

GO Committee #3
May 12, 2016
Worksession

MEMORANDUM

May 10, 2016

TO: Government Operations and Fiscal Policy Committee

FROM: Jacob Sesker, Senior Legislative Analyst *JS*

SUBJECT: FY17 Operating Budget: NDA – Municipal Tax Duplication

<p>GO Committee (3-0) Recommendation: Approve the NDA-Municipal Tax Duplication Staff recommendation (conditional): Approve Technical Adjustment (\$131,669)</p>
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Overview

This packet contains analysis related to the FY17 Operating Budget for the NDA – Municipal Tax Duplication. This NDA was reviewed by the Committee on April 25, 2016. At that time, the Committee recommended approval (3-0) of the recommended budget. Subsequent to the worksession, the Town of Chevy Chase requested a technical adjustment to the budget of this NDA. That technical adjustment is the limited purpose of this worksession.

Technical Adjustment

Todd Hoffman, Town Manager of Chevy Chase, indicated that the Town Council would decide whether to levy a property tax at its meeting on May 11, 2016. Property tax duplication cannot occur unless a jurisdiction levies a property tax. As such, the Town of Chevy Chase would not be eligible to receive a tax duplication payment in FY17 unless it levies a property tax. If the Town does levy a property tax, it would be eligible for reimbursement of \$131,669.

Montgomery County (Chapter 30A) and Maryland law (Tax Property 6-305) both require that municipal governments provide notice to County government regarding their intent to seek reimbursement for eligible services. *See 30A, © 20; TP 6-305, © 21.* The Town of Chevy Chase did not comply with either of these requirements. OMB has confirmed that as a matter of administrative practice, **the County does not require any municipality to comply with the notice requirements. Council staff's position is that it would not be equitable to deny the Town of Chevy Chase a tax duplication payment on the basis of a legal requirement that is not enforced as a matter of current practice.**

Council staff recommendation: If the Town Council levies a property tax, Council staff will recommend approval of a technical adjustment in the amount of \$131,669 for this budget.

NDA-Municipal Tax Duplication (from April 25, 2016 packet)

The Executive requests \$8,305,696 in FY17, an increase of \$421,512 when compared to the FY16 Approved Budget amount of \$7,884,184. **Of that increase, \$40,929 is attributable to speed camera revenue, with the remaining \$380,583 resulting from an increase in property tax duplication.** The factor driving that increase is the County's increased expenditure on reimbursable transportation expenses—expenditures for other reimbursable services increased only modestly. *See Municipal Tax Duplication NDA Budget, © 30-31.* Overall, the budget includes the following components: speed camera revenue (\$268,930); property tax duplication (\$5,506,242); and additional County grants (\$2,530,524). Almost all of the grants (99.9%) accrue to the benefit of Takoma Park, and more than 80% of the grants to Takoma Park relate to the police services reimbursement arrangement between Takoma Park and Montgomery County.

The County Executive used an approach that is conceptually similar to the one used for the last few years, while also incorporating Council changes to the FY16 budget. There were two changes in the FY17 recommended when compared to the FY16 recommended budget:

1. The first change in FY16 was to properly reflect the “parks maintenance” reimbursement formula. Implementing these FY16 Council changes resulted in a shift of some FY17 appropriation from the “additional county grant” column to the “tax duplication” column for Friendship Heights, Kensington, Section 3 of the Village of Chevy Chase, and Takoma Park (the four municipalities eligible for parks maintenance reimbursement).
2. The second change in FY16 was to properly reflect the tax duplication payment made to Takoma Park for police services that is made pursuant to a different section of law and in a separate budget account (Takoma Park Police Rebate, above). Implementing this change resulted in a shift (more than \$500,000) from the tax duplication column to the grant column but did not affect the bottom line appropriation for Takoma Park in either NDA.

Background

Most of the General Fund property tax that municipal taxpayers pay to the County is used to fund services the County provides to municipal and non-municipal taxpayers alike. A small portion of the General Fund property tax revenue that the County receives is County property tax paid by municipal taxpayers for services that the taxpayers actually receive from their municipality—this is the duplicated tax portion. In 1973, County Executive Gleason proposed creating a new program to “return annually to each municipality an amount equal to the estimated duplicated taxes paid by its residents for eligible services.” *See Gleason Memorandum & Technical Appendices, © 1.*

Beginning with the adoption of the original legislation in 1973, the County has made tax duplication payments each year to municipalities to achieve tax fairness between municipal and non-municipal taxpayers. Currently, the County's tax duplication payments are made pursuant to a policy resolution adopted in 1996. Under that resolution, reimbursable services generally are reimbursed based

on the percentage of County expenditures that are paid for with property tax revenues. *See Resolution 13-650, © 10.*

In the past five years, the County Executive's March budget has included a separate column in the budget for the "additional County grant". This column represents the portion of the total payment to each municipality that is greater than the tax duplication amount, i.e., reimbursement for that portion of the cost of service that is funded by non-duplicated taxes such as the income tax, which is a shared revenue source under State law rather than a duplicated tax. The County views this portion of the payment as a discretionary grant to municipalities that is not required by law or by implementing resolution (although, as noted above, the lion's share of the additional grant relates to a police services agreement between Takoma Park and Montgomery County).

Municipalities, on the other hand, have generally viewed this "grant" amount as an entitlement, and instead advocate for a system through which they would be reimbursed for the full cost of eligible services. For example, in an October 2013 letter, the Montgomery County Chapter of the Maryland Municipal League advocated for the "full cost of service methodology provided for in current County law", under which municipalities would be "fairly reimbursed for services that would otherwise be provided by the County, with the reimbursement amount reflecting the savings realized by the County."

Council Legislative Attorney Josh Hamlin, in a 2014 memorandum, disagreed that the full cost of service methodology is what is "provided for in current County law." *See Hamlin Memo, © 13.* Mr. Hamlin reviews not only the legislative history but also the subsequent history of the program's implementation and reached the following conclusion: ***"In consideration of the legislative history of Chapter 30A and the implementing resolutions adopted by the County Council, and viewed in relation to the State law concerning income tax distribution and property tax duplication, the calculation of the reimbursement to municipalities based on the County's actual, net property tax funded expenditures for eligible services is proper and consistent with the law's intent."***

The reimbursement method established under Resolution 13-650 (net County property tax funded savings approach) addresses the double taxation problem that can result when two governments can each charge a duplicated tax to pay for a service that only one government provides, without creating a double burden on the income tax. In contrast, reimbursing municipalities for the "full cost of service savings" would in essence create a double burden on the County's income tax revenue. This double burden would arise because the services in the County's tax supported general fund (such as education, libraries, and police) are funded in part with income tax revenue. Under Maryland Tax – General Article §2-607, municipalities receive a 17% share of County income tax attributable to municipal taxpayers. Revenue in the County's General Fund consists of not only County property tax revenue, but also 100% of the County income tax of non-municipal taxpayers and 83% of the County income tax of municipal taxpayers. With respect to the income tax, there is no duplication because the 17% share is part of—rather than in addition to—the full 100% County income tax.

The tables at © 18-19 illustrate the double burden on income tax revenue generated by non-municipal taxpayers. Using, as an example, FY13 expenditures by the Montgomery County Government Tax Supported General Fund (which include libraries, police, community development, etc.), the tables illustrate that the per capita cost to non-municipal taxpayers is \$1,026, while the per capita cost to municipal taxpayers is \$930. Put differently, municipal taxpayers receive a discount on

services funded by the County's General Fund relative to non-municipal taxpayers (paying approximately 92¢ per \$1 of service expenditure).¹ See Tables, © 18-19.

Working Group

A working group comprised of six members worked with Council Staff during FY15 to gather information and provide feedback regarding policy alternatives. The dialogue between those attending the meetings was open and transparent. The six members included three citizen members and three members representing the local chapter of the Maryland Municipal League: Joan Fidler (Taxpayers League), Cleo Tavani (resident of Friendship Heights), Dan Wilhelm (resident of unincorporated Colesville), Suzanne Ludlow (City Manager of Takoma Park), Marnie Shaul (Councilmember, Town of Somerset), and Barb Matthews (then City Manager of Rockville).

Ms. Ludlow led a small group comprised of representatives from municipalities that provide police services, to determine if those municipalities could agree on a proposal for reimbursement for all municipalities that provide police services. To date, that sub-group has not submitted a proposal to the County.

- Attachments: © 1 Gleason Memo & Technical Appendix
© 10 Resolution 13-650
© 13 Hamlin Memo
© 18 Tables-Municipal Income Tax Subsidy Calculations
© 20 30A
© 21 Maryland Tax-Property 6-305(f)
© 22 Letter from Al Lang to GO Committee members
© 30 Municipal Tax Duplication NDA Budget

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¹ The calculation is $\$1 - (\$1 \times 47.3\% \times 17\%) = \0.92 .

Office Of The County Executive

MEMORANDUM

Date May 25, 1973

To County Council
From James P. Gleason, County Executive
Subject Montgomery County Municipal Revenue Program

Over the past year, I have explored with the Municipal Advisory Board possible inequities existing in the taxes paid by municipal and non-municipal County residents. We have concluded after careful analysis that municipal citizens pay twice for certain services - to the County and to their local jurisdiction - while receiving these services only from the municipality.

I am proposing, therefore, a new "Montgomery County Municipal Revenue Program" to overcome this inequity. Under this program, the County would return annually to each municipality an amount equal to the estimated duplicated taxes paid by its residents for eligible services. The approximate impact in FY 74 on municipalities would vary from a minimum of \$1,000 to a high of \$190,000-\$200,000 depending on final calculations using FY 73 data. The total cost to the County in FY 74 is estimated at \$260,000-\$300,000.

To establish this new initiative in intergovernmental relations, new legislation must be added to the Montgomery County Code. My proposed legislation, attached herewith, would establish the program; provide that the County, subject to budgetary constraints, shall reimburse municipalities for duplicated taxes paid by their residents; and set forth criteria for determining eligible services. No law exists at present to enable the County to begin such a program.

While I am not proposing this as emergency legislation, I urge the Council to expedite deliberations on this bill in order that once it becomes effective a supplemental appropriation, to be funded from unappropriated surplus earmarked by the Council, can be acted upon and payments can be made to the municipalities in the fall.

SUMMARY

MONTGOMERY COUNTY MUNICIPAL REVENUE PROGRAM

May 29, 1973

PROJECT BACKGROUND

- Have attempted to identify services for which municipal residents may be paying twice;
- Have focused on street-related services;
- Proposal ready for Council action.

PROPOSAL FOR FY 74:

- Grant to municipalities, whichever is greater:
 - \$1,000, or
 - Two-thirds the amount the municipality must raise from its own taxes to provide the eligible services.
- In future years, County will take over performance of services upon municipality's request by October 1 of preceding FY;
- Grant requires legislation and supplemental appropriation.

SCHEDULE

- May: submission of legislation to County Council.
- June - July: Council deliberations, enactment.
- August - September: submission of FY 73 data by municipalities.
- September: legislation effective.
- September: submission of supplemental appropriation request by County Executive.
- October: passage of supplemental appropriation and payments to municipalities.

FINAL REPORT ON THE MONTGOMERY COUNTY MUNICIPAL REVENUE PROGRAM

Prepared for Presentation at Meeting of
May 24, 1973 With Representatives of the Municipalities Advisory Board

Since the February meeting, the County staff, with the assistance of municipal officials, has refined its analysis of possible tax duplications existing between the County and municipalities. The results of that effort are shown on the attached pages. This report has been prepared to supply municipal representatives with the findings to date and to serve as a final proposal, outlined below, for removing the tax inequities found to exist.

Additional analysis has supported the initial conclusion that tax duplication was limited to the service areas of street maintenance, curb and gutter work, sidewalk repair, snow removal, street lighting, and traffic control. Municipal net expenditures for these services in FY 72, from local funds and after the deduction of applicable shared revenues, ranged from \$-0- to \$283,450, for a total of \$379,900. These net expenditures in many cases include provision of a service level comparable to that of the County, supplementary levels of service desired by municipal residents, and/or diseconomies related to the municipalities' smaller size. Consequently, further adjustments as described in Appendix B on Methodology, beyond the deduction of shared revenues, must be made to determine the extent of actual tax duplication.

Several methods of overcoming tax inequities have been explored. One of these is the assumption by the County of service currently performed by municipalities. Another is a direct grant from the County to municipalities in an amount calculated to remove the inequity. In the latter case, it should be pointed out that County legislation will be required, in addition to a budget appropriation, before such grants can be paid.

As a result of the County staff's analysis, the data presented in Appendix A illustrate the method of calculation and the impact on the municipalities. The amounts in the "Impact" columns assume a grant to each municipality of \$1,000 or two-thirds of net expenditures for street-related services, the two-thirds factor being used to recognize that any grant would be smaller than the net expenditures (except for the \$1,000 floor) because of municipal supplementary service or diseconomies.

The final proposal is as follows:

1. The County will assume at the beginning of the FY (July 1) the performance of any or all of the street-related services considered in this study upon request of the municipality provided the request is made in writing no later than the preceding October 1st; or
2. The County will provide a direct grant of the following amounts, whichever is greater:
 - a. \$1,000; or
 - b. the estimated tax overlap defined as two-thirds the amount which a municipality must raise from its own taxes to provide the eligible services.

Calculations of the direct grant for FY 74 will be made by the County based on FY 73 data supplied by the municipalities in a form and manner prescribed by the County.

In order for grants to be paid, legislation will be proposed to the County Council for enactment this summer. Subsequent to passage of the legislation, a supplemental appropriation will be recommended by the County Executive. The amount and timing of this supplemental will depend in part on timely receipt from the municipalities of data for year ending June 30, 1973. Assuming passage of the supplemental appropriation, payments would be made to the municipalities.

MONTGOMERY COUNTY MUNICIPAL REVENUE PROGRAM

Calculation of Overlap

Impact of County Grant Proposal (Illustr. only)

Municipality	Municipal Expenditures				Less: Shared Gas, Racing Rev.	Less: Shared Inc. Tax, Other Rev.	Est. Net Expend.	Amt. Tax Discon. Suppl. Serv. c/	Est. Overlap County Level of Serv. c/	Amount	Mun. Tax Rate Equiv.
	Road-Ways	Signs, Traffic Devices	Street Lighting	Total Expend							
Barnesville	167		1,021	1,188	(713)	(254)	221	74	147	1,000	15c
Brookville	4,075		700	4,775	(482)	(4,186)	107	36	71	1,000	18c
Chevy Chase #3	5,746	173	1,657	7,576	(3,755)	(1,785)	2,036	678	1,356	1,360	2c
Chevy Chase #4	36,878	1,915	6,115	44,908	(10,025)	(13,872)	21,011	6,997	14,014	14,010	7c
Chevy Chase Village	6,640		10,119	16,759	(15,272)	(700)	787	262	525	1,000	4/10c
Martin's Add. Ch.Ch	6,616		2,189	8,805	(6,249)	(1,215)	1,341	447	894	1,000	1c
Vill of N. Ch. Ch.	7,639		1,411	9,050	(3,446)	(242)	5,361	1,786	3,575	3,580	9c
Galthersburg	87,748	2,503	15,152	105,403	(34,193)	(34,234)	36,976	12,313	24,663	24,660	2c
Garrett Park	9,789		2,120	11,909	(9,037)	(1,614)	1,258	419	839	1,000	2c
Glen Echo	485	499	1,702	2,686	(2,282)	(152)	252	84	168	1,000	7c
Kensington	73,792	400	11,731	85,923	(15,160)	(77,763)	b/ (7,000)	(2,331)	(4,669)	1,000	4/10c
Laytonsville	946		1,404	2,350	(1,160)	(1,253)	b/ (63)	(21)	(42)	1,000	6c
Oakmont	8		493	501	(299)	(485)	b/ (283)	(94)	(189)	1,000	10c
Poolesville	544		1,988	2,532	(1,613)	(860)	60	20	40	1,000	2c
Rockville	408,151	75,709	100,300	584,160	(194,860)	(105,850)	283,450	94,389	189,061	189,060	5c
Somerset	15,559		3,737	19,296	(4,948)	(4,476)	9,872	3,288	6,584	6,580	5c
Takoma Park	64,452	1,151	23,754	89,357	(59,121)	(5,516)	24,720	8,232	16,488	16,490	3c
Washington Grove	3,588		1,716	5,304	(5,353)	(159)	b/ (208)	(69)	(139)	1,000	2c
TOTAL	732,823	82,350	187,309	1,002,482	(367,968)	(254,616)	379,898	126,510	253,388	266,740	-

Median Grant \$1,000

Median Tax Rate Equivalent 3c

a/ Prepared by Montgomery County Budget and Research Section, February - May 1973. See Appendix on Methodology for explanation of calculations.

b/ Negative amount indicates no local tax funds required.

c/ See appendix on Methodology.

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Appendix B

MONTGOMERY COUNTY MUNICIPAL REVENUE PROGRAM METHODOLOGY AND GENERAL COMMENTS

In the Fall of 1972, County Executive James P. Gleason directed the Montgomery County Budget and Research Section to examine, with the assistance of the County's municipalities, local government services and fiscal burdens affecting residents of municipalities compared with County citizens living outside incorporated areas. This study originated in the growing concern on the part of the County Executive and municipal officials that municipal residents were suffering a tax inequity by being taxed twice, once by the County and again by their municipal government, but receiving services only once.

Drawing primarily on the FY 1972 State Fiscal Research Bureau reports and other supplementary information submitted by the municipalities, as well as on the assistance of the County Departments of Transportation and Finance, the Budget Office has attempted over the past several months to clarify both service and fiscal situations currently affecting municipal residents vis-a-vis their non-municipal counterparts. The examination has focused on four aspects: a) the determination of service areas where tax duplication may exist; b) the calculation of the estimated overlaps; c) the development of alternatives to overcome duplications and d) the fiscal impact, on both the County and the municipalities, of the various alternatives. The methodology and certain general comments on each of these aspects are outlined below in support of the data and conclusions shown in the preceding portions of this report.

Determination of Service Areas Where Tax Duplication Exists:

The examination of services centered on identifying those for which municipal residents were paying both to the County and to their local government but which were being provided only by the municipalities; i.e., those for which tax duplication existed. The following criteria were used:

1. Municipal "General Government" and "Miscellaneous" activities (the latter including insurances and miscellaneous items) were excluded on the grounds that these are a basic requirement for citizens wanting their own special local government.

2. Only municipal services which correspond to County General Fund - financed services were eligible for consideration since residents of incorporated areas neither receive services from, nor pay taxes to, special districts such as the Suburban District or in certain cases, the Recreation District.
3. Only municipal services which correspond to tax-supported County services were eligible since municipal residents' taxes are not used to finance self-supporting County activities such as protective inspections, animal control, and refuse collection.
4. Only levels of municipal service comparable to that provided by the County outside incorporated areas would be eligible. Expenditures for supplementary levels or for diseconomies related to the municipalities' smaller size were considered the responsibility of municipal residents. An example is the police service provided by several municipalities which was considered supplementary to that supplied by the County both inside and outside local boundaries.

These criteria were applied in the review of both municipal and County services in the search for possible tax overlaps. It should be noted here that the existence of similarly-named functions in both the County and a municipality does not necessarily mean that duplication exists or that municipal residents receive no benefit from the County service. Many County services, such as environmental protection, regardless of the location of specific projects, affect the general condition of the County and have "spill-over" benefits to incorporated areas. Consequently, they should be supported in part by County tax revenue from municipal residents.

Based on this analysis, tax duplication appeared to exist in the service areas of street maintenance, curb and gutter work, sidewalk maintenance and snow removal - all of which are included in the Roadways category in Appendix A of this report. In addition, traffic control and street lighting were involved.

Calculation of Estimated Tax Duplication or Overlap

Tax duplication was defined to mean that amount of local funds that municipalities must raise from their own resources to provide the County level of service within their boundaries. To reach this figure, total municipal expenditures for the services listed above were compiled. Certain deductions were then made. These deductions are based on the fact that because they are in existence, and perform certain services, municipalities are entitled by law to receive certain shared revenues which otherwise would go to the County.

These revenues include State-shared gasoline tax and motor vehicle registration revenue and State-shared racing revenue, both of which are ear-marked for use on street-related services. In addition, a portion of County-shared income taxes, traders' permit fees, admission/amusement taxes, and payments in-lieu-of bank shares taxes, all of which may be used as municipalities choose, are distributed to municipalities instead of to the County. The sharing of these revenues with municipalities reduces the funds that must be raised from local sources for street-related services, and in effect represents a return to municipalities of all or a portion of the County taxes their residents pay for the County level of those same services. Therefore, to derive the net expenditures for the services in question, applicable portions of ear-marked and other shared revenues were subtracted from total expenditures for those services. (In several cases, at least in FY 72, negative amounts resulted indicating that shared revenues more than covered municipal expenditures with no local funds required).

One other calculation must be made at this point to determine what portion of the net expenditures is due to diseconomies resulting from the municipalities' smaller size or to the provision of supplementary levels of service. This can be found by comparing the total expenditures of a municipality for the services in question with the estimated cost to the County of providing the County level of service within that municipality, finding the percentage that the difference represents of the municipality's total street expenditures, and multiplying that percentage times the net expenditures. This will determine that portion of the net expenditures attributable to diseconomies or supplementary service. The balance is the amount of overlap resulting from the provision by the municipality of the County's level of service within its own boundaries. It is this latter amount which represents the degree of tax inequity existing. (Note: If a municipality spends less than the estimated cost to the County of providing the service, the difference would result from the provision of a lower level of service or the same level more efficiently.)

The above calculations assume the availability of accurate, comparable data from the County and the municipalities. Experience has indicated that such information would be very difficult to come by. Therefore, a factor of two-thirds was applied against net expenditures to estimate the municipality's expenditures to provide the County level of service. The remaining one-third is assumed to represent that portion of net expenditures related to diseconomies of scale or supplemental levels of service. These calculations notwithstanding, a minimum grant of \$1,000 is proposed. This "floor" recognizes the efforts made by municipalities and the possibility that the fiscal data available, no matter how accurate, might not fully describe those efforts.

Development of Alternatives for Overcoming Existing Inequities

Several means were explored of reducing or eliminating tax duplications found to exist. One method would be the assumption by the County of services currently provided by municipalities. This would be beneficial to residents of incorporated areas in those cases where the County, due to economies of scale, could provide the service at lower cost. On the other hand, if municipal residents want a higher level of service than the County normally provides, they might want to continue supplying the service themselves. In addition, many of the same men and pieces of equipment are used by municipalities to provide services which the County provides via the Suburban District Fund, e.g., street cleaning and tree care. For municipalities to request these services from the County, they would need to pay the Suburban District tax (8¢ in FY 73).

An alternative to County assumption of municipal services is the payment of direct grants to municipalities in an amount calculated to overcome the tax inequities. The calculation of the inequities is discussed above; the amount of the grants would be the same unless adjusted by provision of a minimum or maximum limit.

Fiscal Impact of Grants

The fiscal impact on municipalities, both the dollar amount and the local tax rate equivalent, is shown on Appendix A for an illustrative proposal that would provide a \$1,000 floor payment or two-thirds the net expenditures made for streets.

The total impact on the County of the illustrative proposal would be approximately \$267,000.

Resolution No.: 13-650
Introduced: Sept. 10, 1996
Adopted: Sept. 10, 1996

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: County Reimbursements under the Montgomery County Municipal Revenue Program - Task Force Report and Recommendations

Background

1. Chapter 30A of the Montgomery County Code (1994) provides for a program which reimburses municipalities and special taxing districts for those public services provided by the municipalities which would otherwise be provided by the County.
2. Reimbursements under Chapter 30A have been made pursuant to a procedure established under Resolution 8-2222, dated October 17, 1978, which was revised and supplemented by Resolution 9-1752, dated April 27, 1982.
3. In March 1995 County Executive Douglas M. Duncan appointed County and municipal representatives to serve on the Montgomery County Task Force to Study the Municipal Tax Duplication Reimbursement Program. This Task Force was charged with reviewing the procedures and formulas used to determine the amount of the reimbursements and with making recommendations to improve these procedures and formulas.
4. The Task Force submitted its Final Report and recommendations, a copy of which is attached, to County Executive Douglas M. Duncan, on June 5, 1996.
5. The goals of the Task Force were to determine:
 - a. Whether the complex formulas used to calculate the reimbursements could be simplified;
 - b. Whether reimbursements could be made in a way that would provide greater

predictability to each municipality in planning the following year's budget;

- c. Whether a single reimbursement could be made.
6. The Task Force recommends that the following formulas be used to determine the reimbursements for the following services provided by the municipalities:
- a. **Transportation.** Reimbursements shall be a percentage of the County's actual, audited per mile or per item expenditure, multiplied by the number of miles or items in each municipality. The percentage reflects the percentage of the County expenditures that are paid for with property tax revenues.
 - b. **Park Maintenance.** Reimbursements will be based upon the same formula currently used.
 - c. **Code Enforcement.** Reimbursements will be based upon the net County property tax supported code enforcement expenditures per dwelling or per parcel.
 - d. **Other services.** Reimbursements will be based upon the net County property tax supported expenditures.

Action

The County Council for Montgomery County, Maryland, approves the following resolution:

1. The Final Report of the Task Force to Study the Municipal Tax Duplication Reimbursement Program is accepted and the recommendations, as outlined in the report, are accepted for funding within the Municipal Revenue Program
2. The recommendations contained in the Report will be implemented beginning in Fiscal Year 1997.
3. Reimbursement payments to municipalities will be made once a year, by October 1.
4. Reimbursements for Fiscal Year 1997 will be based upon Fiscal Year 1995 actual, audited expenditures from the County's comprehensive annual financial report. Thereafter annual reimbursements will continue to be based upon the actual audited expenditures using a similar two year interval.
5. Municipalities will not be required to submit their expenditures but will be required to provide annual certification of eligible services
6. The Task Force will meet annually to review the municipal revenue program.

7. To the extent that the County Council is required to meet annually and discuss with each municipality the rate for assessments or the tax reimbursement program, the Council delegates this duty to the County Executive or his delegate, who should then report back to the County Council.

This is a correct copy of Council action.

/s/
Mary A. Edgar, CMC
Secretary of the Council

APPROVED:

/s/
Douglas M. Duncan
County Executive

MEMORANDUM

December 5, 2014

TO: Jacob Sesker, Senior Legislative Analyst
FROM: Josh Hamlin, Legislative Attorney 
SUBJECT: Calculation of municipal reimbursement under the County Municipal Revenue Program

Question

You have asked whether the County reimbursement to municipalities under Chapter 30A, Montgomery County Municipal Revenue Program, may be calculated based on the County's actual, net, property tax¹ funded expenditures on an eligible service?

Background

The history and provisions of the State income tax distribution law, the State tax duplication law, and the County tax duplication law are discussed at some length in the memorandum dated August 30, 2002 from Associate County Attorney Betty N. Ferber to Robert K. Kendal, Director of the Office of Management and Budget (the "Ferber memorandum"). This memorandum will briefly summarize the provisions of these laws without exploring their history, except where the legislative history contributes to the resolution of the question.

State Law

There are two general provisions of State law pertinent to this discussion: income tax distribution and property tax duplication.² With regard to income tax, State law³ requires the State Comptroller to distribute to each municipal corporation the greater of 17% of the county income tax liability of the municipal corporation's residents or 0.37% of the Maryland taxable income of those residents. The State property tax duplication law⁴ was originally enacted in 1975 to address the tax inequity arising from municipal residents paying property tax to both the

¹ References to property tax include both real and personal property tax unless otherwise specified.

² For a full discussion of these provisions, see the above-referenced Ferber memorandum.

³ MD Tax-General Code, § 2-607.

⁴ MD Tax-Property Code, § 6-305 applies to several counties, including Montgomery County, and mandates a "tax setoff" in certain circumstances. Other counties are subject to the permissive provisions of § 6-306.

County and the municipality.⁵ It requires certain counties, Montgomery County included, to grant a tax setoff⁶ to a municipal corporation “if it can be demonstrated that a municipal corporation performs services or programs instead of similar county services or programs.” The operative provision of the law, for determining the county property tax rate in a municipality is as follows:

“in determining the county property tax rate to be set for assessments of property in a municipal corporation, the governing body of the county shall consider:
(1) the services and programs that are performed by the municipal corporation instead of similar county services and programs; and
(2) the extent that the similar services and programs are funded by property tax revenues.”

County Law

The Montgomery County Municipal Revenue Program, Chapter 30A of the County Code (the “Program”), was enacted in 1973, and has largely remained unchanged since that time. The Program was established “to reimburse municipalities within the county for those public services provided by the municipalities which would otherwise be provided by the county government.” Section 30A-3 provides that “each participating municipality shall be reimbursed by an amount determined by the county executive to approximate the amount of municipal tax revenues required to fund the eligible services,” but limited to “the amount the county executive estimates the county would expend if it were providing the services.” Section 30A-4 then further subjects any reimbursements made under the Program to the limits of the funds appropriated by the County Council.

The Program has been implemented through a series of resolutions⁷ which have adopted recommendations of Task Forces established to consider the operation of the Program, and set forth the municipal expenditures to be reimbursed and the procedures for determining the amount of the reimbursement. In 1982, the Council adopted the second of these resolutions, Resolution 9-1752, which accepted and adopted the recommendations of the Task Force on County-Municipality Financial Relationships. One of the guiding principles followed by the 1982 Task Force in making its recommendations was that “the reimbursement is for *property tax duplication* and is, therefore, *limited to expenses financed with property tax revenues* paid by all County taxpayers.” (Emphasis supplied)

The most recent of the resolutions, Resolution 13-650, adopted in 1996, accepted the report and recommendations of the Montgomery County Task Force to Study the Municipal Tax

⁵ The County property tax is established in MD Tax-Property Code, § 6-302. The municipal corporation property tax is established in MD Tax-Property Code, § 6-303.

⁶ “Tax setoff” is defined § 6-305(a) as “(1) the difference between the general county property tax rate and the property tax rate that is set for assessments of property in a municipal corporation; or (2) a payment to a municipal corporation to aid the municipal corporation in funding services or programs that are similar to county services or programs.” The “reimbursement” referred to in County law is a tax setoff as so defined.

⁷ Resolution 8-2222 (1978), Resolution 9-1752 (1982), and Resolution 13-650 (1996).

Duplication Reimbursement Program. The 1996 Task Force report accepted via Resolution 13-650 included the following statement:

“The basis for the reimbursement program should be the amount the County would spend to provide a duplicated service rather than the amount spent by a municipality to provide the service. Therefore, *the rebate to the municipalities should be based on the County’s actual, net, property tax funded expenditures* for a given service. The reimbursement formula should not include services provided by a municipality but not provided by the County.” (Emphasis supplied)

Thus, since 1982, the Program has been implemented under the premise that the Program is a “property tax duplication” reimbursement program, and that only County property tax funded expenditures should be considered within its context.

Discussion

State law does not require any particular formula for a tax setoff, and specifically contemplates property tax funded services

As noted above, the State tax duplication law applicable to the County, MD Tax-Property Code § 6-305, requires the County to provide a tax setoff if a municipal corporation demonstrates that it performs certain services in lieu of similar services performed by the County. However, the State law does not provide a specific formula for the setoff beyond the mandatory consideration of the services provided by the municipality instead of similar county services and the extent that the similar services are funded by *property tax* revenues. By the express language of the State law, and further evidenced by its location in the Tax-Property Article, the State *mandate* is limited to County property tax funded services.

The limitation of the tax setoff requirement to property tax funded services is consistent with the generally accepted goal of the tax duplication law: relieving municipal taxpayers of the tax inequity created by paying the same tax, *i.e.*, property tax, while only receiving the service once. Property tax is the only tax that is paid to both the municipality and the County, and hence is the only tax *duplication*. This stands in stark contrast to the income tax which, by operation of State law, is already distributed directly to the municipality. Under MD Tax-General Code § 2-608, the County receives its income tax distribution only after various distributions are made, including the distribution to municipalities of the municipal share of the County’s income tax revenue, as described above. The fact that municipalities receive a share of the total County income tax revenue makes tax duplication in this area an impossibility. To include income tax funded County services in the tax setoff calculation would result in a different tax inequity: the municipalities essentially receiving double compensation for the provision of the portion of services funded by income tax revenues.⁸

⁸ It is worth noting that the Ferber memorandum, while expressing a view that “technically” the County’s cost for an eligible service may not be limited to the portion attributed to the property tax, references the real property transfer tax and fuel energy tax as examples of other County taxes imposed on municipal taxpayers. The omission of a reference to the income tax evidences an understanding that, in any event, income tax funded services should *not* be included in the tax setoff calculation.

County law permits the exclusion of income tax and other non-property tax revenue sources

The County's enactment of Chapter 30A predates the State property tax duplication law, and does not specifically reference property tax at all. However, the legislative history indicates that the Program was, from the outset intended to be a property tax duplication program. Before a full discussion of this history, it is necessary to clarify that any reference to County expenditures is a reference to the *limitation* on the amount of the reimbursement, not the amount of the reimbursement. The amount of the reimbursement is "an amount determined by the county executive to approximate the amount of *municipal tax revenues* required to fund the eligible services." (Emphasis supplied) This distinction is important, because the discussion up to this point has been about how the amount is calculated, *not* on the limitation expressed in County law. The implementing resolutions each provide for a means of calculating the reimbursement, not limiting it.

If the reimbursement under Chapter 30A is to approximate the amount of municipal tax revenues required to fund the eligible services, then what are "municipal tax revenues?" The legislative history of the Bill that ultimately became Chapter 30A gives a clear indication that the term "municipal tax revenues" is synonymous with revenues that a municipality raises from *its own taxes*, and that are paid both to the County and the municipality, *i.e.*, property taxes. This understanding, and the intent of the law, is evident from the following references:

- Memorandum from County Executive James P. Gleason, dated May 25, 1973, which accompanied Bill 32-73: "We have concluded after careful analysis that municipal citizens pay twice for certain services – to the County and *to their local jurisdiction* – while receiving these services only from the municipality." The purpose of the program would be to "return annually to each municipality an amount equal to the estimated *duplicated* taxes paid by its residents for eligible services."⁹
- The proposal for FY 1974 was a grant in the amount of the greater of: (1) \$1,000; or (2) two-thirds of the amount the municipality *must raise from its own taxes* to provide the eligible services.¹⁰
- Repeated references to tax "duplication" or "overlap" throughout legislative history: Final report on the Montgomery County Municipal Revenue Program¹¹:
 - "The estimated overlap defined as two-thirds the amount which a municipality must raise from its own taxes to provide the eligible services."¹²
 - Chart showing the calculation of the "overlap," nets out "shared gas, racing revenue" and "shared income tax, other revenue."¹³
 - "... municipal residents were suffering a tax inequity by being *taxed twice*, once by the County and again by their municipal government, but receiving services only once."¹⁴

⁹ OLO Report, "Municipal Tax Duplication and Revenue Sharing in Montgomery County MD," Appendix ©119.

¹⁰ Id., ©120.

¹¹ Id., ©121-127.

¹² Id., ©122.

¹³ Id., ©123.

¹⁴ Id., ©124.

Not only is the intent that the Program be a property tax duplication program evident from the legislative history of the law's formative stages, but it is also consistent with the law's subsequent history. As noted above, the two most recent implementing resolutions, in 1982 and 1996, have reflected the view that the Program seeks to address the issue of double taxation within the context of property tax. The reimbursement of expenses financed with property tax revenues, based on the County's actual, net, property tax funded expenditures represents the Council's understanding of the intent of Chapter 30A. As expressed in the Ferber memorandum:

The actual formulas and procedures for making payments to municipalities in Montgomery County were not contained in Chapter 30A, but in Resolutions that the County Council approved since enactment of Chapter 30A, in 1978, 1982 and 1996. In each of these years the County Council has had an opportunity to revisit the legislation, and the formulas and procedures used to justify the payments to municipalities. By approving each Task Force's Report in these Resolutions, the County Council has in effect approved the methods used over the years for calculating the payments, and determined that those methods were consistent with Chapter 30A and its legislative intent.

Conclusion

In consideration of the legislative history of Chapter 30A and the implementing resolutions adopted by the County Council, and viewed in relation to the State law concerning income tax distribution and property tax duplication, the calculation of the reimbursement to municipalities based the County's actual, net, property tax funded expenditures for eligible services is proper and consistent with the law's intent.¹⁵

¹⁵ It is possible to reach a technical conclusion, as was expressed in the Ferber memorandum, that the *limitation* contained in the second sentence of §30A-3, "to the amount the county executive estimates the county would expend if it were providing the services," may not be limited to the portion attributed to the property tax, but the upper limit of the reimbursement is not the subject of this discussion.

General Fund Revenues in FY13

Unit of measure

Revenue	Amount	% of total
Property tax	1,036,526,750	37.2%
County Income Tax	1,317,533,090	47.3%
Real Property Transfer Tax	84,391,394	3.0%
Recordation Tax	57,635,661	2.1%
Energy Tax	223,948,716	8.0%
Hotel/Motel Tax	18,910,872	0.7%
Telephone Tax	45,696,525	1.6%
Other	3,178,502	0.1%
Total taxes	2,787,821,510	100.0%

Data is located on Schedule C-3 of the PSP Budget

Income Tax Revenue	Amount	% of total
Income tax to the County	1,317,533,090	97.2%
Income tax to the municipalities	37,642,038	2.8%
Total income taxes	1,355,175,128	48.6%

Income Tax Revenue Attributable to Municipal Taxpayers	Amount	% of total
Paid to municipalities	37,642,038	17.0%
Paid to county	183,781,715	83.0%
Total income tax revenue attributable to municipal taxpayers	221,423,753	100.0%

Income Tax Revenue to County	Amount	% of total
From non-municipal taxpayers	1,133,751,375	86.1%
From municipal taxpayers	183,781,715	13.9%
Total income tax revenue to County	1,317,533,090	100.0%

Montgomery County General Fund Tax-Supported Expenditures	Amount	% of total
General Government	(140,475,247)	13.8%
Public Safety	(338,449,159)	33.4%
Transportation	(58,922,461)	5.8%
Health and Human Services	(177,994,724)	17.5%
Libraries, Culture and Recreation	(30,879,652)	3.0%
Community Development and Housing	(13,874,693)	1.4%
Environment	(1,489,826)	0.1%
NDA's	(229,902,360)	22.7%
Utilities	(22,680,448)	2.2%
Total MCG General Fund	(1,014,668,570)	100%

Example: MCG Tax Supported General Fund

Revenue	Amount	% of total
Property tax	(377,259,129)	37.2%
County Income Tax	(479,535,512)	47.3%
Real Property Transfer Tax	(30,715,487)	3.0%
Recordation Tax	(20,977,345)	2.1%
Energy Tax	(81,509,423)	8.0%
Hotel/Motel Tax	(6,882,890)	0.7%
Telephone Tax	(16,631,921)	1.6%
Other	(1,156,862)	0.1%
Total taxes	(1,014,668,570)	100.0%

Total: Income tax funded portion	(479,535,512)	100.00%
From non-municipal taxpayers	(412,645,459)	86.1%
From municipal taxpayers	(66,890,053)	13.9%

Proportional expenditures for GF Tax Supported MCG	2013 Population	% of total	Proportional cost	Income tax cost	% of proportional cost
Municipal	168,157	16.7%	(169,824,258)	(66,890,053)	39.4%
Non-municipal	836,552	83.3%	(844,844,312)	(412,645,459)	48.8%
Total population	1,004,709	100.0%	(1,014,668,570)	(479,535,512)	47.3%

Per capita cost of GF Tax Supported MCG	2013 Population	Per capita cost	Inc. tax@47.3%	Actual Income Tax	Non-Income Tax Funded	Total Per Capita Cost	Share
Municipal	168,157	(1,009.91)	(\$477.29)	(\$397.78)	(\$532.62)	(\$930.41)	(\$156,454,840)
Non-municipal	836,552	(1,009.91)	(\$477.29)	(\$493.27)	(\$532.62)	(\$1,025.89)	(\$858,213,730)
Total population	1,004,709	(1,009.91)	(\$477.29)	(\$477.29)	(\$532.62)	(\$1,009.91)	(\$1,014,668,570)

Subsidy	
Total Per Capita Cost to Municipal Residents	(930.41)
Total Per Capita Cost to Non-Municipal Residents	(1,025.89)
Total Per Capita Cost (Municipal and Non-Municipal)	(1,009.91)
Subsidy (Per Capita) to Municipal Taxpayers	(79.51)
Total MCG Tax Supported GF Subsidy to Municipal Taxpayers (Income Tax)	(13,369,417)
Subsidy as % of Service Cost	7.87%
Subsidy (Per Capita) from Non-Municipal Taxpayers	(15.98)



**Appendix 5: Montgomery County Code - Chapter 30A – Montgomery County
Municipal Revenue Program**

§ 30A-1. Established.

§ 30A-2. Qualification of municipal public services for county reimbursement.

§ 30A-3. Determination of amount of reimbursement.

§ 30A-4. Limitations on expenditures.

§ 30A-5. Application to participate in program.

§ 30A-6. County tax rate in certain municipalities. For Takoma Park fire, no longer applicable.

Sec. 30A-1. Established.

There is hereby established a program to reimburse municipalities within the county for those public services provided by the municipalities which would otherwise be provided by the county government. (1974 L.M.C., ch. 7, § 1.)

Sec. 30A-2. Qualification of municipal public services for county reimbursement.

Municipal public services shall qualify for county reimbursement if the following conditions are met: (1) The municipality provides the service to its residents and taxpayers; (2) the service would be provided by the county if it were not provided by the municipality; (3) the service is not actually provided by the county within the municipality; and (4) the comparable county service is funded from tax revenues derived partially from taxpayers in the participating municipality. (1974 L.M.C., ch. 7, § 1.)

Sec. 30A-3. Determination of amount of reimbursement.

Subject to the provisions of section 30A-4, each participating municipality shall be reimbursed by an amount determined by the county executive to approximate the amount of municipal tax revenues required to fund the eligible services. The amount of reimbursement shall be limited to the amount the county executive estimates the county would expend if it were providing the services. (1974 L.M.C., ch. 7, § 1.)

Sec. 30A-4. Limitations on expenditures.

All expenditures by the county under the authority of this chapter shall be subject to the limits of the funds appropriated by the county council. (1974 L.M.C., ch. 7, § 1.)

Sec. 30A-5. Application to participate in program.

Any municipality within the county desiring to participate in the county municipal revenue program shall submit not later than November 15 of each year to the county an application which shall be in such form and contain such information as may be required by the county executive. (1974 L.M.C., ch. 7, § 1.)

(f) Tax setoff request. --

(1) At least 180 days before the date that the annual county budget is required to be approved, any municipal corporation in the county that desires that a tax setoff be provided shall submit to the county a proposal that states the desired level of property tax setoff for the next fiscal year.

(2) (i) A request submitted under paragraph (1) of this subsection shall be accompanied by:

1. a description of the scope and nature of the services or programs provided by the municipal corporation instead of similar services or programs provided by the county; and
2. financial records and other documentation regarding municipal revenues and expenditures.

(2) (ii) The materials submitted under subparagraph (i) of this paragraph shall provide sufficient detail for an assessment of the similar services or programs.

(3) After receiving a proposal from a municipal corporation requesting a tax setoff under this subsection, the governing body of the county shall promptly submit to the municipal corporation financial records and other documentation regarding county revenues and expenditures.

(g) Meetings, officers, information and services. --

(1) At least 90 days before the date that the annual county budget is required to be approved, the county and any municipal corporation submitting a tax setoff request under subsection (f) of this section shall designate appropriate policy and fiscal officers or representatives to meet and discuss the nature of the tax setoff request, relevant financial information of the county and municipal corporation, and the scope and nature of services provided by both entities.

(2) A meeting held under paragraph (1) of this subsection may be held by the county representatives jointly with representatives from more than one municipal corporation.

(3) (i) The county officers or representatives may request from the municipal corporation officers or representatives additional information that may reasonably be needed to assess the tax setoff.

(3) (ii) The municipal corporation officers or representatives shall provide the additional information expeditiously.

(h) Statement of intent. --

(1) At or before the time the proposed county budget is released to the public, the county commissioners, the county executive of a charter county, or the county council of a charter county without a county executive shall submit a statement of intent to each municipal corporation that has requested a tax setoff.



Al Lang, *Mayor*
John Bickerman, *Vice Mayor*
Vicky Taplin, *Secretary*
Fred Cecere, *Treasurer*
Kathy Strom, *Community Liaison*

April 28, 2016

Via email: councilmember.navarro@montgomerycountymd.gov
councilmember.riemer@montgomerycountymd.gov
councilmember.katz@montgomerycountymd.gov

Ms. Nancy Navarro, Council member/Committee Chair
Mr. Hans Riemer, Council/Committee member
Mr. Sidney Katz, Council/Committee member
Government Operations and Fiscal Policy Committee
100 Maryland Ave
Rockville, Maryland 20850

Re: Town of Chevy Chase Municipal Tax Duplication Reimbursement

Dear Ms. Navarro, Mr. Riemer, and Mr. Katz:

I am writing to ask for your assistance in securing municipal tax duplication reimbursement to the Town of Chevy Chase for fiscal year 2017. The Town Council has introduced an ordinance to impose a real property tax rate for FY17 and will act upon this ordinance at its May 11 meeting. If the Town Council approves this ordinance, it will entitle the Town to receive tax duplication reimbursement from the County. As you may know, the Town will realize a substantial reduction in revenue as a result of the Supreme Court's "Wynne" decision and the State's misallocation of income taxes. As a result, the tax duplication payment will be an important source of the Town's ongoing operating revenue.

As background, I offer the following summary of events that have transpired to date. On March 14, the Town sent a letter (attached) to County Executive Leggett informing him of the Town's intention to levy a real property tax and asking whether any additional information was needed to secure this reimbursement for FY17. On April 12, we received an email response (attached) from Jeri Cauthorn in the County's Department of Finance indicating that the County did not need any additional information from the Town in order to secure the reimbursement.

On April 25, the Town sent a representative to the GO Committee meeting at which the Committee members discussed and concurred with the County Executive's recommended FY17 budget for municipal tax duplication, which does not include any reimbursement to the Town.

At this meeting, it appeared the Committee members were not aware of the Town's intention to levy a property tax and, consequently, no tax duplication payment to the Town was proposed.

On April 26, following the GO Committee meeting, the Town sent an email (attached) to Bruce Meier, who we were told was the point of contact for this matter, asking for an update on the municipal tax duplication reimbursement to the Town for FY17. Mr. Meier then called Town Manager Todd Hoffman to discuss this matter. Following this phone call, Mr. Hoffman memorialized the conversation in an email (attached) to Mr. Meier. In short, Mr. Meier informed Mr. Hoffman that the Town should notify Mr. Jacob Sesker as soon as the Town Council approves a real property tax rate for FY17. Mr. Meier explained that this will allow the County Council to amend the County's FY17 budget at its May 17 meeting to include the municipal tax duplication reimbursement to the Town. Mr. Hoffman also indicated that the Town had not yet received a formal response to the March 14 letter to Mr. Leggett and requested that Mr. Meier determine the status of the response.

After sending the above-referenced email to Mr. Meier, Mr. Hoffman received a phone call from Mr. Jacob Sesker, who was copied on the email. Mr. Sesker said that he was researching the issue and trying to determine whether the Town is eligible to receive the municipal tax duplication reimbursement for FY17 given that the Town did not levy a real property tax in FY15. Mr. Sesker called again on April 28 to provide an update. He indicated that he was waiting to discuss the issue with the County attorney's office, but that he did not see anything that would indicate that the Town would be ineligible to receive the tax duplication reimbursement for FY17. Mr. Sesker said that he would provide the Town with another update once he has spoken with the County attorney's office.

The tax duplication payment is required by State law. The County is obligated to provide a tax setoff if a municipal corporation "performs services or programs instead of similar county services or programs" (Md. Code, Tax Property Article, Section 6-305(c)). County law also provides that the County will "reimburse municipalities within the County for those public services provided by the municipalities which would otherwise be provided by the county government" (County Code, Section 30A-1). Per County Resolution 13-650, the amount of the tax duplication payment is calculated based upon the County's "actual audited expenses" using a two-year interval.

Neither the requirement for a tax duplication payment, nor the calculation methodology applied by the County, is dependent on whether the Town levied a real property tax in previous years. If the calculation methodology were so dependent, State law would require the County to use a different method to arrive at the required annual setoff, under these circumstances.

Please note that the duplicative services and programs for which the Town is seeking reimbursement, and for which the Town received reimbursement for FY 15, have not changed. In addition, we note that the tax duplication payments to neighboring municipalities have remained constant for several years, with only minor adjustments. Thus, the review and calculation should not be unduly difficult.

For the above reasons, the Town requests that you schedule this issue for discussion at the GO Committee's April 29 meeting and amend the County's FY17 budget to include the State-mandated municipal tax duplication reimbursement to the Town in anticipation that the Town will impose a real property tax for FY17.

Thank you for your consideration.

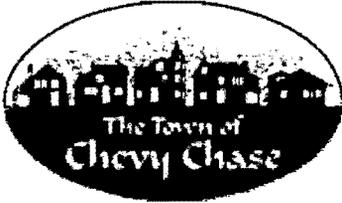
Sincerely,

A handwritten signature in black ink, appearing to read "Al Lang", written in a cursive style.

Al Lang
Mayor

Attachments

cc: Mr. Roger Berliner, Council member (via email)
Mr. Jacob Sesker, Senior Legislative Analyst (via email)
Mr. Todd Hoffman, Town Manager (via email)
Mr. Ronald M. Bolt, Town Attorney (via email)



Al Lang, *Mayor*
John Bickerman, *Vice Mayor*
Vicky Taplin, *Secretary*
Fred Cecere, *Treasurer*
Kathy Strom, *Community Liaison*

March 14, 2016

Mr. Isiah Leggett, County Executive
Office of County Executive
Executive Office Building, 2nd Floor
101 Monroe Street, 2nd Floor
Rockville, MD 20850

Dear Mr. Leggett,

I am writing to inform you that the Town Council of the Town of Chevy Chase, Maryland is considering levying a real property tax for fiscal year 2017. As such, we respectfully request that your proposed FY17 operating budget include funding for municipal tax duplication reimbursement for the Town.

The duplicative services and programs for which the Town is seeking reimbursement have not changed. Please let me know if you need additional information in order to secure this duplication reimbursement.

Sincerely,

Al Lang
Mayor

cc: Councilmember Roger Berliner
Ms. Jennifer Hughes, Office of Management and Budget
Mr. Joseph Beach, Department of Finance

Todd Hoffman

From: Cauthorn, Jeri [Jeri.Cauthorn@montgomerycountymd.gov]
Sent: Tuesday, April 12, 2016 12:55 PM
To: Todd Hoffman
Cc: Brodsky, Art; Coveyou, Michael; Meier, Bruce
Subject: CECC #102-3-2016- Chevy Chase Mayor
Attachments: 03-14-16 Request.pdf

Dear Mr. Hoffman-

The County does not need any additional information from the Town of Chevy Chase in order to secure the duplication reimbursement.

Issues related to including items in the FY17 Operating Budget will be addressed by Mr. Bruce Meier of the Office of Management and Budget.

Sincerely,
Jeri Cauthorn
Contracts & Special Projects Manager
Department of Finance
Montgomery County, Maryland
240-777-8861
fax 240-777-8857

From: Cauthorn, Jeri
Sent: Monday, March 28, 2016 9:34 AM
To: 'thoffman@townofchevychase.org' <thoffman@townofchevychase.org>
Cc: Brodsky, Art <Art.Brodsky@montgomerycountymd.gov>
Subject: FW: 102-3-2016-FW: Letter from Mayor Al Lang, Town of Chevy Chase, MD

Dear Mr. Hoffman-

The Department of Finance is in receipt of your letter, and will be responding to you by Wednesday, April 6, or sooner.

Feel free to contact me if you have any questions.

Sincerely,
Jeri Cauthorn
Contracts & Special Projects Manager
Department of Finance
Montgomery County, Maryland
240-777-8861
fax 240-777-8857

From: Todd Hoffman [mailto:thoffman@townofchevychase.org]
Sent: Thursday, March 24, 2016 12:40 PM
To: Ike Leggett <Ike.Leggett@montgomerycountymd.gov>
Subject: FW: Letter from Mayor Al Lang, Town of Chevy Chase, MD

Please confirm receipt of this email to County Executive Leggett (originally sent on March 14, 2016) and please indicate whether a response will be forthcoming. Thank you.

Todd Hoffman
Town Manager
Town of Chevy Chase, Maryland
4301 Willow Lane
Chevy Chase, MD 20815
301-654-7144 (P)
301-718-9631 (F)
thoffman@townofchevyCHASE.org

From: Todd Hoffman
Sent: Monday, March 14, 2016 12:07 PM
To: 'ocemail@montgomerycountymd.gov'
Cc: Berliner's Office, Councilmember; 'Beach, Joseph'; 'jennifer.hughes@montgomerycountymd.gov'
Subject: Letter from Mayor Al Lang, Town of Chevy Chase, MD

Please see attached letter from Mayor Al Lang. Thank you.

Todd Hoffman
Town Manager
Town of Chevy Chase, Maryland
4301 Willow Lane
Chevy Chase, MD 20815
301-654-7144 (P)
301-718-9631 (F)
thoffman@townofchevyCHASE.org

Todd Hoffman

From: Todd Hoffman
Sent: Tuesday, April 26, 2016 3:45 PM
To: 'Bruce.Meier@montgomerycountymd.gov'
Subject: Municipal Tax Duplication Reimbursement

Hi Bruce,

My Town Council has asked me to provide an update on the municipal tax duplication reimbursement for the Town of Chevy Chase for FY17. Thanks in advance for any information you can provide.

Todd Hoffman
Town Manager
Town of Chevy Chase, Maryland
4301 Willow Lane
Chevy Chase, MD 20815
301-654-7144 (P)
301-718-9631 (F)
thoffman@townofchevychase.org

Todd Hoffman

From: Todd Hoffman
Sent: Tuesday, April 26, 2016 4:17 PM
To: 'Bruce.Meler@montgomerycountymd.gov'
Cc: 'Sesker, Jacob'; 'Albert Lang'; 'ocemail@montgomerycountymd.gov';
'jennifer.hughes@montgomerycountymd.gov'; 'Beach, Joseph'
Subject: Municipal Tax Duplication Reimbursement

Bruce,

Thanks for speaking with me today about the status of municipal tax duplication reimbursement for the Town of Chevy Chase for FY17. Based on the March 28 email from Jeri Cauthorn, I assumed you were the primary point of contact for this issue. As you informed me today, the Town should notify Mr. Jacob Sesker as soon as the Town Council approves a real property tax rate for FY17. The Town Council will approve the FY17 budget and tax rates on May 11 of this year, and I will notify Mr. Sesker of the applicable tax rates the following day. As you explained, this will allow the County Council to amend the County's FY17 budget at its May 17 meeting to include the municipal tax duplication reimbursement for the Town. Please let me know if you need any additional information from the Town in order to secure this payment for FY17. Also, as indicated, we have not yet received a formal response to Mayor Lang's March 14 letter to County Executive Leggett. I look forward to receiving it soon.

Todd Hoffman
Town Manager
Town of Chevy Chase, Maryland
4301 Willow Lane
Chevy Chase, MD 20815
301-654-7144 (P)
301-718-9631 (F)
thoffman@townofchevychase.org

This is the private non-profit corporation established by Council Bill 25-15 that serves as Montgomery County's lead economic development organization. The Economic Development Corporation is responsible for implementing the County's economic development strategic plan and related programs that include marketing, business retention and attraction, entrepreneurship, and promoting the development of the County's economic base.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
Shift: Operating Support of MCEDC from Department of Economic Development	4,180,750	0.00
FY17 Recommended	4,180,750	0.00

Montgomery County Employee Retirement Plans

The mission of this NDA is to manage prudent investment programs for the members of the Employee Retirement Plans and their beneficiaries. Expenditures associated with this program are funded from the Employees' Retirement System (ERS), Retirement Savings Plan (RSP), and the General Fund on behalf of the Montgomery County Deferred Compensation Plan (DCP) trust funds and are, therefore, not appropriated here. This NDA manages the assets of the ERS through its investment managers in accordance with the Board's asset allocation strategy and investment guidelines. The Board also administers the investment programs for the RSP and DCP. The Board consists of 13 trustees including the Directors of Human Resources, Finance, and Management and Budget; the Council Administrator; one member recommended by each employee organization; one active employee not represented by an employee organization; one retired employee; two members of the public recommended by the County Council; and two members of the general public.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
FY17 Recommended	0	0.00

Motor Pool Fund Contribution

This NDA funds the acquisition of new, additional Motor Pool fleet vehicles, as opposed to replacement vehicles, which are financed through an established chargeback mechanism.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
FY17 Recommended	0	0.00

Municipal Tax Duplication

The Montgomery County Tax Duplication Program, authorized by Chapter 30A of the Montgomery County Code, reimburses municipalities for those public services they provide that would otherwise be provided by the County. This goes beyond State law, Section 6-305, which requires the County to provide to municipalities only the Property Tax funded portion of those costs. County Council Resolution No. 9-1752, enacted April 27, 1982, increased the scope of program coverage from street-related expenditures to include other public services, such as police supplemental aid; animal control; elderly transportation; parks maintenance; Board of Appeals; and Human Rights.

This program was reviewed in FY96 and technical formula amendments proposed. The changes were approved, and payment calculations since then are prepared in accordance with County Council Resolution No. 13-650, adopted September 10, 1996. Specifically, as the exact payment amount for the current year cannot be determined until both municipal and County books are closed, reimbursements are based on the final audited cost of performing eligible services during the fiscal year two years prior to the budget year.

All payments are subject to appropriation under Sec. 30A-4, which states "All expenditures by the county under the authority of this chapter shall be subject to the limits of the funds appropriated by the County Council."

Also budgeted here are payments to Municipalities of a share of the net revenues from County operated Speed Cameras in their jurisdictions. Payments are based on Memoranda of Understanding with each Municipality.

Finally, payments to municipalities are also made from other sources, including Cable TV Franchise Fees, Grants in Lieu of Shares Tax, Non-Departmental Accounts, and as part of the County's Community Development Block Grant.

MUNICIPAL TAX DUPLICATION - FY17 COUNTY EXECUTIVE RECOMMENDED			
Municipality	FY17 Property Tax Duplication	Additional County Grant	FY17 Total*
Brookeville	\$8,067	\$0	\$8,067
Chevy Chase, Sec. III	\$31,513	\$0	\$31,513
Chevy Chase View	\$41,184	\$91	\$41,275
Chevy Chase Village	\$98,358	\$2,167	\$100,524
Drummond	\$4,603	\$10	\$4,613
Friendship Heights	\$95,245	\$0	\$95,245
Gaithersburg	\$1,206,567	\$0	\$1,206,567
Garrett Park	\$48,367	\$0	\$48,367
Glen Echo	\$20,713	\$49	\$20,762
Kensington	\$156,809	\$0	\$156,809
Laytonsville	\$14,293	\$0	\$14,293
Martin's Additions	\$26,770	\$63	\$26,832
North Chevy Chase	\$25,195	\$0	\$25,195
Oakmont	\$3,271	\$7	\$3,278
Poolesville	\$228,936	\$0	\$228,936
Rockville	\$2,409,750	\$0	\$2,409,750
Somerset	\$56,173	\$0	\$56,173
Takoma Park	\$985,610	\$2,528,033	\$3,513,643
Washington Grove	\$44,818	\$104	\$44,922
TOTAL	\$5,506,242	\$2,530,524	\$8,036,766

* This does not include the estimated Municipalities' Speed camera allocation of \$268,930.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	7,884,184	0.00
Increase Cost: Property Tax Duplication Payments to Municipalities	380,583	0.00
Increase Cost: Speed Camera Payment to Municipalities	40,929	0.00
FY17 Recommended	8,305,696	0.00

Prisoner Medical Services

This NDA provides reimbursements to physicians and hospitals for medical care provided to individuals in the custody of any Montgomery County law enforcement agency, with the following exceptions:

- Offenders committed to the custody of the Department of Correction and Rehabilitation (DOCR) and receiving medical treatment paid for by the budget of that department,
- Medical treatment expenses covered by Workers' Compensation,
- Medical treatment expenses covered by personal medical insurance,
- Medical treatment expenses covered by the Federal government,
- Medical treatment expenses covered by other appropriate and available outside resources. The Department of Police will manage this account with the assistance of the County Attorney. All bills will be reviewed to determine the appropriateness of the medical expense reimbursement and to assess the responsible party for the medical expense.