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 FY23 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 data from Moody's Analytics and Metropolitan Washington Council of Governments (COG) 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 from 1,062,061in 2020 (Census) to 1,155,154 by 2032. This reflects an average annual growth rate of 0.70 percent.
- Current projections estimate the number of households to increase from 390,241 (Census) in 2020 to 427,566 by 2032. Household growth over that period is projected to grow at an average annual rate of 0.76 percent.
- County births, which are one indicator of future elementary school populations and child day care demand, are projected to gradually increase from an estimated 11,460 in 2021 to 12,920 by 2028.
- The County expects Montgomery County Public School student enrollment to increase by 7,928 between FY22 and FY28.
- Montgomery College full-time equivalent student enrollments are projected to decrease from 15,230 in FY22 to 13,762 in FY26.

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 government expenses;
- Devolution of Federal responsibilities to state and local governments;
- Changes in financial markets;
- Major demographic changes;
- Military conflicts and acts of terrorism; and domestic or global health incidences;

- Major international economic and political changes;

Note that the effect of the COVID-19 virus on the County's revenues (and expenditures) has had an impact. This ongoing public health event is being monitored and updates on the impact of COVID-19 on revenues and expenditures will be provided to the Executive and the County Council as soon they become available.

Policy Assumptions

Revenue and resource estimates presented are the result of the recommended policies of the County Executive for the FY23 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.

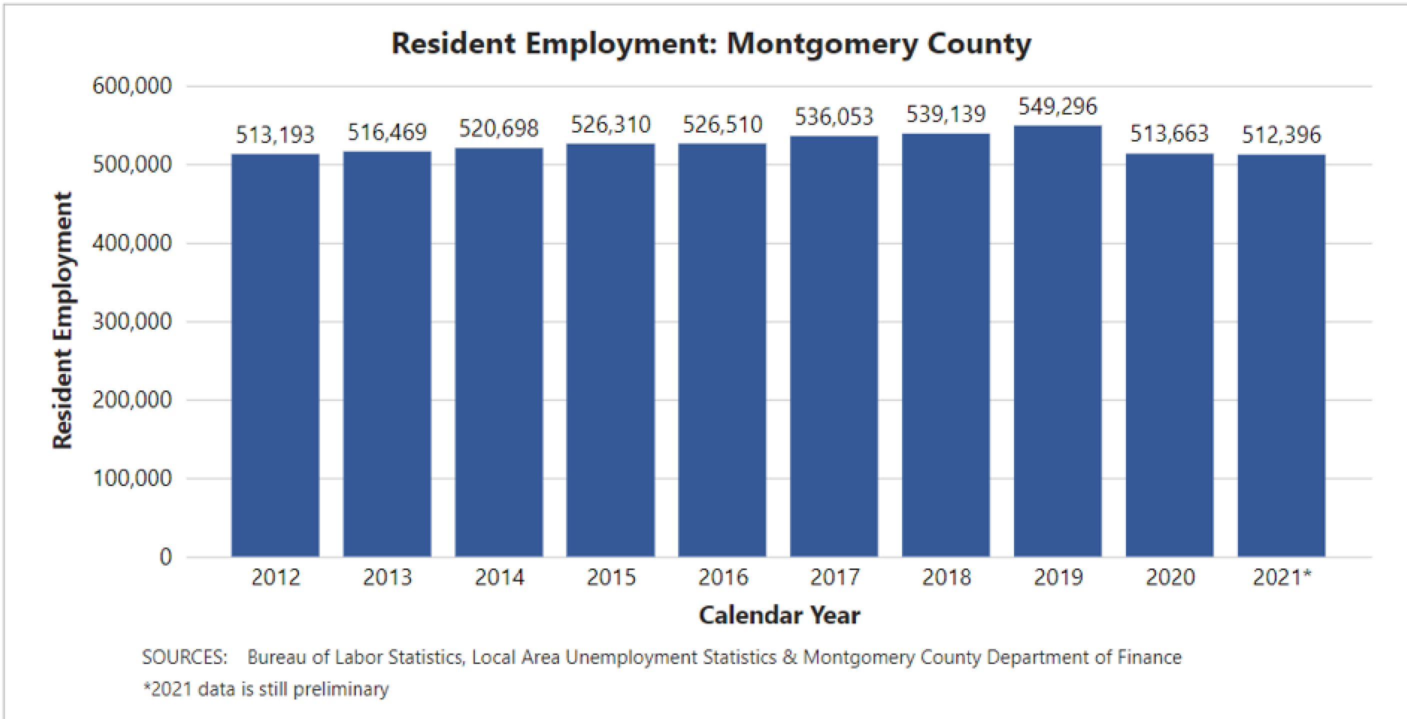
Economic Assumptions

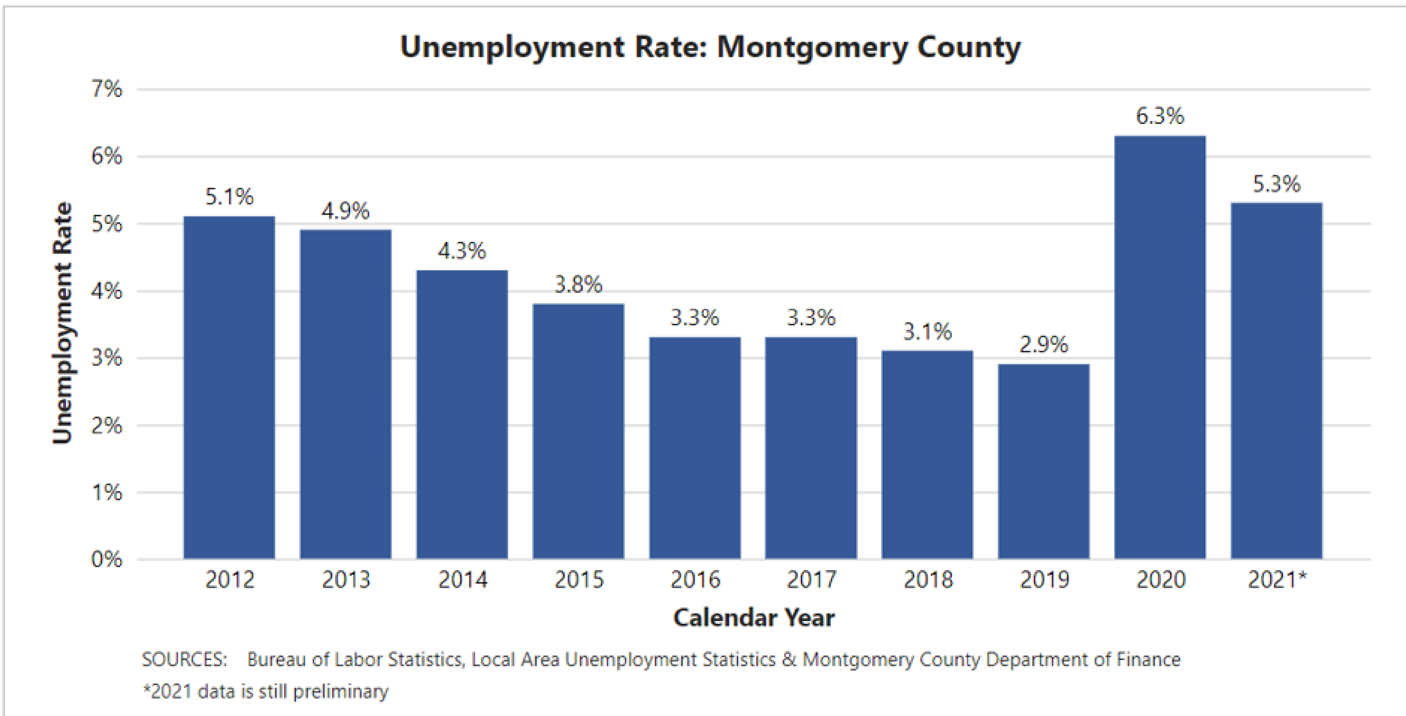
Revenue projections depend on the current and projected indicators of the national, regional, and local economy. National indicators include short-term interest rates, mortgage interest rates, and the stock market. Local economic indicators include residential (labor force survey) and payroll (establishment 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. 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 economy continued to experience mixed economic performance during calendar (CY) 2021, again attributed to COVID-19. The areas of weakness included another, albeit small, decrease in resident employment along with a decline in the resident labor force, high unemployment, and reduced construction of residential housing and non-residential projects. However, demand to live in Montgomery County continued to increase with higher sales of existing homes and another sharp increase in the median sales price for existing homes.

Resident Employment

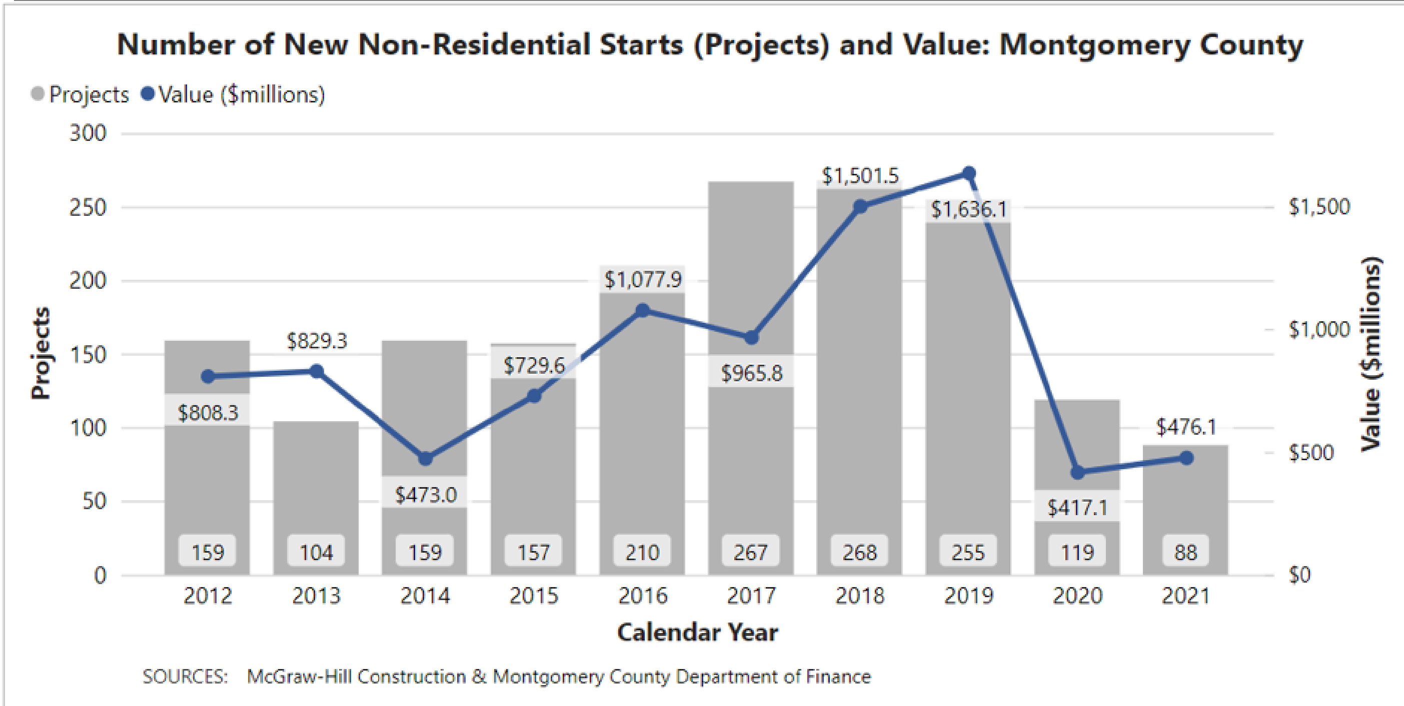
Based on data from the Maryland Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics, U.S. Department of Labor, resident employment (labor force series and not seasonally adjusted) in CY2021 decreased by another 1,270 from CY2020 (0.25%) after a decline of 35,600 between 2019 and 2020 (6.8%). The County's unemployment rate came down from 6.3 percent to 5.3 percent, but this was due to the labor force dropping by 17,000 people. Unemployment in CY2020 remained twice the pre-pandemic rate in CY2019.

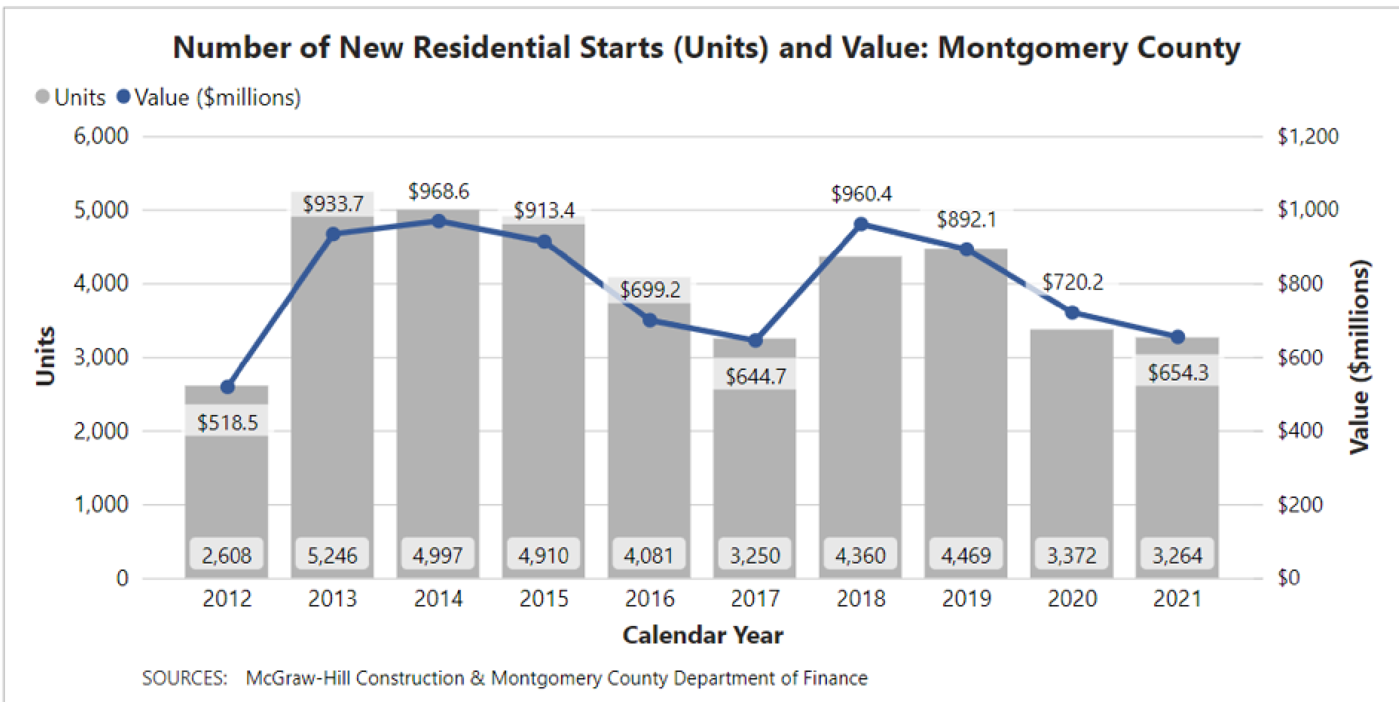




Construction Activity

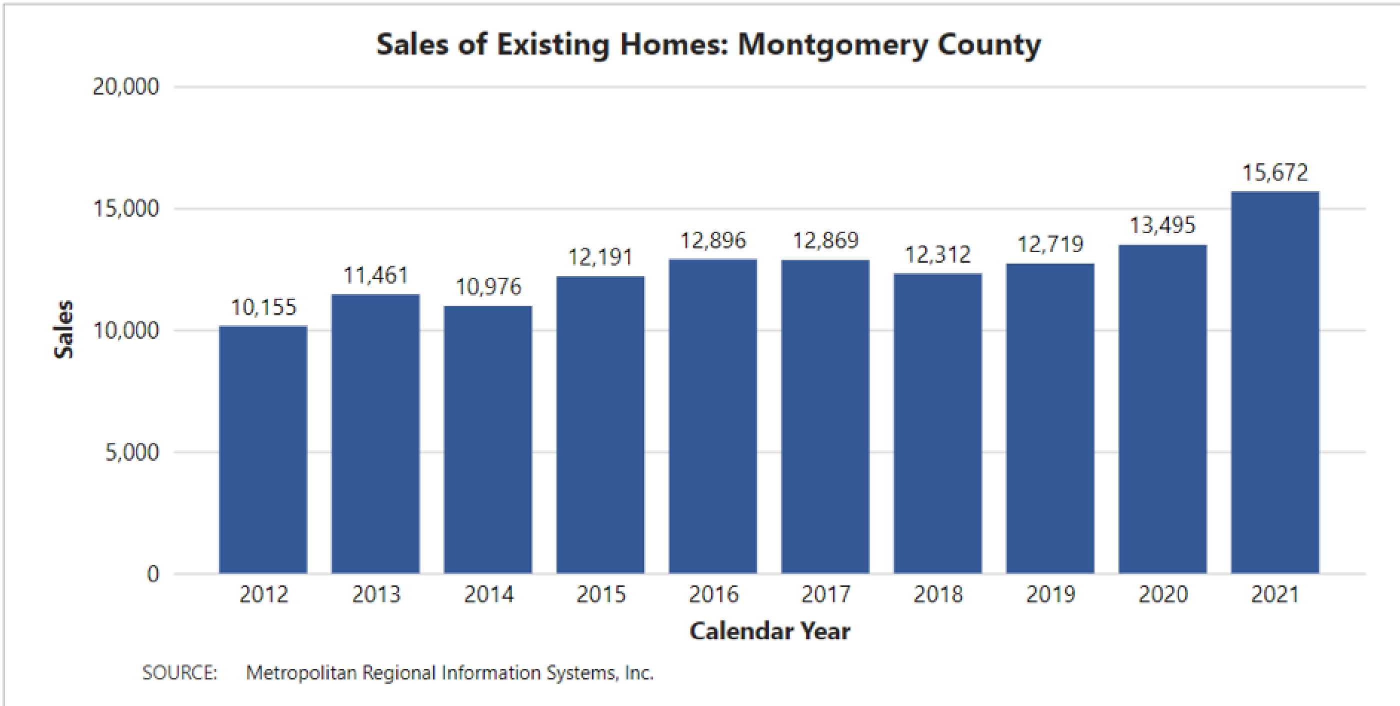
The construction of new residential units decreased another 3.2 percent in CY2021, following a 24.5 percent decrease from CY2019 to CY2020. Total value added from new residential units decreased from $720.1 million in CY2020 to $654.3 million in CY2020 (9.1%). The total value added from non-residential projects increased but remained below recent highs attained between 2017 and 2019. Non-residential project value went from $417.0 million in CY2020 to $476.0 million (14.2%) in CY2021.

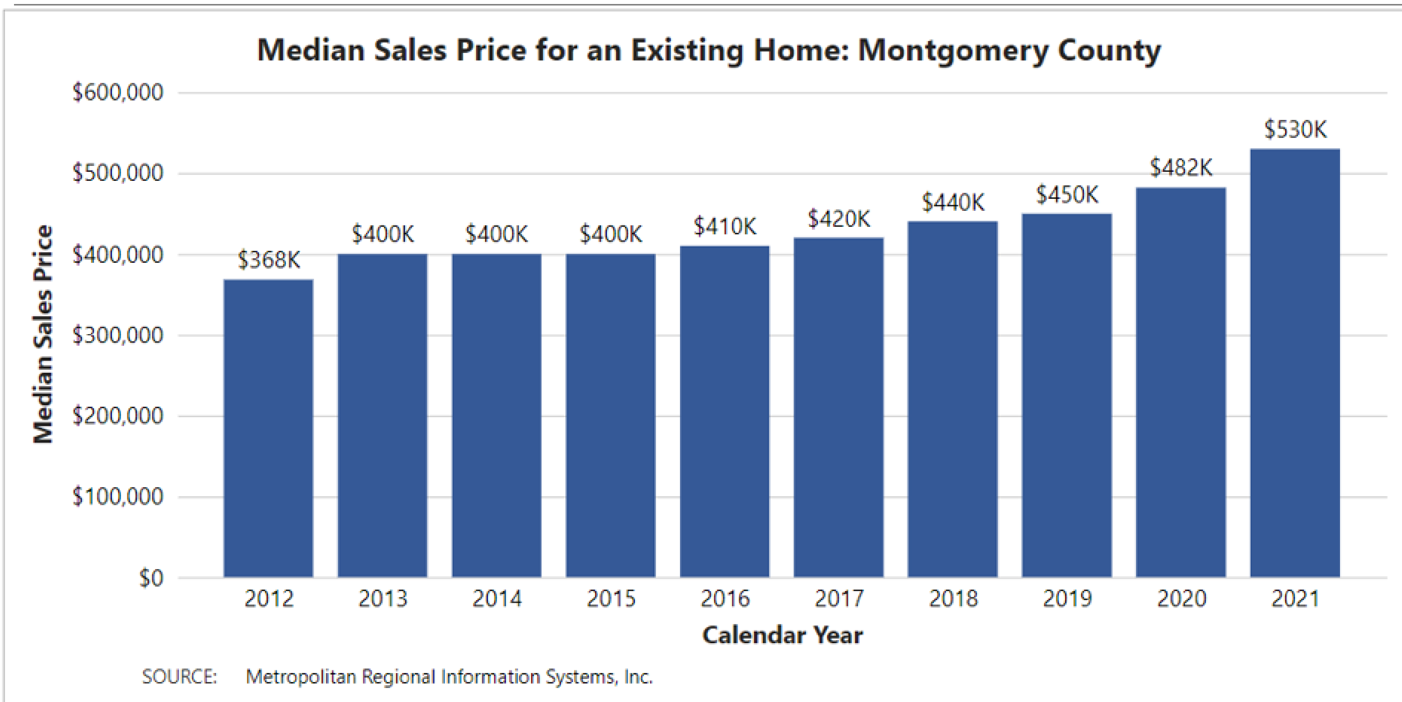




Residential Real Estate

Demand for existing homes remains strong, with total sales increasing by 16.1 percent in CY2021, following a 6.1 percent increase in 2020. The median sales price for existing homes increased another 9.9 percent in CY2021 after increasing by 7.1 percent in CY2020.





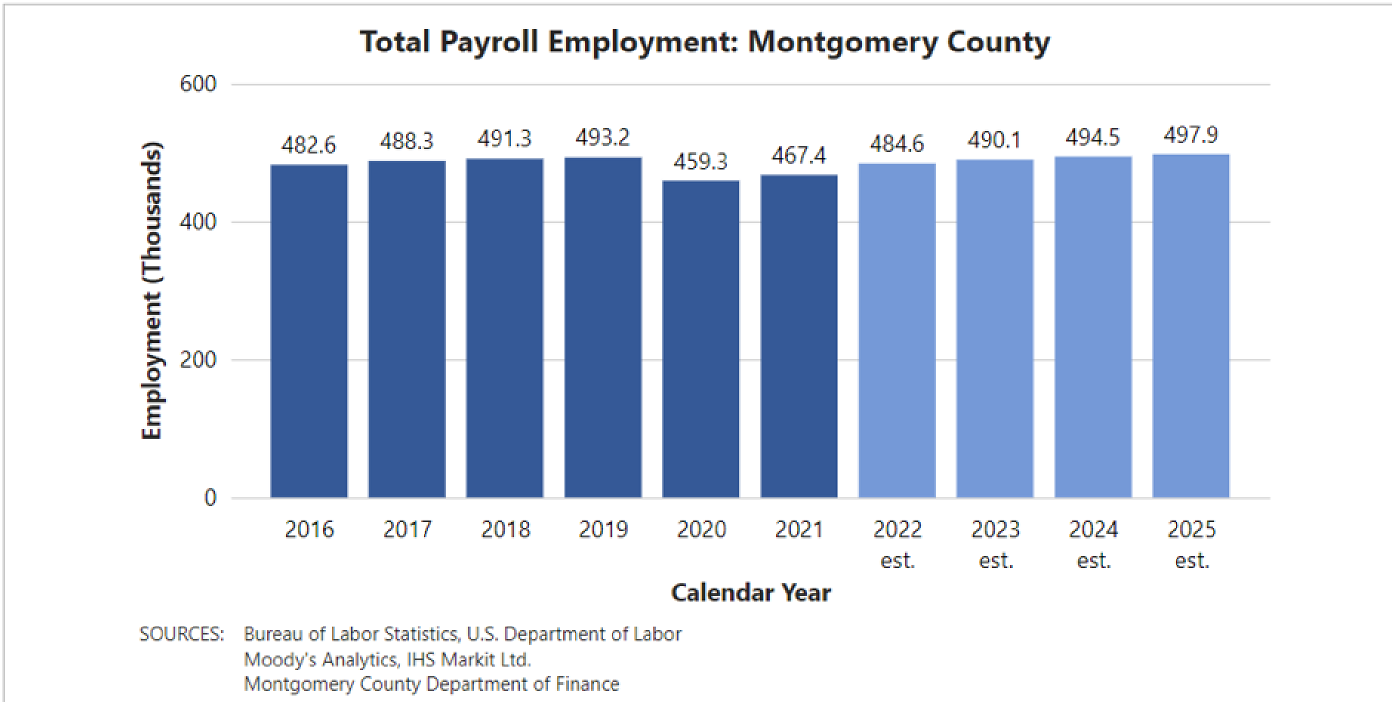
CONCLUSION

The two economic indicators, employment and construction, confirm that the County's economy remains weakened due to COVID-19 during CY2021. That performance included a decrease in residential employment, an elevated unemployment rate, and a decrease in residential and non-residential construction. However, the residential real estate market experienced positive performance during COVID-19.

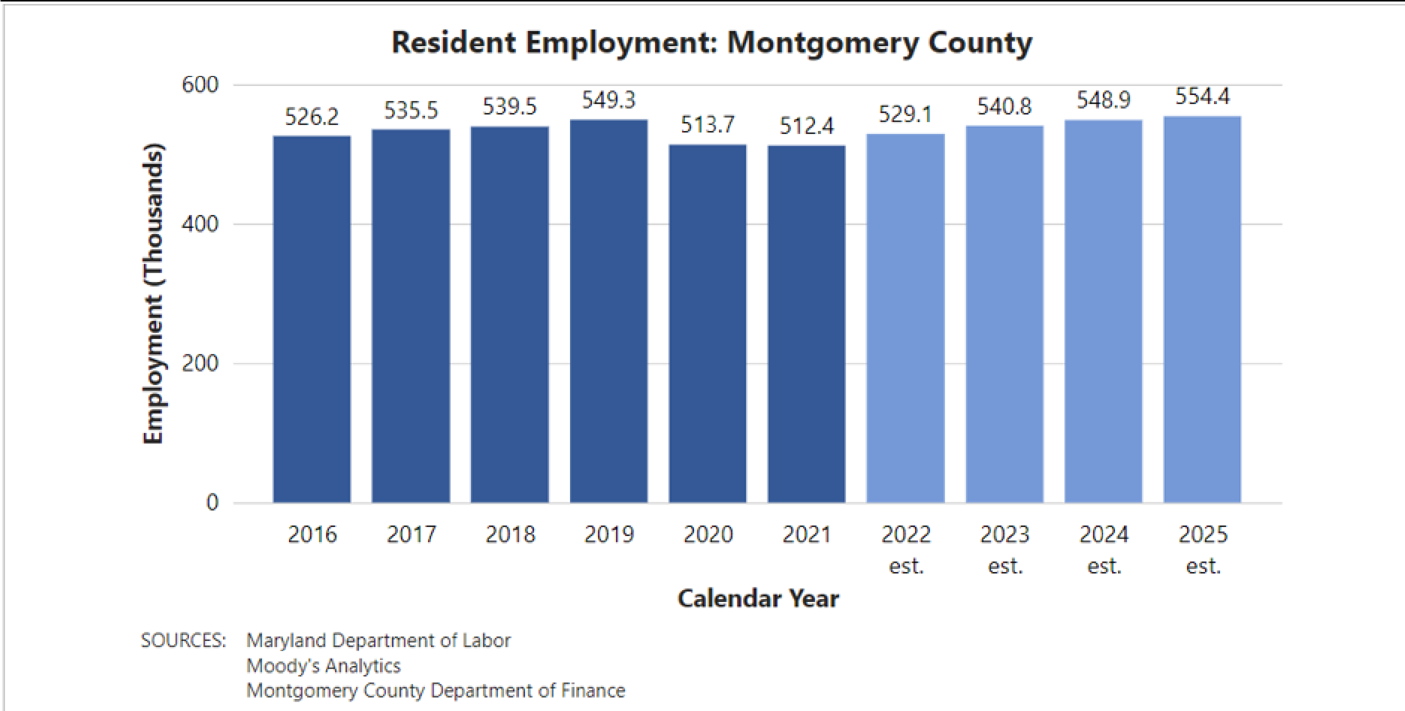
ECONOMIC OUTLOOK

The Department of Finance (Finance) forecasts that despite notable declines in the size of the labor force and the number of employed residents between CY2019 and CY2020, the County will have strong income growth through CY2021 and CY2022.

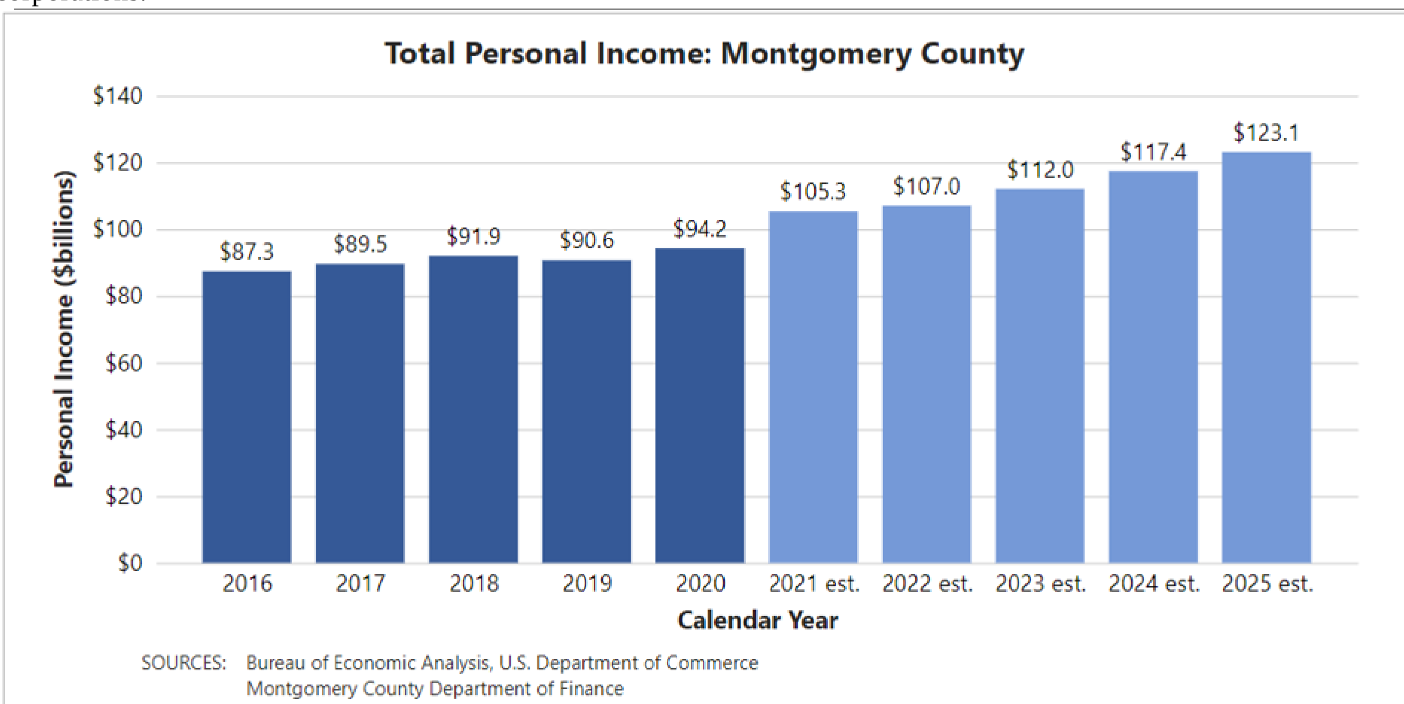
Employment. Finance assumes that payroll employment will increase from CY2020 to CY2024 at an average annual rate of 1.9 percent. This is above the average annual growth rate of 0.7 percent experienced between CY2015 and CY2019 before the COVID induced drop in employment. Finance assumes payroll employment will exceed pre-pandemic level by CY2024.



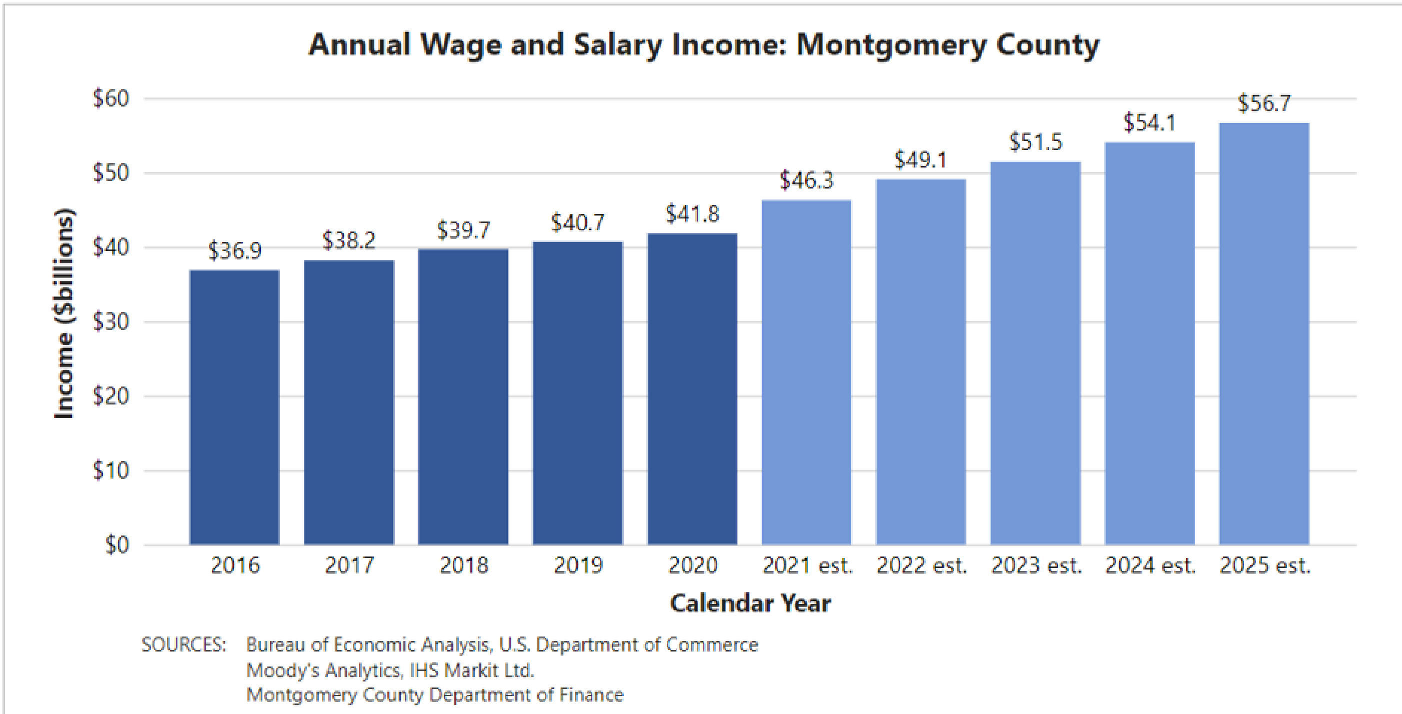
Finance assumes that resident employment will increase at an average annual rate of 1.1 percent from CY2020 to CY2024. That rate is similar to the average annual growth rate of 1.0 percent between CY2015 and CY2019 before the COVID induced drop in employment. Finance estimates the resident employment will not reach its pre-pandemic level in CY2019 until CY2024.



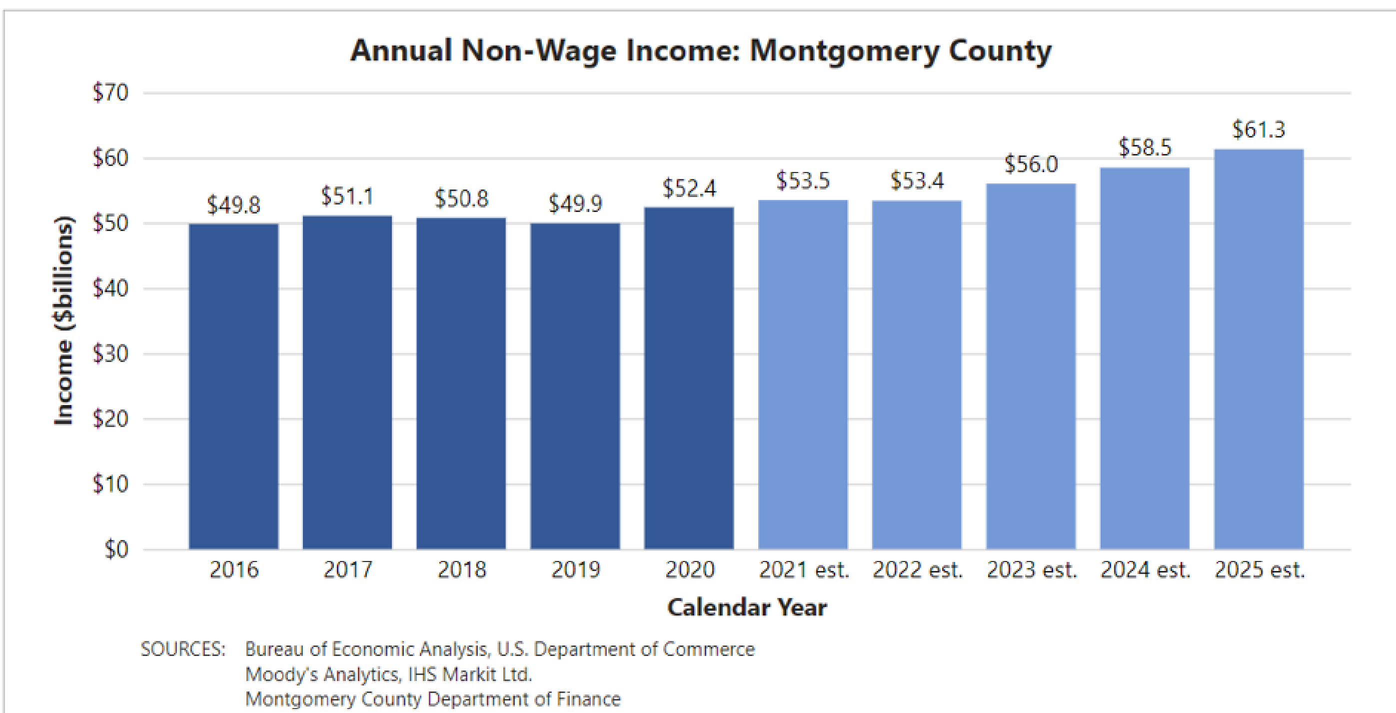
__Personal Income__. Finance assumes that total personal income in Montgomery County will increase at an average annual rate of 5.7 percent from CY2021 to CY2024 compared to an average annual growth rate of 1.9 percent from CY2016 to CY2020. Despite declines in employment, total personal income was not significantly affected by the COVID pandemic due to the limited employment loss among office workers, and due to Federal and State fiscal stimulus payments to individuals and corporations.



__Wage and Salary Income.__ Finance assumes wage and salary income will increase at an average annual rate of 6.7 percent from CY2021 to CY2024 compared to the average annual growth rate of 3.2 percent from CY2016 to CY2020. Total wage and salary income was not substantially affected by the COVID pandemic despite increased unemployment.

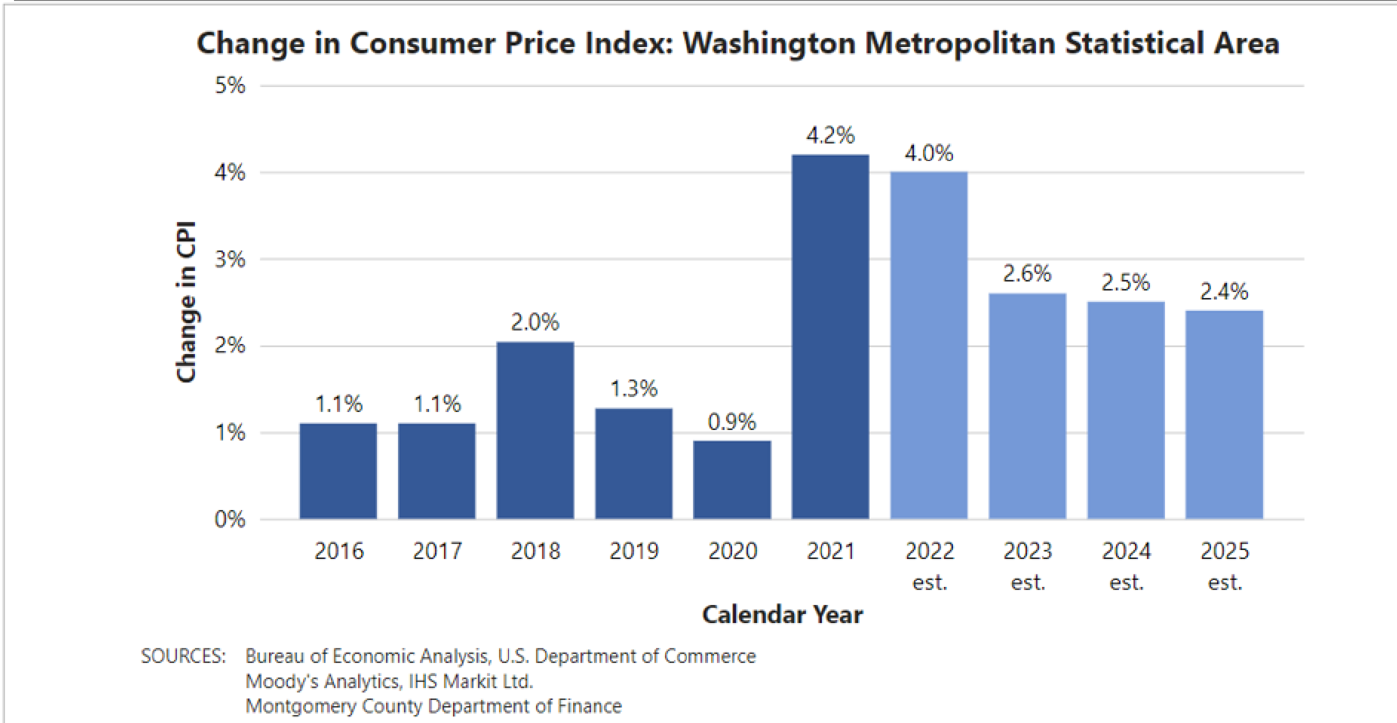


***Non-Wage Income*[1]** Finance assumes that non-wage income in Montgomery County will increase at an average annual rate of 2.8 percent from CY2020 to CY2024 compared to the average annual growth rate of 1.3 percent from CY2016 to CY2020. Non-wage income appears to have experienced little impact from the COVID pandemic.

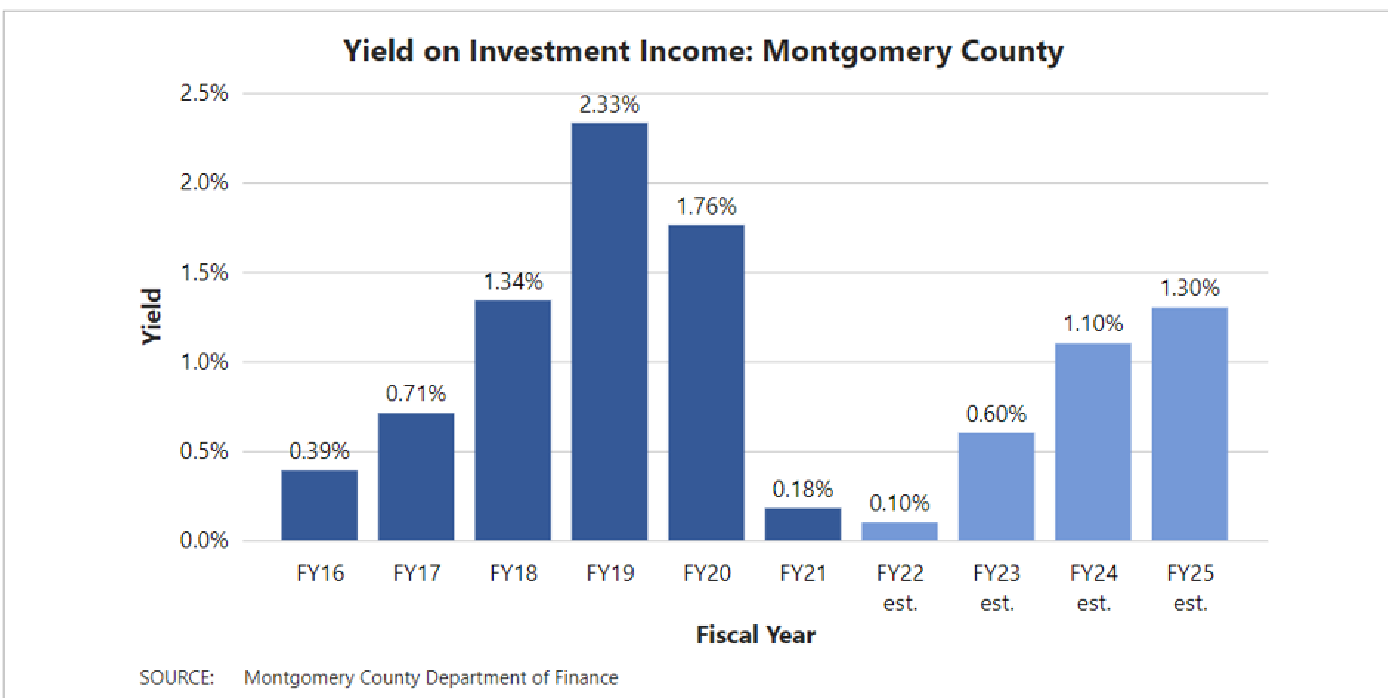


[1] Non-wage income is the sum of proprietor's income, supplements to wages and salaries, transfer receipts, dividends/interest/rents, adjustment for residence, less contributions for government social insurance.

Inflation (annual average). Finance assumes that the overall regional inflation index will moderate from 4.2 percent in CY2021 to 4.0 percent in CY2022 and then to 2.4 percent by CY2025.



Interest Rates. Since the yield on the County's short-term investments are highly correlated with the Federal funds rate, the County earned an average of 0.18 percent in investment income on its short-term portfolio for fiscal year (FY) 2021 and is estimated to earn an average of 0.10 percent in FY2022. Anticipated rate increased to the targeted federal funds rate by the Federal Open Market Committee of the Board of Governors of the Federal Reserve System in response to inflation pressures would result in yields rising to 0.60 percent in FY2023 and then to 1.30 percent by FY2025.



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 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 FY23-28 Capital Improvements Program (CIP) (as of January 18, 2022).Anticipated current revenue adjustments to the January 18, 2022 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 FY21 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 transfer to the General Fund 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 FY23-28 Capital Improvements Program (as of January 18, 2022). 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 CIP. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization. Approximately 35.9 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, 2021, is 1.72 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities.

Capital Improvements Program (CIP) Current Revenue and PAYGO

Estimates of transfers of current revenue and PAYGO to the CIP are based on the most recent 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. For FY22 and FY23, funds received by the County to broadly respond to the COVID-19 pandemic under H.R. 748, the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, and H.R. 1319 the American Rescue Plan Act (ARPA) are excluded from the calculation of Adjusted Government Revenues for the purposes of calculating the mandatory contribution to the Fund. The FY23 Recommended Budget estimates that the Revenue Stabilization fund balance will be $513.5 million in FY22 and the balance is estimated to increase to $516.5 million in FY23.

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"). This budget satisfies the County's policy to increase and maintain the budgeted total reserve of the unrestricted General Fund and Revenue Stabilization Fund at 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

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 45.3 percent and 43.2 percent, respectively, of the estimated total tax revenues in FY23. The third category is the energy tax estimated for the General Fund with 4.3 percent share. In fact, these three revenue sources represent 92.8 percent of total tax revenues. Of the total tax-supported revenues, property tax and income tax are also the most important with 35.3 percent and33.7 percent, respectively. The third category is intergovernmental revenues with a 18.9 percent share of the estimated total tax supported revenues in FY23. 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 tax rates (levy year 2022) and a recommended $692 credit, total estimated FY23 tax supported property tax revenues of $1,951.4 million are 2.7 percent above the revised FY22 estimate. The general countywide rate for FY23 (Levy Year 2022) is $0.6900 per $100 of assessed real property, while a rate of $1.7250 is levied on personal property. In addition to the general countywide tax rate, there are special district area tax rates. The weighted average real property tax rate for FY23 (Levy Year 2022) is $0.9785 per $100 of assessed real property which is the same weighted rate for FY22 (Levy Year 2021). In November 2020, County residents voted to amend Section 305 of the County Charter "to prohibit the County Council from adopting a tax rate on real property that exceeds the tax rate on real property approved the previous year, unless all current Councilmembers vote affirmatively for the increase."

The countywide total property taxable assessment is estimated to increase approximately 2.4 percent from a revised $208.5 billion in FY22 to $213.5 billion in FY23. The base is comprised of real property and personal property. For FY23, the Department of Finance estimates a real property taxable assessment of approximately $208.5 billion, an increase of 2.4 percent from FY22, with the remaining $5.0 billion in personal property. This is the tenth consecutive increase in total property taxable assessments after two consecutive decreases in FY12 and FY13.

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 triennial residential property reassessment for Group 2 increased 4.8 percent and commercial property increased 16.5 percent in FY21 (LY20) and the triennial residential property reassessment for Group 3 increased 6.6 percent and commercial property increased 14.4 percent in FY22 (LY21). Based on data from SDAT the triennial reassessment for real property is estimated to increase 11.3 percent for residential properties in Group 1 and is estimated to increase 10.3 percent for commercial property in FY23 (LY22).

Income Tax

The base for Montgomery County's income tax is Maryland net taxable income (NTI). NTI is federal adjusted gross income, as determined by the Internal Revenue Code, with Maryland-specific adjustments, both positive and negative, and the subtraction of Maryland standard or itemized deductions and personal exemptions, all as determined by Maryland law. The Maryland Comptroller's Office administers the local income tax as part of the state income tax. Local income tax revenues are collected along with state income tax revenues, through employer withholding on a periodic basis, estimated payments and final payments and refunds. The County receives its income tax revenues largely through quarterly distributions from the State of withholding and estimated payments (roughly 80 percent to 85 percent of annual receipts) with additional distributions to reconcile the quarterly distributions for a tax year as tax returns are processed and for delinquent payments, interest and penalties and other unallocated collections.

A number of economic indicators impact the County's quarterly distribution from withholdings and estimated payments. Those indicators include growth in resident employment; wage and salary income; income from dividends, interest and rents; and capital gains. Based on the economic data and forecasts provided by Moody's Analytics and IHS Markit, County resident employment decreased at an average annual rate of 3.4 percent from CY2019 to CY2021. Finance estimates that resident employment will reach its pre-pandemic level by CY2024. However, Finance assumes wage and salary income will increase at an average annual rate of 7.1 percent from CY2019 to CY2021 and 3.2 percent from CY2021 to CY2024. The growth in wage and salary income is driven by the tight labor market and the need for employers to increase wages to attract employees. Wage and salary income remained strong during the COVID-19 pandemic despite the decline in employment from CY2019 to CY2021. Finally, Finance assumes nonwage income in Montgomery County will increase at an average annual rate of 4.1 percent from CY2019 to CY2021 and increase at a slightly slower average annual rate of 3.0 percent from CY2021 to CY2024 reflecting lower transfer payments following the end of most COVID-19 federal and state fiscal stimulus programs and lower but still growing capital gains. Finance estimates that COVID-19 had and is expected to have no material impact on nonwage income.

Estimated FY23 income tax revenues of 1,859.1 million are 3.6 percent above the revised FY22 estimate. The FY22 estimate has been revised from $1,703.3 million in the December Fiscal Plan to $1,794.2 million due to strength in the February quarterly income tax distribution and expected additional income tax due to the Comptrollers review of tax records for taxpayers who had filed for extensions for TY2020, as described below. Recent tax years have had substantial variation in the level of income tax reconciling distributions due to amendments to state and federal tax law influencing the timing and amount of tax payments. Reconciling distributions increased dramatically in November and January FY2019 by 75.0 percent pertaining to TY2018. This increase was due to the elections of November 2016 raising expectations that tax relief for individuals, especially those with high incomes, would occur in TY2018. As such, those individuals would delay recognizing capital gains until a later tax year, resulting in the large gain described. The Maryland Comptroller cautioned against assuming a similarly strong reconciling distribution in TY2019 (FY20) and TY2020 (FY21). In fact, in alignment with this caution the reconciling distributions declined 15.6 percent for TY2019 (FY20) and 60.2 percent for TY2020 (FY21). Since the initial report of the reconciling distribution for TY2020 experienced a decline of 60.2 percent, the Maryland Comptroller staff reviewed the tax records for those taxpayers who filed for an extension pertaining to TY2020. Based on that review, Maryland Comptroller staff notified the County that it will receive a $58 million distribution in FY22. Because of that distribution, the estimate for FY22 is 5.3 percent above the December Fiscal Plan estimate. The impact of this distribution for FY22 will carry forward to future years, increasing expected income tax revenues.

Transfer and Recordation Taxes

Estimated FY23 revenues for the General Fund of $229.0 million, which exclude the School Capital Improvement Program (CIP) portion, condominium conversions, and the tax premium, are 3.5 percent above the revised FY22 estimate. This reflects a FY23 estimate of $154.8 million in the transfer tax and $74.2 million in the recordation tax. Effective September 1, 2016, the recordation tax for the General Fund decreased from 0.440 percent to 0.416 percent and the exemption was increased from $50,000 to $100,000 of the consideration payable on the conveyance of any owner-occupied residential property.

Residential transfer tax revenues follow 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 wage and salary income, 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. Based on the activity in the real estate markets described in the economic assumptions section above and the forecast from Moody's Analytics, Finance estimates the sales of existing homes in the County will decrease 4.8 percent in CY22 but increase 1.5 percent in CY23. Over the same two years, median sales prices will increase 6.1 percent in CY22 and 3.1 percent in CY23.

Energy Tax

Estimated FY23 revenues of $186.5 million are 0.6 percent above the revised FY22 estimate. The fuel-energy tax is imposed on persons or entities 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. Because of the impacts of COVID-19, non-residential tax collections declined 22.8 percent in FY21 from FY20 while residential tax collections increased 28.5 percent in FY21 from FY20. However, through the first seven-months for FY22, non-residential tax collections have increased 62.3 percent while residential tax collections have decreased 41.3 percent. As the share of total tax collections through the first-seven months through January, the residential share has declined from 58.6 percent in FY21 to 33.9 percent in FY22.

Telephone Tax

Estimated FY23 revenues of $54.6 million are 1.3 percent above the revised FY22 estimate. 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 is $3.50 per month. Revenues from this tax are driven primarily by modest growth in wireless communications such as cell phones and by voice-over internet protocol. Over the past decade, approximately 80 percent of the gross telephone tax is attributed to the cellular wireless component.

Hotel/Motel Tax

Estimated FY23 revenues of $21.8 million are 31.2 percent above the revised FY22 estimate attributed to a significant increase in the occupancy rate and increases in room rates. The hotel/motel tax is levied as a percentage of the hotel bill including online room rental organizations such as Airbnb the current tax rate is 7.0 percent. 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 and events during such periods. During peak periods, many visitors to Washington, D.C. use hotels in the

County, especially those in the lower county. Business and conference travel has lagged the rebound in tourist travel following the COVID pandemic lows, which leaves the County's hotel industry and tax revenues at a level below the FY19 peak. Because of the recovery from the worst impacts of COVID-19, tax collections from the hotel/motel tax are estimated to increase 157.8 percent in FY22 and continue to rebound from its pandemic low in FY21.

Admissions/Amusement Tax

Estimated FY23 revenues of $2.7 million are 3.0 percent above the revised FY22 estimate. Estimated revenues for FY22 are expected to increase 55.7 percent similar to the increase in the hotel/motel tax. 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 7 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. The estimated increase in FY23 revenues is attributed to a rebound in the growth in attendance.

E-Cigarettes Tax

Estimated FY23 revenues from the E-Cigarettes tax of $1.1 million are 3.5 percent above the revised FY22 estimate. On March 31, 2020, the Montgomery County Council enacted legislation that prohibited an electronic devices manufacturer from distributing flavored electronic cigarettes to certain retail stores in the County. As such, FY22 revenues are estimated to decline 4.8 percent from FY21 following a decline of 13.4 percent in FY21.

NON-TAX SUPPORTED 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 $1.218 billion in FY23. This is a $59.7 million increase, or 5.1 percent, from the revised FY22 estimate. Non-tax revenues include intergovernmental revenues, investment income, licenses and permits, charges for services, 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 is adopted, estimates in the March 15 County Executive's Recommended Public Services Program are generally based on the Governor's budget estimates for FY23. 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. The County Executive's Recommended Budget for FY23 assumes a $40.7 million, or 18.9 percent, increase in intergovernmental revenues from the revised FY22 estimate, of which 82.0 percent of the increase would be allocated to the Montgomery County Public Schools, 5.6 percent to other intergovernmental, 5.3 percent to Montgomery Community College, and 3.3 percent to Mass Transit. Total intergovernmental revenue represents an estimated 86.4 percent of non-tax supported revenues.

Licenses and Permits

Licenses and permits include General Fund business licenses (primarily public health, traders, and liquor licenses) and non-business licenses (primarily marriage licenses and Clerk of the Court business licenses). Licenses and permits in the Permitting Services Enterprise Fund, which include building, electrical, and sediment control permits, are Enterprise Funds and thus not included in tax supported projections. The Recommended Budget for FY23 assumes a 3.6 percent increase over the revised estimates for FY22, resulting in $13.8 million in available resources in FY23.

Charges for Services

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 FY23 assumes an increase of 32.8 percent over the revised estimates for FY22, resulting in $54.6 million in available resources in FY23.

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 FY23 assumes that fines and forfeitures will increase 7.1 percent from the revised estimates for FY22, resulting in $29.9 million in available resources in FY23.

College Tuition

Although College tuition is not included in the County Council's 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 FY23 assumes a 7.1 percent decrease in tuition from $60.0 million in FY22 to $58.4 million in FY23.

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 Council 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 FY22 tax-supported investment income estimate of $857,439 assumes a yield of 0.20 percent and an average daily portfolio balance of $705.6 million. The FY23 projected estimate of tax-supported investment income of $3.7 million assumes a yield of 1.15 percent and an average daily portfolio balance of $733 million. The Federal Open Market Committee (FOMC) is expected to begin increasing the targeted federal funds rate starting in March 2022 in response to the rapid growth in the rate of inflation and may continue to increase the fed funds rate during FY22 and FY23. The estimated investment income for FY22 and FY23 will reflect the actions by the FOMC and the County's average daily portfolio balance.

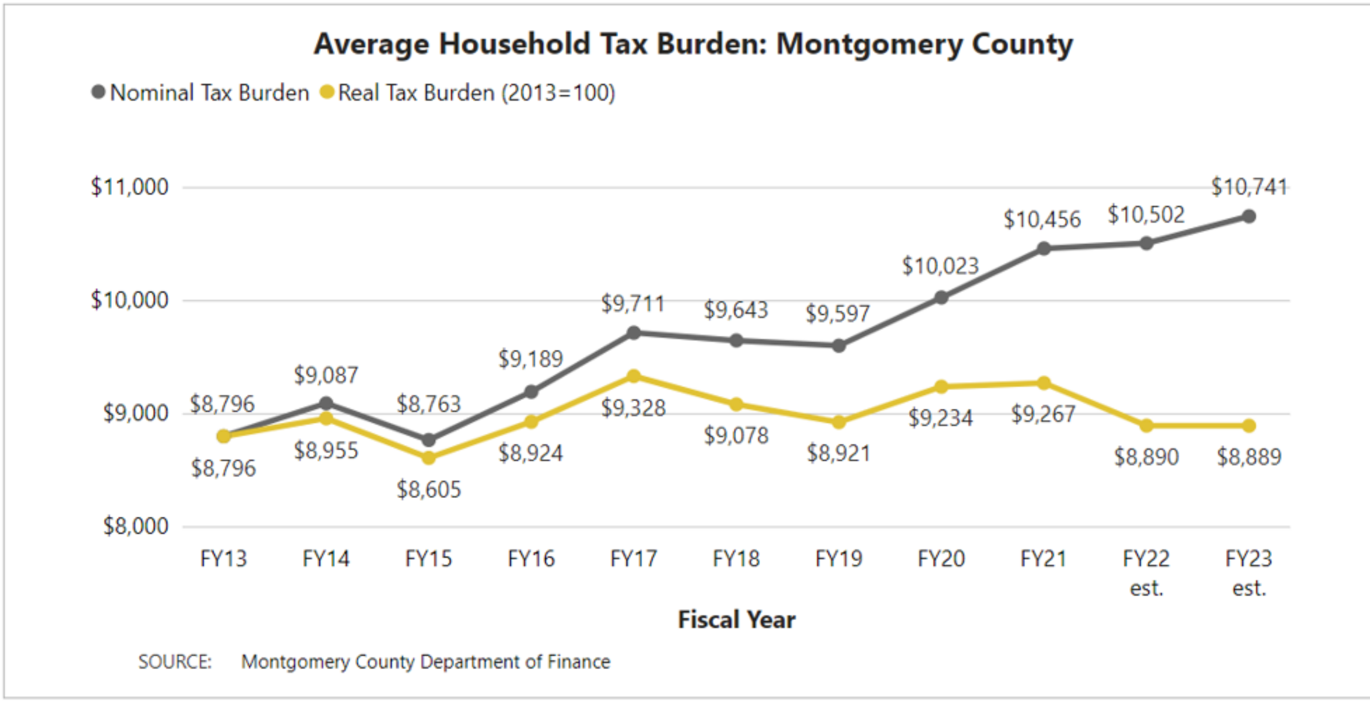
Other Miscellaneous

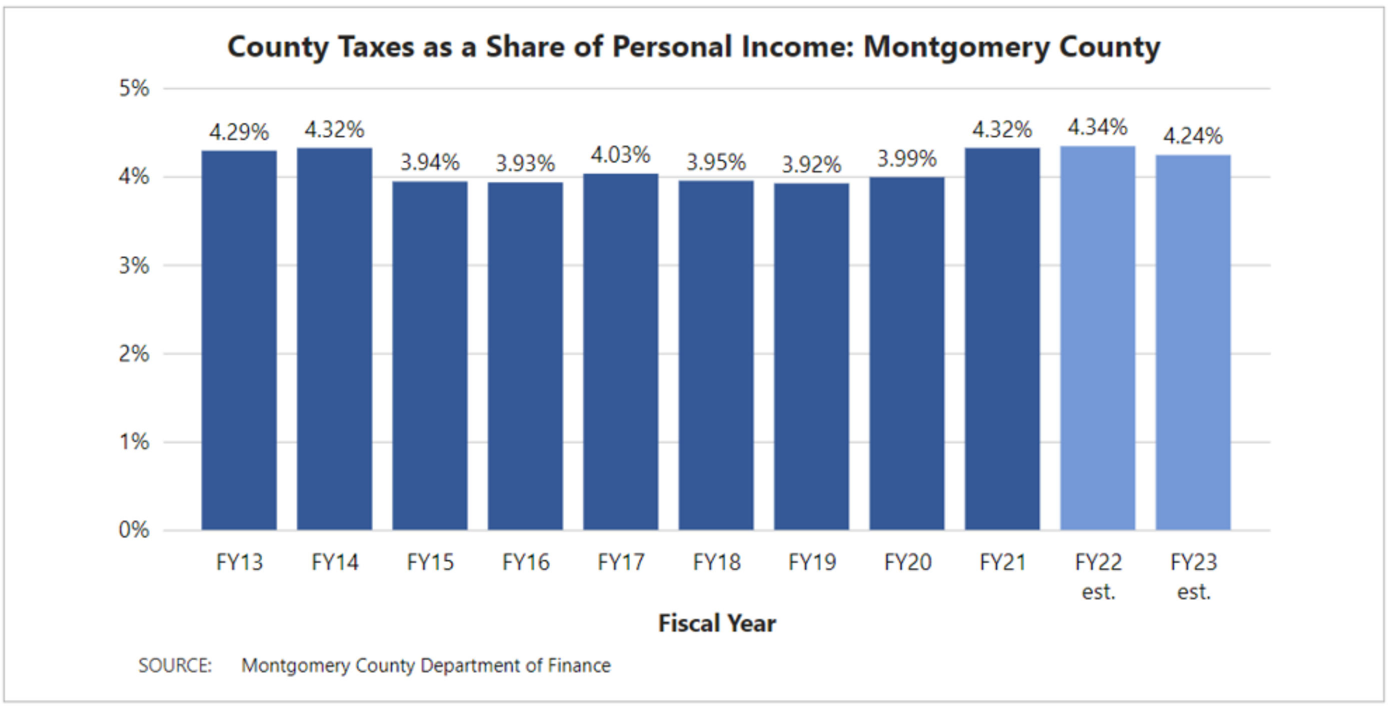
The County receives miscellaneous revenues from a variety of sources. For the Recommended Budget for FY22, miscellaneous revenues will increase 9.2 percent from the revised estimates for FY21, resulting in $14.6 million in available resources in FY23.

TRENDS AND PROJECTIONS

DEMOGRAPHIC AND PLANNING INDICATORS	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
POPULATION	**1,069,095**	**1,076,176**	**1,083,304**	**1,090,480**	**1,097,702**	**1,105,957**	**1,114,273**	**1,122,652**
Annual Increase	1,471	7,081	7,128	7,176	7,222	8,255	8,316	8,379
Population Growth Since 2013	5.9%	6.6%	7.3%	8.0%	8.7%	9.5%	10.3%	11.2%
County Resident Births (Prior Calendar Year) (a)	**11,460**	**11,700**	**12,000**	**12,200**	**12,400**	**12,620**	**12,820**	**12,920**
HOUSEHOLDS	**393,091**	**395,962**	**398,854**	**401,767**	**404,702**	**407,974**	**411,272**	**414,597**
Household Annual Growth (%)	1.8%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%
Household Growth Since 2013	7.3%	8.0%	8.8%	9.6%	10.4%	11.3%	12.2%	13.1%
Household Growth Since 1992	35.0%	36.0%	37.0%	38.0%	39.0%	40.1%	41.2%	42.4%
Household Size	2.72	2.72	2.72	2.71	2.71	2.71	2.71	2.71
RESIDENT EMPLOYMENT (Jan = Calendar Year)	**512,396**	**529,137**	**540,819**	**548,909**	**554,382**	**558,879**	**563,058**	**566,752**
Resident Employment Annual Growth (%)	-2.1%	3.3%	2.2%	1.5%	1.0%	0.8%	0.7%	0.7%
Resident Employment Growth Since 2013	0.4%	3.7%	6.0%	7.5%	8.6%	9.5%	10.3%	11.0%
Resident Employment Per Household	1.30	1.34	1.36	1.37	1.37	1.37	1.37	1.37
Jobs in County (a)	**549,300**	**555,100**	**560,900**	**566,700**	**572,500**	**578,900**	**585,300**	**591,700**
PERSONAL INCOME ($ Millions)	**$99,800**	**$102,500**	**$107,500**	**$112,600**	**$118,000**	**$123,500**	**$129,000**	**$134,800**
Per Capita Personal Income	**$93,350**	**$95,240**	**$99,230**	**$103,260**	**$107,500**	**$111,670**	**$115,770**	**$120,070**
Annual Growth (%)	1.7%	2.0%	4.2%	4.1%	4.1%	3.9%	3.7%	3.7%
CONSUMER PRICE INDEX (CPI) - Fiscal Year	**2.02%**	**5.37%**	**3.04%**	**2.26%**	**2.37%**	**2.37%**	**2.28%**	**2.16%**
Inflation Growth (Fiscal Year) Since 2013	17.4%	212.2%	76.7%	31.4%	37.8%	37.8%	32.6%	25.6%
CONSUMER PRICE INDEX (CPI) - Calendar Year (%)	**3.96%**	**4.68%**	**2.29%**	**2.34%**	**2.37%**	**2.35%**	**2.20%**	**2.16%**
ASSESSABLE TAX BASE ($ Millions)	**$203,030**	**$208,453**	**$213,496**	**$218,768**	**$225,334**	**$231,465**	**$237,407**	**$243,585**
Annual Growth (%)	2.8%	2.7%	2.4%	2.5%	3.0%	2.7%	2.6%	2.6%
Growth of Base Since 1992 (%)	239.4%	248.5%	256.9%	265.7%	276.7%	286.9%	296.9%	307.2%
Growth of Base Since 2013 (%)	25.4%	28.8%	31.9%	35.1%	39.2%	43.0%	46.7%	50.5%
INVESTMENT INCOME YIELD (%)	0.18%	0.20%	1.15%	1.45%	1.45%	1.45%	1.45%	1.45%
MCPS ENROLLMENT (Sept = Calendar Year)	**161,583**	**158,232**	**161,211**	**163,529**	**164,779**	**165,358**	**166,002**	**166,160**
Annual Growth (%)	-2.2%	-2.1%	1.9%	1.4%	0.8%	0.4%	0.4%	0.1%
Annual Increase (Decrease)	-3,684	-3,351	2,979	2,318	1,250	579	644	158
MONTGOMERY COLLEGE ENROLLMENTS (b)	**17,773**	**16,478**	**15,581**	**15,174**	**15,379**	**15,544**	**15,609**	**15,609**
Annual Growth (%)	-11.3%	-7.3%	-5.4%	-2.6%	1.4%	1.1%	0.4%	0.0%
Full Time Equivalents (Sept = Calendar Year) (c)	**16,453**	**15,230**	**14,184**	**13,711**	**13,543**	**13,762**	**13,762**	**13,762**
Annual Growth in FTE's (%)	-6.5%	-7.4%	-6.9%	-3.3%	-1.2%	1.6%	0.0%	0.0%

(a) Projections related to County Resident Births and Jobs in the County are provided by M-NCPPC and are as of March 2022.
(b) Projections related to Montgomery College Enrollments are provided by Montgomery College and include projections through FY27.
Since no projections are provided for FY28, the projections for FY27 were used.
(c) Projections related to Montgomery College Full Time Equivalents are provided by Montgomery College and include projections through FY26.
Since no projections are provided for FY27 or FY28, the projections for FY26 were used.


Average Household Tax Burden: Montgomery County
Nominal Tax Burden
Real Tax Burden (2013=100)
$11,000
$10,000
$9,000
$8,000
$8,796
$9,087
$8,763
$9,189
$9,711
$9,643
$9,597
$10,023
$10,456
$10,502
$10,741
$8,796
$8,955
$8,605
$8,924
$9,328
$9,078
$8,921
$9,234
$9,267
$8,890
$8,889
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
FY21
FY22 est.
FY23 est.
Fiscal Year
SOURCE: Montgomery County Department of Finance


County Taxes as a Share of Personal Income: Montgomery County
5%
4%
3%
2%
1%
0%
4.29%
4.32%
3.94%
3.93%
4.03%
3.95%
3.92%
3.99%
4.32%
4.34%
4.24%
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
FY21
FY22 est.
FY23 est.
Fiscal Year
SOURCE: Montgomery County Department of Finance

REVENUE SUMMARY
TAX SUPPORTED BUDGETS
($ Millions)

	KEY REVENUE CATEGORIES	App. FY22	Est. FY22	% Chg. FY22-23	Rec. FY23	% Chg. FY23-24	Projected FY24	% Chg. FY24-25	Projected FY25	% Chg. FY25-26	Projected FY26	% Chg. FY26-27	Projected FY27	% Chg. FY27-28	Projected FY28
	TAXES	5-27-21	3-15-22	App/Rec	3-15-22										
1	Property Tax	1,884.7	1,900.0	3.5%	1,951.4	2.8%	2,005.3	3.3%	2,072.0	3.0%	2,134.4	2.9%	2,195.6	2.9%	2,258.6
2	Income Tax	1,708.8	1,794.2	8.8%	1,859.0	5.1%	1,954.7	5.1%	2,054.8	4.1%	2,138.9	4.6%	2,236.2	4.9%	2,344.9
3	Transfer Tax	117.2	149.5	32.1%	154.7	7.8%	166.9	5.6%	176.1	-1.8%	173.0	-3.0%	167.8	0.1%	168.0
4	Recordation Tax	52.7	71.6	40.8%	74.2	7.8%	80.0	5.6%	84.4	-1.8%	82.9	-3.0%	80.4	0.1%	80.5
5	Energy Tax	175.7	185.3	6.2%	186.5	0.1%	186.7	0.1%	186.9	0.1%	187.1	0.1%	187.3	0.1%	187.4
6	Telephone Tax	55.1	53.9	-0.9%	54.6	-0.3%	54.4	-0.3%	54.3	-0.3%	54.1	-0.3%	53.9	-0.3%	53.7
7	Hotel/Motel Tax	11.8	16.6	83.5%	21.7	1.8%	22.1	9.0%	24.1	3.1%	24.9	0.5%	25.0	0.5%	25.1
8	Admissions Tax	0.8	2.6	221.9%	2.7	3.4%	2.8	3.4%	2.9	3.5%	3.0	3.5%	3.1	3.5%	3.2
9	E-Cigarette Tax	1.0	1.1	17.5%	1.1	3.4%	1.2	3.2%	1.2	3.1%	1.3	3.0%	1.3	3.0%	1.3
10	**Total Local Taxes**	**4,007.7**	**4,174.8**	**7.4%**	**4,305.9**	**3.9%**	**4,474.1**	**4.1%**	**4,656.8**	**3.1%**	**4,799.5**	**3.1%**	**4,950.5**	**3.5%**	**5,122.8**
	INTERGOVERNMENTAL AID														
11	Highway User	7.9	8.5	10.7%	8.8	0.0%	8.8	0.0%	8.8	0.0%	8.8	0.0%	8.8	0.0%	8.8
12	Police Protection	14.3	14.3	43.0%	20.5	0.0%	20.5	0.0%	20.5	0.0%	20.5	0.0%	20.5	0.0%	20.5
13	Libraries	5.6	5.6	2.2%	5.8	0.0%	5.8	0.0%	5.8	0.0%	5.8	0.0%	5.8	0.0%	5.8
14	Health Services Case Formula	4.8	4.8	0.7%	4.8	0.0%	4.8	0.0%	4.8	0.0%	4.8	0.0%	4.8	0.0%	4.8
15	Mass Transit	97.9	97.3	-65.2%	34.0	0.0%	34.0	0.0%	34.0	0.0%	34.0	0.0%	34.0	0.0%	34.0
16	Public Schools	771.6	771.6	10.7%	854.2	0.0%	854.2	0.0%	854.2	0.0%	854.2	0.0%	854.2	0.0%	854.2
17	Community College	42.7	42.7	30.2%	55.6	0.0%	55.6	0.0%	55.6	0.0%	55.6	0.0%	55.6	0.0%	55.6
18	Other	72.8	56.7	-19.4%	58.6	-3.0%	56.9	-3.0%	55.2	0.0%	55.2	0.0%	55.2	0.0%	55.2
19	**Total Intergovernmental Aid**	**1,017.7**	**1,001.6**	**2.4%**	**1,042.4**	**-0.2%**	**1,040.7**	**-0.2%**	**1,038.9**	**0.0%**	**1,038.9**	**0.0%**	**1,038.9**	**0.0%**	**1,038.9**
	FEES AND FINES														
20	Licenses & Permits	13.5	13.3	2.6%	13.8	1.5%	14.0	1.5%	14.2	1.5%	14.5	1.5%	14.7	1.5%	14.9
21	Charges for Services	53.1	41.1	2.8%	54.6	1.8%	55.6	1.9%	56.6	1.9%	57.7	1.8%	58.8	1.7%	59.8
22	Fines & Forfeitures	38.3	28.0	-21.8%	29.9	1.6%	30.4	1.6%	30.9	1.6%	31.4	1.6%	31.9	1.6%	32.4
23	Montgomery College Tuition	69.8	60.0	-16.3%	58.4	1.8%	59.5	1.9%	60.6	1.9%	61.7	1.8%	62.9	1.7%	64.0
24	**Total Fees and Fines**	**174.6**	**142.4**	**-10.2%**	**156.8**	**1.7%**	**159.5**	**1.8%**	**162.4**	**1.8%**	**165.3**	**1.8%**	**168.2**	**1.7%**	**171.0**
	MISCELLANEOUS														
25	Investment Income	0.5	0.9	602.5%	3.7	27.8%	4.7	3.6%	4.9	3.6%	5.0	3.6%	5.2	3.6%	5.4
26	Other Miscellaneous	15.6	13.4	-6.5%	14.6	2.3%	14.9	2.4%	15.3	2.4%	15.6	2.3%	16.0	2.2%	16.3
27	**Total Miscellaneous**	**16.1**	**14.2**	**13.2%**	**18.3**	**7.4%**	**19.6**	**2.7%**	**20.1**	**2.7%**	**20.7**	**2.6%**	**21.2**	**2.5%**	**21.7**
28	**TOTAL REVENUES**	**5,216.1**	**5,333.1**	**5.9%**	**5,523.4**	**3.1%**	**5,693.8**	**3.2%**	**5,878.2**	**2.5%**	**6,024.5**	**2.6%**	**6,178.9**	**2.8%**	**6,354.5**
	Calculation for Adjusted Governmental Revenues*														
29	**Total Tax Supported Revenues**	**5,214.7**	**5,333.1**	**5.9%**	**5,523.4**	**3.1%**	**5,693.8**	**3.2%**	**5,878.2**	**2.5%**	**6,024.5**	**2.6%**	**6,178.9**	**2.8%**	**6,354.5**
30	**Capital Projects Fund**	**131.7**	**131.7**	**17.1%**	**154.3**	**0.4%**	**154.9**	**31.0%**	**202.9**	**29.3%**	**262.4**	**-5.9%**	**246.8**	**-27.5%**	**179.0**
31	**Grants**	**129.2**	**129.2**	**5.5%**	**136.3**	**2.3%**	**139.4**	**2.4%**	**142.7**	**2.4%**	**146.1**	**2.3%**	**149.4**	**2.2%**	**152.7**
32	**MCG Adjusted Revenues**	**5,475.6**	**5,594.0**	**6.2%**	**5,814.0**	**3.0%**	**5,988.1**	**3.9%**	**6,223.9**	**3.4%**	**6,432.9**	**2.2%**	**6,575.1**	**1.7%**	**6,686.2**

*The calculation for AGR in FY22 and FY23 excludes the County's allocation of Federal Emergency Grants received through the Coronavirus Relief Fund and the American Rescue Plan Act.

County Executive's Recommended FY23-28 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

		App. FY22	Est. FY22	% Chg. FY22-23	Rec. FY23	% Chg. FY23-24	Projected FY24	% Chg. FY24-25	Projected FY25	% Chg. FY25-26	Projected FY26	% Chg. FY26-27	Projected FY27	% Chg. FY27-28	Projected FY28
		5-27-21	3-15-22	App/Rec	3-15-22										
	Total Revenues														
1	Property Tax	1,884.7	1,900.0	3.5%	1,951.4	2.8%	2,005.3	3.3%	2,072.0	3.0%	2,134.4	2.9%	2,195.6	2.9%	2,258.6
2	Income Tax	1,708.8	1,794.2	8.8%	1,859.0	5.1%	1,954.7	5.1%	2,054.8	4.1%	2,138.9	4.6%	2,236.2	4.9%	2,344.9
3	Transfer/Recordation Tax	169.8	221.1	34.8%	228.9	7.8%	246.9	5.6%	260.6	-1.8%	256.0	-3.0%	248.2	0.1%	248.5
4	Other Taxes	244.4	259.5	9.1%	266.6	0.2%	267.2	0.8%	269.4	0.3%	270.3	0.1%	270.5	0.1%	270.7
5	Other Revenues	1,208.4	1,158.3	0.7%	1,217.4	0.2%	1,219.8	0.1%	1,221.5	0.3%	1,224.9	0.3%	1,228.4	0.3%	1,231.7
6	**Total Revenues**	**5,216.1**	**5,333.1**	**5.9%**	**5,523.4**	**3.1%**	**5,693.8**	**3.2%**	**5,878.2**	**2.5%**	**6,024.5**	**2.6%**	**6,178.9**	**2.8%**	**6,354.5**
7															
8	**Net Transfers In (Out)**	**10.6**	**16.1**	**77.7%**	**18.8**	**2.3%**	**19.3**	**2.4%**	**19.7**	**2.4%**	**20.2**	**2.3%**	**20.7**	**2.2%**	**21.1**
9	**Total Revenues and Transfers Available**	**5,226.7**	**5,349.2**	**6.0%**	**5,542.2**	**3.1%**	**5,713.1**	**3.2%**	**5,898.0**	**2.5%**	**6,044.7**	**2.6%**	**6,199.5**	**2.8%**	**6,375.6**
10															
11	**Non-Operating Budget Use of Revenues**														
12	Debt Service	427.4	420.5	3.5%	442.5	1.0%	446.8	3.6%	462.8	1.8%	471.1	1.7%	479.0	0.6%	481.8
13	PAYGO	15.5	15.5	118.7%	33.9	-9.1%	30.8	-5.2%	29.2	0.0%	29.2	0.0%	29.2	0.0%	29.2
14	CIP Current Revenue	78.4	140.2	16.2%	91.1	24.4%	113.3	-19.9%	90.7	-4.7%	86.4	12.3%	97.1	-4.1%	93.1
15	Change in Other Reserves	-24.0	1.8	-137.8%	-57.0	100.3%	0.2	35.9%	0.2	-1.9%	0.2	-8.8%	0.2	5.1%	0.2
16	Contribution to General Fund Undesignated Reserves	13.3	-101.1	-110.8%	-1.4	944.0%	12.1	60.7%	19.5	-11.7%	17.2	-41.4%	10.1	-44.3%	5.6
17	Contribution to Revenue Stabilization Reserves	27.5	68.9	-89.2%	3.0	30.9%	3.9	3.8%	4.0	3.8%	4.2	3.8%	4.3	3.8%	4.5
18	Set Aside for other uses (supplemental appropriations)	0.0	0.4	n/a	-1.7	1307.2%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0
19	**Total Other Uses of Resources**	**538.2**	**546.1**	**-5.2%**	**510.4**	**22.9%**	**627.1**	**-0.1%**	**626.4**	**0.3%**	**628.4**	**1.8%**	**639.9**	**-0.9%**	**634.4**
20	**Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)**	**4,688.6**	**4,803.1**	**7.3%**	**5,031.8**	**1.1%**	**5,086.0**	**3.6%**	**5,271.5**	**2.7%**	**5,416.3**	**2.6%**	**5,559.6**	**3.3%**	**5,741.2**
21															
22	**Agency Uses**														
23															
24	Montgomery County Public Schools (MCPS)	2,551.6	2,514.5	7.4%	2,739.7										
25	Montgomery College (MC)	265.5	245.6	3.5%	274.8										
26	MNCPPC (w/o Debt Service)	143.8	143.8	6.5%	153.1										
27	MCG	1,727.8	1,899.2	7.9%	1,864.3										
28	**Agency Uses**	**4,688.6**	**4,803.1**	**7.3%**	**5,031.8**	**1.1%**	**5,086.0**	**3.6%**	**5,271.5**	**2.7%**	**5,416.3**	**2.6%**	**5,559.6**	**3.3%**	**5,741.2**
29	**Total Uses**	**5,226.7**	**5,349.2**	**6.0%**	**5,542.2**	**3.1%**	**5,713.1**	**3.2%**	**5,898.0**	**2.5%**	**6,044.7**	**2.6%**	**6,199.5**	**2.8%**	**6,375.6**
30	**(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. Other taxes are at current rates.
2. Reserve contributions are consistent with legal requirements and the minimum policy target. The calculation for Adjusted Governmental Revenues in FY22 and FY23 excludes the County's allocation of Federal Emergency Grants received through the Coronavirus Relief Fund and the American Rescue Plan Act.
3. PAYGO, debt service, and current revenue reflect the Recommended FY23-28 Capital Improvements Program.
4. State Aid, including MCPS and Montgomery College, is not projected to increase from FY23-28.

County Executive's Recommended FY23-28 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

		App. FY22	Est. FY22	% Chg. FY22-23	Rec. FY23	% Chg. FY23-24	Projected FY24	% Chg. FY24-25	Projected FY25	% Chg. FY25-26	Projected FY26	% Chg. FY26-27	Projected FY27	% Chg. FY27-28	Projected FY28
31	**Beginning Reserves**														
32	Unrestricted General Fund	82.1	169.4	-16.8%	68.3	-2.1%	66.8	18.1%	79.0	24.7%	98.5	17.5%	115.7	8.7%	125.8
33	Revenue Stabilization Fund	403.8	444.6	27.2%	513.5	0.6%	516.5	0.8%	520.4	0.8%	524.4	0.8%	528.6	0.8%	532.9
34	Total Reserves	485.9	614.0	19.7%	581.8	0.3%	583.3	2.7%	599.3	3.9%	622.9	3.4%	644.3	2.2%	658.7
35															
36	**Additions to Reserves**														
37	Unrestricted General Fund	13.3	-101.1	-110.8%	-1.4	944.0%	12.1	60.7%	19.5	-11.7%	17.2	-41.4%	10.1	-44.3%	5.6
38	Revenue Stabilization Fund	27.5	68.9	-89.2%	3.0	30.9%	3.9	3.8%	4.0	3.8%	4.2	3.8%	4.3	3.8%	4.5
39	Total Change in Reserves	40.8	-32.2	-96.3%	1.5	950.0%	16.0	46.9%	23.5	-9.0%	21.4	-32.6%	14.4	-29.8%	10.1
40															
41	**Ending Reserves**														
42	Unrestricted General Fund	95.3	68.3	-29.9%	66.8	18.1%	79.0	24.7%	98.5	17.5%	115.7	8.7%	125.8	4.5%	131.4
43	Revenue Stabilization Fund	431.3	513.5	19.8%	516.5	0.8%	520.4	0.8%	524.4	0.8%	528.6	0.8%	532.9	0.8%	537.4
44	Total Reserves	526.7	581.8	10.8%	583.3	2.7%	599.3	3.9%	622.9	3.4%	644.3	2.2%	658.7	1.5%	668.8
45	Reserves as a % of Adjusted Governmental Revenues	9.6%	10.4%		10.0%		10.0%		10.0%		10.0%		10.0%		10.0%
46	**Other Reserves**														
47	Montgomery College	27.7	34.6	4.5%	29.0	0.0%	29.0	0.0%	29.0	0.0%	29.0	0.0%	29.0	0.0%	29.0
48	M-NCPPC	4.9	7.3	8.2%	5.3	2.8%	5.4	3.2%	5.6	3.0%	5.8	2.8%	5.9	2.9%	6.1
49	MCPS	0.0	45.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
50	MCG Special Funds	0.9	5.6	56.2%	1.3	1.7%	1.4	4.0%	1.4	4.1%	1.5	3.0%	1.5	3.1%	1.6
51	MCG + Agency Reserves as a % of Adjusted Govt Revenues	10.2%	12.1%		10.6%		10.6%		10.6%		10.6%		10.6%		10.6%
52	**Retiree Health Insurance Pre-Funding**														
53	Montgomery County Public Schools (MCPS)	73.0	73.0		57.4		57.4		57.4		57.4		57.4		57.4
54	Montgomery College (MC)	5.6	5.6		1.7		1.7		1.7		1.7		1.7		1.7
55	MNCPPC	2.7	2.7		3.7		3.5		3.4		3.2		3.2		3.2
56	MCG	10.8	10.8		0.0		0.0		0.0		0.0		0.0		0.0
57	Subtotal Retiree Health Insurance Pre-Funding	92.2	92.2		62.8		62.6		62.5		62.3		62.3		62.3
58	**Adjusted Governmental Revenues**														
59	Total Tax Supported Revenues	5,214.7	5,333.1	5.9%	5,523.4	3.1%	5,693.8	3.2%	5,878.2	2.5%	6,024.5	2.6%	6,178.9	2.8%	6,354.5
60	Capital Projects Fund	131.7	131.7	17.1%	154.3	0.4%	154.9	31.0%	202.9	29.3%	262.4	-5.9%	246.8	-27.5%	179.0
61	Grants	129.2	129.2	5.5%	136.3	2.3%	139.4	2.4%	142.7	2.4%	146.1	2.3%	149.4	2.2%	152.7
62	Total Adjusted Governmental Revenues	5,475.6	5,594.0	6.2%	5,814.0	3.0%	5,988.1	3.9%	6,223.9	3.4%	6,432.9	2.2%	6,575.1	1.7%	6,686.2

FY23 FEE AND FINE CHANGES*			
DEPARTMENT/FEE AND FINE	**FY23 REVENUE CHANGE**	**METHOD OF CHANGE**	**NOTE**
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Solid Waste Disposal Charge	$11,768,676	Council Resolution	Increase the single family per household from $244.78 to $288.20, multi-family per household from $17.29 to $17.83, and nonresidential properties from $644.61 to $664.71.
Water Quality Protection Charge	$2,277,320	Council Resolution	Increase the rate per Equivalent Residential Unit (ERU) from 113.50 to $119.50 per ERU.
Refuse Collection Charge	$1,124,912	Council Resolution	Increase charges from $117.00 to $127.00 per household.
HOUSE AND COMMUNITY AFFAIRS			
Common Ownership Communities (COC) Registration Fee	$70,000	City of Gaithersburg Ordinance	City of Gaithersburg legislation stipulates that Common Ownership Communities (COC) can register in the Montgomery County COC program as regulated by County Code.
COC Registration Fee	$2,000	Council Resolution	Increase the Registration Fee for any new COC Associations from $5.00 to $6.50 beginning January 2023. The new rate will apply to all COCs in FY24 and beyond.
TRANSPORTATION			
Ride On Fare	($9,825,034)	Council Resolution	Reduce all Ride On fares by one-half, resulting in a fare of $1.00 for most routes. The revenue change is based on projected fare revenue that would have been collected under full fares. Fares were not collected in fiscal years 2021-22 due to the COVID-19 pandemic.
DEPARTMENT OF CORRECTION AND REHABILITATION			
Intervention Program for Substance Abusers Fee	($29,130)	Executive Regulation	Eliminate the administrative fee charged to participants.
Alternative Community Service Fee	($123,900)	Executive Regulation	Eliminate the administrative fee charged to participants.
GRAND TOTAL	**5,264,844**		

* All changes are assumed to be effective July 1, 2022 except as noted.
Revenues above do not include implementation costs.