

**MEMORANDUM**

April 22, 2009

TO: Management and Fiscal Policy Committee  
FROM: *CHS*  
Charles H. Sherer, Legislative Analyst  
SUBJECT: Recommendations from the Management and Fiscal Policy Committee regarding  
FY10 Operating Budget for four NDAs (section 68 in the budget)

**Committee recommendation** The Committee met on April 14 and recommends **approval** of the four non-departmental accounts as shown below.

NDA	FY09 Budget	FY10 Executive	FY10 MFP	Difference
Future Federal/State/Other grants	\$10.0 million	\$15.0 million	<b>\$20.0 million</b>	+\$5.0 million
Grants to municipalities in lieu of shares tax	28,020	28,020	<b>28,020</b>	0
Takoma Park police rebate	705,570	854,920	<b>854,920</b>	0
Municipal Tax Duplication	7,488,240	7,488,240	<b>7,488,240</b>	0

**I. Future Federal, State, or Other Grants** (©1) This account is funded entirely from non-County sources and permits the County Government to accept and spend funds from grants by transferring funds from this account, rather than requesting a supplemental appropriation. This process saves time and paperwork. The appropriation can only be spent if grants are received.

In November 1994, the voters approved a Charter amendment that **excluded** all specific grants, such as these, from the calculation of the aggregate operating budget for spending affordability purposes. There is no "harm" done if the County receives less than the appropriated amount. If the County receives more, then the Council will have to go through the effort and expense of processing a supplemental appropriation.

This NDA has frequently been under-funded in the budget the Council approves in May, as shown below. Each supplemental appropriations requires the unnecessary expenditure of time and money.

**FY10** The Executive recommended \$15.0 million, which is \$5.0 million more than the original FY09 budget but \$5.0 million less than the revised FY09 budget after the \$10.0 million supplemental appropriation. **To avoid the time and expense of processing another supplemental appropriation if needed in FY10, Council staff recommends an FY10 budget of \$20 million.** The source of funds will be non-County funds, and this increase will have no impact on the tax-supported funds.

NDA FOR FUTURE FEDERAL STATE AND OTHER GRANTS  
\$million

FY	Appropriation		
	May	Supplemental	Total
1999	8.0	10.0	18.0
2000	15.0	0.0	15.0
2001	15.0	0.0	15.0
2002	15.0	10.0	25.0
2003	15.0	0.0	15.0
2004	15.0	0.0	15.0
2005	10.0	0.0	10.0
2006	10.0	8.0	18.0
2007	10.0	8.0	18.0
2008	10.0	8.0	18.0
2009	10.0	10.0	20.0

**II. Grants to Municipalities in lieu of Shares Tax** (©1). This budget is the same each year: \$28,020. In 1968, the State General Assembly revised the tax structure to permit a County income tax, to eliminate a tax on banks and other financial institutions (referred to as a “shares tax”), and to require counties to pay to municipalities each year the amount of the shares tax the municipalities received in 1968, which was \$28,020.

**III. Takoma Park Police Rebate** (©4) In accordance with the County Code, the County pays the City 4.8 cents per \$100 of the assessable base in the City. As the base increases, the rebate increases.

**IV. Municipal Tax Duplication** (©3) The joint Municipality-County task force is in the final stages of completing its report and presenting it to the Executive. After he sends it to the Council, a briefing

will be scheduled for this Committee and/or the Council. The FY11 payment will presumably be based on the methodology in the report.

Since the task force has not completed its report, the Executive's recommended budget for FY10 is the same as in FY07-09.

### **Background**

Municipal tax duplication payments are required by section 6-305 of the State Tax Property Article and are implemented by chapter 30A of the County code. The Code assigns the responsibility for calculating the amount of reimbursement to the County Executive, not the municipalities. "The amount of reimbursement shall be limited to the amount the county executive estimates the county would expend if it were providing the services...subject to the limits of the funds appropriated by the County Council."

The amount the County would spend is the total cost the County would incur, less any revenue from non tax and non County sources associated with the service. Note that the County does not reimburse for services that the municipality provides but the County does not provide, because the County's cost would be zero. The County does not reimburse the municipalities' costs of providing the services. Instead, as stated above, the County reimburses the net cost the County would spend if the County provided the services.

The services and the amounts reimbursed are calculated according to an agreement among the County and the municipalities that the Council approved on September 10, 1996, in resolution #13-650. Under this agreement, the reimbursements are based on the last completed fiscal year (i.e., the FY07 reimbursements were based on FY05 actuals. The rationale for using actual data from two budget years ago is that the data are known several months before the Council approves the next budget, but actual data from one budget year ago is not known until several months after the next budget year starts.

The reimbursement to Takoma Park for police services is based on a memorandum of understanding between the CAO and the City Administrator signed by the CAO in December 2002 and by the City Administrator in January 2003. The parties believed the new formula more accurately measured the amount the County saves by not providing police services to the City. County and City staff are currently reviewing this MOU to make further improvements in the methodology.

The County Code follows.

## Chapter 30A. MONTGOMERY COUNTY MUNICIPAL REVENUE PROGRAM

§ 30A-1. Established.

§ 30A-2. Qualification of municipal public services for county reimbursement.

§ 30A-3. Determination of amount of reimbursement.

§ 30A-4. Limitations on expenditures.

§ 30A-5. Application to participate in program.

Sec. 30A-1. Established. There is hereby established a program to reimburse municipalities within the county for those public services provided by the municipalities which would otherwise be provided by the county government. (1974 L.M.C., ch. 7, § 1.)

Sec. 30A-2. Qualification of municipal public services for county reimbursement.

Municipal public services shall qualify for county reimbursement if the following conditions are met: (1) The municipality provides the service to its residents and taxpayers; (2) the service would be provided by the county if it were not provided by the municipality; (3) the service is not actually provided by the county within the municipality; and (4) the comparable county service is funded from tax revenues derived partially from taxpayers in the participating municipality. (1974 L.M.C., ch. 7, § 1.)

Sec. 30A-3. Determination of amount of reimbursement. Subject to the provisions of section 30A-4, each participating municipality shall be reimbursed by an amount determined by the county executive to approximate the amount of municipal tax revenues required to fund the eligible services. The amount of reimbursement shall be limited to the amount the county executive estimates the county would expend if it were providing the services. (1974 L.M.C., ch. 7, § 1.)

Sec. 30A-4. Limitations on expenditures. All expenditures by the county under the authority of this chapter shall be subject to the limits of the funds appropriated by the county council. (1974 L.M.C., ch. 7, § 1.)

Sec. 30A-5. Application to participate in program. Any municipality within the county desiring to participate in the county municipal revenue program shall submit not later than November 15 of each year to the county an application which shall be in such form and contain such information as may be required by the county executive. (1974 L.M.C., ch. 7, § 1.)

<b>FY10 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY09 Approved</b>	<b>7,136,360</b>	<b>0.0</b>
Increase Cost: Public safety mobile data computers	292,720	0.0
Increase Cost: Public safety servers	164,650	0.0
Increase Cost: Enterprise server replacement	36,590	0.0
Increase Cost: Professional consultant services	16,640	0.0
Increase Cost: Password reset software	8,440	0.0
Increase Cost: Program measure software	7,300	0.0
Increase Cost: Self help information portal (SHIP) right answer	5,000	0.0
Decrease Cost: Reduction in contract costs and fewer replacements	-828,410	0.0
<b>FY10 CE Recommended</b>	<b>6,839,290</b>	<b>0.0</b>

→ **Future Federal/State/Other Grants**

This NDA enables the County to implement new grant-funded programs up to \$200,000 each and provides funds for grant continuations and enhancements without having to process individual supplemental appropriations through the County Council. Upon approval by the County Executive, funds in this program are transferred to the receiving department's grant account.

<b>FY10 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY09 Approved</b>	<b>10,000,000</b>	<b>0.0</b>
Increase Cost: Appropriation to more closely align historical expenditures & funding	5,000,000	0.0
<b>FY10 CE Recommended</b>	<b>15,000,000</b>	<b>0.0</b>

→ **Grants to Municipalities in Lieu of Shares Tax**

This NDA funds payments required in accordance with State law. The 1968 Session of the General Assembly revised the tax structure to include a County income tax. As part of this restructuring, the shared tax on banks and financial institutions was eliminated, and a provision was adopted which requires counties to pay annually to municipalities the amount (\$28,020) which had been received by the municipalities in FY68.

<b>FY10 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY09 Approved</b>	<b>28,020</b>	<b>0.0</b>
<b>FY10 CE Recommended</b>	<b>28,020</b>	<b>0.0</b>

**Group Insurance for Retirees**

Group insurance is provided to an estimated 4,500 retired County employees and survivors, as well as retirees of participating outside agencies. Employees hired before January 1, 1987, are eligible upon retirement to pay 20 percent of the premium for health and life insurance for the same number of years (after retirement) that they were eligible to participate in the group insurance plan as an active employee. The County government pays the remaining 80 percent of the premium. Thereafter, these retirees pay 100 percent of the premium. Employees hired before January 1, 1987, are also offered the option at retirement to convert from the 20/80 arrangement to a lifetime cost sharing option.

Employees hired after January 1, 1987, are eligible upon retirement for a lifetime cost sharing option under which the County pays 70 percent of the premium and the retiree pays 30 percent of the premium for life for retirees who were eligible to participate in the County group insurance plan for 15 or more years as active employees. Minimum participation eligibility of five years as an active employee is necessary to be eligible for the lifetime plan. The County will pay 50 percent of the premium for retirees with five years of participation as an active employee. The County contribution to the payment of the premium increases by two percent for each additional year of participation up to the 70 percent maximum.

On March 5, 2002, the County Council approved a one-time opportunity for retirees still under the 20/80 arrangement with an expiration date to elect the lifetime cost sharing arrangement. The new percentage paid by the County for those electing this arrangement ranges from 50 percent to 68 percent, depending upon years of active eligibility under the plan and years since retirement. The cost sharing election process has been completed.

The budget does not include employer contributions from participating outside agencies.

<b>FY10 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY09 Approved</b>	<b>26,039,330</b>	<b>0.0</b>
<b>FY10 CE Recommended</b>	<b>26,039,330</b>	<b>0.0</b>

<b>FY10 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY09 Approved</b>	<b>18,455,210</b>	<b>0.0</b>
Add: Build-out cost for new location of Outpatient Addiction Services (OAS)	2,281,250	0.0
Increase Cost: Lease increases	889,030	0.0
Add: MC311 Constituent Resource Management Call Center Lease at 51 Monroe Street	255,260	0.0
Add: Prorated six month cost of new location for Sixth District Police Station	208,160	0.0
Decrease Cost: Close Piney Branch Road Police Satellite Facility	-75,000	0.0
Decrease Cost: Adjustment for a 2% inflation factor	-290,860	0.0
<b>FY10 CE Recommended</b>	<b>21,723,050</b>	<b>0.0</b>

### **Montgomery Coalition for Adult English Literacy (MCAEL)**

This NDA provides funding for the Montgomery Coalition for Adult English Literacy (MCAEL). MCAEL's mission is to strengthen the countywide adult English literacy community of providers' network with resources, training, collaborations, and advocacy to support a thriving community and an optimal workforce. Funding for MCAEL supports program grants to organizations that provide adult English literacy services; technical assistance, training, and networking opportunities that improve program quality and coordination; information resources for the community; and operating expenses to administer the grants and provide the support services. The County's contribution is implemented by a contract between the Department of Public Libraries and MCAEL.

<b>FY10 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY09 Approved</b>	<b>745,000</b>	<b>0.0</b>
<b>FY10 CE Recommended</b>	<b>745,000</b>	<b>0.0</b>

### **Motor Pool Fund Contribution**

This NDA funds the acquisition of new, additional Motor Pool fleet vehicles, as opposed to replacement vehicles, which are financed through an established chargeback mechanism.

<b>FY10 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY09 Approved</b>	<b>1,332,650</b>	<b>0.0</b>
Decrease Cost: Elimination of One-Time Items Approved in FY09	-1,332,650	0.0
<b>FY10 CE Recommended</b>	<b>0</b>	<b>0.0</b>

Notes: No new vehicle purchases are proposed for FY10

### **Municipal Tax Duplication**

The Montgomery County Tax Duplication Program, authorized by Chapter 30A of the Montgomery County Code, reimburses municipalities for those public services they provide that would otherwise be provided by the County. County Council Resolution No. 9-1752, enacted April 27, 1982, increased the scope of program coverage from street-related expenditures to include other public services, such as police supplemental aid; animal control; elderly transportation; parks maintenance; Board of Appeals; and Human Rights.

This program was reviewed in FY96 and technical formula amendments proposed. The changes were approved, and payment calculations since then are prepared in accordance with County Council Resolution No. 13-650, adopted September 10, 1996. Specifically, as the exact payment amount for the current year cannot be determined until both municipal and County books are closed, reimbursements are based on the final audited cost of performing eligible services during the fiscal year two years prior to the budget year. Also, reimbursements are now made at the County's cost and not at "the lesser of County or Municipal costs" of eligible service provision.

Finally, payments to municipalities are also made from other sources, including Cable TV Franchise Fees, Grants in Lieu of Shares Tax, Non-Departmental Accounts, and as part of the County's Community Development Block Grant.

<b>FY10 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY09 Approved</b>	<b>7,488,240</b>	<b>0.0</b>
<b>FY10 CE Recommended</b>	<b>7,488,240</b>	<b>0.0</b>

### **Prisoner Medical Services**

This NDA provides reimbursements to physicians and hospitals for medical care provided to individuals in the custody of any Montgomery County law enforcement agency, with the exception that offenders committed to the custody of the Department of Correction and Rehabilitation (DOCR) receive medical treatment paid for by the budget of that department (to the degree not paid for

	Expenditures	WYs
Increase Cost: Homestead Property Tax Program	126,580	0.0
Shift: Homeowner's Reimbursement	39,720	0.0
<b>FY10 CE Recommended</b>	<b>166,300</b>	<b>0.0</b>

### State Positions Supplement

This NDA provides for the County supplement to State salaries and fringe benefits for secretarial assistance for the resident judges of the Maryland Appellate Court and for certain employees in the Office of Child Care Licensing and Regulation in the Maryland State Department of Human Resources.

FY10 Recommended Changes	Expenditures	WYs
<b>FY09 Approved</b>	<b>144,950</b>	<b>0.0</b>
Decrease Cost: Group Insurance Adjustment	-10	0.0
Increase Cost: Annualization of FY09 Personnel Costs	-44,000	0.0
<b>FY10 CE Recommended</b>	<b>100,940</b>	<b>0.0</b>

### State Retirement Contribution

This NDA provides for the County's payment of two items to the State Retirement System:

- Maryland State Retirement System: Unfunded accrued liability, as established by the Maryland State Retirement System (MSRS), for employees hired prior to July 1, 1984, who are members of the MSRS (including former Department of Social Services employees hired prior to July 1, 1984), and for those who have retired (all County employees participated in the State Retirement System until 1965.) The County contribution for this account is determined by State actuaries. Beginning in FY81, the amount due was placed on a 40-year amortization schedule.
- State Library Retirement: Accrued liability for retirement costs for three Montgomery County Public Library retirees who are receiving a State retirement benefit. These were County employees prior to 1966 who opted to stay in the State plan.

FY10 Recommended Changes	Expenditures	WYs
<b>FY09 Approved</b>	<b>934,920</b>	<b>0.0</b>
Increase Cost: Amortized amount owed to the State Retirement based on actuarial cost to the plan.	46,560	0.0
<b>FY10 CE Recommended</b>	<b>981,480</b>	<b>0.0</b>

### Takoma Park Library Annual Payment

The annual amount provided in this NDA is a function of County expenditures for the Montgomery County Public Libraries (as a share of property tax-funded spending) and the City of Takoma Park's assessable base. The payment is authorized by Section 2-53 of the Montgomery County Code.

FY10 Recommended Changes	Expenditures	WYs
<b>FY09 Approved</b>	<b>112,630</b>	<b>0.0</b>
Increase Cost: Annual payment to the Takoma Park Library	20,200	0.0
<b>FY10 CE Recommended</b>	<b>132,830</b>	<b>0.0</b>

### Takoma Park Police Rebate

The County provides financial support to the City of Takoma Park for police protection services in accordance with provisions of the County Code. This provision was enacted in 1949 and provides a payment to the City for protective services for the County residents of the City of Takoma Park. The payment is based on a formula, which uses \$0.048 per \$100 of assessable base tax rate with "full value assessment" levied on real property.

FY10 Recommended Changes	Expenditures	WYs
<b>FY09 Approved</b>	<b>705,570</b>	<b>0.0</b>
Increase Cost: Rebate for Takoma Park Police protection services	149,350	0.0
<b>FY10 CE Recommended</b>	<b>854,920</b>	<b>0.0</b>