Revenues

INTRODUCTION

This chapter provides demographic and economic assumptions, including detailed discussions of the national, State and local economies. Revenue sources, both tax supported and non-tax supported, used to fund the County Executive's Recommended FY15 Operating Budget incorporate policy recommendations.

ESTIMATING SIX-YEAR COSTS

Demographic Assumptions

The revenue projections of the Public Services Program (PSP) incorporate demographic assumptions based on Council of Governments (COG) Round 8.2 estimates and are based on fiscal and economic data and analyses used or prepared by the Department of Finance. *A Demographic and Economic Assumptions* chart located at the end of this chapter provides several demographic and planning indicators.

- County population will continue to increase an average of approximately 8,200 persons each year throughout the next seven years (from CY2014 to CY2020) reaching 1,014,900 in CY2014 and 1,067,000 in CY2020. This reflects an average annual growth rate of 0.8 percent.
- Current projections estimate the number of housholds to increase from 366,500 in CY2013 to 372,000 in CY2014 and to 397,000 in CY2020. Household growth throughout the subsequent six years (CY2015 to CY2020) is projected to grow at an average annual rate of 1.1 percent.
- The County's senior population continues to grow with an estimated 119,769 persons 65 and older living here in 2010 and projected to increase to 167,642 by 2020.
- County births, which are one indicator of future elementary school populations and child day care demand, are projected to gradually increase, from an estimated 13,010 in 2012 to 14,010 by 2018.
- The County expects Montgomery County Public School student enrollment to increase by 8,077 between FY15 and FY20.
- Montgomery College full-time equivalent student enrollments are projected to decrease from 21,655 in FY14 to 21,499 in FY20.

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

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

Policy Assumptions

Revenue and resource estimates presented are the result of the recommended policies of the County Executive for the FY15 budget. Even though it is assumed that these policies will be effective throughout the six-year period, subsequent Council actions, State law and budgetary changes, actual economic conditions, and revised revenue projections may result in policy changes in later years.

Economic Assumptions

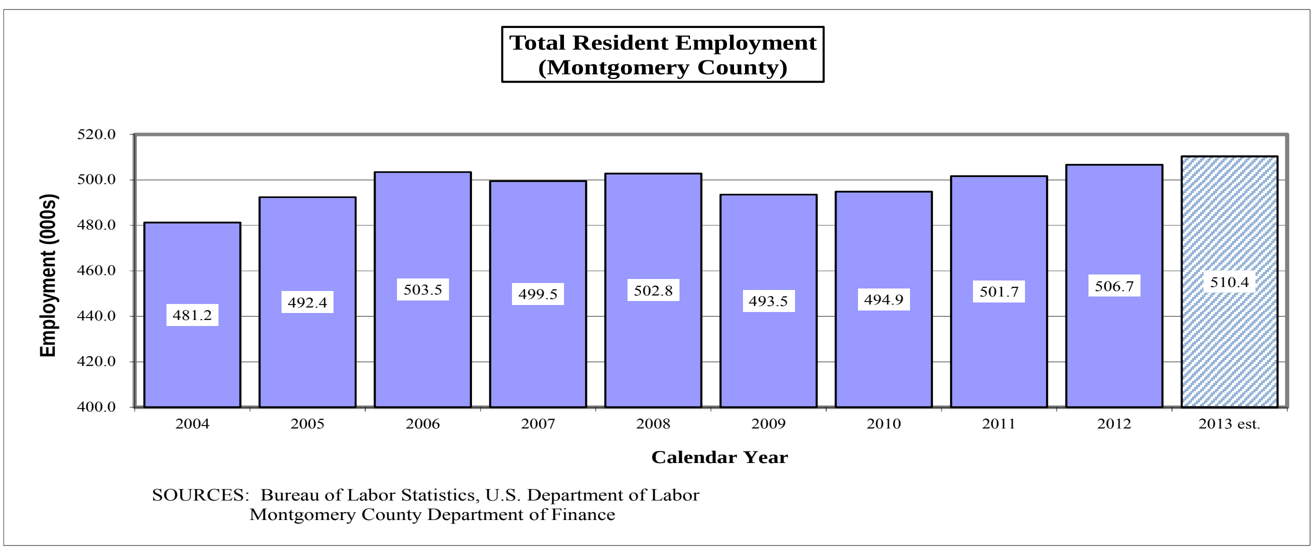
Revenue projections depend on the current and projected indicators of the national, regional, and local economy. National economic indicators also influence the County's revenue projections. Such indicators include short-term interest rates, mortgage interest rates, and the stock market. Local economic indicators include residential (labor force survey) and payroll (establishment survey) employment, residential and nonresidential construction, housing sales, retail sales, and inflation. The assumptions for each of those indicators will affect the revenue projections over the six-year horizon. Because of the presence of the federal government in terms of employment, procurement, and federal retirees, the County's economy may experience a modest slowdown over the next fiscal year due to the reductions in federal spending attributed to sequestration.

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

Montgomery County's economic performance improved during calendar year (CY) 2013. The major reasons for the improvement were, an increase in employment – both resident (labor force series) and payroll employment (establishment series), an increase in existing home sales, an increase in the median sales price for existing homes, and strong residential construction growth. The unemployment rate declined from 5.1 percent in CY2012 to an estimated 5.0 percent in CY2013.

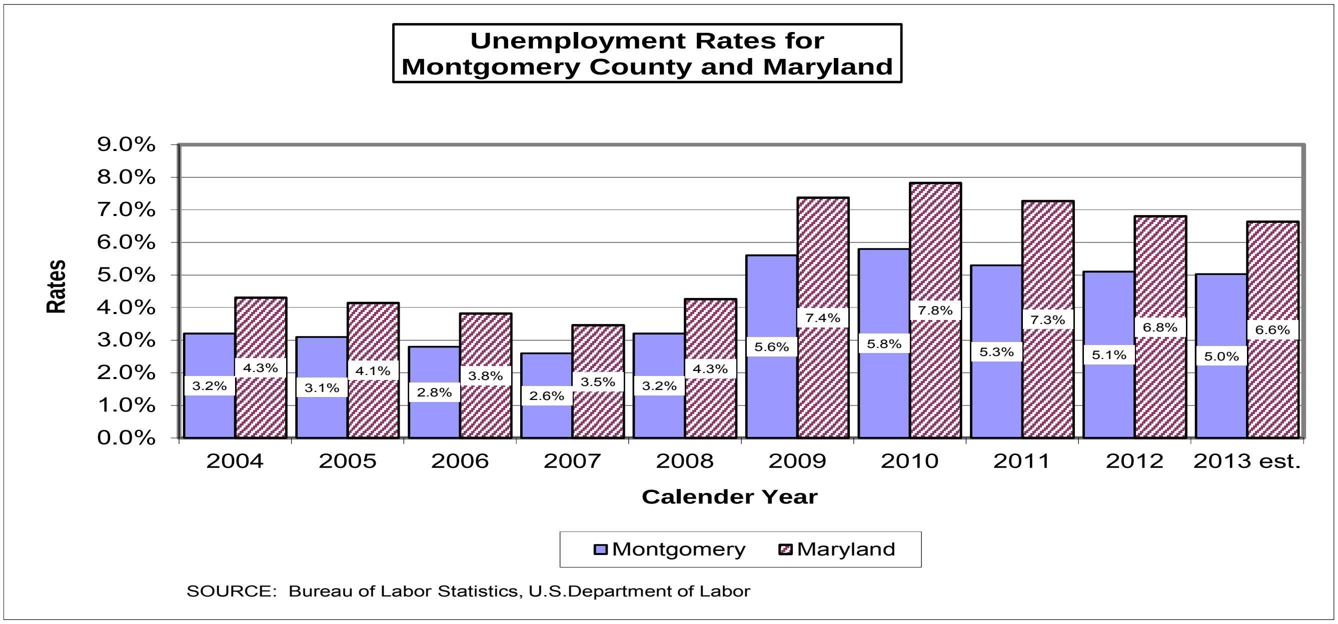
Employment Situation

Based on data from the Maryland Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics, U.S. Department of Labor, average monthly resident employment (labor force series and not seasonally adjusted) in Montgomery County increased by an estimated 3,690 (↑0.7%) during 2013. Average monthly resident employment stood at an estimated 510,400 in 2013 compared to 506,700 during the previous year.



However, the County's total payroll employment, as derived by the Department of Finance incorporating the establishment series from the Bureau of Labor Statistics (BLS), U.S. Department of Labor, for the Bethesda-Rockville-Frederick metropolitan division increased by approximately 6,130 jobs (↑1.3%) during 2013. Total payroll employment stood at an estimated monthly average of 481,430 jobs during calendar year 2013 compared to a monthly average of 475,300 in 2012. The modest discrepancy between the series (6,130 versus 3,690) is attributed to the sources of employment data. The labor force-resident employment is derived from the survey of households while payroll employment is derived from a survey of establishments.

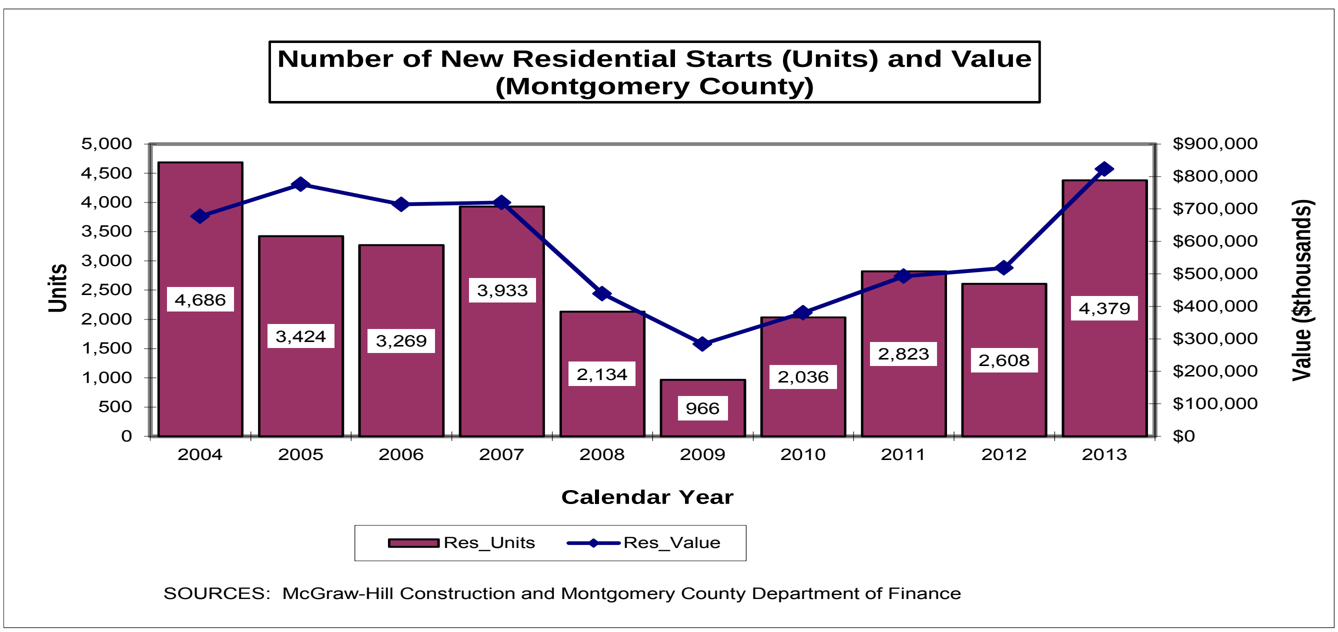
The County's average monthly unemployment rate declined to an estimated 5.0 percent in 2013 compared to the annual rate of 5.1 percent in 2012. However, throughout the calendar year 2013, the County's unemployment rate remained one of the lowest in the State and averaged 1.6 percentage points below the State's average in 2013.



While the unemployment rate has remained at or above the 5.0 percent level for the past five calendar years, it has declined steadily since its peak in 2010. The decline has been attributed to an increase in resident employment and a decline in the number of unemployed during the past two calendar years. Employment grew by over 8,700 over the two-year period while the number of unemployed declined by nearly 1,000 over the same period.

Construction Activity

Residential construction experienced strong performance during calendar year 2013. The total number of new construction starts (residential units) increased 67.9 percent compared to calendar year 2012. Strong residential construction starts attributed to multifamily and single-family units added a total value of $823.1 million – an increase of 58.7 percent over 2012.



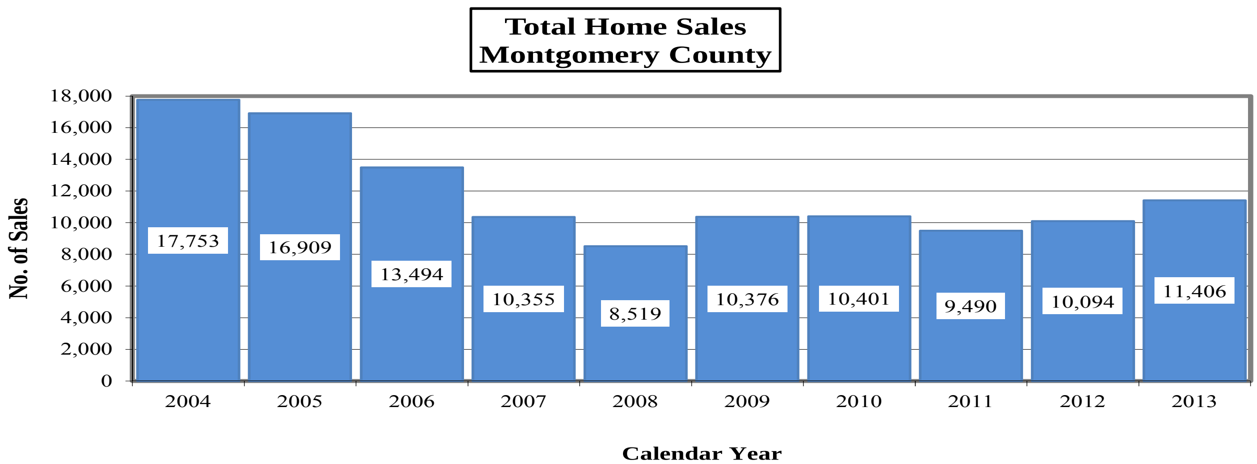
However, the number of non-residential starts (projects) decreased 38.4 percent in 2013, and the total value decreased from $808.3 million to $772.0 million (↓4.5%). Overall, construction starts added a total value of $1.595 billion to the property tax base with 51.6 percent attributed to residential construction.

At the same time that the total number of construction starts increased during 2013, construction costs were up 5.2 percent. The construction cost index developed by the *Engineering News Record* (ENR) for the Baltimore area increased 5.1 percent in 2010, 3.0 percent in 2011, and 3.5 percent in 2012. Therefore, while construction activity increased in 2013, that increase was in part due to inflation in construction costs.

Residential Real Estate

Total construction of new residential units increased 67.9 percent from 2012 to 2013. The number of new single-family units increased 54.3 percent from 1,002 single-family units in 2012 to 1,546 units in 2013. Construction of single-family units in 2013 was the highest number since 2005 – the peak of the recent housing boom. At the same time that the number of total new residential construction starts increased during 2013, the number of permitted units decreased 10.9 percent in 2013 compared to 2012 attributed to a decrease in planned multi-family construction (↓30.6%).

During 2013, home sales increased 13.0 percent following an increase of 6.4 percent in 2012 and a decrease of 8.8 percent in 2011. Median sales prices for existing homes increased nearly 9.0 percent which followed an increase of 4.9 percent in 2012 but no increase in 2011.



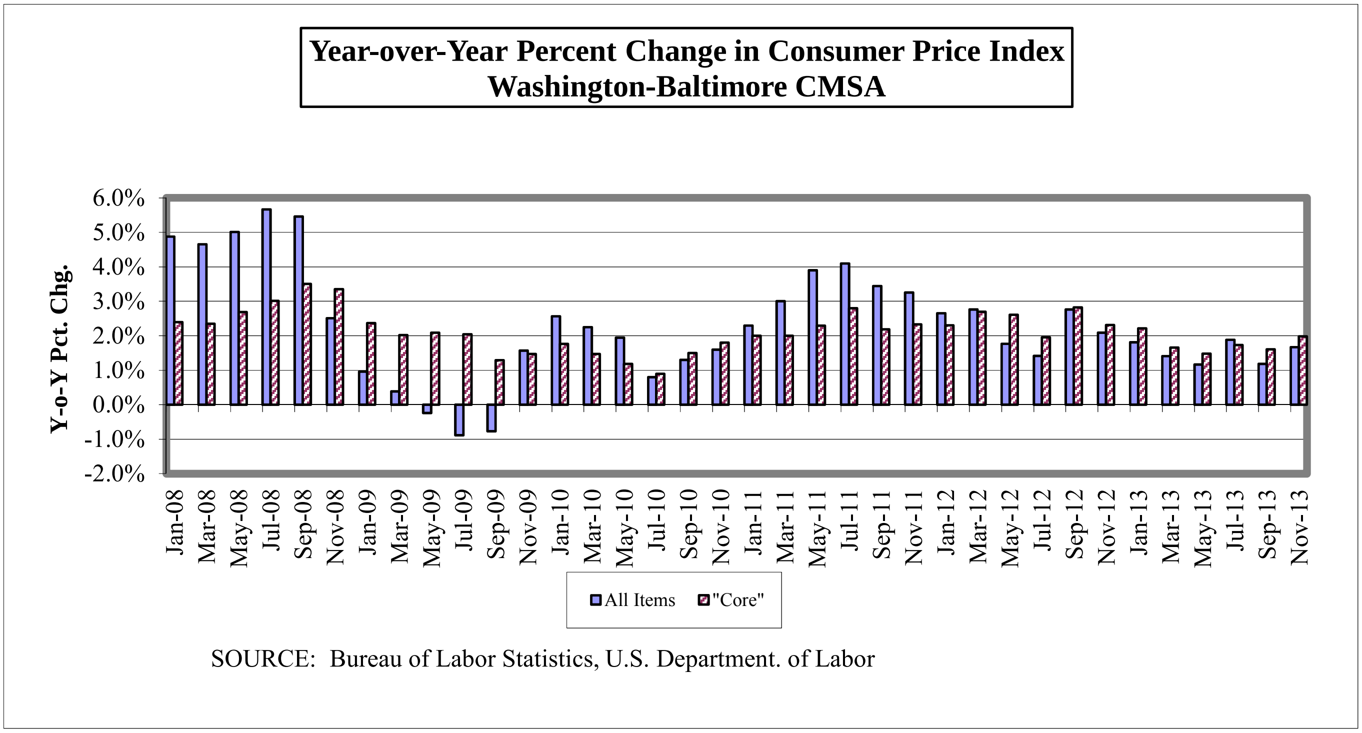
SOURCES: Metropolitan Regional Information System, Inc.
Montgomery County Department of Finance

Retail Sales

Using sales tax receipts as a measure of retail sales activity in the County, the growth in sales of durable and nondurable goods, excluding miscellaneous and assessment collections, decreased 0.1 percent through November 2013 compared to the same eleven-month period in 2012. Purchases of nondurable goods, which include food and beverage, apparel, general merchandise, and utilities and transportation, decreased 0.7 percent during this period while sales of durable goods were up 1.6 percent. The decrease in nondurable good purchases was solely attributed to the decline in general merchandise (↓6.6%). The increase in purchases of durable goods was attributed to growth in sales of hardware, machinery, and equipment (↑3.0%) and building and industrial supplies (↑7.5%).

Consumer Prices and Inflation

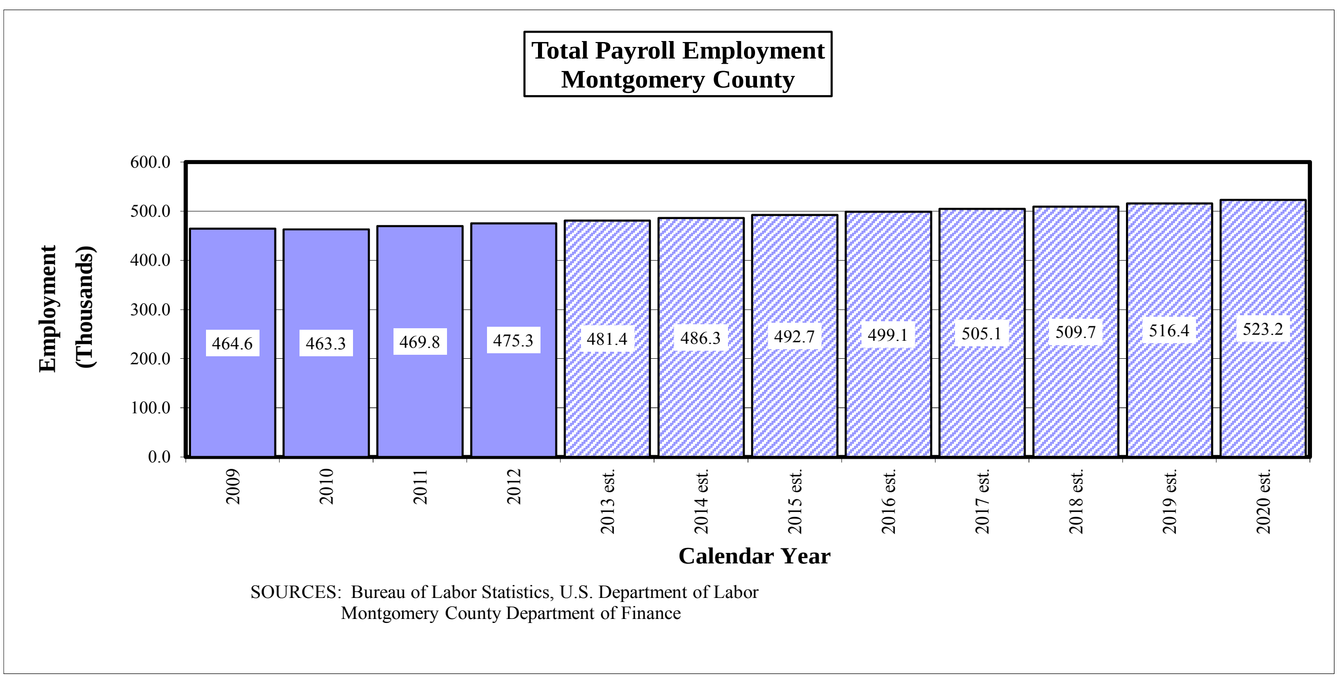
As measured by the Consumer Price Index for All Urban Consumers (CPI-U), inflation in the Washington-Baltimore region increased 1.7 percent on a year-over-year basis in November, i.e., November 2013 over November 2012, compared to the national rate of 1.5 percent. Consumer prices excluding food and energy purchases were up 2.0 percent in the region (on a year-over-year basis), which was also higher compared to the national rate (↑1.7%) over the same November 2012-to-November 2013 period. On an annual basis, inflation in this area measured an estimated 1.50 percent in 2013.



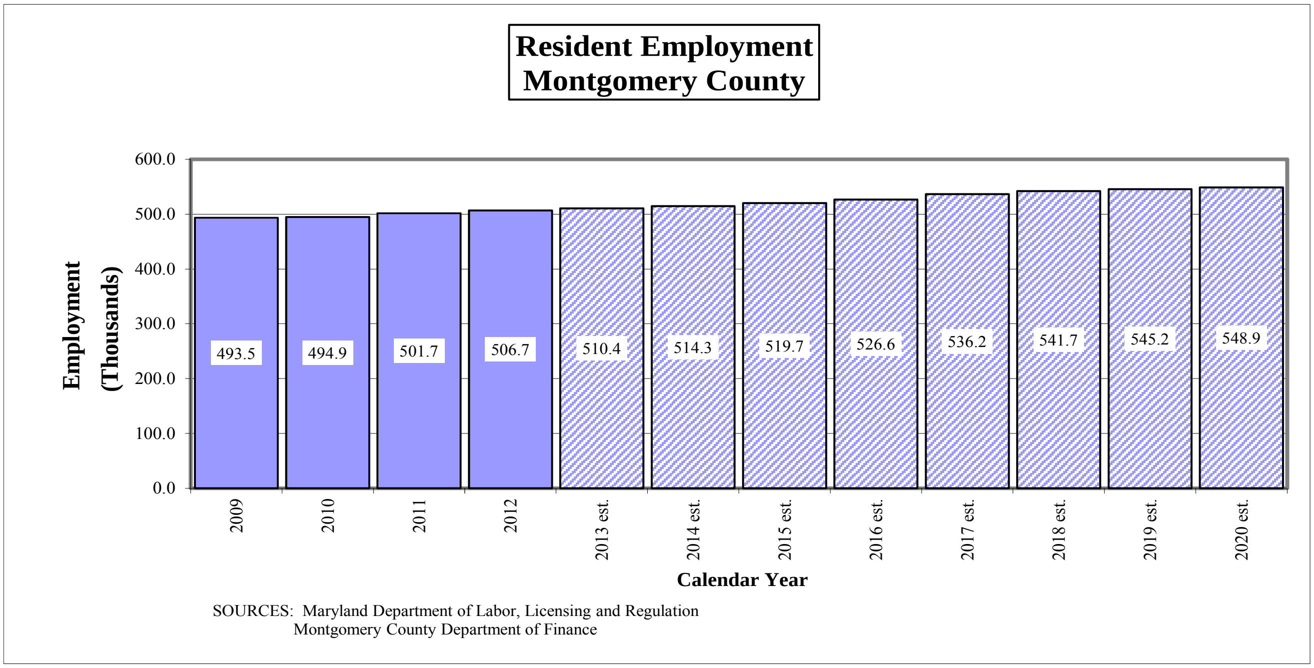
Economic Outlook

The Department of Finance assumes that Montgomery County's economy is expected to continue to improve through the next six years.

Employment. The Department of Finance (Finance) assumes payroll employment will continue to increase from CY2013 to CY2020 and grow at an average annual rate of 1.2 percent over that period.



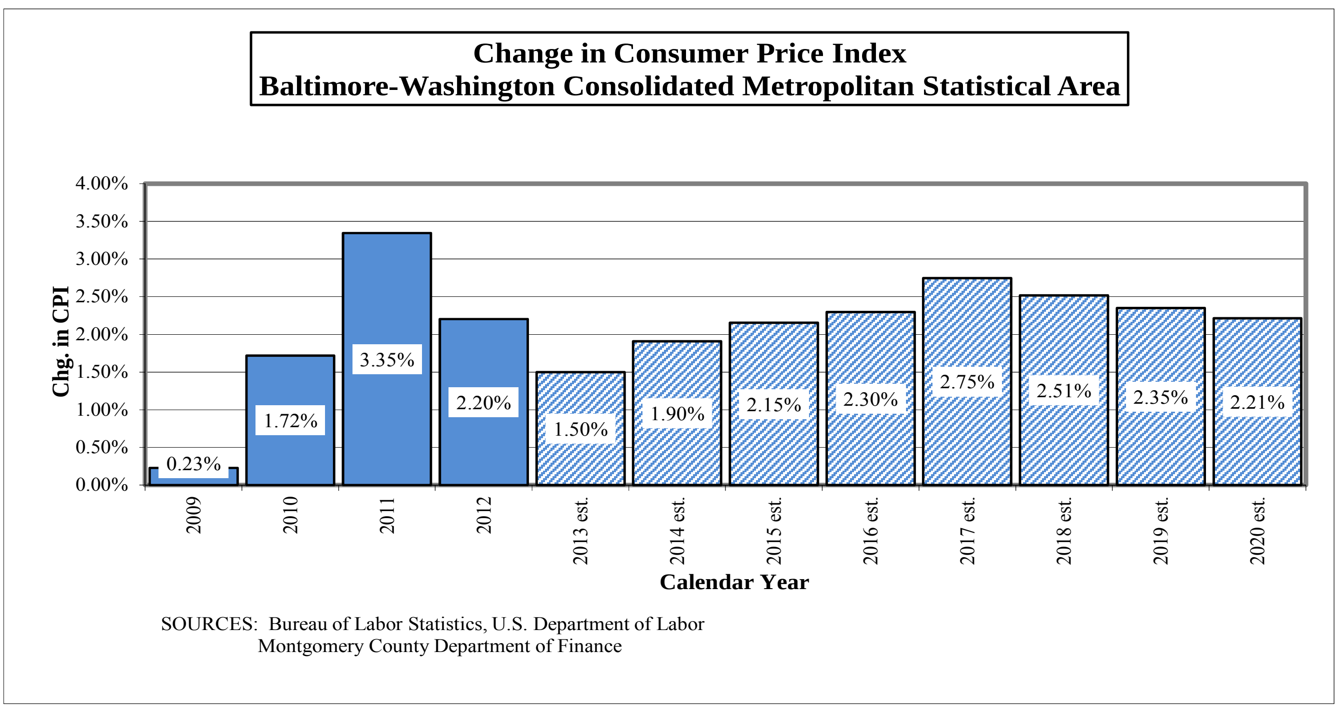
Finance assumes that resident employment is expected to increase at an average annual rate of 1.0 percent from CY2013 to CY2020.



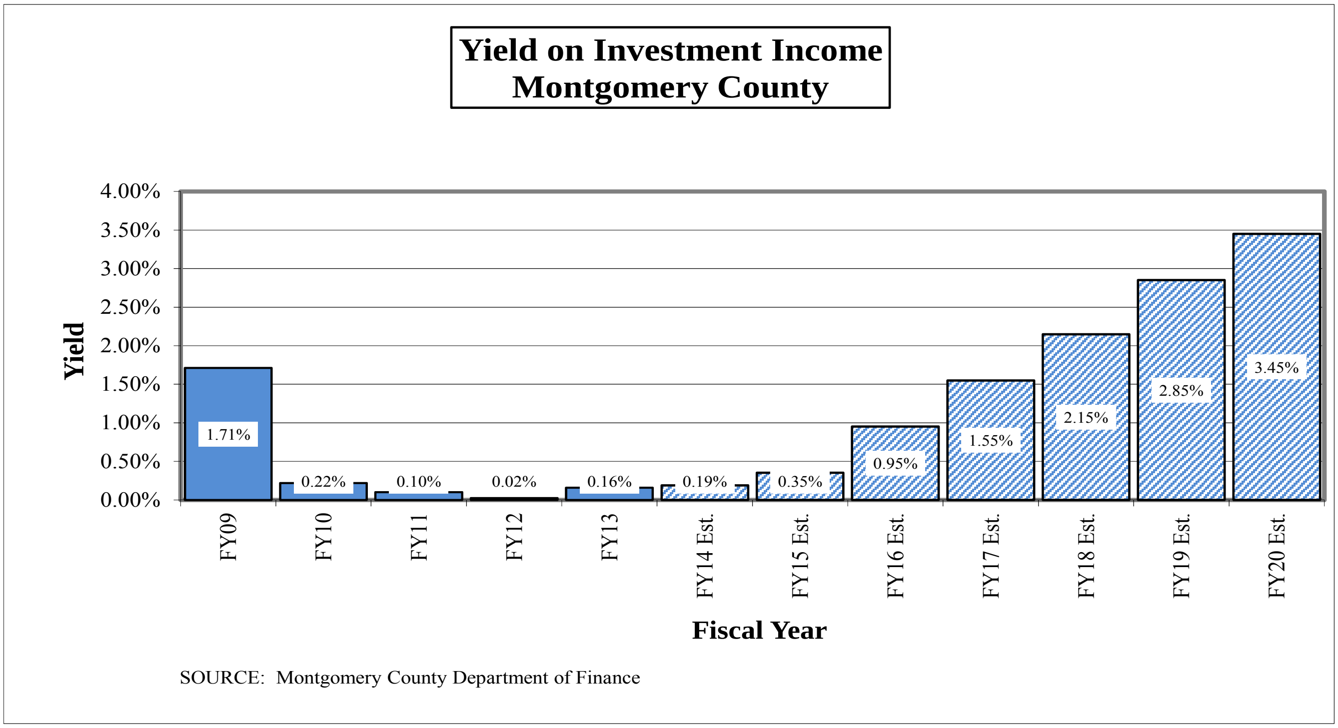
Finance assumes wage and salary income to grow at an average annual rate of 3.9 percent between CY2012, the latest date for which actual data are available from the Bureau of Economic Analysis, U.S. Department of Commerce, and CY2020. Total wage and salary income is estimated to reach $45.8 billion by CY2020.

Personal Income. Finance assumes that total personal income in Montgomery County will grow at an average annual rate of 4.0 percent from CY2012 to CY2020. By CY2020, Finance assumes that total personal income will reach $100.7 billion.

Inflation (annual average). Finance assumes that the overall regional inflation index will gradually increase from 1.50 percent in CY2013 to 1.90 percent in CY2014, 2.15 percent in CY2015, peak at 2.75 percent in CY2017, then gradually decelerate to 2.21 percent by CY2020.



Interest Rates. From September 2007 to December 2008, the Federal Reserve Board, through its Federal Open Market Committee (FOMC, Committee), aggressively cut the target rate on federal funds from 5.25 percent to a range of 0.00-0.25 percent. Based on its decision at the January 2014 meeting, the FOMC "reaffirmed its expectation that the current exceptionally low target range for the federal funds rate of 0 to 1/4 percent will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored." Since the yield on the County's short-term investments are highly correlated with the federal funds rate, Finance assumes that the County will earn an average of less than 0.19 percent in investment income on its short-term portfolio for fiscal year (FY) 2014 with increases to 0.35 percent in FY2015 and 0.95 percent in FY2016.



REVENUE SOURCES

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

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

IMPACT ON REVENUES AND THE CAPITAL BUDGET

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

The level of PSP-related spending indirectly impacts the local economy and, hence, the level of County revenues. However, the effect on revenues from expenditures of the Executive's Recommended Operating Budget and PSP are expected to be minimal. The PSP also impacts revenues available to fund the Capital Budget. The revenue projections included in this section subtract projected uses of current revenues for both debt eligible and non-debt eligible capital investments. Therefore, the Executive's Recommended Operating Budget and PSP provides the allocations of annual resources to the Capital Budget as planned for in the County Executive's Recommended FY15-20 Capital Improvements Program (as of January 15, 2014).

Anticipated current revenue adjustments to the January 15, 2014 CIP have been made as part of the Executive's Recommended Operating Budget.

Prior Year Fund Balance

The prior year fund balance for the previous fiscal year is the audited FY13 closing fund balance for all tax supported funds. The current year fund balance results from an analysis of revenues and expenditures for the balance of the fiscal year. Prior year fund balance for future fiscal years is assumed to equal the target fund balance for the preceding year.

Net Transfers

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

Debt Service Obligations

Debt service estimates are those made to support the County Executive's Recommended FY15-20 Capital Improvements Program (as of January 15, 2014). Debt service obligations over the six years are based on servicing debt issued to fund planned capital projects, as well as amounts necessary for short-term and long-term leases. Debt service requirements have the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization. Approximately 47.4 percent of the CIP is funded with General Obligation (G.O.) bonds. Each G.O. bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future G.O. bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

The State authorizes borrowing of funds and issuance of bonds up to a maximum of 6.0 percent of the assessed valuation of all real property and 15.0 percent of the assessed value of all personal property within the County. The County's outstanding G.O. debt plus short-term commercial paper as of June 30, 2013, is 1.70 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities.

CIP Current Revenue and PAYGO

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

Revenue Stabilization

On June 29, 2010, the Montgomery County Council enacted Bill 36-10 amending the Montgomery County Code (Chapter 20, Finance, Article XII) that repealed the limit on the size of the Revenue Stabilization Fund (Fund), modified the requirement for mandatory County contributions to the Fund, and amended the law governing the Fund. Mandatory contributions to the Fund are the greater of 50 percent of any excess revenue, or an amount equal to the lesser of 0.5 percent of the Adjusted Governmental Revenues or the amount needed to obtain a total reserve of 10 percent of the Adjusted Governmental Revenues. Adjusted Governmental Revenues include tax supported County Governmental revenues plus revenues of the County Grants Fund and County Capital Projects Fund; tax supported revenues of the Montgomery County Public Schools, not including the County's local contribution; tax supported revenues of Montgomery College, not including the County's local contribution; and tax supported revenues of the Montgomery County portion of the Maryland-National Capital Park and Planning Commission. All interest earned on the Fund must be added to the Fund. The FY15 Recommended Budget estimates that the Revenue Stabilization fund balance will be $207.2 million in FY14 and the balance is estimated to increase to $229.9 million in FY15 (↑10.9%).

Other Uses

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

Reserves

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

REVENUE ASSUMPTIONS

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

TAX REVENUES

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

TAX REVENUES

Tax supported revenues come from a number of sources including but not limited to property and income taxes, real estate transfer and recordation taxes, excise taxes, intergovernmental revenues, service charges, fees and licenses, college tuition, and investment income. In order of magnitude, however, the property tax and the income tax are the most important with 46.3 percent and 40.3 percent, respectively, of the estimated total tax revenues in FY15. The third category is the energy tax estimated for the General Fund with a 6.5 percent share. In fact, these three revenue sources represent 93.1 percent of total tax revenues. Of the total tax supported revenues, property tax and income tax are also the most important with 35.9 percent and 31.3 percent, respectively. The third category is intergovernmental revenues with a 17.7 percent share of the total tax supported revenues in FY15. Income and transfer and recordation taxes are the most sensitive to economic and, increasingly, financial market conditions. By contrast, the property tax exhibits the least volatility because of the three year re-assessment phase-in and the ten percent "homestead tax credit" that spreads out changes evenly over several years.

Property Tax

Using proposed rates (levy year 2014) and a recommended $692 credit, total estimated FY15 tax supported property tax revenues of $1,538.9 million are 2.1 percent above the revised FY14 estimate. The general countywide rate for FY15 is $0.736 per $100 of assessed real property, while a rate of $1.840 is levied on personal property. In addition to the general countywide tax rate, there are special district area tax rates. The 1990 Charter amendment (FIT) limits the growth in property tax revenues to the sum of the previous year's estimated revenue, increased by the rate of inflation, and an amount based on the value of new construction and other minor factors. This Charter Limit, however, may be overridden by a unanimous vote of the nine members of the County Council. Growth in the previous calendar year's CPI-U for the Washington-Baltimore Consolidated Metropolitan Statistical Area is used to measure inflation. Since the triennial reassessment rate for Group 2 increased for real property in FY15, the recommended tax rates along with the income tax offset credit (rebate) of $692 will generate revenues at the Charter Limit for FY15.

The countywide total property taxable assessment is estimated to increase approximately 3.4 percent from a revised $163.5 billion in FY14 to $169.1 billion in FY15. The base is comprised of real property and personal property. In FY15, the Department of Finance estimates real property taxable assessment of approximately $165.7 billion – an increase of 3.6 percent from FY14 − with the remaining $3.4 billion in personal property. This is the second consecutive increase in the total property taxable assessment after two consecutive decreases. The change in the total property tax base has fluctuated significantly over the past ten fiscal years, with an annual average increase of 11.0 percent between FY04 and FY09, followed by considerable deceleration in the growth of taxable assessments in FY10 (↑5.7%) and FY11 (↑0.2%) and a decline both in FY12 (↓3.3%) and FY13 (↓2.4%).

The real property base is divided into three groups based on their geographic location in the County. Each group is reassessed triennially by the State Department of Assessments and Taxation (SDAT), which has the responsibility for assessing properties in Maryland. The amount of the change in the established market value (full cash value) of one-third of the properties reassessed each year is phased in over a three-year period. Declines in assessed values, however, are effective in the first year. The real property reassessments effective for FY13 declined 8.6 percent for Group 3 (↓12.7% for residential) and follows a decline of 14.5 percent for Group 2 in FY12 (↓17.4% residential), a decline of 17.0 percent in FY11 for Group 1 (↓19.4% residential), and a decline of 10.6 percent in FY10 for Group 3 (↓16.3% for residential). However, real property reassessment for Group 1 increased 4.1 percent for FY14 (↑1.7% for residential) and increased 11.7 percent for FY15 (↑7.1% for residential). Because of that increase, real property taxable assessment is estimated to increase 3.6 percent in FY15.

There is a ten percent annual assessment growth limitation for residential property that is owner-occupied. As a result of this "homestead tax credit," these taxable reassessments in Montgomery County may not grow more than ten percent in any one year. However, because of the decline in the reassessment rates for residential properties the past three fiscal years (FY10 to FY12) the amount of the homestead tax credit declined from $23.8 *billion* in FY09, which is an all time record, to an estimated $96.6 *million* in FY15.

Decreases in the personal property base between FY04 and FY06 reflected the residual effects of weak labor market conditions that occurred between calendar years 2001 and 2003 and resulted in a lower number of new businesses and associated investments. This was exacerbated by tax law changes, including partial exemption of electricity generating equipment (energy deregulation), other exemptions (e.g., manufacturing, Research and Development, and certain computer software), and depreciation rules (e.g., for computer equipment). The personal property tax base since FY06 increased three out of the four subsequent years achieving a growth rate of 5.2 percent in FY10 before declining 6.5 percent in FY11, 3.6 percent in FY12, and 3.1 percent in FY13. Finance estimates that the total personal property base is projected to decline 2.0 percent in FY14, which follows an estimated decrease of 1.8 percent in FY15.

Income Tax

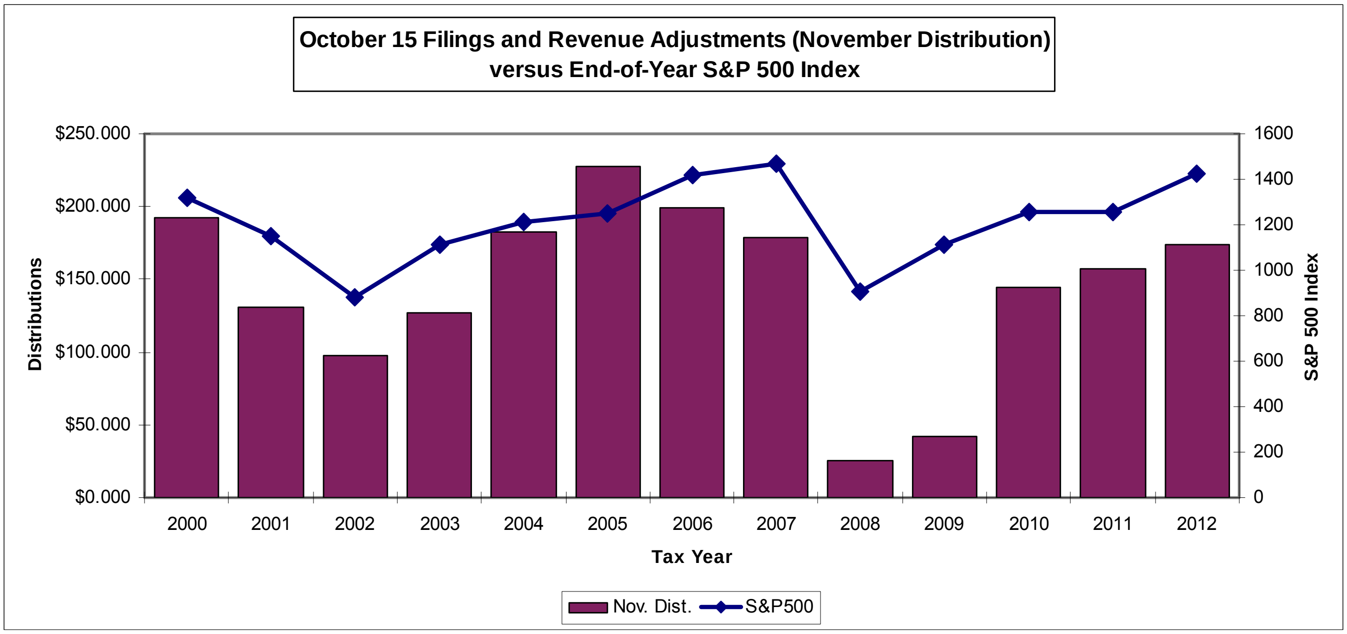
Estimated FY15 income tax revenues of $1,340.6 million are 1.8 percent below the revised FY14 estimate. The decline in the estimate for FY15 is based on two fiscal policy issues that are ongoing. First, the reductions in federal spending attributed to sequestration that took effect on March 1 is expected to have an effect on the County's resident employment, total personal income, and wage and salary income. Second, a recent Maryland Court of Appeals decision found that the "failure to allow a credit with respect to the county income tax for out-of-state income taxes paid to other states on "pass-through" income earned in those states discriminates against interstate commerce and violates the Commerce Clause of the federal Constitution (Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.)." The Maryland Attorney General has filed a motion to reconsider with the U.S. Supreme Court. However, if the ruling by the Maryland Court of Appeals is eventually upheld by the U.S. Supreme Court, the fiscal impacts to the County are significant.

Growth slowed during the early part of the previous decade reflecting moderation in the trend attributed to very weak growth in County employment − an average annual growth rate of 0.5 percent between tax years 2001 and 2003. For example, adjusted for the changes in the tax rate, the percent change in withholdings and estimated payments declined steadily from a peak of 10.5 percent in tax year 2000 to an annual average growth rate of 0.9 percent between tax years 2000 and 2003. Since 2003 withholdings and estimated payments at a constant tax rate rebounded with an increase of 10.5 percent in 2004, 5.0 percent in 2005, 13.4 percent in 2006, and 13.0 percent in 2007, decelerated to only 1.5 percent in 2008, then declined 6.7 percent in 2009 and another 3.4 percent in 2010, increased 5.9 percent in 2011, increased 9.8 percent in 2012, and increased only 2.9 percent in 2013.

During any one fiscal year the County receives income tax distributions pertaining to at least three different tax years. During the period between tax years 2002 and 2011, the total tax distributions from withholdings, estimated payments and extended filings can be divided into three cycles: 2001-2002 (the dot.com stock market crash and the economic recession of 2001), 2003-2007 (economic expansion), and 2008-2010 (stock market crash and the great recession). During the dot.com stock market crash and 2001 recession, total income tax distributions declined at an average annual rate of 2.6 percent. With the economic expansion underway in 2003, total income tax distributions increased at an average annual rate of 10.1 percent through 2007 – adjusted for the tax rate increase from 2.95 percent to 3.20 percent enacted by the County Council in 2004. With the stock market crash of 2008 and subsequent severe recession, withholdings, estimated payments, and extended filings declined at an average annual rate of 8.5 percent from 2007 to 2009, and increased 7.2 percent in 2010, 6.2 percent in 2011, and 10.0 percent in 2012– the latest date for which extended filing data are available.

In addition to the quarterly distributions that represent withholdings and estimated payments, receipts from October 15th filers and adjustments to prior year distributions by the Maryland Comptroller declined dramatically since the peak of tax year 2005. Since that time, revenues from October 15th filers and distribution adjustments gradually declined from tax year 2005 ($227.9 million) to tax year 2007 ($179.1 million). Because of the stock market crash of 2008 and the subsequent severe recession

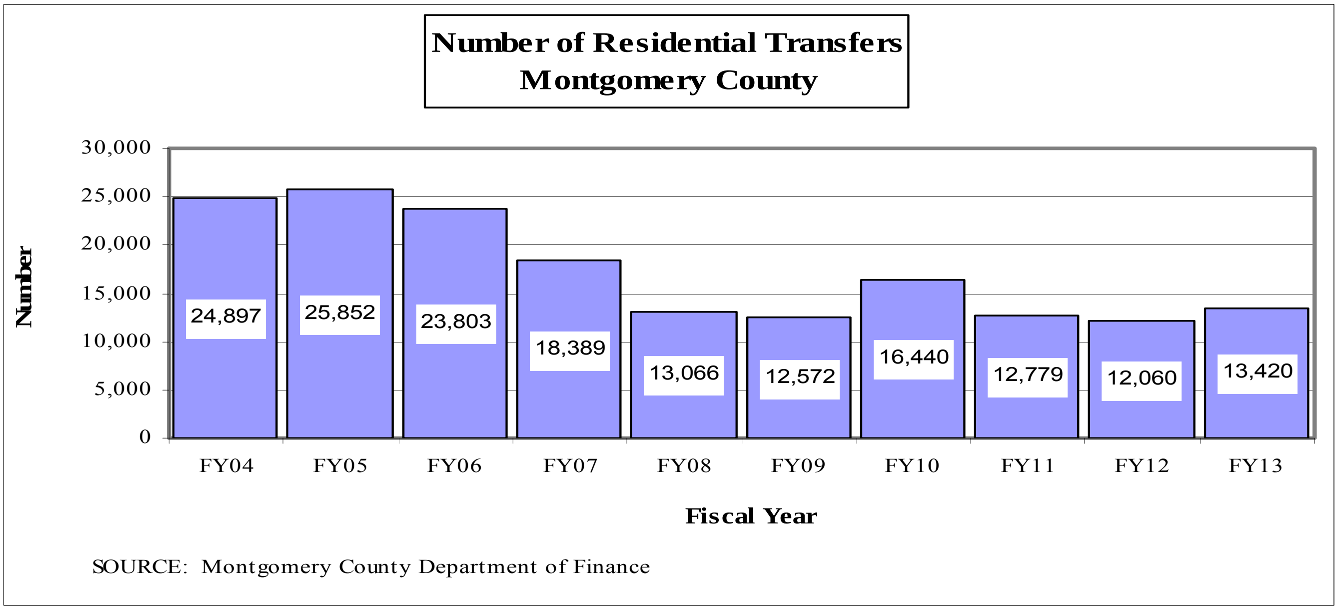
(December 2007 to June 2009), distributions from October 15th filers and distribution adjustments experienced a decline of 85.9 percent in tax year 2008 and a modest increase in 2009. However, from tax year 2010 to tax year 2012, the latest data available, revenues increased sharply to $144.7 million in 2010 and to $174.2 million in 2012, but below the pre-recession level. These distributions represent the most volatile component of the income tax and are associated with the change in the stock market as measured by the S&P 500 index.



Transfer and Recordation Taxes

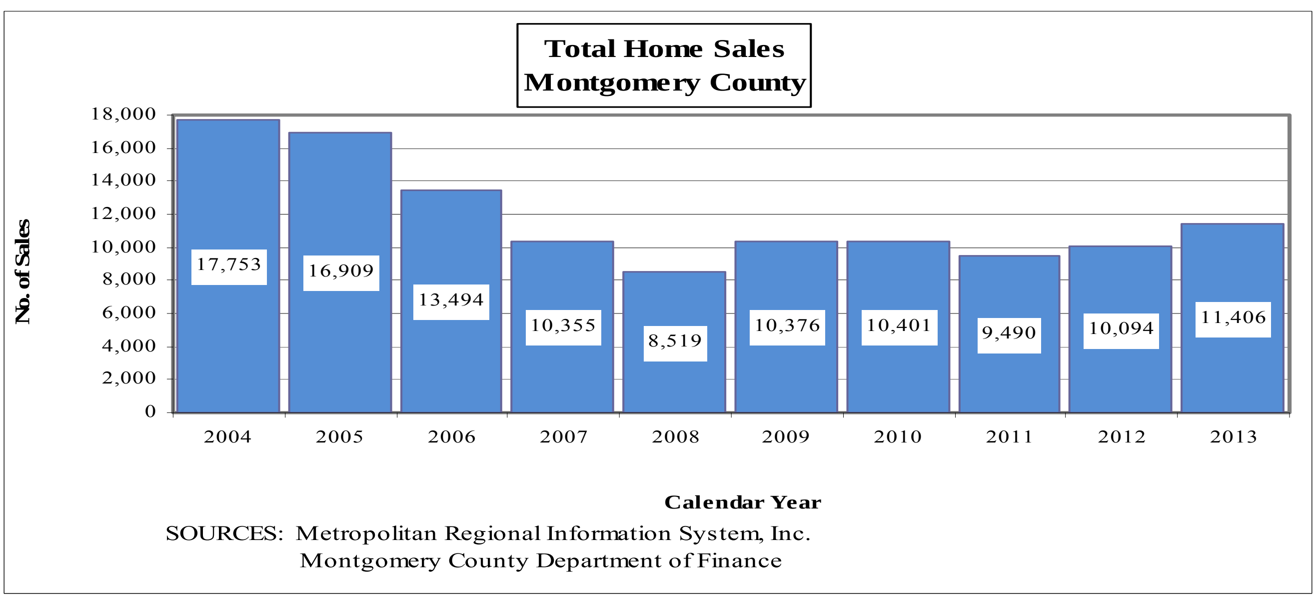
Estimated FY15 revenues for the General Fund of $160.7 million, which *exclude* the school CIP portion, condominium conversions, and the tax premium, are 6.1 percent above the revised FY14 estimate. This reflects an FY15 estimate of $97.9 million in the transfer tax and $62.8 million in the recordation tax. Transfer and recordation tax revenues have fluctuated greatly over time and primarily reflect shifting trends in the real estate market. In FY12, 72.2 percent of transfer tax revenue came from the residential sector compared to 85.5 percent in FY05, 83.6 percent in FY06, 87.1 percent in FY07, 85.7 percent in FY08, 86.6 percent in FY09, 88.0 percent in FY10, 81.3 percent in FY11, and 72.2 percent in FY12. The transfer tax rate is generally one percent of the value of the property transferred to a new owner. This applies to both improved (i.e., building) and unimproved (i.e., land) residential and commercial properties. The recordation tax is levied when changes occur in deeds, mortgages, leases, and other contracts pertaining to the title of either real or personal property. Beginning in FY03, the recordation tax rate was raised from $4.40 to $6.90 per $1,000 of the value of the contract (0.69%) with the first $50,000 of the consideration exempted from the tax for owner-occupied residential properties. The Council earmarked the revenues attributed to the rate increase for MCPS school capital programs and Montgomery College information technology projects. Generally, both transfer and recordation taxes are levied when properties are sold. In some cases, only one of the two taxes is levied. One example is refinancing of a mortgage, in which case there may be an increase in the mortgage amount and, hence, recordation tax, but since there is no transfer of property, there is no transfer tax. Beginning March 1, 2008, the Council also levied an additional recordation tax (premium) of 0.31 percent on transactions above $500,000 for rental assistance programs and County government capital projects.

Residential transfer tax revenues are affected by the trends in real estate sales for existing and new homes. Real estate sales, in turn, are highly correlated with specific economic indicators such as growth in employment and wages and salaries, formation of households, mortgage lending conditions, and mortgage interest rates. The same holds true for the commercial sector, which is equally affected by business activity and investment, office vacancy rates, property values, and financing costs. The volatility in revenues from the transfer and recordation taxes is best illustrated in the trend since FY03.

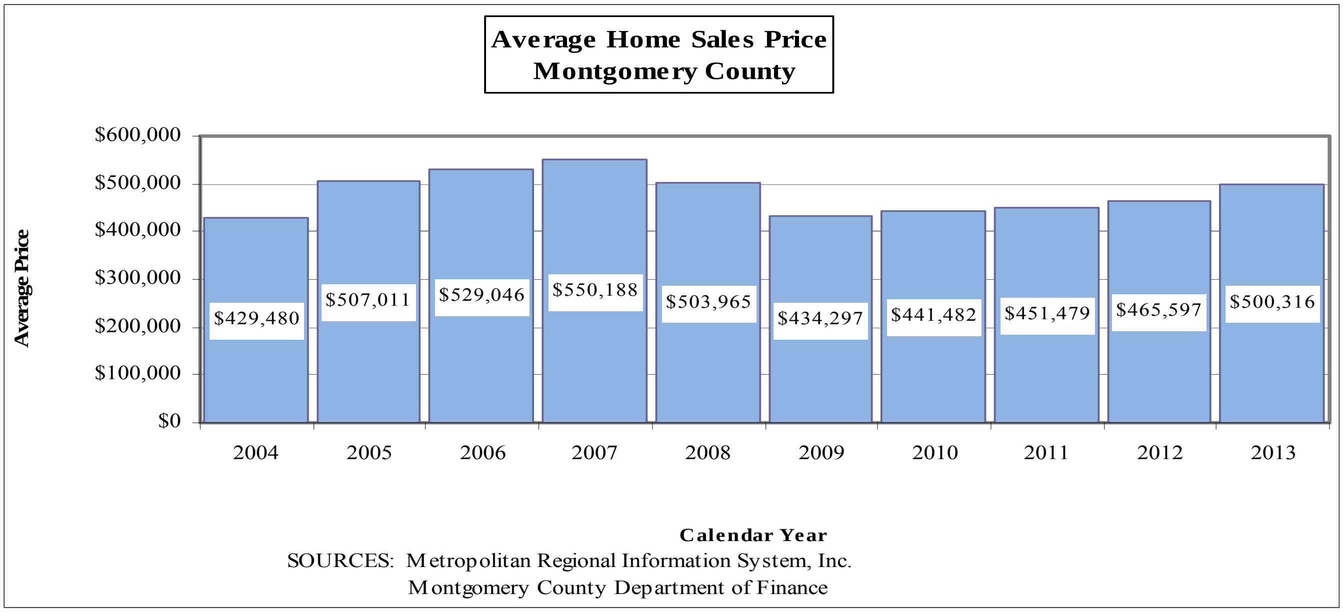


The growth rate in the number of residential transfers increased 9.3 percent in FY04 (24,897), increased modestly to 3.8 percent in FY05 (25,852), but declined 7.9 percent in FY06 (23,803), declined 22.7 percent in FY07 (18,389), declined 28.9 percent in FY08 (13,066), declined 3.8 percent in FY09 (12,572), increased 30.8 percent in FY10 attributed to the federal government first-time homebuyers credit, decreased 22.8 percent in FY11 (12,779), decreased 5.6 percent in FY12 (12,060), and increased 11.3 percent in FY13 (13,420). While the number of residential transfers exhibited significant volatility since FY04, the acceleration in home prices during FY04, FY05, and FY06 had a significant effect on revenues and partially offset the volatility in the number of transfers during this period. However, since the peak in the housing bubble in FY06, transfer tax revenues from residential transactions declined 23.3 percent in FY07, 26.5 percent in FY08, 18.1 percent in FY09, but increased 20.9 percent in FY10 then declined 15.1 percent in FY11, decreased 5.1 percent in FY12, but increased 21.2 percent in FY13.

The decline in transfer taxes between FY07 and FY09 is attributed to both a decline in home sales that began in the summer of 2005 and in average sales price for existing homes that began the late summer of 2007. Home sales declined 23.3 percent in calendar year (CY) 2007, declined 17.7 percent in CY08, increased 21.8 percent in CY09, increased a modest 0.2 percent in CY10, decreased 8.8 percent in FY11, increased 6.4 percent in CY12, and increased 13.0 percent in CY13.



While sales increased in CY13, the average sales price for an existing home increased 7.5 percent in FY13 and the median sales price increased 9.0 percent.



At the same time that revenues from the residential portion of the transfer tax experienced significant growth between FY03 and FY06, revenues from non-residential properties experienced a similar pattern during this same period. Beginning in FY03, revenues from non-residential property (excluding farms and rezoning) increased for four consecutive years: 18.6 percent in FY03, 33.9 percent in FY04, 48.5 percent in FY05, and 13.4 percent in FY06. By contrast, in FY07 revenues from non-residential properties declined 49.2 percent, increased a modest 1.8 percent in FY08, declined 25.7 percent in FY09, but increased 12.9 percent in FY10, 45.9 percent in FY11, 57.7 percent in FY12, but declined 3.9 percent in FY13.

Recordation tax revenues (excluding the school CIP portion and the tax premium) generally track the trend in transfer tax revenues. Revenues from residential recordation tax revenues increased 6.5 percent in FY04, 21.7 percent in FY05, and 20.1 percent in FY06, before declining 19.4 percent in FY07, 21.1 percent in FY08, 18.3 percent in FY09, increasing 25.3 percent in FY10, decreasing 18.3 percent in FY11, decreasing 4.2 percent in FY12, and increasing 23.4 percent in FY13. The estimate for recordation tax revenues for FY14 reflects a decrease of 0.7 percent or $57.2 million for the General Fund. That estimated reflects a decline in the "other" category of the recordation tax, that include mortgage refinancing, and higher exemption for the indemnity deed of trust (IDOT) transactions.

General Fund transfer and recordation tax revenues are projected to grow 6.6 percent in FY14. That year-over-year growth rate is attributed to a continuing increase in home sales during calendar year 2014 and a modest increase in home prices.

Energy Tax

Estimated FY15 revenues of $217.2 million are 0.7 percent above the revised FY14 estimate. The estimated revenues for FY15 are based on the County Executive's recommendation to continue the FY15 rates at the FY14 level. The revised revenues estimate for FY14 is 3.1 percent below the FY13 actual revenues. That decline is attributed to the reduction in both the residential and non-residential rates enacted by the County Council in May 2013. The fuel-energy tax is imposed on persons transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas. Different rates apply to residential and nonresidential consumption and to the various types of energy. Since the rates per unit of energy consumed are fixed, collections change only with shifts in energy consumption and not with changes in the price of the energy product. Based on partial fiscal year data for FY14, Finance estimates that the share of receipts from residential users is approximately 35.5 percent of total collections, with the larger share received from the non-residential sector (64.5%). Measured for all energy types, the two largest sources of total revenues based on partial fiscal year data for FY14 have been electricity (76.5%) and natural gas (22.4%).

Telephone Tax

Estimated FY15 revenues of $47.8 million are 9.1 percent below the revised FY14 estimate. The revised revenue estimate for FY14 is 15.2 percent above the FY13 actual revenues with the increase attributed to a one-time reconciliation payment of $5.5 million from Verizon. Excluding that payment, the revised revenue estimate for FY14 would increase 3.1 percent and the estimated FY15 revenues would increase 1.5 percent. That adjusted increase is attributed to an increase in wireless communication. The telephone tax is levied as a fixed amount per landline, wireless communications, and other communication devices. The tax on a traditional landline is $2.00 per month, while multiple business lines (Centrex) are taxed at $0.20 per month. The tax rate on wireless communications was $2.00 per month prior to FY11. Effective FY11, the County Council increased the rate schedule for wireless communications from $2.00 per month to $3.50 per month. Revenues from this tax are driven primarily by modest growth in wireless communications such as cell phone usage. In contrast, the number of land lines does not exhibit growth. As a result, revenues from land lines are estimated to remain constant in FY15 while revenues from wireless communications are estimated to grow a modest 1.8 percent in FY15.

Hotel/Motel Tax

Estimated FY15 revenues of $17.5 million are 3.9 percent above the revised FY14 estimate. The revised revenue estimate for FY14 is 10.9 percent below the FY13 actual revenues. The estimated decline in FY14 is attributed to two factors: the government shutdown during the fall of 2013 and sequestration. Both the FY14 revised estimate and the FY15 estimate continues to include an amount expected from online hotel brokers. The hotel/motel tax is levied as a percentage of the hotel bill. The current tax rate of 7 percent in FY13 is also assumed for FY15. Collections grow with the costs of hotel rooms and the combined effect of room supply and hotel occupancy rate in the County. Occupancy rates in the County are generally the highest in the spring (April and May) and autumn (September and October) as tourists and schools visit the nation's capital for such events as the Cherry Blossom Festival and school trips, while organizations often schedule conferences during such periods, and during the week of the Presidential inauguration. During peak periods, many visitors to Washington, D.C. use hotels in the County, especially those in the lower county.

Admissions Tax

Estimated FY15 revenues of $3.2 million are 3.0 percent above the revised FY14 estimate. The revised revenue estimate for FY14 revenues is 1.9 percent below the FY13 actual revenues. That decrease is attributed to the decline in revenues collected from motion picture theaters and coin-operated facilities during the first half of FY14. Admissions and amusement taxes are State-administered local taxes on the gross receipts of various categories of amusement, recreation, and sports activities. Taxpayers are required to file a return and pay the tax monthly while the County receives quarterly distributions of the receipts from the State. Montgomery County levies a seven percent tax, except for categories subject to State sales and use tax, where the County rate would be lower. Such categories include rentals of athletic equipment, boats, golf carts, skates, skis, horses; and sales related to entertainment. Gross receipts are exempt from the County tax when a Municipal admissions and amusement tax is in effect. For FY13, motion pictures accounted for 45.0 percent of total collections, while other major categories included coin-operated amusement (19.9%)., and golf green fees, driving ranges and golf cart rentals (17.5%).

NON-TAX REVENUES

Non-tax revenues throughout all tax supported funds (excluding Enterprise Funds, such as Permitting Services, Parking Districts, Solid Waste Disposal, and Solid Waste Collection Funds) are estimated at $955.7 million in FY15. This is a $21.1 million increase, or 2.3 percent, from the revised FY14 estimate, primarily attributed to an increase in General Intergovernmental Revenues (↑2.6%). Non-tax revenues include: intergovernmental aid; investment income; licenses and permits; user fees, fines, and forfeitures; and miscellaneous revenues.

General Intergovernmental Revenues

Intergovernmental revenues are received from the State or Federal governments as general aid for certain purposes, not tied, like grants, to particular expenditures. The majority of this money comes from the State based on particular formulas set in law. Total aid is specified in the Governor's annual budget. Since the final results are not known until the General Assembly session is completed and the State budget adopted, estimates in the March 15 County Executive Recommended Public Services Program are generally based on the Governor's budget estimates for FY15, unless those estimates assume a change in existing law. If additional information on the State budget is available to the County Executive, this information will be incorporated into the budgeted projection of State aid. For future years, it is difficult to know confidently how Federal and State aid policy may be implemented; therefore, the projection generally assumes intergovernmental aid will remain flat. The Recommended Budget for FY15 assumes a $19.4 million, or 2.6 percent, increase in intergovernmental revenues from the revised FY14 estimate, of which 81.7 percent is allocated to the Montgomery County Public Schools, 4.5 percent to Montgomery Community College, and 5.2 percent to Mass Transit. Total intergovernmental revenue represents an estimated 79.2 percent of the total non-tax revenues for FY15.

Licenses and Permits

Licenses and permits include General Fund business licenses (primarily public health, traders, and liquor licenses) and non-business licenses (primarily marriage licenses and Clerk of the Court business licenses). Licenses and permits in the Permitting Services Enterprise Fund, which include building, electrical, and sediment control permits, are Enterprise Funds and thus not included in tax supported projections. The Recommended Budget for FY15 assumes an 8.8 percent increase over the revised projections for FY14, and $12.6 million in available resources in FY15.

Charges for Services (User Fees)

Excluding intergovernmental revenues to Montgomery County Public Schools and Montgomery College, and College tuition, charges for services, or user fees, are revenues collected that come primarily from fees imposed on the recipients of certain County services including mass transit, human services, use of facilities, and recreation services and are included in the tax supported funds. The Recommended Budget for FY15 assumes an increase of 0.6 percent over the revised projections for FY14, resulting in $69.2 million in available resources in FY15.

Fines and Forfeitures

Revenues from fines and forfeitures relate primarily to photo red light and speed camera citations, and library and parking fines (excluding the County's four Parking Districts). The Recommended Budget for FY15 assumes that fines and forfeitures will not increase from the revised estimates for FY14, resulting in $22.0 million in available resources in FY15.

College Tuition

Although College tuition is not included in the County Council Spending Affordability Guideline Limits (SAG), it remains in the tax supported College Current Fund. Calculation of the aggregate operating budget is under the SAG Limits. Tuition revenue depends on the number of registered students and the tuition rate. The Recommended Budget for FY15 includes Montgomery College's estimate of a 0.1 percent decrease in tuition revenue over the revised projections for FY14 resulting in $83.7 million in available resources in FY15.

Investment Income

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

The revised FY14 tax-supported investment income estimate of $0.31 million assumes a yield on equity of 0.19 percent and an average daily balance of $127.6 million. The FY15 projected estimate of tax-supported investment income of $0.52 million assumes a yield on equity of 0.35 percent and a slightly higher average daily balance $134.4 million. Using current revenue projections, the average daily cash balance is expected to increase to $141.5 million and continue to increase over the following four fiscal years to $174.3 million by FY20. Yields have fluctuated significantly over time due to changes in the targeted federal funds rate set by the Federal Open Market Committee (FOMC) of the Federal Reserve System. Since August 2007, the FOMC has reduced the target rate for federal funds from 5.25 percent to a range of 0.00-0.25 percent in December 2008 and is expected to remain at that range through the first half of calendar year 2015.

Other Miscellaneous

The County receives miscellaneous income from a variety of sources, the largest of which are auction proceeds, rental income for the use of County property, and operating revenue from the Conference Center. These two categories make up 54.6 percent of the total $10.6 million projected for FY15.

TRENDS AND PROJECTIONS								
DEMOGRAPHIC AND PLANNING INDICATORS	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
POPULATION	**1,009,800**	**1,014,900**	**1,020,000**	**1,029,200**	**1,038,500**	**1,047,900**	**1,057,400**	**1,067,000**
Annual Increase	18,553	5,100	5,100	9,200	9,300	9,400	9,500	9,600
Population Growth Since 2006	8.0%	8.5%	9.1%	10.1%	11.0%	12.1%	13.1%	14.1%
County Resident Births (Prior Calendar Year)	13,200	13,300	13,400	13,500	13,600	13,700	13,800	13,900
HOUSEHOLDS	**366,500**	**372,000**	**377,500**	**381,300**	**385,100**	**389,000**	**392,900**	**397,000**
Household Annual Growth (%)	0.5%	1.5%	1.5%	1.0%	1.0%	1.0%	1.0%	1.0%
Household Growth Since 2006	4.7%	6.3%	7.8%	8.9%	10.0%	11.1%	12.2%	13.4%
Household Growth Since 1992	25.9%	27.7%	29.6%	30.9%	32.2%	33.6%	34.9%	36.3%
Household Size	2.76	2.73	2.70	2.70	2.70	2.69	2.69	2.69
RESIDENT EMPLOYMENT (Jan = Calendar Year)	**510,420**	**514,300**	**519,740**	**526,560**	**536,210**	**541,740**	**545,200**	**548,850**
Resident Employment Annual Growth (%)	1.2%	0.8%	1.1%	1.3%	1.8%	1.0%	0.6%	0.7%
Resident Employment Growth Since 2006	1.5%	2.3%	3.3%	4.7%	6.6%	7.7%	8.4%	9.1%
Resident Employment Per Household	1.39	1.38	1.38	1.38	1.39	1.39	1.39	1.38
Jobs in County	523,300	527,700	532,000	538,500	545,000	551,400	557,900	564,400
PERSONAL INCOME ($ Millions)	**$74,840**	**$78,420**	**$82,700**	**$87,310**	**$91,730**	**$94,670**	**$97,610**	**$100,730**
Per Capita Personal Income	**$74,110**	**$77,270**	**$81,080**	**$84,830**	**$88,830**	**$90,340**	**$92,310**	**$94,400**
Annual Growth (%)	2.7%	4.3%	4.9%	4.6%	4.7%	1.7%	2.2%	2.3%
CONSUMER PRICE INDEX (CPI) - Fiscal Year	**1.72%**	**1.62%**	**2.03%**	**2.22%**	**2.52%**	**2.63%**	**2.43%**	**2.28%**
Inflation Growth (Fiscal Year) Since 2006	-57.7%	-60.2%	-50.1%	-45.5%	-38.1%	-35.4%	-40.3%	-44.0%
CONSUMER PRICE INDEX (CPI) - Calendar Year (%)	**1.50%**	**1.90%**	**2.15%**	**2.30%**	**2.75%**	**2.51%**	**2.35%**	**2.21%**
ASSESSABLE TAX BASE ($ Millions)	**$161,877**	**$163,498**	**$169,137**	**$175,073**	**$183,652**	**$194,137**	**$205,024**	**$216,759**
Annual Growth (%)	-2.4%	1.0%	3.4%	3.5%	4.9%	5.7%	5.6%	5.7%
Growth of Base Since 1992 (%)	170.6%	173.3%	182.7%	192.7%	207.0%	224.5%	242.7%	262.3%
Growth of Base Since 2006 (%)	41.5%	43.0%	47.9%	53.1%	60.6%	69.8%	79.3%	89.5%
INVESTMENT INCOME YIELD (%)	**0.16%**	**0.19%**	**0.35%**	**0.95%**	**1.55%**	**2.15%**	**2.85%**	**3.45%**
MCPS ENROLLMENT (Sept = Calendar Year)	**149,051**	**151,289**	**154,178**	**155,969**	**157,592**	**159,206**	**160,683**	**162,255**
Annual Growth (%)	1.7%	1.5%	1.9%	1.2%	1.0%	1.0%	0.9%	1.0%
Annual Increase (Decrease)	2,554	2,238	2,889	1,791	1,623	1,614	1,477	1,572
MONTGOMERY COLLEGE ENROLLMENTS (a)	**27,453**	**26,155**	**25,983**	**25,665**	**25,376**	**25,158**	**25,186**	**25,186**
Annual Growth (%)	0.0%	-4.7%	-0.7%	-1.2%	-1.1%	-0.9%	0.1%	0.0%
Full Time Equivalents (Sept = Calendar Year) (b)	**22,318**	**21,655**	**21,653**	**21,535**	**21,437**	**21,387**	**21,499**	**21,499**
Annual Growth in FTEs (%)	0.2%	-3.0%	0.0%	-0.5%	-0.5%	-0.2%	0.5%	0.0%

(a) Projections related to Montgomery College Enrollments are provided by Montgomery College and only include projections through FY19. Since no projections are provided for FY20 the projections for FY19 were used for FY20.

(b) Projections related to Montgomery College Full Time Equivalents are provided by Montgomery College and only include projections through FY19. Since no projections are provided for FY20, the projections for FY19 were used for FY20.

REVENUE SUMMARY
TAX SUPPORTED BUDGETS
($ Millions)

	KEY REVENUE CATEGORIES	App. FY14	Estimate FY14	% Chg. FY14-15	Rec FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20
	TAXES	5-23-13		App/Rec	3-17-14										
1	Property Tax (less PDs)	1,504.9	1,506.9	2.3%	1,538.9	2.5%	1,577.2	2.8%	1,621.1	2.8%	1,666.2	3.2%	1,720.1	3.0%	1,771.5
2	Income Tax	1,299.2	1,365.9	3.2%	1,340.6	9.9%	1,473.5	5.4%	1,553.5	5.4%	1,636.9	4.5%	1,710.6	3.2%	1,765.7
3	Transfer Tax	85.7	94.2	14.2%	97.9	6.6%	104.4	5.8%	110.5	7.6%	118.8	7.5%	127.8	5.6%	135.0
4	Recordation Tax	56.6	57.2	11.0%	62.8	3.8%	65.2	7.3%	70.0	6.8%	74.7	7.9%	80.7	5.4%	85.0
5	Energy Tax	210.7	215.8	3.1%	217.2	1.2%	219.8	1.1%	222.3	0.9%	224.4	1.2%	227.1	1.2%	229.8
6	Telephone Tax	45.1	52.6	6.0%	47.8	1.5%	48.6	1.5%	49.3	1.5%	50.1	1.5%	50.8	1.5%	51.6
7	Hotel/Motel Tax	17.8	16.9	-1.4%	17.5	3.0%	18.0	6.6%	19.2	8.3%	20.8	7.4%	22.4	7.4%	24.0
8	Admissions Tax	3.0	3.1	5.5%	3.2	3.3%	3.3	3.9%	3.4	4.3%	3.6	4.7%	3.8	5.1%	4.0
9	**Total Local Taxes**	**3,223.0**	**3,312.7**	**3.2%**	**3,326.0**	**5.5%**	**3,510.0**	**4.0%**	**3,649.3**	**4.0%**	**3,795.5**	**3.9%**	**3,943.2**	**3.1%**	**4,066.6**
	INTERGOVERNMENTAL AID														
10	Highway User	3.4	3.5	4.3%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6
11	Police Protection	13.7	13.7	0.0%	13.7	0.0%	13.7	0.0%	13.7	0.0%	13.7	0.0%	13.7	0.0%	13.7
12	Libraries	5.3	5.3	7.6%	5.7	0.0%	5.7	0.0%	5.7	0.0%	5.7	0.0%	5.7	0.0%	5.7
13	Health Services Case Formula	3.8	4.0	3.6%	4.0	0.0%	4.0	0.0%	4.0	0.0%	4.0	0.0%	4.0	0.0%	4.0
14	Mass Transit	34.5	34.5	14.2%	39.4	-42.1%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8
15	Public Schools	605.0	606.4	2.3%	618.8	0.0%	618.8	0.0%	618.8	0.0%	618.8	0.0%	618.8	0.0%	618.8
16	Community College	31.7	31.7	6.9%	33.9	0.0%	33.9	0.0%	33.9	0.0%	33.9	0.0%	33.9	0.0%	33.9
17	Other	34.6	38.6	10.0%	38.1	0.0%	38.1	0.0%	38.1	0.0%	38.1	0.0%	38.1	0.0%	38.1
18	**Total Intergovernmental Aid**	**732.1**	**737.7**	**3.4%**	**757.1**	**-2.2%**	**740.5**	**0.0%**	**740.5**	**0.0%**	**740.5**	**0.0%**	**740.5**	**0.0%**	**740.5**
	FEES AND FINES														
19	Licenses & Permits	11.4	11.6	10.6%	12.6	1.5%	12.8	1.5%	13.0	1.5%	13.2	1.5%	13.4	1.5%	13.6
20	Charges for Services	69.3	68.8	-0.1%	69.2	1.8%	70.4	2.0%	71.8	2.1%	73.3	1.9%	74.7	1.8%	76.1
21	Fines & Forfeitures	21.9	22.0	0.5%	22.0	1.6%	22.4	1.6%	22.7	1.6%	23.1	1.6%	23.5	1.6%	23.8
22	Montgomery College Tuition	87.3	83.8	-4.1%	83.7	1.8%	85.1	2.0%	86.9	2.1%	88.7	1.9%	90.4	1.8%	92.1
23	**Total Fees and Fines**	**189.8**	**186.2**	**-1.3%**	**187.5**	**1.7%**	**190.7**	**1.9%**	**194.4**	**2.0%**	**198.3**	**1.9%**	**202.0**	**1.8%**	**205.6**
	MISCELLANEOUS														
24	Investment Income	0.2	0.3	130.7%	0.5	153.4%	1.3	49.4%	2.0	43.6%	2.8	39.5%	4.0	29.9%	5.2
25	Other Miscellaneous	10.0	10.4	6.0%	10.6	2.2%	10.9	2.5%	11.2	2.6%	11.5	2.4%	11.7	2.3%	12.0
26	**Total Miscellaneous**	**10.3**	**10.7**	**8.7%**	**11.2**	**9.3%**	**12.2**	**7.6%**	**13.1**	**8.8%**	**14.3**	**9.8%**	**15.7**	**9.3%**	**17.2**
27	**TOTAL REVENUES**	**4,155.3**	**4,247.3**	**3.0%**	**4,281.7**	**4.0%**	**4,453.4**	**3.2%**	**4,597.4**	**3.3%**	**4,748.6**	**3.2%**	**4,901.4**	**2.6%**	**5,029.9**
28															
	Calculation for Adjusted Governmental Revenues														
29	**Total Tax Supported Revenues**	**4,155.3**	**4,247.3**	**3.0%**	**4,281.7**	**4.0%**	**4,453.4**	**3.2%**	**4,597.4**	**3.3%**	**4,748.6**	**3.2%**	**4,901.4**	**2.6%**	**5,029.9**
30	**Capital Projects Fund**	**99.3**	**99.3**	**24.3%**	**123.4**	**1.9%**	**125.7**	**-19.8%**	**100.8**	**-5.8%**	**94.9**	**-4.4%**	**90.8**	**3.9%**	**94.3**
31	**Grants**	**108.2**	**108.2**	**5.1%**	**113.6**	**2.2%**	**116.1**	**2.5%**	**119.1**	**2.6%**	**122.2**	**2.4%**	**125.2**	**2.3%**	**128.0**
32	**MCG Adjusted Revenues**	**4,362.7**	**4,454.7**	**3.6%**	**4,518.7**	**3.9%**	**4,695.3**	**2.6%**	**4,817.2**	**3.1%**	**4,965.7**	**3.1%**	**5,117.4**	**2.6%**	**5,252.2**

County Executive's Recommended FY15-20 Public Services Program
Tax Supported Fiscal Plan Summary

($ in Millions)

#		App FY14	Est FY14	% Chg. FY14-15	Rec. FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20
		5-23-13		App/Rec	3-17-14										
	Total Revenues														
1	Property Tax (less PDs)	1,504.9	1,506.9	2.3%	1,538.9	2.5%	1,577.2	2.8%	1,621.1	2.8%	1,666.2	3.2%	1,720.1	3.0%	1,771.5
2	Income Tax	1,299.2	1,365.9	3.2%	1,340.6	9.9%	1,473.5	5.4%	1,553.5	5.4%	1,636.9	4.5%	1,710.6	3.2%	1,765.7
3	Transfer/Recordation Tax	142.3	151.4	12.9%	160.7	5.5%	169.6	6.4%	180.4	7.3%	193.6	7.7%	208.5	5.5%	220.0
4	Investment Income	0.2	0.3	130.7%	0.5	153.4%	1.3	49.4%	2.0	43.6%	2.8	39.5%	4.0	29.9%	5.2
5	Other Taxes	276.6	288.4	3.3%	285.8	1.4%	289.7	1.6%	294.2	1.6%	298.8	1.7%	304.0	1.8%	309.4
6	Other Revenues	932.0	934.3	2.5%	955.2	-1.4%	942.1	0.4%	946.1	0.4%	950.3	0.4%	954.3	0.4%	958.1
7	**Total Revenues**	**4,155.3**	**4,247.3**	**3.0%**	**4,281.7**	**4.0%**	**4,453.4**	**3.2%**	**4,597.4**	**3.3%**	**4,748.6**	**3.2%**	**4,901.4**	**2.6%**	**5,029.9**
8															
9	**Net Transfers In (Out)**	**38.4**	**37.7**	**-10.6%**	**34.3**	**2.2%**	**35.1**	**2.5%**	**36.0**	**2.6%**	**36.9**	**2.4%**	**37.8**	**2.3%**	**38.7**
10	**Total Revenues and Transfers Available**	**4,193.7**	**4,285.0**	**2.9%**	**4,316.0**	**4.0%**	**4,488.5**	**3.2%**	**4,633.3**	**3.3%**	**4,785.5**	**3.2%**	**4,939.2**	**2.6%**	**5,068.5**
11															
12	**Non-Operating Budget Use of Revenues**														
13	Debt Service	313.3	305.5	9.8%	344.1	7.3%	369.4	5.7%	390.4	1.4%	395.8	3.9%	411.3	3.6%	426.2
14	PAYGO	29.5	29.5	10.0%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5
15	CIP Current Revenue	54.2	56.2	-14.8%	46.2	54.4%	71.3	-5.1%	67.7	4.9%	71.0	12.1%	79.6	-2.7%	77.4
16	Change in Montgomery College Reserves	-8.3	-4.3	8.6%	-7.6	100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
17	Change in MNCPPC Reserves	-4.7	-4.3	-3.0%	-4.8	101.3%	0.1	77.5%	0.1	1.9%	0.1	18.7%	0.1	-4.6%	0.1
18	Change in MCPS Reserves	-27.0	-11.0	-41.8%	-38.2	100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
19	Change in MCG Special Fund Reserves	-6.6	-15.3	94.2%	-0.4	98.6%	0.0	1829.7%	0.1	-34.3%	0.1	5.0%	0.1	-0.6%	0.1
20	Contribution to General Fund Undesignated Reserves	-60.2	-18.8	-16.4%	-70.1	99.2%	-0.6	1829.7%	9.8	-34.3%	6.4	5.0%	6.7	-0.6%	6.7
21	Contribution to Revenue Stabilization Reserves	21.8	22.3	3.9%	22.7	3.7%	23.5	2.7%	24.1	3.1%	24.9	3.1%	25.6	2.6%	26.3
22	Retiree Health Insurance Pre-Funding	138.0	138.0	-27.1%	100.6	-4.2%	96.5	0.1%	96.5	0.4%	96.9	-5.0%	92.0	-2.4%	89.9
23	Set Aside for other uses (supplemental appropriations)	0.1	22.1	-100.0%	0.0	n/a	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0
24	**Total Other Uses of Resources**	**450.2**	**519.9**	**-5.6%**	**424.9**	**44.2%**	**612.6**	**4.7%**	**641.2**	**1.0%**	**647.6**	**3.2%**	**668.0**	**1.7%**	**679.2**
25	**Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)**	**3,743.4**	**3,765.1**	**3.9%**	**3,891.1**	**-0.4%**	**3,875.9**	**3.0%**	**3,992.2**	**3.6%**	**4,137.9**	**3.2%**	**4,271.2**	**2.8%**	**4,389.4**
26															
27	**Agency Uses**														
28															
29	Montgomery County Public Schools (MCPS)	2,084.3	2,069.8	3.8%	2,164.1										
30	Montgomery College (MC)	228.5	221.0	3.9%	237.3										
31	MNCPPC (w/o Debt Service)	104.7	104.7	5.6%	110.6										
32	MCG	1,325.9	1,369.6	4.0%	1,379.1										
33	**Agency Uses**	**3,743.4**	**3,765.1**	**3.9%**	**3,891.1**	**-0.4%**	**3,875.9**	**3.0%**	**3,992.2**	**3.6%**	**4,137.9**	**3.2%**	**4,271.2**	**2.8%**	**4,389.4**
34	**Total Uses**	**4,193.7**	**4,285.0**	**2.9%**	**4,316.0**	**4.0%**	**4,488.5**	**3.2%**	**4,633.3**	**3.3%**	**4,785.5**	**3.2%**	**4,939.2**	**2.6%**	**5,068.5**
35	**(Gap)/Available**	**0.0**	**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**

Assumptions:
1. Property taxes are at the Charter Limit with a $692 credit.
2. Reserve contributions are at the policy level and include a portion in the designated general fund reserve to provide a contingency in the event of an unfavorable outcome in the Wynne case.
3. PAYGO, debt service, and current revenue reflect the Recommended FY15-20 Capital Improvements Program, and additional proposed current revenue amendments.

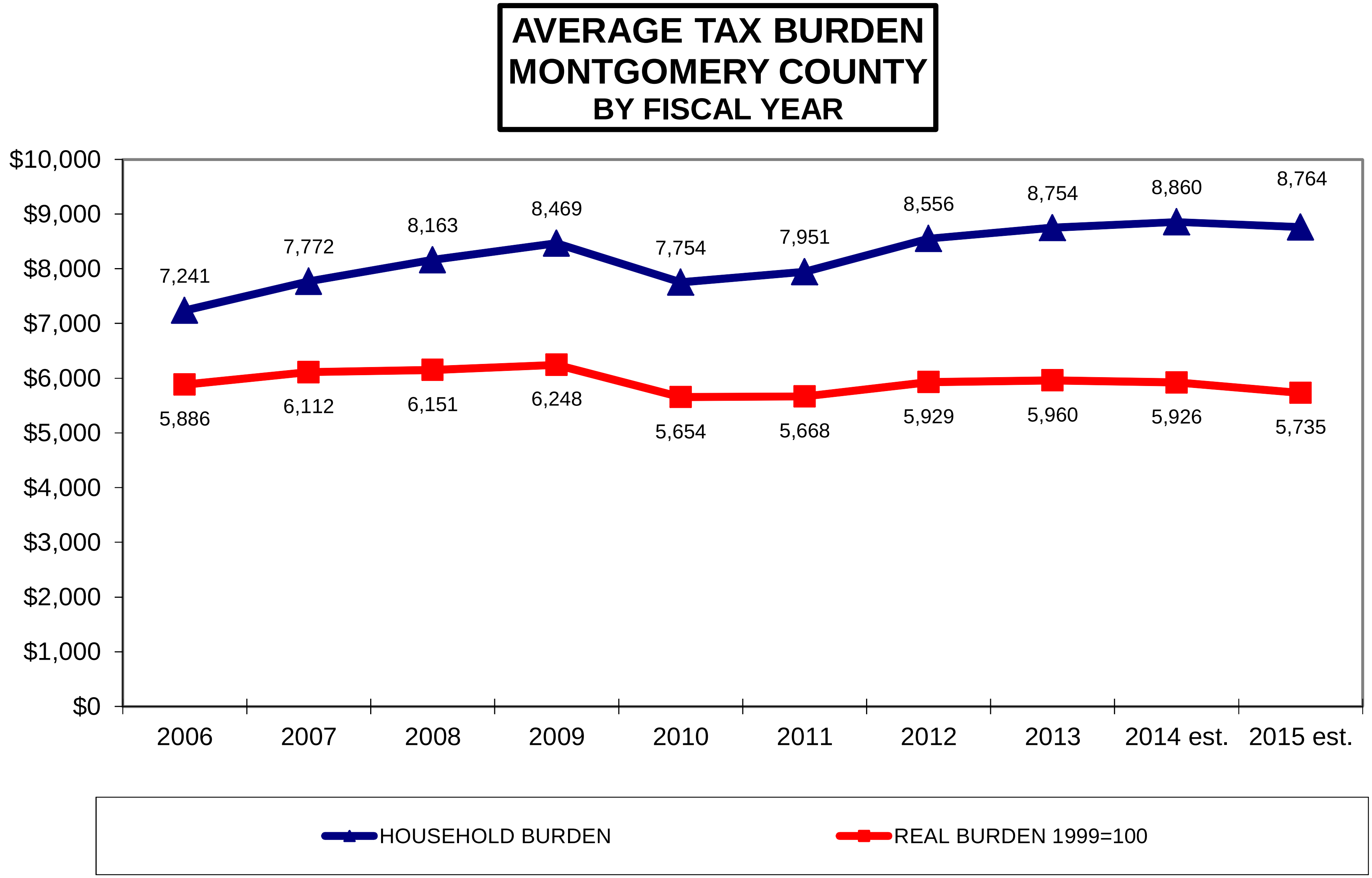
County Executive's Recommended FY15-20 Public Services Program
Tax Supported Fiscal Plan Summary

($ in Millions)

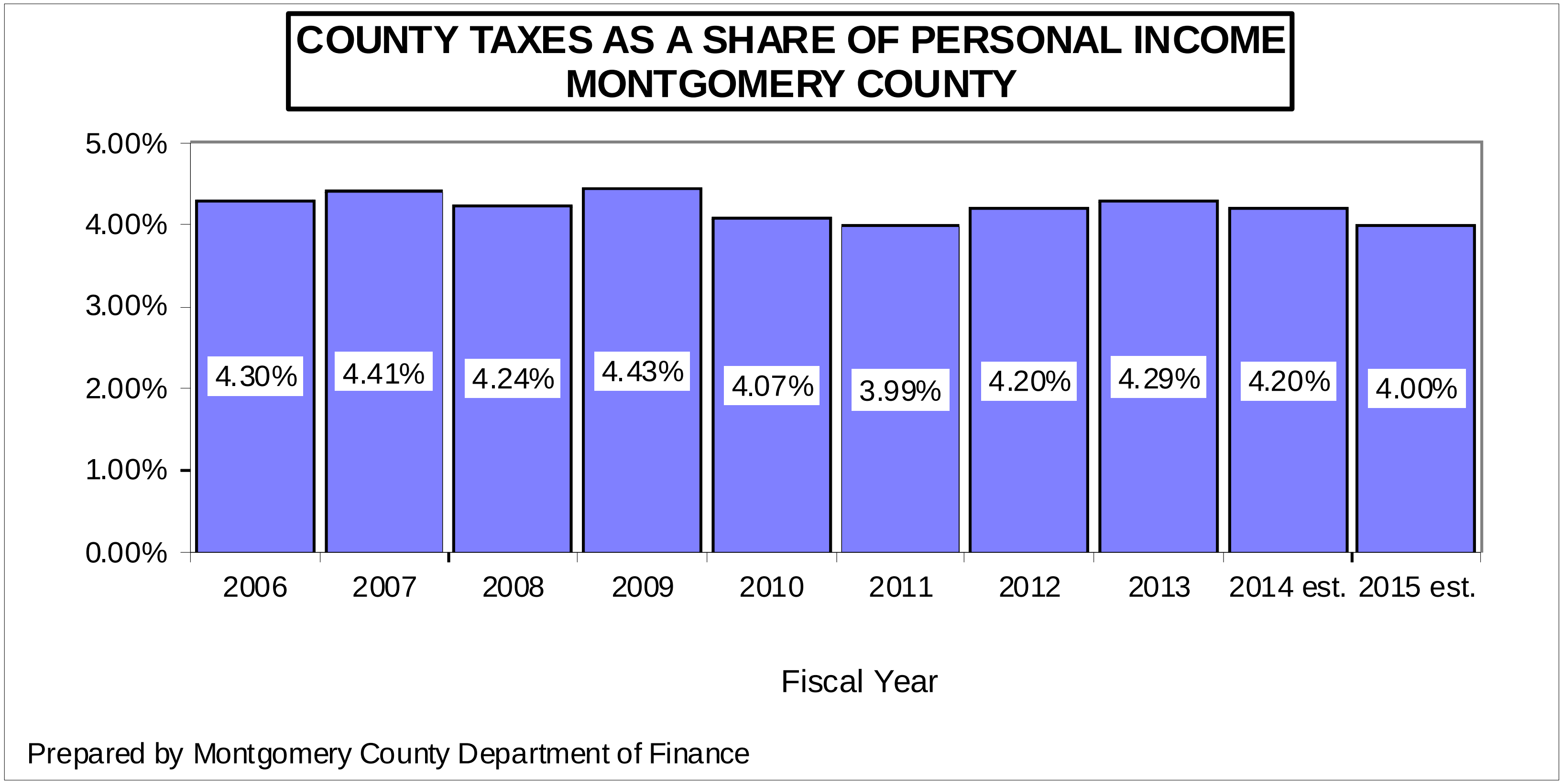
		App FY14	Est FY14	% Chg. FY14-15	Rec. FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20
37	**Unrestricted General Fund**	204.1	238.9	7.9%	220.1	-31.8%	150.0	-0.4%	149.5	6.5%	159.2	4.0%	165.7	4.1%	172.4
38	**Revenue Stabilization Fund**	189.0	184.9	9.6%	207.2	10.9%	229.9	10.2%	253.3	9.5%	277.5	9.0%	302.3	8.5%	328.0
39	**Total Reserves**	393.1	423.8	8.7%	427.3	-11.1%	379.9	6.0%	402.8	8.4%	436.7	7.2%	468.0	6.9%	500.4
40															
41	**Additions to Reserves**														
42	**Unrestricted General Fund**	-60.2	-18.8	-16.4%	-70.1	99.2%	-0.6	1829.7%	9.8	-34.3%	6.4	5.0%	6.7	-0.6%	6.7
43	**Revenue Stabilization Fund**	21.8	22.3	3.9%	22.7	3.7%	23.5	2.7%	24.1	3.1%	24.9	3.1%	25.6	2.6%	26.3
44	**Total Change in Reserves**	-38.4	3.5	-23.5%	-47.4	148.3%	22.9	47.9%	33.9	-7.7%	31.3	3.5%	32.4	1.9%	33.0
45															
46	**Ending Reserves**														
47	**Unrestricted General Fund**	143.9	220.1	4.3%	150.0	-0.4%	149.5	6.5%	159.2	4.0%	165.7	4.1%	172.4	3.9%	179.1
48	**Revenue Stabilization Fund**	210.8	207.2	9.0%	229.9	10.2%	253.3	9.5%	277.5	9.0%	302.3	8.5%	328.0	8.0%	354.3
49	**Total Reserves**	354.7	427.3	7.1%	379.9	6.0%	402.8	8.4%	436.7	7.2%	468.0	6.9%	500.4	6.6%	533.4
50	**Reserves as a % of Adjusted Governmental Revenues**	**8.1%**	**9.6%**		**8.4%**		**8.6%**		**9.1%**		**9.4%**		**9.8%**		**10.2%**
51	**Other Reserves**														
52	**Montgomery College**	4.8	12.2	-3.6%	4.6	0.0%	4.6	0.0%	4.6	0.0%	4.6	0.0%	4.6	0.0%	4.6
53	**M-NCPPC**	4.3	8.7	-10.3%	3.8	1.6%	3.9	2.8%	4.0	2.8%	4.1	3.2%	4.3	2.9%	4.4
54	**MCPS**	14.7	38.2	-100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
55	**MCG Special Funds**	1.9	1.8	-27.3%	1.4	-0.4%	1.4	6.5%	1.5	4.0%	1.5	4.1%	1.6	3.9%	1.7
56	**MCG + Agency Reserves as a % of Adjusted Govt Revenues**	**8.7%**	**11.0%**		**8.6%**		**8.8%**		**9.3%**		**9.6%**		**10.0%**		**10.4%**
57	**Retiree Health Insurance Pre-Funding**														
58	Montgomery County Public Schools (MCPS)	**83.7**	**83.7**		**58.3**		**55.6**		**57.9**		**60.0**		**57.5**		**57.5**
59	Montgomery College (MC)	**2.4**	**2.4**		**2.0**		**2.0**		**2.0**		**2.0**		**2.0**		**2.0**
60	MNCPPC	**3.0**	**3.0**		**1.8**		**1.8**		**1.8**		**1.8**		**1.8**		**1.8**
61	MCG	**48.9**	**48.9**		**38.6**		**37.0**		**34.9**		**33.1**		**30.8**		**28.6**
62	**Subtotal Retiree Health Insurance Pre-Funding**	**138.0**	**138.0**		**100.6**		**96.5**		**96.5**		**96.9**		**92.0**		**89.9**
63	**Adjusted Governmental Revenues**														
64	**Total Tax Supported Revenues**	**4,155.3**	**4,247.3**	3.0%	**4,281.7**	4.0%	**4,453.4**	3.2%	**4,597.4**	3.3%	**4,748.6**	3.2%	**4,901.4**	**2.6%**	**5,029.9**
65	**Capital Projects Fund**	**99.3**	**99.3**	24.3%	**123.4**	1.9%	**125.7**	-19.8%	**100.8**	-5.8%	**94.9**	-4.4%	**90.8**	**3.9%**	**94.3**
66	**Grants**	**108.2**	**108.2**	5.1%	**113.6**	2.2%	**116.1**	2.5%	**119.1**	2.6%	**122.2**	2.4%	**125.2**	**2.3%**	**128.0**
67	**Total Adjusted Governmental Revenues**	**4,362.7**	**4,454.7**	3.6%	**4,518.7**	3.9%	**4,695.3**	2.6%	**4,817.2**	3.1%	**4,965.7**	3.1%	**5,117.4**	**2.6%**	**5,252.2**

FY15 FEE AND FINE CHANGES*			
DEPARTMENT/FEE AND FINE	**FY15 REVENUE CHANGE**	**METHOD OF CHANGE**	**NOTE**
MONTGOMERY COLLEGE			
Tuition and Related Fees	2,182,436	Board of Trustees Action	Increase per semester hour rate from $112 to $115 for County residents; $229 to $235 for State residents; and $314 to $323 for non-residents.
DEPARTMENT OF PERMITTING SERVICES			
Mid-Rise Wood Frame Construction Fee	-1,100,000	Executive Regulation	Reduce cap on specific mid-rise wood frame construction projects. Implemented during FY14 retroactive to July 1, 2013.
IT Automation Fee	-1,500,000	Executive Regulation	Reduce the IT automation fee to customers by 50 percent. Implemented during FY14 retroactive to August 1, 2013.
POLICE DEPARTMENT			
Adoption Fees	263,170	Executive Regulation	Establish adoptions fees as $150 for dogs, $100 for cats, $10-$50 for other pets. Implementation date is May 31, 2014.
Pet Licensing	951,202	Executive Regulation	Increase pet licensing fees from $12 to $15.
Impoundment Fees	37,335	Executive Regulation	Increase impoundment fees from $16 plus $10 a day to $25 plus $25 a day.
DEPPARTMENT OF CORRECTION AND REHABILITATION			
Substance Abusers and Intervention Program	80,950	Executive Regulation	Increase Para fees from $150 to $175. Establish Para-Plus IPSA fee of $225.
DEPARTMENT OF TRANSPORTATION			
Ride-On Fare	2,000,000	Council Resolution	Increase SmartTrip fare from $1.60 to $1.80 and increase the regular cash fare from $1.80 to $2.00.
GRAND TOTAL	**2,915,093**		

* All changes are assumed to be effective July 1, 2014 except as noted.
Revenues above do not include implementation costs.



Prepared by Montgomery County Department of Finance


COUNTY TAXES AS A SHARE OF PERSONAL INCOME
MONTGOMERY COUNTY
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
4.30%
4.41%
4.24%
4.43%
4.07%
3.99%
4.20%
4.29%
4.20%
4.00%
2006
2007
2008
2009
2010
2011
2012
2013
2014 est.
2015 est.
Fiscal Year
Prepared by Montgomery County Department of Finance