even more greatly diminished.

I want to emphasize that I do not believe a property tax increase alone, of the magnitude it will require to close next year's expected budget gap, can be the solution. The combination of reduced revenues and increased expenditure pressures is simply too great to overcome with a tax increase. As noted in the Council's discussion of the FY16-21 fiscal plan, just to close the existing gap, the property tax increase would have to exceed 10 cents to fund a same services budget next year. Additional revenue would need to be identified to pay for normal cost increases in the current budget such as increases to salaries in the collective bargaining agreements, fuel cost increases, interest rate increases, or inflation increases.

I understand the desire by some to wait until more information becomes available – for example, after the fiscal update – but the likelihood of a dramatic reversal in the revenue trend we have observed over the last year is low. In addition, the impact of the Wynne decision is likely to be substantial and could exceed our current estimates.

The sooner we can implement these cost control measures, the more likely they are to be achieved. Without these reductions, the already significant challenge of balancing the FY17 budget will be even more painful and less manageable. Deferring difficult decisions now not only increases the risk of limiting our choices later, but potentially makes those choices much worse than they would otherwise be. Delaying difficult decisions will also increase the later need for unsustainable and unrealistically high tax increases over the next several years. I believe that course of action would not be fiscally responsible or fair to our constituents, our residents and businesses, or our employees.

George Leventhal, President  
 July 8, 2015  
 Page 3

I appreciate the Council's willingness to collaborate on this important matter and the expedited scheduling of consideration and approval of the plan. My staff is available to assist the Council in its review of the attached proposal. Thank you for your support of our efforts to minimize the impact of these reductions on our most important services while preserving the fiscal health of the County Government.

| <b>Executive Recommended FY16 Savings Plan</b>   |                             |                               |   |                                       |  |
|--|-----------------------------|-------------------------------|---|---------------------------------------|--|
| <b>Agency</b>  | <b>Approved FY16 Budget</b> | <b>Savings Plan Reduction</b> | <b>Agency as % of Total FY16 Budget</b> | <b>Reduction as % of Savings Plan</b> | <b>Savings Plan Reduction as % of Budget</b> |
| MCG  | 1,413,422,533               | 24,139,111                    | 35.7%                                   | 59.3%                                 | 1.7%   |
| MCPS   | 2,176,525,543               | 10,000,000                    | 55.0%                                   | 24.6%                                 | 0.5%   |
| College  | 252,218,195                 | 5,000,000                     | 6.4%                                    | 12.3%                                 | 2.0%   |
| MNCPPC   | 115,583,985                 | 1,529,329                     | 2.9%                                    | 3.8%                                  | 1.3%   |
| <b>Total</b>   | <b>3,957,750,256</b>        | <b>40,668,440</b>             |   |                                       | <b>1.0%</b>                                  |
| <b>Notes:</b>  |                             |                               |   |                                       |  |
| 1. Amounts above include only the operating budget, excluding debt service and retiree health insurance.   |                             |                               |   |                                       |  |
| 2. The County Executive's Recommended FY16 Savings Plan also includes capital budget current revenue reductions of \$10.14 million, including \$6.5 million from Montgomery College and \$3.64 million from the County Government. |                             |                               |   |                                       |  |

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- c: Timothy L. Firestine, Chief Administrative Officer
- Larry A. Bowers, Interim Superintendent, Montgomery County Public Schools
- Dr. DeRionne Pollard, President, Montgomery College
- Casey Anderson, Chair, Montgomery County Planning Board
- Stacy L. Spann, Executive Director, Housing Opportunities Commission
- John W. Debelius III, Sixth Judicial Circuit and County Administrative Judge
- John McCarthy, State's Attorney
- Sheriff Darrin M. Popkin, Sheriff's Office
- Steve Farber, Council Administrator
- Jennifer A. Hughes, Director, Office of Management and Budget
- Joseph F. Beach, Director, Department of Finance

Attachments

# FY16 SAVINGS PLAN

## FY16 Savings Plan

## MCG Tax Supported

| Ref No.                          | Title   | Total \$        | Revenue  |
|----------------------------------|---|-----------------|----------|
| <b>Finance</b>                   |   |                 |          |
| 34                               | <b>PERSONNEL COST SAVINGS</b><br>FY16 Personnel Cost savings will be generated from the Department prioritizing current vacancies and only recruiting for the most mission critical positions. No service impact from reduction in operating expenses.                                | -274,258        | 0        |
| <b>Finance Total:</b>            |   | <b>-274,258</b> | <b>0</b> |
| <b>General Services</b>          |   |                 |          |
| 35                               | <b>DEFERRED MAINTENANCE AND CLEANING FOR LIBRARIES</b><br>Elimination of enhanced maintenance and cleaning for libraries.   | -150,000        | 0        |
| 36                               | <b>DEFERRED MAINTENANCE AND CLEANING FOR RECREATION</b><br>Elimination of enhanced maintenance and cleaning for recreation facilities.  | -100,000        | 0        |
| 37                               | <b>LAPSE VACANT PLUMBER I, HVAC MECHANIC I, AND BUILDING SERVICES WORKER II</b><br>Continued lapse of three vacant positions with no expected impact on services.   | -196,726        | 0        |
| 38                               | <b>REDUCE SPECIAL CLEANING FUNDS: PUBLIC LIBRARIES</b><br>Reduction of 60 percent of special cleaning funds in base for libraries.  | -144,000        | 0        |
| 39                               | <b>SUSTAINABILITY PROGRAM MANAGER (BILL 2-14 BENCHMARKING AND BILL 6-14 OFFICE OF SUSTAINABILITY)</b><br>Do not fill one new position due to affordability. The work for Bills 2-14, 6-14, and 8-14 will be handled by the remaining additional program manager added by the Council. | -82,035         | 0        |
| 40                               | <b>REDUCE SPECIAL CLEANING FUNDS: DEPARTMENT OF RECREATION</b><br>Reduction of 60 percent of special cleaning funds in base for recreation facilities.  | -186,000        | 0        |
| 41                               | <b>OPERATING FUNDS TO IMPLEMENT BILL 2-14 BENCHMARKING</b><br>Reduce funds for implementation of Bill 2-14 due to affordability.  | -50,000         | 0        |
| <b>General Services Total:</b>   |   | <b>-908,761</b> | <b>0</b> |
| <b>Health and Human Services</b> |   |                 |          |
| 42                               | <b>CHILDREN'S OPPORTUNITY FUND</b><br>Maintain 50% of the budgeted increase for the Children's Opportunity Fund.  | -125,000        | 0        |
| 43                               | <b>DEVELOPMENTAL DISABILITY SUPPLEMENT</b>  | -969,420        | 0        |
| 44                               | <b>PLANNING FOR ANTI-POVERTY PILOT PROGRAM</b>  | -32,700         | 0        |
| 45                               | <b>IMPLEMENTATION OF BILL 13-15 - THE CHILD CARE EXPANSION AND QUALITY ENHANCEMENT INITIATIVE</b><br>Maintain 50% of the budgeted increase for implementation of Bill 13-15 - The Child Care Expansion and Quality Enhancement Initiative.  | -126,548        | 0        |
| 46                               | <b>POSITIVE YOUTH PROGRAMMING SERVICES FOR WHEATON HIGH SCHOOL WELLNESS CENTER</b><br>Maintain 50% of the budgeted increase for Positive Youth programming services at Wheaton High School Wellness Center.   | -135,650        | 0        |
| 47                               | <b>VILLAGE START-UP GRANTS FOR LOW AND MODERATE INCOME AND DIVERSE COMMUNITIES</b>  | -10,000         | 0        |
| 48                               | <b>REGINALD S. LOURIE CENTER</b>  | -49,910         | 0        |



# FY16 SAVINGS PLAN

**FY16 Savings Plan**

**MCG Tax Supported**

| Ref No. | Title   | Total \$ | Revenue |
|---------|---|----------|---------|
| 49      | <b>BEHAVIORAL HEALTH SPECIALIST - MONTGOMERY CARES HOLY CROSS - ASPEN HILL CLINIC</b>   | -50,000  | 0       |
| 50      | <b>MONTGOMERY CARES REIMBURSEMENT RATE \$1 INCREASE PER VISIT</b><br>Maintain 50% of the budgeted increase for the Montgomery Cares reimbursement rate, sustaining a \$1 increase per visit.  | -80,028  | 0       |
| 51      | <b>MUSLIM COMMUNITY DENTAL CLINIC</b><br>Maintain 50% of the budgeted increase for Muslim Community Dental Clinic.  | -91,000  | 0       |
| 52      | <b>CARE FOR KIDS ENROLLMENT GROWTH</b><br>Maintain 50% of the budgeted increase for Care for Kids Enrollment Growth.  | -62,500  | 0       |
| 53      | <b>COUNTY DENTAL CLINICS</b><br>Maintain 50% of the budgeted increase for County Dental Clinics.  | -50,000  | 0       |
| 54      | <b>SET DEVELOPMENTAL DISABILITY DIRECT SERVICE WORKER WAGE AT 125 PERCENT OF MINIMUM WAGE</b>   | -146,688 | 0       |
| 55      | <b>HEALTH INSURANCE APPLICATION ASSISTANCE FOR EMPLOYEES OF COUNTY CONTRACTORS</b>  | -30,000  | 0       |
| 56      | <b>PRINTING/COPYING</b><br>This will reduce outside printing and copying.   | -2,300   | 0       |
| 57      | <b>OUTSIDE POSTAGE</b><br>This will reduce the number of mailings.  | -15,000  | 0       |
| 58      | <b>TRAVEL AND MILEAGE REIMBURSEMENTS</b><br>This will reduce support for travel and mileage reimbursements.   | -1,300   | 0       |
| 59      | <b>CONTRACTUAL SERVICES FOR EMPLOYMENT, TRAINING, AND SUPPORTIVE SERVICES</b><br>This 10% reduction to the FY15 amount of \$777,422 to CASA de Maryland's contract for Employment, Training and supportive services to multicultural, low-income residents with limited English proficiency will impact contract personnel and administrative costs.  | -77,740  | 0       |
| 60      | <b>LEADERSHIP DEVELOPMENT PROGRAM THAT SERVES DIVERSE RESIDENTS IN THE COUNTY</b><br>A 20% reduction to the FY15 amount of \$257,345 to IMPACT Silver Spring's contract which provides the Leadership Development Program; network building and skill building in the community. The reduction will impact contract personnel and will reduce the Leadership Development Program that serves diverse residents in the the Long Branch area. | -51,470  | 0       |
| 61      | <b>AFRICAN AMERICAN HEALTH PROGRAM CONTRACTUAL SERVICES</b><br>A 2% reduction to the FY15 amount of \$1,184,218 to Betah Associates, Inc. to reduce contractual services in the African American Health Program (AAHP) including outreach and special events for SMILE, HIV, Diabetes, mental health, and oral health.  | -24,400  | 0       |
| 62      | <b>LATINO YOUTH WELLNESS PROGRAM SERVICES</b><br>Reduce services provided by Identity, Inc. by 7%. The Latino Youth Wellness Program serves 65 low income families and with high risk youth between the ages of 11 and 15 who live in neighborhoods of significant economic risk.   | -26,350  | 0       |
| 63      | <b>ASIAN AMERICAN HEALTH INITIATIVE CONTRACTUAL SERVICE - MENTAL HEALTH</b><br>Reduce Asian American Health Initiative contractual service for mental health education and outreach services.   | -10,830  | 0       |
| 64      | <b>HANDICAP RENTAL ASSISTANCE PROGRAM (HRAP)</b><br>The reduction will not result in the loss of any benefits to current clients. The HRAP program has been under-enrolled and client benefits have not been fully expended over the past three years due to fewer people are eligible for the program requirements as set by the Executive Regulations.  | -50,000  | 0       |

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# FY16 SAVINGS PLAN

## FY16 Savings Plan

## MCG Tax Supported

| Ref No.                                       | Title   | Total \$        | Revenue  |
|---|---|-----------------|----------|
|   | approximately 1/3 of this staff person's working hours are used to manage the NDA.  |                 |          |
|   | <b>Legislative Oversight Total:</b>   | <b>-29,586</b>  | <b>0</b> |
| <b>Management and Budget</b>                  |   |                 |          |
| 93  | <b>PERSONNEL COSTS</b><br>OMB currently has three vacant positions and will delay filling the positions until the additional lapse is met.  | <b>-81,878</b>  | <b>0</b> |
|   | <b>Management and Budget Total:</b>   | <b>-81,878</b>  | <b>0</b> |
| <b>Merit System Protection Board</b>          |   |                 |          |
| 94  | <b>DECREASE OPERATING EXPENSE</b>   | <b>-3,930</b>   | <b>0</b> |
|   | <b>Merit System Protection Board Total:</b>   | <b>-3,930</b>   | <b>0</b> |
| <b>NDA - Arts and Humanities Council</b>      |   |                 |          |
| 95  | <b>ARTS AND HUMANITIES COUNCIL ADMINISTRATION EXPENSES</b>  | <b>-20,500</b>  | <b>0</b> |
| 96  | <b>DECREASED FUNDING FOR OPERATING SUPPORT GRANTS</b>   | <b>-128,089</b> | <b>0</b> |
| 97  | <b>DECREASED FUNDING FOR SMALL AND MID-SIZED ORGANIZATIONS</b>  | <b>-82,326</b>  | <b>0</b> |
|   | <b>NDA - Arts and Humanities Council Total:</b>   | <b>-230,915</b> | <b>0</b> |
| <b>NDA - Housing Opportunities Commission</b> |   |                 |          |
| 98  | <b>2 PERCENT UNSPECIFIED COST REDUCTION</b><br>The cuts would most likely affect services for our residents/clients in some way as the majority of the funding directly supports these functions. It is our intention to identify the components of the savings plan once HOC's FY15 final financial position has been determined and to provide details to the County at a later date. | <b>-128,028</b> | <b>0</b> |
|   | <b>NDA - Housing Opportunities Commission Total:</b>  | <b>-128,028</b> | <b>0</b> |
| <b>Office of Procurement</b>                  |   |                 |          |
| 99  | <b>AUDITS</b><br>Will reduce the number of legally required random audits performed to four. Will reduce to 10% the number of most at-risk work sites reviewed.   | <b>-20,000</b>  | <b>0</b> |
| 100   | <b>HOSTED EVENTS, PROFESSIONAL TRAINING, AND TRAVEL</b><br>Reduce the number of FY 16 external professional training, hosted events and local travel.   | <b>-11,300</b>  | <b>0</b> |
| 101   | <b>OFFICE SUPPLIES, SOFTWARE LICENSES, AND REPORT PRODUCTION</b><br>Will reduce the amount of expenses for office supplies, licenses, and publication of reports.   | <b>-25,200</b>  | <b>0</b> |
| 102   | <b>OFFICE CLERICAL</b><br>Reduction in hours from 40 to 38 for contractors.   | <b>-2,000</b>   | <b>0</b> |
| 103   | <b>STAFF AND OPERATING EXPENSES FOR HEALTH INSURANCE WAGE REQUIREMENTS</b>  | <b>-101,468</b> | <b>0</b> |
|   | <b>Office of Procurement Total:</b>   | <b>-159,968</b> | <b>0</b> |
| <b>Police</b>                                 |   |                 |          |
| 104   | <b>PEDESTRIAN SAFETY OVERTIME</b>   | <b>-80,000</b>  | <b>0</b> |