BACKGROUND

Capital Improvements Program

- About two-thirds of expenditures for County Government projects are for transportation and public safety; libraries and recreation comprise an additional 12 percent. See Attachment I.

- Funding pattern for County Government projects differs from the pattern for all agencies. Differences reflect the funding for education projects.

	All Agencies	***County Govt.***
Total funding	$2.9 billion	$978 million
G.O. bonds	51.9%	65.9%
Current revenue	19.0%	14.6%
Intergovernmental	18.4%	9.9%
Development	8.7%	6.9%
Other	2.6%	2.6%

- Development charges comprise about seven percent ($67.4 million) of funding for County Government projects (mainly roads, mass transit, and libraries).

- Projects to increase infrastructure capacity comprise about 83 and 70 percent of CIP expenditures for roads and public safety respectively. (MNCPPC [page 6] estimates $283.7 of $493.8 million (57%) for transportation is new capacity). Verify the data?

	Adds Capacity	***No Capacity***	***Total***	***% Adds***
Transportation				
Roads	$280.5	$57.8	$338.3	82.9%
Traffic Improvements	$29.6	$25.7	$55.3	53.6%
Bridges	$0.0	$16.8	$16.8	0.0%
Maintenance	$0.0	$143.8	$143.8	0.0%
Subtotal	$310.1	$244.1	$554.2	78.8%
Bikeways & Peds.	$10.4	$41.6	$52.0	19.9%
Mass Transit	$72.7	$14.0	$86.7	83.8%
Total Transportation	***$393.2***	***$299.7***	***$692.9***	***56.7%***
Public Safety				
Fire	$53,323	$18,199	$71,522	74.6%
Police	$57,804	$0	$57,804	100.0%
Corrections	$0	$29,023	$29,023	0.0%
Total Public Safety	***$111,127***	***$47,222***	***$158,349***	***70.2%***

Operating Budget

- About 70 percent of county operating revenues come from local taxes; an additional 19 percent come from intergovernmental sources. See Attachment II.

- Residential property owners and individual tax payers pay about 82 percent of the county's total taxes of $2.87 billion. Non-residential properties and businesses pay about 18 percent.

- The county receives about $40 million in state Transportation Trust Fund revenue for its operating budget expenses.

- Highway users contribute about 91 percent of state Transportation Trust Fund revenues that are distributed to local governments: motor vehicle fuel taxes (34%); titling fees (32%); registration fees (16%); the corporate income tax (9%); rental car tax (1%); and miscellaneous motor vehicle fees (7%). Why corporate income tax?

- WMATA cost recovery from fare box revenues is 57 percent (79% rail and 32% bus).

- County taxpayer subsidies for street and road operations (77 percent) exceed those for both WMATA (43 percent) and state highways (9 percent). Verify this data.

DOT operating budget	*$44.0 million*
Highway utilities	*$ 9.4 million*
Debt service	*$59.9 million*
CIP current revenue	*$44.0 million*
	$157.3 million
MD Trust Fund user revenue	*$ 36.7 million (91% of $40.3 million)*
Local taxpayer subsidy	*$120.6 million*
User cost recovery	*23%*

- County has about 500,000 at-place jobs. About 315,000 (63%) of these jobs are held by county residents; the remaining 185,000 (37%) are non-county "in-commuters."

PRELIMINARY CONCLUSIONS

Transportation Operations

- Beneficiaries of road maintenance, operation, and improvement projects include resident and non-resident users, businesses, the general population, and nearby property owners.

- Each group of beneficiaries should pay its fair share. Assigning precise shares is problematic. Hypothesize that users garner between 66 and 90 percent of benefits. Any research?

Additional Infrastructure Capacity

- New development should pay its fair share of the costs for providing new transportation and library capacity, but also for storm drains, fire stations, and recreation projects.
- New owners of existing properties should pay their fair share for transportation capacity projects.

- For MCPS projects, the county recordation tax finances about $33 million (% of its CIP)

  MNCPPC observation

  > "in most of the county, much of the enrollment pressure on schools comes from changes within the community due to neighborhood turnover, which is when the neighborhood evolves from one with an aging population to one with more school age children. The financial transaction that accompanies such turnover is the home sale, so the revenue captured by the recordation tax appears appropriate to fund school improvements necessitated by the increased pressure on existing infrastructure." [page 2]

  Need similar benefit-based funding source for highways, roads, and storm drains. One hypothesis is that some of the increase in commuter demand for highways would be created by the same neighborhood evolution. Demand for new capacity is created both by new development and demographic shifts in existing communities (ownership changes). Empty nester retirees sell to younger two-worker families.

PRELIMINARY OPTIONS

For further research and discussion

- Increase the county's user-based financing for motor vehicle travel from 23 percent to fall within the range from WMATA's overall rate (57%) to its rate for rail operations (79%) to the state's level of user-based financing for transportation (91%). Requires user-based revenue increases ranging from $53 to $88 million to $106 million.

- Institute a county excise tax on non-residential parking spaces that are available for use Mondays thru Fridays from 6:00 to 10:00 AM. Park & Ride and Metrorail station parking would be exempt. The first twenty spaces at a facility could be exempted. Tax would be levied on the property owner who could pass it on to users. Rate per space could be 10-cents per hour or $1 per day ($250 annually). Assuming a range of 300,000 to 400,000 spaces, the yield would be $75 to $100 million annually. Revenues could be earmarked for highway transportation.

  Parking at a Metro station costs $4/day or $1,000/year. There is an additional charge of $45/ month or $540/year for a reserved space. All-day parking at a county parking district facility in Bethesda is $8.25 and $5.00 in Silver Spring. Monthly rates are $95 in Bethesda, $85 in Silver Spring, and $65 in Wheaton. Carpool discounts are provided.

  Fairfax County is considering a 25-cent property tax increase (89 cents to $1.14) on commercial property dedicated to transportation. Does D.C. have a 12 percent sales tax on parking charges?

- Gas tax of one-cent would yield between $5 and $6 million for the county. A 10-cent increase would yield about $55 million. Northern Virginia has a 2 percent sales tax on motor fuels (15 states have a local option gas tax).

- The county has about $240 million in undesignated G.O. bond capacity over the next six years ($185 million in years 5 and 6).

- Increase the property tax rate. One-cent equals $14.5 million; current rate is 90 cents.

- Increase percentage share of contributions from new development for those transportation and library projects that increase capacity and serve new development.

- Require that new development pay its fair share of the costs for new storm drain, fire station, and recreation projects.

Not worth pursuing

Increase income tax rate. Current rate is at the state-mandated limit.

Increase recordation tax. Current rate is $6.90 per $1,000 with a $50,000 exemption. FY 2008 revenues are budgeted at $105 million. Closing costs in Montgomery County are asserted to be among the highest in the region. [Can we document this point?]

Increase transfer tax. Again high closing cost issue.

PRELIMINARY CRITERIA

- Maintain the county's AAA bond rating

- Provide adequate long-term funding

- Be fair: Benefits received
  - By users, general taxpayers, businesses, & non-county residents
  - By new & existing development
  - By new owners of existing development
  - Minimize regressivity

- Balance the quality and quantity of the county's infrastructure

- Be collectable (reasonable long-term cost; administrative simplicity)

- Be legally feasible

- Be timely

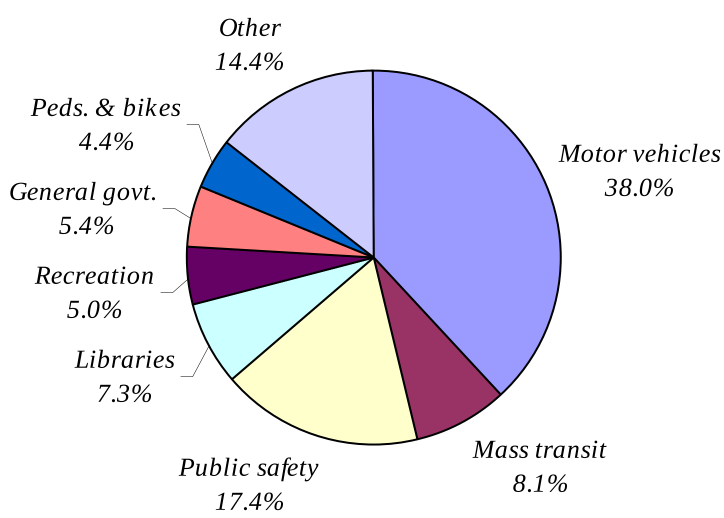
- Be politically feasible
  - Public understanding
  - Deductibility for federal or state taxes
  - Maintain state's responsibilities

- Contribute to other county goals
  - Reduce demand for SOV commuter trips
  - Protect affordable housing
  - Protect the environment
  - Remain regionally competitive

ATTACHMENT I

County Government CIP Expenditures by Program, FY2007-2012

Six-Year Total = $978 million

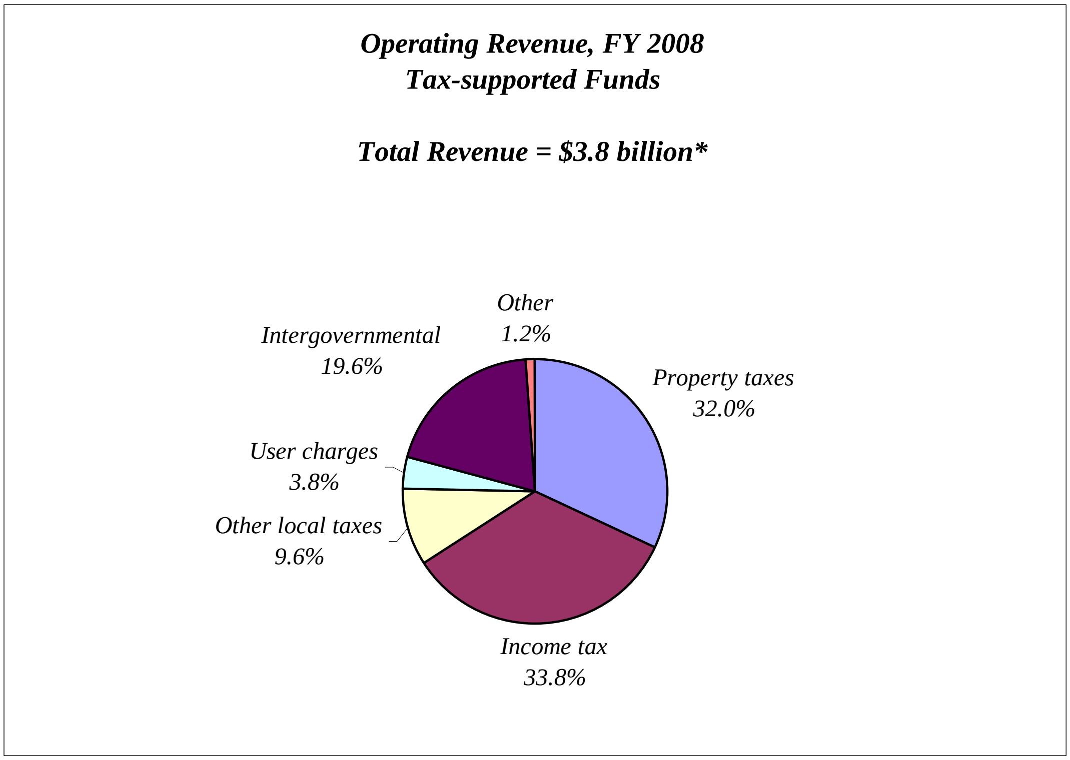


ATTACHMENT I (continued)

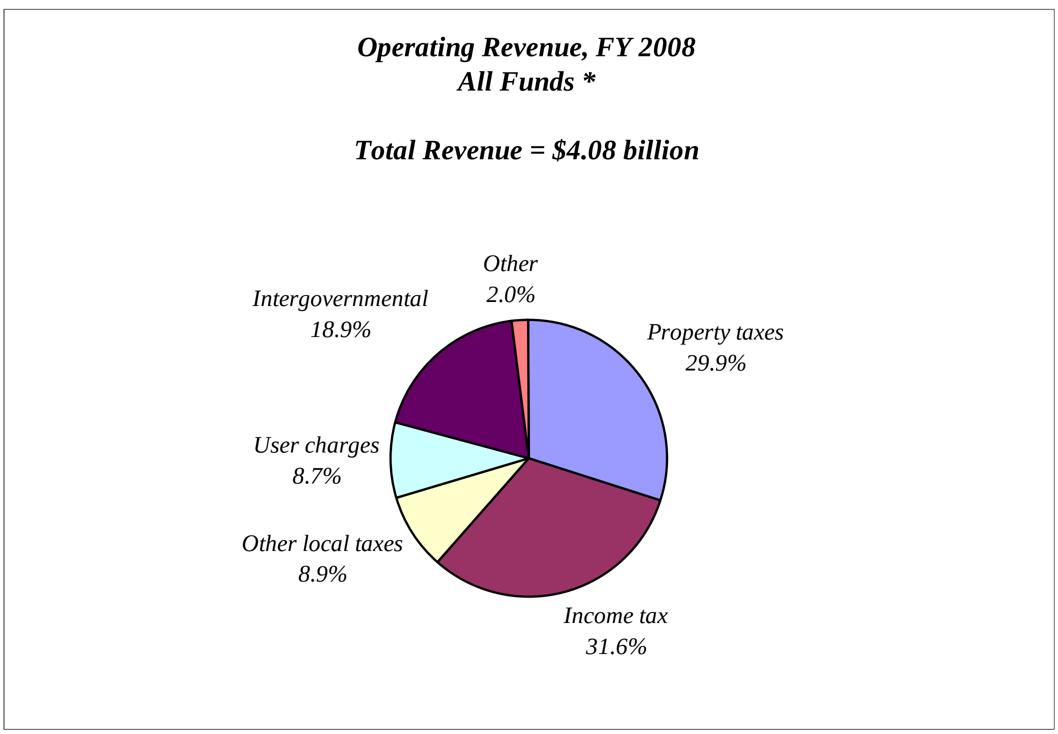
County CIP Expenditures by Program and Funding Source, FY 2007-2012 (000 $)

Program	G.O Bonds	Current Revenue	Intergovernmental	Development	Other	Total	Percent of Total
Transportation	$288,793	$76,856	$69,333	$50,514	$8,300	$493,796	50.5%
Roads	*$80,001*	*$22,495*	*$3,367*	*$48,118*	*$318*	*$154,299*	*15.8%*
Bridges	*10,172*	*0*	*4,037*	*0*	*0*	*14,209*	*1.5%*
Pedestrian & Bikeways	*40,519*	*0*	*997*	*0*	*1,982*	*43,498*	*4.4%*
Traffic Improvements	*39,310*	*9,135*	*386*	*396*	*0*	*49,227*	*5.0%*
Highway Maintenance	*108,412*	*12,358*	*0*	*0*	*3,000*	*123,770*	*12.7%*
Mass Transit	*10,379*	*3,343*	*60,546*	*2,000*	*3,000*	*79,268*	*8.1%*
Parking	*0*	*29,525*	*0*	*0*	*0*	*29,525*	*3.0%*
Public Safety	156,302	2,948	11,138	0	100	170,488	17.4%
Libraries	56,675	853	0	13,852	0	71,380	7.3%
Recreation	46,150	3,140	0	0	0	49,290	5.0%
Health & Human Services	5,176	0	0	0	0	5,176	0.5%
Housing & Comm. Dev.	0	2,350	5,686	0	0	8,036	0.8%
Conserv. Natural Res.							
Storm Drains	11,180	1,200	30	0	0	12,410	1.3%
Ag. Land Preservation	0	20,248	2,500	0	1,624	24,372	2.5%
Other	5,402	9,847	6,510	3,050	0	24,809	2.5%
Economic Development	10,025	700	418	0	8,518	19,661	2.0%
General Government Offices, etc.	40,825	3,157	1,400	0	7,332	52,714	5.4%
Technology Services	0	11,556	0	0	0	11,556	1.2%
Nondepartmental Revolving Fund	24,000	0	0	0	0	24,000	2.5%
Solid Waste	0	10,271	0	0	0	10,271	1.1%
TOTAL	***$644,528***	***$143,126***	***$97,015***	***$67,416***	***$25,874***	***$977,959***	***100.0%***
	65.9%	***14.6%***	***9.9%***	***6.9%***	***2.6%***	***100.0%***	

Verify this data set.



** excludes Enterprise Funds*



** excludes Liquor Control ($58.9 million) and CATV ($14.3 million) Funds*