



OFFICE OF MANAGEMENT AND BUDGET

Marc Elrich
County Executive

Jennifer R. Bryant
Director

MEMORANDUM

March 17, 2026

TO: Natali Fani-González, President
Montgomery County Council

FROM: Jennifer R. Bryant, Director
Office of Management and Budget

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Michael J. Coveyou, Director
Department of Finance

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SUBJECT: FY26 Second Quarter Analysis

Attached please find the Second Quarter Analysis for Montgomery County Government. As detailed in the attached report, expenditure variances are relatively small across most departments, and the County Executive's FY27 Recommended Operating Budget incorporates the results of this analysis. We will continue to monitor department spending and may revise this estimate to reflect more up-to-date information in the third quarter analysis. Significant expenditure variances are described below.

Second Quarter Expenditure Results

The County Attorney projected overspending is due to projected contract expenses that are greater than budgeted.

The Office of Emergency Management projected overspending is due to the General Fund coverage of grant funding that is being eliminated.

The Department of General Services projected overspending is due to unbudgeted overtime, contractual increases, and after-hours and weekend emergencies at County facilities.

The Fire and Rescue Service projected overspending is due to unbudgeted overtime costs, increased motor pool costs, and increased service contract costs.

The Office of Procurement projected overspending is due to lump sum leave payouts and paid parental leave.

Office of the Director

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The Silver Spring Urban District projected overspending is due to unbudgeted overtime.

The State Property Tax Service projected overspending is due to a prior year billing error adjustment by the State.

The Weather Response NDA expenditures are assumed to exceed the budget of \$6.9 million by \$45 million. The estimate will be reassessed and may be revised at the end of the third quarter.

The Working Families Income Supplement NDA projected overspending is due to an increase in the number of eligible filers.

The Recreation Non-Tax Supported Fund projected overspending is due to increased contract costs and an increase in program enrollment.

Second Quarter Revenue Update

The Revenue Estimating Group report from February 17 provided a review of tax revenue collections through the second quarter of FY26 that ended on December 31, 2025. Additional information on FY26 revenues are included in the County Executive's recommended budget that was submitted on March 13.

Reserves

The County's FY26 total ending reserves are estimated to be \$951.1 million, or 13.3 percent of adjusted governmental revenues. As noted in the December Fiscal Plan Update, the initial estimate of reserves was preliminary and subject to change based on updated information. This reserve estimate includes the additional spending in FY26 contained in this analysis. Additional details on the County's reserves are included in the County Executive's recommended budget that was submitted on March 13.

JB/MC:cm

Enclosure: Second Quarter Analysis of Expenditures

cc: Marc Elrich, County Executive
Thomas Heyboer, Chief of Staff to the Council President, Montgomery County Council
Craig Howard, Executive Director, Montgomery County Council
Richard S. Madaleno, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
Luisa Cardona, Assistant Chief Administrative Officer
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All County Government Department and Office Directors