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# Message from the County Executive

I am pleased to submit my Fiscal Year 2026 Recommended Operating Budget.

This year's budget for Montgomery County Government largely reflects a continuing services budget, with strategic reductions and targeted enhancements. This budget reflects the increased cost of providing services because of inflation; it fulfills our contracts with our dedicated staff and labor partners; and it continues our commitment to public schools.

Furthermore, with the elimination of certain Federal funding, we are faced with a policy decision to continue critical health and safety programs with County funds or to let there be a lapse in service.

Nevertheless, this budget is not finished because of uncertainty and chaos at the national level and fiscal challenges at the State. Significant budget decisions will not conclude in Annapolis for several weeks. These decisions will impact both revenues and expenditures for the County government and the Montgomery County Public Schools (MCPS).

Additionally, potential swings in revenue - particularly from those revenue sources that are volatile like capital gains taxes, recordation, and transfer taxes - make revenue forecasting difficult. Revenue volatility is the main reason estimates are updated regularly.

There is much uncertainty about actions that are taking place with the Trump Administration that could impact not only County services funded by Federal dollars but also County residents employed by the Federal government either directly or through Federal contracts. To temper the impacts of those decisions, this budget provides \$87.2 million in additional capacity in reserves above our 10 percent policy goal.

Once the Maryland General Assembly concludes its 2025 legislative session, I will submit budget amendments to the Council to reflect any changes resulting from their actions.

| Agency                           | Total Budget               | Tax Supported              |
|----------------------------------|----------------------------|----------------------------|
| Montgomery County Government     | \$ 2,944,140,976.00        | \$ 2,286,795,005.00        |
| Montgomery County Public Schools | \$ 3,621,137,820.00        | \$ 3,380,224,703.00        |
| Montgomery College               | \$ 345,514,889.00          | \$ 294,332,393.00          |
| M-NCPPC (including debt service) | \$ 211,198,072.00          | \$ 186,741,007.00          |
|                                  |                            |                            |
| Retiree Health Insurance         | \$ 60,883,418.00           | \$ 60,774,306.00           |
| Debt Service (MCG)               | \$ 472,836,355.00          | \$ 438,576,665.00          |
| <b>Total</b>                     | <b>\$ 7,655,711,530.00</b> | <b>\$ 6,647,444,079.00</b> |

While revenues are growing year-over-year at a healthy rate, their increase is insufficient due to the unprecedented request by the Superintendent and the Board of Education to address significant needs with MCPS, including requirements for implementing the Blueprint for Maryland's Future. Therefore, I am recommending a modest 3.5 cent tax rate increase to the education supplemental property tax rate bringing the total property tax rate to \$1.0605.

This proposed increase is coupled with a recommended increase in the County's ITOC Property Tax Credit which will completely offset the increase for homeowners whose principal residence is assessed at \$495,000 and will represent a small rebate for those homeowners with properties at a lower value. Owners of higher-priced homes will also get the benefit.

This proposal is needed now not only to ensure the continuation of essential County services and meet the needs of

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our students but also to comply with State and County laws, rules, and policies that require adequate public notice of potential tax rate changes. With so much uncertainty at the State and Federal levels, I am compelled to recommend this action now to preserve the Council's ability to act later this spring to changing conditions.

Unfortunately, State law continues to limit County governments' flexibility in addressing revenue needs. Because more equitable tax options are prohibited by State law, my Council colleagues and I are only able to alter our property tax rate. Increasing the County's ITOC Property Tax Credit by 25 percent to \$860 will help achieve some progressivity in this recommendation.

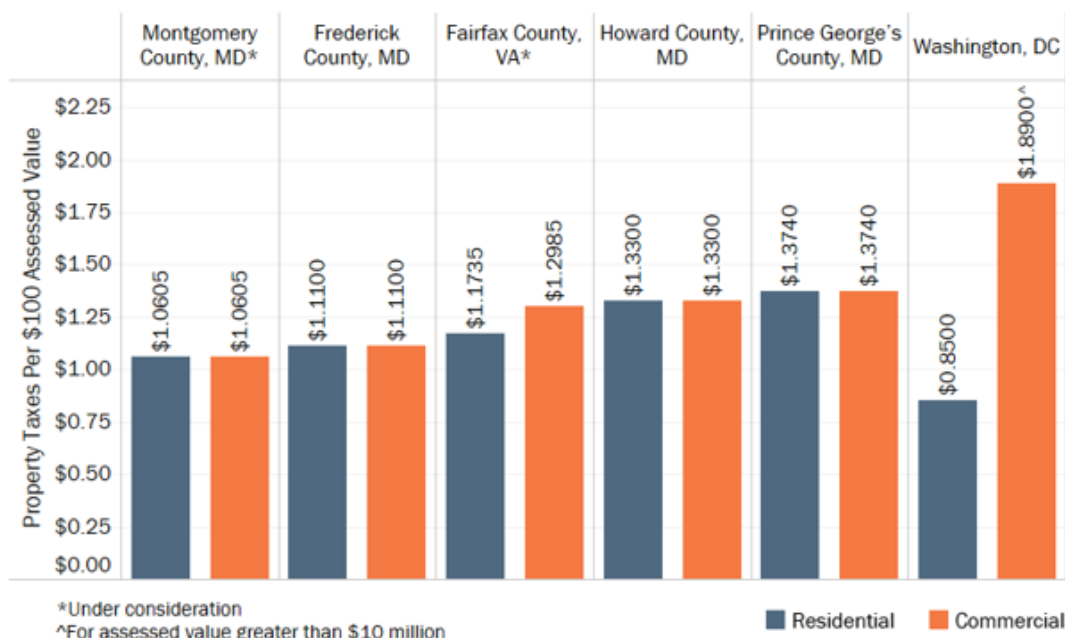
This increase in the property tax credit means that homeowners near the median home value will not experience this increase, and those below will have a slight decrease in their County property tax. Commercial properties and residential properties which are not the owner's principal residence will pay the full amount of the increase.

These changes are estimated to generate \$56.3 million in revenue for MCPS, which offsets approximately 20 percent of the Board of Education's requested increase. Without these additional revenues, there would need to be a significant reduction to County services, particularly social safety net services and public safety, to fund the budget request from MCPS.

Even with this increase, the County's weighted real property tax rate (\$1.0605) is far below many of our neighbors. For example, the current property tax rates for Frederick County (\$1.11), Howard County (\$1.33), and Prince George's County (\$1.374) are all significantly higher than my proposed tax rate. Fairfax County is currently considering a 1.5 cent increase to their tax rate, which would raise it to \$1.1735. Due to additional community taxes, homes in McLean pay \$1.20, while homes in Reston pay \$1.22. Virginia residents also pay a personal property tax on cars and boats, and Virginia also allows its local governments to impose an extra sales tax on food and beverages served in restaurants (Fairfax County is considering adding such a tax and Arlington is considering increasing it).

The graph below shows the combined residential and commercial property tax rates for selected jurisdictions. Unlike counties in Maryland, counties in Virginia and the District of Columbia can impose higher property tax rates on commercial property. Legislation is currently under consideration that would grant Maryland counties this ability.

**Residential & Commercial Property Tax Rates of Selected MD/DC/VA Jurisdictions**



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This budget incorporates feedback from our diverse and growing community. In developing this budget, I hosted 11 community conversations with residents, the most of my or any administration. These took place in the five regions of the County, plus included sessions focused on Montgomery County parents and teachers, older adults, two sessions conducted in languages other than English (Chinese and Spanish), and two sessions focused on the needs of the Black community. In addition, several of these sessions were hybrid so that they were accessible to more residents. Over 1,000 people attended these conversations (in-person and online), and I want to thank everyone who participated.

In addition, I have received numerous letters and e-mail messages from, and held meetings with, members of the community regarding service needs. The feedback I received from these community conversations, letters, e-mail messages, and meetings has been invaluable and was used in informing my funding recommendations for FY26.

As always, I want to thank and acknowledge our dedicated County workforce. While our County is making significant strides in filling positions, employers throughout the region are struggling to recruit and retain staff and the County is no exception. As I have before, I am making recommendations for investments in our workforce, who are the ones that deliver the services County residents expect and need. To this end, my budget fully funds the negotiated agreements with our labor partners.

I also want to thank our community partners for their incredible work of our community partners. County government alone could not reach everyone who needs assistance. Through our partnerships with nonprofit organizations and faith communities, we continue to connect more deeply with our residents to deliver much needed services.

## Overview

The County's economy is currently holding steady; however, there is tremendous uncertainty in the region and the nation as the Federal government implements the new Administration's agenda. We are watching what is happening in Washington with a close eye as those actions will inevitably impact County residents and their jobs, County services, County revenues, and the economy.

The economic forecast for FY26 assumes stable macro-economic conditions (neither recession nor expansion), consistent with the December forecast presented to the Council. The FY25 approved budget assumed a recession would occur in calendar year 2024. This recession never materialized and thus this forecast includes greater growth in year-over-year revenue than was assumed when the Council passed the current year's budget.

Resident Employment is one of the key components in forecasting income tax revenue. For 2025-2031, resident employment is assumed to grow slightly in each calendar year beginning with +0.1 percent in 2025 and gradually increasing to +0.5 percent in 2028 before declining to +0.3 percent in 2031.

Total Personal Income is also a key component in forecasting income tax revenue. The assumption for total personal income remains positive in all years of the forecast, averaging 3.6 percent growth per year from 2025-2031.

Sales of existing single-family homes and median sales price of single-family homes are key components in forecasting property tax, transfer tax, and recordation tax revenues. Home sales are estimated to decrease 8.6 percent in 2025 following strong growth of 19.6 percent in 2024 before rebounding in 2026 and stabilizing thereafter. The rapid decrease in interest rates that had previously been expected to spur home sales has not occurred as the Federal Reserve has been holding the Federal funds rate steady in 2025.

County total tax revenues continue to grow on a year-over-year basis. FY25 estimated total tax revenues are forecast to increase 4.8 percent over FY24, and FY26 total tax revenues are forecast to exceed the FY25 estimate by 5.1 percent before considering the impact of the property tax increase and additional tax credit. This reflects the continued strength in our property tax base which offsets forecasted decreases in transfer and recordation taxes and slower growth in income taxes. Including the additional 3.5 cent supplemental education property tax increase for MCPS and the increase in the County ITOC property tax credit to \$860 per eligible recipient, the FY26 total tax revenues are forecast to exceed the FY25 estimate

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by 6.2 percent.

In FY23, income tax revenue was at a record high amount and was driven by Federal pandemic stimulus payments and extremely strong capital gains income from calendar year 2021. Coming off that record amount, income tax revenue declined by 9.1 percent in FY24 over FY23 due to weak capital gains income and the end of stimulus payments from tax year 2022. In FY25, income tax revenues are estimated to grow by 7.2 percent due to a stronger-than-forecast economy in 2024 that did not fall into recession. The forecast for income tax revenues in FY26 is a 4.1 percent increase over the FY25 estimate, reflecting moderate growth in total personal income.

FY26 property tax revenues reflect the growth in actual and projected taxable assessed value of property in the County, pursuant to the triennial reassessment process conducted by the State Department of Assessments and Taxation, plus new construction and personal property. Assessed valuation changes lag economic cycles and are forecast to increase 6.1 percent in FY26, with growth slowing in each of the subsequent fiscal years. Assuming a property tax increase of 3.5 cents, and an increase in the County's ITOC property tax credit to \$860 per eligible recipient, property taxes will have a net increase of 8.8 percent.

Transfer and recordation taxes continued to experience declines in FY25 due to reductions in real estate transaction activity caused by a dramatic decrease in home sales attributed to increased mortgage interest rates, housing prices, and low inventory. This trend is forecast to return to growth in FY26, albeit at a moderate rate of 5.1 percent and then continue the growth trend at a stronger rate of 14.6 percent in FY27 before moderating towards 3.3 percent in FY31. The slowing down of interest rate cuts by the Federal Reserve so far in 2025 has slowed the rebound in real estate market activity.

To balance the budget, I recommended both revenue enhancements and targeted reductions. There are no good options when it comes to reducing budgets for departments as residents depend on the services we provide. When considering program reductions, my aim was to keep service disruptions to a minimum, look at where programs were duplicating efforts at other levels of government, and focus on reductions that would not impact current service delivery levels. In total, my recommended tax-supported budget includes \$16.8 million in program expenditure reductions.

We also know that not every position funded in this budget will be filled throughout the course of the fiscal year. While we have made strides in filling vacant positions, some departments continue to experience higher-than-normal vacancy rates. As with the FY25 budget last year, in developing this budget, the Office of Management and Budget (OMB) conducted analyses of department vacancy rates, overtime usage, and the usage of contractors to provide services. My FY26 budget assumes an additional \$28.5 million in reductions to departmental budgets to capture this anticipated "lapse" savings for budgeted vacancy rates and \$10.5 million in increases to account for overtime adjustments that are needed to provide critical services.

## Actions at the State Level

The Governor and Maryland General Assembly are in the process of solving a budget crisis that the State has not experienced since the Great Recession. At the November 2024 Spending Affordability Committee meeting, the Maryland Department of Legislative Services projected that the State had a structural imbalance in its General Fund of over \$1 billion in FY25 and almost \$2.3 billion in FY26. Furthermore, at its March 6, 2025, meeting, the Maryland Board of Revenue Estimates (BRE) wrote down State General Fund revenues by an additional \$240 million - further increasing the State's budget gap.

The Governor's proposed budget largely solved these issues with spending reductions and revenue enhancements, some of which will ultimately impact the County's budget. For example, according to BRE, the Governor's proposed changes to the State's income tax structure would yield \$75.1 million in additional revenue for the County in FY26 and \$56.3 million in FY27. These enhancements would largely offset the Governor's proposed cost shifts to the County - including the Governor's proposal to increase the County's contributions for teacher pensions (\$20.9 million) and alter the cost-sharing formula to operate the State Department of Assessments and Taxation's Montgomery County Office (\$3.1 million). In

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addition to the Governor's proposal to shift additional costs associated with teacher pensions to the County, the General Assembly is considering increasing this cost shift to \$41.7 million. Other changes currently being considered in Annapolis could impact additional State aid for K-12 education as a result of changes to the Blueprint for Maryland's Future (Blueprint). Still, other legislation is being considered that would result in unfunded mandates on the County, including legislation that could significantly raise the cost of providing fire and rescue services.

The Board of Education's budget request would increase the County's local contribution by \$284 million. This request assumes that the Governor's proposal to shift teacher pensions will be adopted and that certain modifications to the State's Blueprint requirements and subsequent funding losses will occur.

However, since final action on the budget is not expected until April, and there is great uncertainty over what the final package will look like, my recommended budget does not consider any revenue enhancements resulting from State tax changes or many costs shifted to the County for either County government or MCPS. Once the dust settles from the 2025 Maryland General Assembly session, my intent is to propose amendments to the budget that will fully fund the Board of Education's request and address costs shifted to the County.

## Racial Equity and Social Justice

During the development of this budget, the County continued investing in efforts to normalize, organize, and operationalize racial equity and social justice. Incorporating lessons learned from previous budget development seasons, the Office of Racial Equity and Social Justice's (ORESJ) Director and policy analysis staff refined its budget equity tool, training, and guidance manual to support the use of a racial equity lens throughout budget development. These resources support the County's implementation of the Racial Equity and Social Justice Act and bring into focus how the budget impacts racial disparities and inequities in the County.

This budget is the fourth one to fully integrate the Operating Budget Equity Tool by departments and ORESJ. The tool was incorporated into OMB's oversight of the budget process. Responses to the tool and analysis of those responses provided decision-makers with new insights and pathways for allocating resources in ways that contribute to reducing and ultimately eliminating racial disparities and inequities in the County.

In its analysis, ORESJ highlighted each department's strengths and provided departments with recommendations on how to further incorporate racial equity into budget decisions as well as program and process development. ORESJ's in-depth analysis gives departments insights they can use on an ongoing basis. As a government and a community, we still have work to do. Throughout this budget, however, you will see programmatic enhancements that seek to guide us to a more equitable and just community.

## K-12 Education and Services for Children and Youth

My FY26 Recommended Budget provides a total budget of \$3.62 billion for MCPS, or more than half the total County's tax-supported budget. The Board of Education's requested FY26 budget is \$332.9 million higher than its approved FY25 budget, with \$284 million of that increase assumed from the County. My recommended budget provides 99.1% of the Board of Education's request because, as I explained above, once the Maryland General Assembly concludes its actions on the State's budget, I intend to submit budget amendments to the Council that will fully fund the Board of Education's FY26 request. However, my ability to do so will ultimately depend on actions taken in Annapolis.

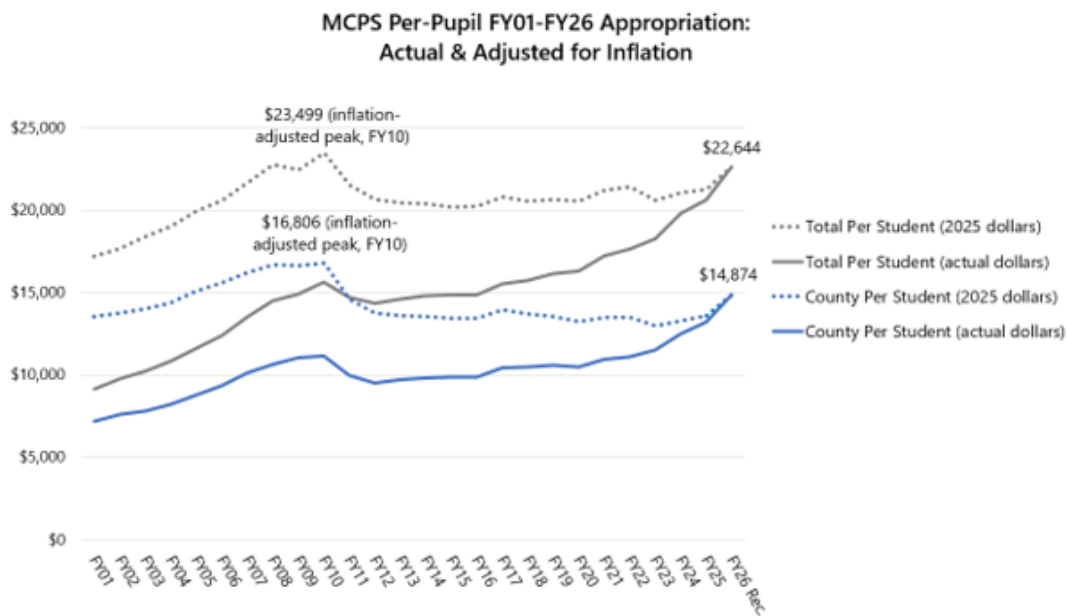
My recommended budget increases County funding for the MCPS budget by \$250 million, the largest increase ever for MCPS. State funds for MCPS increase by \$49.3 million, and Federal funds decrease by approximately \$5.5 million. Per-pupil funding grows by \$1,659, and my recommended MCPS budget exceeds the State's Maintenance of Effort requirement by over \$256 million.

The FY26 MCPS budget request is unprecedented - and is meant to solve unprecedented challenges in the school system, as well as implement the State's Blueprint requirements. This budget funds the negotiated compensation agreements

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for teachers and other MCPS employees to retain and recruit outstanding educators and other essential school staff, including providing the requested funding to increase the number of special education teachers and paraeducators and increase school security. Specifically, this budget will fund nearly 700 new MCPS staff members, including 188 teachers and 500 paraeducators (134 new and 366 converted from part-time to full-time) to address an urgent need in educating our youth in special education programs.

As you can see in the graph below, with this recommended budget, we make great strides in returning our total per pupil funding level to the peak level in FY10, when adjusted for inflation.



In addition to funding provided directly to MCPS, this budget contains significant funding to County departments supporting the mission of our school system and ensures that children have access to health and mental health services in our schools.

In the Department of Health and Human Services (DHHS), funding for School Health Services totals \$51.1 million and funding for Linkages to Learning totals \$15.1 million. This budget adds \$1.7 million to enhance and expand school health services, including \$1.5 million for Blueprint-required nurse staffing in 11 new community schools and \$225,000 to add three nurse managers to support sustainable staffing. It also provides \$414,000 for new Linkages to Learning staffing at Burnt Mills Elementary School, Greencastle Elementary School, and Silver Spring International Middle School and \$65,000 to improve recruitment and retention of bilingual therapists.

My FY26 Recommended Budget also includes \$688,000 to expand the Excel Beyond the Bell Program to two additional elementary schools - East Silver Spring and Waters Landing. This program provides access to programs that have proven to have positive impacts on children's development, learning, and wellness.

## Early Childhood

In March 2019, the County Council and I launched the Early Care and Education Initiative to address the need for comprehensive support of quality early care and education opportunities in Montgomery County. Early care and education is one of the top priorities of my Administration. I am recommending an additional \$4.0 million in funding for the Early Care and Education Non-Departmental Account to continue ongoing services and programs such as Working Parents Assistance and the County's Supplement to the State Child Care Scholarship Program that will provide childcare subsidies for families with incomes up to 450 percent of the federal poverty level. Without this additional funding, an estimated 644 children



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would lose access to affordable childcare. In addition, without the funds, other early childhood programs such as the LENA language development programming and Basics community partnerships to support families with young children would be eliminated. Full funding of this budget also allows for the EquiCare Subsidy Seats Grant Program to continue, which will cover the cost of quality childcare seats for infants and toddlers (age 6 weeks to 36 months). EquiCare grants aim to enhance the availability of high-quality infant and toddler childcare seats and address the needs of families that do not meet the eligibility criteria for current early childhood public programs.

## Support for Individuals and Families

Economic and social inequities exist in our community. My recommended budget makes targeted investments in programs that mitigate some of these inequities, alleviating some of the life-or-death struggles experienced by residents.

My budget recommends \$6.9 million to continue supplemental funding that was provided in FY25 for the Short-Term Housing and Resolution Program (SHARP) program. SHARP targets families housed in motels used for overflow shelter and those housed in County family emergency shelters to move them to permanent housing where they receive ongoing support and case management aimed at helping them achieve self-sufficiency.

With the end of Federal funding that provided emergency rental assistance, we need to fill the gap with prevention and other services. Prevention is far more cost-effective than shelters or motels. To that end, I am recommending the continuation of supplemental funding that was provided in FY25 of \$2.9 million for eviction prevention, bringing the total of that program in DHHS to \$16.4 million. I am also recommending \$2.0 million to maintain service levels in rapid rehousing due to increased rents and the end of Federal funding, and \$1.2 million for the Housing Initiative Program to replace Federal funds with general funds that will provide permanent supportive housing to 39 households.

Montgomery Cares is a public-private partnership to provide primary care to uninsured or underinsured adults. For years, the County has relied on Montgomery Cares clinics to ensure continued health care access for our most vulnerable residents, while compensating clinics at 40 percent or less than the actual cost of care. This budget, like my recommended budgets for the prior two years, aims to recognize the immense fiscal challenges facing clinics as they struggle to attract providers, afford basic supplies amidst historic inflation, and meet unprecedented demand for services. To support these needs, I am recommending \$2.2 million to fund a 45 percent reimbursement rate, provide for enrollment growth in both Montgomery Cares and Care for Kids (CFK), and expand to a new clinic at the Islamic Center of Maryland. I also renew my recommendation to add \$180,000 to ensure CFK youth can access reproductive healthcare services that were not funded by the Council in FY25.

In addition to my recommended enhancements for Montgomery Cares, I am recommending an additional \$300,000 to begin to address the lack of affordable and accessible dental services in East County by partnering with community providers to serve 300 residents.

The Governor's budget proposal includes significant funding reductions to payments for providers of services to residents with developmental disabilities. If adopted by the Maryland General Assembly, the County cannot fully replace any funding cuts by the State; however, we do provide a supplemental payment for these providers. My budget recommends a three percent increase to the developmental disabilities' provider supplement (\$651,000), as well as the supplement we pay for providers of adult medical daycare services (\$67,000). Like my recommended budget last year, this budget also adds \$112,000 to the base to ensure continued funding for a respite care provider reimbursement rate adjustment.

In recent months, several key revenue sources have been reduced, eliminated, or have become insufficient due to rising inflation, including the elimination of Federal grant funds. This budget provides general funds to mitigate the impact of insufficient revenues that would otherwise result in service disruptions and worsened health outcomes for our residents, including HIV, AIDS, and STI services (\$722,000); the Maryland Family Network (\$175,000); Senior Nutrition Services at the Silver Spring Recreation and Aquatic Center (\$148,000); Infant and Early Childhood Mental Health Grant Reduction (\$131,000); Hepatitis B and immunization services (\$127,000); and rising Countywide food costs in Senior Nutrition

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Services (\$101,000).

Food insecurity remains a significant challenge for many households and requires long-term strategic initiatives to enhance and maintain our local food system's resilience. In FY25, the Office of Food Systems Resilience launched the Community Food Assistance (CFA) Grant Program to competitively award food assistance grants to community partners that strategically serve residents most in need while addressing vulnerabilities in our local food system. In coordination with the CFA Grant Program, I recommend base budget support for the Capital Area Food Bank and Manna Food Center to purchase bulk products that CFA grantees utilize and ensure continued availability of culturally appropriate products. In lieu of duplicative non-competitive contracts, this budget adds funding to the School-Based Food Assistance Grant Program to allow partners to apply for competitive awards. Recognizing high unmet demand in the program, this budget also ensures that 20 additional schools will be served by school-based food assistance.

## Affordable Housing

My FY26 Recommended Operating Budget provides financing for the County's full spectrum of affordable housing and associated services.

In total, my FY26 budget allocates approximately \$312.8 million in resources to support Affordable Housing and other housing-related services, including funds in the Department of Housing and Community Affairs (DHCA), DHHS, the Housing Opportunities Commission, and for community organizations that augment County services.

Of the total amount, I have included \$59.8 million in the Housing Initiative Fund (HIF) in my recommended operating budget and \$108.9 million in new funding for three Capital Improvements Program projects, including the Affordable Housing Acquisition and Preservation project, the Affordable Housing Opportunity Fund, and the Revitalization for Troubled and Distressed Common Ownership Communities project. This amount includes \$102 million in new capital funding for the Affordable Housing Acquisition and Preservation project (including an additional \$75 million supported by taxable bond proceeds in the HIF), \$5 million from loan payments to reinvest for projects facing risk of rent escalation, and \$1.9 million to continue supporting revitalization needs of common ownership communities throughout Montgomery County.

The \$59.8 million in HIF operating funds includes \$25.4 million for the Rental Assistance Program (RAP) to continue providing rental assistance and supportive services to help the County's most vulnerable residents, and an additional \$1.5 million to provide more resources for first-time homebuyers with downpayment assistance and counseling services through Homeownership Assistance programs. The budget also continues funding to support the Building Neighborhoods to Call Home and the Home Accessibility Rehabilitation (aka Design for Life) programs.

The table below provides detail on programs funded in the HIF in FY26, as well as what funds are provided in the capital budget.



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**FY26 Funding for the Montgomery Housing Initiative Fund**  
(S in Millions)

| <b>Program</b>  | <b>Amount</b> |
|---|---------------|
| Multi-family Housing Program - Housing Production & Preservation      | \$12.4        |
| Affordable Housing - Homeowner Downpayment Assistance                 | \$5.5         |
| Affordable Housing - Home Accessibility Rehabilitation Program (HARP) | \$0.3         |
| Housing First   | \$9.7         |
| Rental Assistance Program   | \$25.4        |
| Neighborhood Revitalization - Building Neighborhoods to Call Home     | \$2.0         |
| Department operations   | \$4.5         |
| <b>Total</b>  | <b>\$59.8</b> |

**FY26 Funding for Affordable Housing in the Capital Budget**  
(S in Millions)

| <b>Project</b>  | <b>Amount</b>  |
|---|----------------|
| Affordable Housing Acquisition and Preservation Project (includes \$75 million in new taxable bond funding backed by appropriation in the MHI). | \$107.0        |
| Revitalization for Troubled and Distressed Common Ownership Communities CIP   | \$1.9          |
| <b>Total</b>  | <b>\$108.9</b> |

My FY26 Recommended Operating Budget also provides funding to support critical services in the Department of Housing and Community Affairs (DHCA) with sufficient staffing capacity to serve our residents and communities effectively. As recommended by the County Council during the FY25 budget deliberation, the department is proposing the second phase of licensing fee increases on multi-family rental units and short-term rentals to offset additional staffing needs for required inspections and enforcement. The revenue generated from the increased licensing fees will be utilized to directly support programmatic operations and improve service delivery in Licensing and Registration, Code Enforcement, the Office of Landlord-Tenant Affairs (OLTA), and Short-Term Residential Rental programs.

For FY26, DHCA continues its commitment to supporting tenants and landlords in meeting their needs and the County's requirements through collaborative efforts between the Rent Stabilization Program and OLTA. DHCA also continues improving the licensing application processes and enhancing enforcement activities related to short-term residential rentals.

I am also increasing support for the Common Ownership Communities (COC) program by adding additional staff to manage and administer a new loan program for those troubled and distressed COCs, as recommended and approved in my FY25-30 Capital Improvements Program. To support this needed staffing capacity, the department is proposing an increase in COC registration fees of \$3.50 per unit to offset the costs associated with the dedicated staffing to help COCs address the required capital improvements and avoid loss or displacement of housing units, particularly for low-income homeowners. Some of our COCs are the most affordable homeownership opportunities available, and assistance is needed to ensure their ongoing viability.

## Public Safety

I continue to make recommendations to enhance public safety services in our Fire and Rescue Service, Correction and Rehabilitation, Emergency Management, and Police departments.

In the Montgomery County Fire and Rescue Service, my recommended budget leverages additional funding from the State's Emergency Services Transporter Supplemental Payment Program (ESPP) to add a new Basic Life Support unit to

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help manage the growing demand for emergency medical services. This unit will improve response times and address the rising volume of Emergency Medical Services (EMS) transport needs. In addition, ESPP funds will be used to add a firefighter position to enhance public education and outreach through participation in school programs and public education events, and target risk reduction initiatives to improve community safety. Funds are also allocated to support two additional civilian EMS educators to support the High School Cadet program, allowing uniform personnel to return to frontline response.

In the Department of Correction and Rehabilitation, funds are provided to address structural deficiencies and inflationary pressures in the budget for overtime, food, and pharmacy services. My budget also provides funding to upgrade visiting phones to meet the evidence review and redaction standards of the State's Attorney and Police Department. I have also provided funds to support mandatory in-service and commission-certified training of uniformed correctional officers.

Our Emergency Communications Center is a critical lifeline for Montgomery County residents, ensuring a prompt response when they need emergency services. The County's 911 fee, charged to all phone lines, is intended to cover the County's cost of providing emergency communications services. Our 911 fee has been held at \$0.75 for many years. State law authorizes the County to assess an additional fee sufficient to cover operational costs for the 911 system. To ensure that the costs of providing Emergency Communications Center services are adequately covered by this charge, I recommend increasing this fee to \$1.47 from \$0.75, in line with other comparable jurisdictions in the State.

In the Department of Police (MCPD), my budget continues to expand the innovative Drone as a First Responder program to increase the effectiveness of police response and reduce incidences of unnecessary use of force through improved surveillance and information on calls, which can help indicate whether a suspect is armed, to improve officer decision-making. My recommended budget converts contracted positions supporting this initiative to merit positions and adds a new site in Germantown, increasing the number of locations served to five. I also recommend adding 15 County security guard positions to enhance safety and security at Progress Place. This investment will provide a more appropriate level of response to calls for service at Progress Place and increase police availability in the Silver Spring area by reducing the need for uniformed response to service requests at this location.

This recommended budget invests in digital forensic software to expedite police investigations and reduce officer overtime and case backlogs. This system collects and manages critical evidence to resolve investigations after a search warrant is granted. In addition, I recommend strengthening the Real Time Information Center by converting contracted positions to merit staff to improve MCPD's effectiveness and accuracy in the center's work to address crime in our County.

Finally, I recommend launching a "Speed-on-Green" traffic camera pilot program to reduce collisions, aggressive driving, and speeding at selected intersections.

In the Sheriff's Office, my budget funds upfitting for law enforcement vehicles including mobile data computers and radios, to ensure that our law enforcement officers have the equipment they need to effectively and safely provide for the public's security.

Montgomery County is a community of diversity, inclusion, and compassion, but we are not untouched by hate and vitriol. Through funding in our Office of Emergency Management and Homeland Security, this budget continues to support nonprofit organizations at high risk of experiencing hate crimes and continues the \$300,000 in one-time funds provided in FY25, bringing the program total to \$1.2 million to enhance the security of their facilities and the safety of our residents.

## Environmental Sustainability and Climate Change

We are facing a climate crisis that is not easily solved; however, we must do what we can and hopefully serve as a model for other jurisdictions around the country. This is especially true given recent changes at the Federal level.

In the Department of Environmental Protection (DEP) and other key departments addressing climate change, I am proud to maintain, in this particularly challenging budget year, the funding we have dedicated toward combating climate

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change. In addition, my budget increases funding for the maintenance and inspections of best management practice (BMP) stormwater management structures throughout the County, which is required under the County's Municipal Separate Storm Sewer System (MS4) permit. I also added a new position to assist with the inspection and maintenance of BMPs on private property, which is the responsibility of the County but harder to do because we must coordinate with property owners to complete the work.

My recommended budget adds \$150,000 to increase funding for the Clean Water Montgomery grant program, where demand continues to exceed funding. I am also adding new funding to create an internship program for high school or college students who are interested in the watershed management field. Finally, I am providing \$250,000 to conduct an outreach and communication campaign to residents and businesses concerning the County's amended bag fee law so that everyone knows plastic bags are banned as of January 1, 2026, when the fee for a paper bag will increase from \$0.05 to \$0.10. The Water Quality Protection Charge rate increases \$10.50 per-equivalent residential unit (ERU) to pay for the County's stormwater management program, comply with our MS4 permit, and prepare the fund to pay for Countywide flood mitigation work.

Outside of DEP's budget, I continue funding for contractual communications support in the Climate Change Planning Non-Departmental Account that was approved by the County Council as only one-time funding in FY25. This funds the development, implementation, and testing of climate-focused outreach and marketing, and in FY26 the funding will allow us to continue the most effective outreach efforts. My budget also directs \$15.8 million to the Montgomery County Green Bank, though here I am recommending less than the County's goal of appropriating 10 percent of the Energy Tax due to affordability.

In the Recycling and Resource Management Division of DEP, my budget funds the County's final contract extension with the operator of the Resource Recovery Facility (RRF). In the capital budget, I fund the initial design of a Material Recovery and Biological Treatment Facility to divert as much material from the County's waste stream as possible. The operating budget continues to fund the design and eventual implementation of a completely new waste processing system so that we have a place to send our material once the RRF is shut down. As a result, solid waste charges increase 31.0 percent for single family homes, 104.4 percent for multi-family properties, and 104.9 percent for commercial properties. The major drivers of this increase are from the contract extension of the Resource Recovery Facility and initial design funding for the Material Recovery and Biological Treatment Facility.

## Transportation and Transit Services

I continue to be concerned about our ability to build the transportation infrastructure that a 21st-century community must have to remain competitive. Our current property and real estate transaction tax structure is centered on the taxation of residential development. It is reflective of the economy of the 1950s and 1960s, which was fueled by post-WWII rapid growth of residential development. During this time, Montgomery County was able to build the best schools and modern transportation infrastructure. However, as we have become a mature and developed community, this tax structure is no longer sufficient or equitable for us to have the transportation infrastructure needed to develop and sustain a strong 21st-century economy.

The FY26 Operating Budget makes Ride On a fare-free transit system, which prioritizes transit by making our bus system even easier to use for current riders while encouraging ridership growth. From a budget perspective, a zero-fare policy eliminates the need to replace the obsolete fareboxes on Ride On buses or develop a fare enforcement system, which would burden County residents who can least afford fines. Ride On has seen consistent ridership growth but also increased fare evasion, such that in FY25, fare revenue is expected to be \$1.6 million. This represents a \$1.2 million decline year-over-year and an \$18.9 million decline from FY19. With annual fare collection costs of \$557,000 and a \$19 million farebox technology capital expense needed across FY26 and FY27, a zero-fare policy is cost-efficient over the next six years. The "inform not enforce" policy, which was instituted due to the high cost of staffing enforcement officers on buses, has not been effective for fare collection. Zero fares support the County's equity goals, while also boosting ridership, increasing service and operational efficiency, and providing the potential to shift more trips to transit, in support of climate and sustainability goals.

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At the same time, my recommended budget provides a much-needed increase in funding for bus shelter maintenance, which will enhance safety, accessibility, and cleanliness for bus riders in Montgomery County.

The Montgomery County Department of Transportation has partnered with Howard County to extend the Flash Bus Rapid Transit service. Starting in 2026, the Montgomery County Department of Transportation will provide direct transit service on U.S. 29 from Columbia and other points in Howard County to Silver Spring. Flash service in Howard County will be subsidized by the Howard County government, with no added cost to Montgomery County. This enhanced service will improve transit travel time and increase opportunities for a broad range of users by connecting riders to high-density housing and employment centers.

In support of the County's Climate Action Plan goals, the County has added 26 battery-powered electric buses as replacements for diesel-fueled buses in the Ride On bus fleet. An additional 86 electric buses are planned to be added to expand the fleet to 112 electric buses by the end of FY26. My recommended operating budget funds a solar microgrid project at the County's Gaithersburg bus depot, which will generate green hydrogen fuel for hydrogen fuel cell electric buses.

## Economic Development and Workforce Training

My FY26 Recommended Operating Budget includes an improved and more targeted approach to economic development, with approximately \$28.0 million to support growing the County's economy, an increase of 6.9 percent from the FY25 Approved Operating Budget. My recommendation builds on our goal for an inclusive and innovative economy by leveraging our talented workforce, existing bio-health strengths, innovation economy, location, and quality of life assets. Economic development is not the responsibility of any one department or organization, and these activities are funded through multiple County departments and economic development organizations. Through these combined efforts, the County supports business and startup growth, attracts domestic and international relocation, and measures impact to continuously improve service delivery.

My FY26 Recommended Operating Budget realigns the County's funding to provide technical and targeted support for our innovation ecosystem and strategic industries. While we are the center of the third largest life sciences cluster in the country, we have been examining what assets our leading competitors have that we are currently not able to provide. This budget will address areas where we can assure bio-health businesses that they do not have to go elsewhere to find the local supports needed to grow. I am recommending a new investment in our innovation ecosystem. This investment will allow the County's three incubators and a new Artificial Intelligence Innovation Center to provide technical readiness level assessments, focused technical assistance, robust educational programming networking, and operational activities for current tenants and for other County entrepreneurs across industry sectors.

Without this targeted support, the County's economy will be left behind as other jurisdictions leverage these resources to support early-stage entrepreneurs. The recommended funding for the Montgomery County Economic Development Corporation fully supports its strategic attraction, retention, and marketing efforts for the County.

My recommended budget ensures that County residents have the skills needed to succeed in the 21st-century economy, which is crucial to our community's growth. I am recommending a total budget of \$2.5 million for WorkSource Montgomery. This is a 9.6 percent increase over the prior fiscal year and includes additional funding to support the Summer RISE youth program and programming at the Montgomery County Correctional Facility to support successful reentry opportunities that were previously funded with Federal dollars.

My recommended budget provides funding for BioHub Maryland in Montgomery County. This program is a partnership with the Maryland Tech Council that trains our workforce at a state-of-the-art, multifunctional facility equipped with cutting-edge industrial bioprocessing equipment. The curriculum, offered in conjunction with Montgomery College and the Universities at Shady Grove, equips residents, including veterans and members of disadvantaged communities, with skills and knowledge they need to enter the life sciences field.

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## Libraries and Recreation

Montgomery County Public Library's (MCPL) customers are using online resources in record numbers. Because of increased utilization and increased costs to purchase access to digital materials, I am recommending an increase to the MCPL budget of \$121,000 to meet public demand for online materials, specifically for the Hoopla digital material platform, where customers borrow library materials on demand. This platform has experienced a 135 percent increase in the number of users since FY22.

In addition, I am recommending continued redevelopment of the world languages collection in alignment with the County's language priorities. As part of my goal to address racial and ethnic disparities, I am recommending increasing the MCPL budget for world languages by \$154,000 in FY26 to revitalize this collection, with purchases in Spanish, Chinese, Vietnamese, Korean, French, Amharic, Farsi, Russian, and Bengali, distributed to library branches where those languages are most spoken.

For the past two years, Montgomery County Recreation fitness passes have been free for Montgomery County residents. The free pass provides individuals 16 years and older access to fully equipped fitness rooms, open gym (drop-in) activities, and game rooms at any recreation center (excluding aquatic facilities) during regularly scheduled hours. I am happy to report that because of the success of this initiative, this budget recommends continuing it into the next fiscal year.

## Effective and Sustainable Government

My budget provides funding for the Department of Technology and Enterprise Business Solutions (TEBS) to modernize and secure County government information technology systems. Information technology expenses continue to face inflationary pressures. TEBS continues to invest in enhanced cybersecurity and artificial intelligence to best leverage limited public dollars to provide efficient and effective service. My budget ensures the security of our residents' information and improved efficiency through cutting-edge technological advancements. Beginning this year, my budget will invest in artificial intelligence tools such as Microsoft CoPilot to help County employees increase the efficiency of their work.

Consistent with national trends, Cable Fund revenues continue to decline at an accelerated rate due to "cord cutting" and the move to streaming services that do not pay cable franchise fees. This budget reflects a transition year where I have directed partners in our Public, Educational, and Governmental media efforts to consolidate and streamline our efforts as the County reorients for significantly reduced revenues in FY28. Over the next year, the Connect Montgomery Alliance will work with TEBS to wind down operations and develop a strategic plan for our future communications needs.

The County's current procurement system is outdated and inefficient due to its reliance on multiple applications for vendor registration, sourcing, contract management, and compliance management. The Office of Procurement issued a Request for Expression of Interest (REOI) to identify systems capable of consolidating these functions into a single platform for complete lifecycle management of County contracts. My FY26 recommended budget includes \$770,000 to fund a new e-procurement system. This system will centralize operations to improve vendor management, simplify reporting, and eliminate challenges linked to maintaining multiple outdated systems, resulting in a more efficient and cost-effective procurement environment.

Community Use of Public Facilities (CUPF) provides community organizations and public agencies with access to public schools and government facilities for community services, programs, and events. After more than 16 years without a fee increase, CUPF is adjusting its fee structure to better meet rising operational costs and ensure continued quality of services. CUPF included equity considerations when determining fee increases and the impact those increases will have on the community. The revised fee structure will allow CUPF to achieve long-term solvency and make improvements that will facilitate improved administration and operations. These fee increases will be phased in over the next three fiscal years.

## Community Partners

This budget strengthens and improves the County's relationship with community partners. The services offered by

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our partners help us address poverty and social inequity, provide emergency services and health care, serve disconnected youth in our community, and ensure that seniors and persons with disabilities receive quality services. These partnerships help our neighbors who are most in need access the services they require to thrive. I am recommending a three percent inflationary adjustment for nonprofit contracts across County government.

This budget provides funding for the Office of Grants Management to create a centralized system for tracking, approval, and reporting of grant funding received by the County. It also funds an attorney position within the Office of the County Attorney that will be focused solely on grants issues. With potential changes to Federal grants forthcoming, it is critical that we have a reliable end-to-end grant tracking and reporting system and dedicated legal staff to help us navigate those challenges.

The budget continues to fund multi-year Community Grants Non-Departmental Account (NDA) grant awards (\$10.8 million), including \$4.8 million to continue the FY25 legacy community grant award renewals. In addition, my recommended budget also provides \$1 million for Nonprofit Technical Assistance and Management Support Grants, \$1 million for the Nonprofit Incubator program, and a three percent inflationary increase for all continuing grant awards.

## ■ Legislative Branch

My FY26 Recommended Budget fully funds the requests of the County Council, Office of Legislative Oversight, Board of Appeals, and Merit System Protection Board. It also increases funds for the Office of Inspector General by \$482,000 and provides for one additional investigator position to support MCPS investigations.

For the fourth year, I am recommending funding for the Office of the People's Counsel with two staff members. This office is housed in the Legislative Branch, and this recommendation is in addition to the Council's request. As I have said repeatedly, when the County Council conducts, deliberates, and votes on land-use hearings and zoning amendments, it is important that residents have direct input into these processes. For residents to have direct input, they need access to legal guidance and assistance to understand the implications of complex land-use and zoning issues. The Office of People's Counsel was last funded in FY10, and I recommended funding the Office in FY23, FY24, and FY25 but these recommendations were ultimately not approved by Council. I make this recommendation again this year because the need for this position has only increased due to the added complexity and consequent public uncertainty created by the passage of the new General Plan, Thrive Montgomery 2050.

## ■ Outside Agencies and Municipal Partners

My budget fully funds Montgomery College's request. In FY26, the college's budget will increase by \$10.8 million, or 3.2 percent, and does not require additional County dollars.

I am recommending a budget increase for the Maryland-National Capital Park and Planning Commission of 4.5 percent for the Administration Fund and 3.2 percent for the Park Fund.

My FY26 Recommended Budget for WSSC Water provides for a 9.8 percent rate increase, consistent with the commission's request and below the spending affordability limit of 10.2 percent approved by the County Council.

My budget increases the Payments to Municipalities budget by \$726,000. This increase represents changes negotiated with the municipalities regarding the computation of the police reimbursement component of the formula, as requested by the County Council, and includes a one-time payment to Takoma Park to correct an error in the FY25 budget.

## ■ Conclusion

The funding recommendations included in this budget reflect months of effort and feedback from residents, community groups, stakeholders, advocates, businesses, nonprofit organizations, County employees, and our labor partners.

This budget balances community needs, economic forecasts, and the growing cost of doing business, and funds our

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reserves at 11.2 percent of adjusted governmental revenue (\$87.2 million above our policy goal) as a contingency against State and Federal actions.

Because of the fiscal pressures we faced this year, this budget largely reflects a continuing services budget for many departments. It recognizes savings throughout County government, and makes targeted investments in economic development, affordable housing, public safety, and social safety net programs.

The unprecedented funding request by the Board of Education reflects the unprecedented needs of our school system, which is also facing many of the same challenges as the County government, with the added pressure of implementing the State's Blueprint requirements. It is because of these needs and extreme pressures that I am recommending a modest 3.5 cent increase to the education supplemental property tax rate and offsetting that with an increase to our homeowner's property tax credit to help mitigate the impact of that tax rate increase. Even with these changes, our weighted property tax rate is low, when compared to our neighbors.

Looking to the future, we will need to have frank conversations about the structural imbalance between the growing demands for County services and the revenue streams we currently have available. I continue to advocate at the State level for the ability to reform our outdated tax structure to something more progressive and suitable for a 21st-century community.

Despite the challenges we face, including those from Annapolis and Washington, our County remains resilient. Some of these challenges will be resolved in the coming weeks, and I plan to submit budget amendments to the Council following the Maryland General Assembly's conclusion in April.

Our County continues to attract both individuals and businesses thanks to our exceptional assets: a talented workforce, rich diversity, a strong economic foundation, a strategic location, and vital amenities like quality schools and parks.

I remain deeply optimistic about our County's future trajectory because we are making deliberate, critical investments in the policies that maintain our community's appeal, strength, and competitive edge - supporting our people, businesses, and infrastructure.



Marc Elrich  
County Executive, Montgomery County