




OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

MEMORANDUM

May 16, 2012

TO: Roger Berliner, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: FY13 Budget Adjustments

Pursuant to State action resolving its FY13 operating budget during the recently concluded Special Session, I am recommending the Council adopt the amendments proposed in this memorandum. As anticipated, the State's adopted budget shifts teacher pension costs to Montgomery County starting in FY13 and has it fully phased-in by FY16. The County must increase its local contribution above Maintenance of Effort (MOE) by the amount of the shift during the phase-in period, after which the fully phased-in amount is rolled into the MOE base. The State also enacted a revenue measure which results in the adjustments detailed below.

The State has shifted a huge financial burden to the County at the same time that the County's recovery from the recession remains fragile. We know that the revenue measures enacted by the State will not produce enough additional revenue in future years to offset the cost of the pension shift beginning in FY14. This fact coupled with the State's changes to the MOE law, notably the provision related to seizure of the County's income tax revenue, has exposed the County to significant financial risk.

**FY13 Operating Budget Amendments**

**Montgomery County Public Schools**

**Increase Current Fund Appropriation – \$27,227,553**

The Budget Reconciliation Financing Act (BRFA) shifts \$27,227,553 in pension costs to the local school board in FY13. The MCPS Current Fund appropriation must be increased from \$2,001,643,842 to \$2,028,871,395. The County Government must add this amount to its local contribution to MCPS.

Roger Berliner, President, County Council  
May 16, 2012  
Page 2

### **Montgomery County General Fund**

#### Increase FY13 Income Tax Revenue Estimate – \$20,706,000

The State has relieved local jurisdictions of the repayment obligation related to the Income Tax Reserve Fund. The recommended fiscal plan had assumed repayment of this obligation beginning in FY13. Relief from this obligation increases estimated FY13 income tax revenue by \$10,503,000. In addition, the State enacted several changes to the income tax which are estimated to raise an additional \$10,203,000 in revenue in FY13. The income tax changes are retroactive to the beginning of 2012, which means that FY13 will effectively include 18 months of income tax revenue at the increased level. Therefore, the recurring annual revenue increase that will be reflected in FY14 and beyond is expected to drop to \$7.157 million.

#### Increase FY13 Recordation Tax Revenue Estimate – \$6,658,375

The State addressed certain property transactions known as indemnity deeds of trust, which may result in additional recordation tax revenues in FY13. These revenues are volatile, highly sensitive to economic conditions, and difficult to estimate accurately. While the County had previously estimated an increase as high as \$11 million, it is prudent to assume a smaller amount sufficient to offset the cost of the pension shift in FY13. It is risky to confidently assume this as a reliable on-going source of funding.

#### Contribution to the Revenue Stabilization Fund – \$136,822

County law requires a mandatory contribution of 0.5 percent of revenues to the Revenue Stabilization Fund (RSF). State action is projected to increase County tax supported revenues by \$27,364,375, which results in an additional mandatory contribution to the RSF of \$136,822.

### **Montgomery County Fire Rescue Service**

#### Increase Fire Rescue Service Appropriation -- \$7,376,420

I had previously transmitted a budget amendment adding Emergency Medical Services transport reimbursement revenue and implementation costs to the FY13 operating budget. I recommend an additional increase to fund fire rescue system improvements and a patient advocate as detailed in the attachment. These enhancements are fully funded by projected FY13 EMS revenue.

As you know, the County received a letter from the Maryland Department of Transportation regarding a potential State budget amendment of \$10 million in FY13 to support Ride On bus service. According to the Office of Intergovernmental Relations, these are one-time funds and contingent on a subsequent action by the State. I am not recommending the County take any action at this time, but I will make a recommendation to the Council if these funds are appropriated at some later date.

As always, my staff will be available to discuss these changes with the Council in its deliberations on the FY13 Budget.

IL:jah

Attachment

Roger Berliner, President, County Council

May 16, 2012

Page 3

- c: Timothy L. Firestine, Chief Administrative Officer
- Dr. Joshua Starr, Superintendent, Montgomery County Public Schools
- Dr. DeRionne Pollard, President, Montgomery College
- Francoise Carrier, Chair, Montgomery County Planning Board
- Stephen B. Farber, Council Staff Director
- Kathleen Boucher, Assistant Chief Administrative Officer
- Department and Office Directors
- Office of Management and Budget Staff

## **FY13 Fire and Rescue System Improvements and Enhancements**

**Service Restoration (\$1.3 million)** – A ladder truck in the first battalion will be placed in service with dedicated twenty four hour staffing. (NOTE: This ladder truck was taken out of service because of recent fiscal challenges.)

**Apparatus Replacement Funding (\$3.1 million)** – In FY13 funding will be provided to purchase 1 tractor drawn ladder truck, 1 Engine Company, and 5 EMS units for system unit response improvements.

**Facility Maintenance and Improvements (\$2.3 million)** – A strategic facility assessment and subsequent plan for all LFRD and county owned fire and rescue stations will be conducted in FY13 and initial maintenance and repairs to these facilities will commence in FY13 and carry through future fiscal years.

**Training (\$250,000)** – System training for career and volunteer personnel to include core fire, rescue, EMS technical rescue and driver training classes will be conducted in FY13 and carry through future fiscal years.

**Fire and Rescue Equipment (\$350,000)** – Beginning in FY13 and future fiscal budget years funding to purchase personal protective equipment, portable fire, rescue, technical rescue and EMS equipment for career and volunteer personnel, the training academy and for operational units.

**Patient Advocate (\$76,420)** – This position will assist consumers to resolve complaints related to payment of ambulance or other consumer medical transportation fees and will serve as liaison with the emergency medical services transport billing companies and insurance carriers to resolve issues. This position will be in the Office of Consumer Protection.

**TOTAL = \$7,376,420.00**