



Committee: Directly to Council

Committee Review: N/A

Staff: Marlene Michaelson, Executive Director
Craig Howard, Deputy Director

Purpose: Receive briefing and discuss – no vote expected

Keywords: Revenues, Fiscal Plan

AGENDA ITEM #2

December 13, 2022

Briefing

SUBJECT

Update: Fiscal Plan

EXPECTED ATTENDEES

Mike Coveyou, Director, Department of Finance (Finance)
Jennifer Bryant, Director, Office of Management and Budget (OMB)
Nancy Feldman, Finance
Josh Watters, OMB
David Platt, Finance
Chris Mullin, OMB

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

Each December the Council receives a written update from Executive staff about the County's Fiscal Plan. The Fiscal Plan provides a high-level overview of the County's fiscal condition and position based on current revenue and expenditure assumptions. The December 2022 update includes revisions to the County's revenues based on actual collections to-date, assumed additional revenue that will be received in the coming months, and estimated annual expenditures based on Quarter 1 spending for the County Government (©1-6).

SUMMARY OF KEY ISSUES

- Overall, the County's fiscal position in FY22 were better than expected due to actual FY22 tax revenues exceeding projections. **Total tax revenues in FY22 were \$291.8 million greater than budgeted.** This allowed the County to end with general fund reserve levels greater than the 10.0% policy level.
- Finance has updated the FY23 tax supported revenues to reflect actual collections through November and assumed collected in early 2023. Executive staff estimates that **FY23 total revenues will be \$22.6 million greater** than the FY23 approved budget.
- The update shows reductions in all revenue sources every year from FY24-FY28. FY24 revenues are projected to be approximately **\$100 million lower** than estimated in June.
- OMB estimates that the County Government's FY23 **expenditures will be \$19.4 million greater** than the FY23 approved budget. This estimate is based on the County's actual expenditures through Quarter 1 of FY23 and are primarily due to expenditures in the Department of Health

and Human Services, overtime in Fire and Rescue Services, and higher than anticipated participation in the Working Families Income Supplement.

- OMB estimates that the County Government could **add approximately \$61.8 million in new expenditures** in FY23. This estimate is based on the supplemental and special appropriations that have been introduced or acted on since the approved budget in May 2022 and potential snow removal costs.
- The County’s FY23 general fund reserves are currently estimated to end at 12.3% based on the current revenue and expenditure estimates noted above. If this projection holds, it will provide the County with additional flexibility to buffer against the projected revenue shortfall in FY24 and further reductions if there is a recession.
- The Council formally adopted a compensation sustainability policy that indicates annual total compensation costs should be similar to the annual growth rate of tax supported revenues. **The fiscal update estimates tax supported revenue growth of 1.1% in FY24.** While several components of compensation costs are not yet known, including the Executive’s proposed pay adjustments, a similar 1.1% growth rate in total County Government tax supported wage and benefit costs for FY24 would equate to approximately \$12.2 million.

This report contains:

Fiscal Update Transmittal Memo (December 8, 2022)	©1-4
December 2022 Fiscal Plan Update	©5-6
June 2022 Approved FY23-28 Fiscal Plan	©7-8

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M E M O R A N D U M

December 10, 2022

TO: County Council

FROM: Marlene Michaelson, Executive Director
Craig Howard, Deputy Director

SUBJECT: **Discussion – Fiscal Plan Update**

PURPOSE: Review and discuss updated revenue estimates

Each year in June, the Council approves a Fiscal Plan that projects revenues, expenditures, and reserves over a six-year period. The Fiscal Plan is then updated for the Council in December and again in March with the Executive's recommended budget. The document is an overview of the County's fiscal picture during a six-year window and represents a unique understanding of the economic and fiscal conditions of the County **at a specific moment in time.**

The Office of Management and Budget (OMB) memorandum provides the Council with the December update to the Fiscal Plan, as well as a detailed explanation of many of the changes (©1-6). This update focuses on changes in revenue, expenditure and reserve estimates since the Council approved the FY23 budget; the approved Fiscal Plan from June is attached (©7-8). If estimates change significantly or new information becomes available in the coming months, an additional briefing will be scheduled for the Council in early 2023.

1. Summary of the Updated Fiscal Plan

Overall, the County's fiscal position ending FY22 was better than expected due to actual FY22 tax revenue collections exceeding budget projections. **Total tax revenues in FY22 were \$291.8 million greater than budgeted.** This allowed the County to end with general fund reserve levels greater than the 10.0% policy level. Updated estimates for FY23 are also showing better than anticipated total revenues, albeit at a lower level (\$22.6 million).

The revised Fiscal Plan highlights the changing economy and forecasts a stronger close to FY23 than originally projected, but at the same time downward revisions in key revenue sources for FY24 through FY28 as the economy shows signs of a potential recession. Total revenues in FY24 are projected to be approximately \$100 million lower than anticipated when the Fiscal Plan was approved in June. **As noted in the transmittal memo from OMB, Finance is estimating downward revisions for property, income, and transfer/recordation taxes beginning in FY24.** While there are still many variables that could impact actual revenues in either direction, the projections in the revised Fiscal Plan could result in budget challenges on the horizon.

The relative change in projected revenues is most significant for taxes related to home sales. While in FY22 the combined recordation and transfer taxes were \$96.2 million or 56.7% above the approved budget, this revision to the Fiscal Plan shows a reduction of \$33.4 million or 14.7% from the FY23 approved budget. Income taxes are projected to be higher than budgeted in FY23 by \$85.4 million or 4.6%, but this estimate is based on an assumption that the final reconciliation of tax year 2021 revenues will provide additional income that the County will receive early in 2023. While it appears likely that there will be additional revenue distributions, the amount and timing are uncertain.

The table below shows total revenues for FY23-FY28 in the updated Fiscal Plan compared to June. While revenues are still projected to increase each year, the projected growth rates have declined.

FY23-28 Projected Tax Supported Revenues (\$ in millions)

Tax Supported Revenues	FY23	Projected				
		FY24	FY25	FY26	FY27	FY28
Approved FY23-28 Fiscal Plan (June 2022)						
Total	5,531.5	5,690.5	5,875.0	6,021.2	6,175.6	6,351.2
Growth Rate	--	2.9%	3.2%	2.5%	2.6%	2.8%
Fiscal Plan Update (December 2022)						
Total	5,554.1	5,590.9	5,713.9	5,821.3	5,919.8	6,048.9
Growth Rate	--	0.7%*	2.2%	1.9%	1.7%	2.2%
Difference, December Update compared to June Approved						
Total	22.6	(99.6)	(161.1)	(199.9)	(255.8)	(302.3)
Growth Rate	--	(2.2%)	(1.0%)	(0.6%)	(0.9%)	(0.6%)

*As noted in the Fiscal Plan update, when compared to FY23 approved total revenue the projected FY24 amount represents a 1.1% increase

As noted in OMB’s transmittal memorandum, there are still several factors that are not included in this Fiscal Plan update that could have an impact – in either a positive or negative direction. These include:

- The State Board of Revenue Estimates is scheduled to provide an update on its economic forecast on December 15;
- The February 2023 income tax distribution;
- Revisions to estimates of the assessable base by the State Department of Assessments and Taxation expected in January 2023; and
- The speed and scope of a potential recession.

2. Updated Fiscal Plan – Detail

Revenues

The Fiscal Plan includes estimated revenues from taxes and other sources. Most County revenues are derived from taxes. For FY23, 88% of the County’s taxes and 70% of the County’s total revenues are from the property and income tax, like most fiscal years. Recordation and transfer taxes, which tend to fluctuate with the real estate market, are the third largest component of the County’s tax structure – representing 4.5% of the County’s taxes in FY23.

State aid for Montgomery County Public Schools comprises most of the “other revenues.” **A key assumption of the Fiscal Plan update is that this State aid remain level.** This assumption limits the resources available in the December update but is sometimes a source of additional budgetary flexibility once the Council reviews the Executive’s recommended budget in April.

- Finance has updated the FY23 tax supported revenues to reflect actual collections through November. **In summary, Executive staff estimates that FY23 total revenues will be \$22.6 million greater than the FY23 approved budget** (based, in part, on assumptions regarding income taxes described in the additional details about the specific components of this revised estimate that follow below).

FY23 Tax Supported Revenues, June Approved vs. December Estimate

Revenues	FY23 Approved Budget	FY23 December Estimate	Difference	
			\$	%
Property Tax	1,951.4	1,923.2	(28.2)	(1.4%)
Income Tax	1,870.5	1,955.9	85.4	4.6%
Transfer/Recordation Tax	228.9	195.3	(33.6)	(14.7%)
Other Taxes	266.6	265.7	(0.9)	(0.3%)
Other Revenues	1,214.1	1,214.1	0	0
Total	5,531.5	5,554.1	22.6	0.4%

- **Property Tax Revenues.** Finance estimates that property tax revenues will be **\$28.2 million less** than the FY23 approved budget. These tax receipts are being impacted by several factors including updated taxable assessed valuations, actual billing and collections data, and reduced personal property tax estimates.
- **Income Tax Revenues.** Finance estimates that income tax revenues will be **\$85.4 million greater** than the FY23 approved budget. This increase is based on actual distributions to-date from the State, as well as an assumption that additional distributions will be made to the County as early as January to reflect income taxes associated with pass-through-entity filings. The County received approximately \$70 million less than anticipated in income tax revenue as part of the November distribution. After reviewing the remaining tax liability from the 2021 tax year, the State’s total income tax revenue collected from the 2021 tax year, and the experience last year (when the County received a special distribution of \$68.1 million in March), Finance

estimates that these funds will be received in FY23. **Council staff notes that this is an area of sensitivity within the Fiscal Plan, and until these revenues are actually received it is possible that the total income tax could be lower or higher than the current estimate.** As a result, this variability could impact whether the County ultimately ends up above or below the total approved FY23 revenue levels.

- **Transfer and Recordation Tax Revenues.** Finance estimates that these tax revenues will be **\$33.6 million less** than the FY23 approved budget. This decrease is due to the actual volume of sales and median sales price being lower than the assumptions in the approved budget. Overall, these decreases are reflecting a weakening real estate market.
- **Other Tax Revenues.** Finance estimates that these tax revenues will be **\$0.9 million less** than the FY23 approved budget.

Expenditures

- OMB estimates that the County Government's expenditures will be \$19.4 million greater than the FY23 approved budget. Most of this increase is from the County's ongoing response to the pandemic through the Department of Health and Human Services, higher than anticipated participation rate in the Working Families Income Supplement Program, and anticipated overtime expenses in Montgomery County Fire and Rescue Services. This estimate is based on the County's actual expenditures through Quarter 1 of FY23 (July – September).
- OMB estimates that the County Government could **add approximately \$61.8 million in new expenditures** in FY23. This estimate includes \$46.8 million in supplemental and special appropriations that have been introduced or acted on since July 1, 2021, and a \$15.0 million expenditure placeholder for snow removal and storm cleanup.

Reserves

- The County ended FY22 at 13.2% for general fund reserves, exceeding the 10.0% policy level. FY22 tax revenues exceeding the budgeted estimates was the primary reason the County's reserves exceeded budget estimates.
- **The County's FY23 general fund reserves are currently estimated to end at 12.3%** based on the current revenue and expenditure estimates noted above, including the projected use of \$61.8 in reserves as described above. If this projection holds, this will provide the County with additional flexibility to buffer against the projected revenue shortfalls in FY24 and further potential reductions if there is a recession.

Compensation Sustainability

- As part of [Resolution 19-753](#), the Council formally adopted a compensation sustainability policy that indicates annual total compensation costs should be similar to the annual growth rate of tax supported revenues.
- **The fiscal update estimates tax supported revenue growth of 1.1% in FY24.** While several components of compensation costs are not yet known, including the Executive's proposed pay adjustments, a similar 1.1% growth rate in total County Government tax supported wage and benefit costs for FY24 would equate to approximately \$12.2 million.



OFFICE OF MANAGEMENT AND BUDGET

Marc Elrich
County Executive

Jennifer Bryant
Director

MEMORANDUM

December 9, 2022

TO: Marlene Michaelson, Executive Director
County Council

FROM: Jennifer Bryant, Director

SUBJECT: Fiscal Plan Update

Attached please find the Updated Fiscal Plan and supporting documents. The Fiscal Plan is updated in December and includes limited updates to fiscal assumptions, in March with County Executive's Recommended Budget, and in June to reflect the decisions in the Approved Budget. Each version of the Fiscal Plan reflects assumptions and budget decisions at a specific point in time. The assumptions often change between each version of the Fiscal Plan.

This update to the Fiscal Plan includes the Department of Finance's Updated Revenue Forecast. The Plan also reflects FY22 Preliminary Year-End Results, FY23 expenditure projections based on the results of first quarter analysis, FY23 tax supported pending and approved supplemental appropriations, and a set-aside in FY23 for snow-related expenses as described below. The Fiscal Plan does not include any assumptions on FEMA reimbursements as the County has not received any actual FEMA reimbursements in FY23; however, the County continues to seek Federal Reimbursement for all COVID-19 expenditures. While not included in the Fiscal Plan, the County has submitted \$33.8 million in expenditures to FEMA that are awaiting final decision on reimbursement eligibility and the County is working on compiling the necessary documentation for future submissions. This is in addition to the \$36.2 million received in prior fiscal years for pandemic-related expenditures. Other assumptions in the Fiscal Plan, including funding for the Capital Improvements Program and other non-agency spending have not changed. Because this is a limited update to fiscal assumptions, the projections are preliminary and reflect many unknowns, and the Fiscal Plan included as part of the County Executive's recommended budget next March will inevitably differ from the updated plan. However, this Fiscal Update is critical for the County Executive's budget formulation process and will provide context for the many difficult decisions needed in developing his Recommended FY24 Operating Budget and regarding spending decisions for the remainder of FY23.

The Updated Fiscal Plan reflects an upward revision in FY23 revenues of \$22.6 million and a downward revision in FY24 revenues of \$110.9 million compared to the FY23 Approved Fiscal Plan. The FY22 Preliminary Year-End Closeout results in an increase of approximately \$166.5 million in anticipated reserves compared to estimates in the approved fiscal plan. This results in FY22 preliminary actual reserves at 13.2 percent, exceeding the County's 10 percent reserve policy by \$190.5 million. FY23 projected year-end expenditures based on the first quarter analysis are more than the FY23 Approved Budget mainly due to the County's continued response to the COVID-19 pandemic, a higher than anticipated participation rate in the Working Families Income Supplement Program, and anticipated overtime expenditures by Montgomery

County Fire and Rescue Service exceeding the budgeted amount. In keeping with practice from prior years, a FY23 set aside of \$15 million for snow and other storm related expenses has been assumed in the likely event that those actual expenditures will exceed the budgeted amount. The increase in FY22 reserves carries forward to FY23 and, along with an upward revision of FY23 tax revenues and FY23 spending assumptions, currently projects FY23 estimated end-of-year reserves to be 12.3 percent of Adjusted Governmental Revenue (AGR), higher than the 10.2 percent assumed in the Approved Fiscal Plan. Due to these revised estimates, the County's reserves are estimated to remain at the 10 percent policy level in FY24 and beyond. Montgomery County Public Schools (MCPS) and Montgomery College (MC) are assumed at Maintenance of Effort (MOE) in FY24. For this update, MOE estimates are the same as what was contained in the Approved Fiscal Plan because the legal deadlines for MCPS and MC to submit their budget requests are after this update. County Government budgets and the Maryland National Capital Park and Planning Commission (M-NCPPC) show increases in available resources of 5.2 percent, compared to the Approved Budget.

Update to Revenue Projection and Reserves

In addition to the revised revenue forecast, the Updated Fiscal Plan includes revisions to the required reserve contributions, and a set aside for snow/storm-related spending in FY23. These changes are outlined in greater detail below:

1. Revenues:

The Department of Finance's December 2022 Revenue Update and Economic Indicators reflects an upward revision in FY23 tax revenues of \$22.6 million from the approved fiscal plan. This revision is based on updated economic assumptions and recent tax collections data and reflects the state of most tax revenues through November 2022. The taxes most affected are the income tax (up \$85.3 million from the approved fiscal plan); the property tax (down \$28.2 million); the transfer tax (down \$22.4 million); the recordation tax (down \$11.2 million); and excise taxes (down \$1 million). FY24 revenues are \$110.9 million less than estimated in the approved fiscal plan due to downward revisions of \$17.6 million in the income tax, \$38.6 million in the property tax, and \$55.0 million for combined transfer and recordation taxes. Details on the revenue forecast will be included in the Revenue Estimating Group report that will be submitted to the County Executive and County Council by December 15.

As you are reviewing the revenue forecast, please note that the State Board of Revenue Estimates meets on December 15 to update its economic forecast. The results of this meeting could have implications for the County's tax revenue forecast. Furthermore, as has been the case in recent years, we are aware that there is a lag in the processing of income tax returns for Tax Year 2021 by the State Comptroller's Office. The FY23 income tax revenue estimate shown in the Fiscal Plan assumes that the backlog in processing income tax returns for 2021 will result in additional income tax revenue being distributed to the County in the next few months. The backlog is similar in size (about 1,100 accounts) to the one the Comptroller experienced last year, and this resulted in a special distribution to the County in March of 2022 (roughly \$68 million). It is unclear at this time whether this timing issue will affect income tax distributions in future fiscal years.

2. FY24 Expenditures:

The fiscal plan assumes maintaining funding for MCPS and MC at the FY23 Maintenance of Effort (MOE) level and increasing available resources for County government budgets and M-NCPPC at 5.2 percent, compared to the FY23 budget. **It should be noted that this version of the fiscal plan does not yet account for potential cost increases for FY24, including annualization of FY23 compensation increases, FY24 compensation adjustments for County employees (which are currently being negotiated with the**

County's labor partners), increased benefits costs, Maintenance of Effort adjustments due to updated school enrollment estimates, the County's continued response to the COVID-19 pandemic, and annualization of new programs, among other cost pressures likely to reduce available resources for the FY24 budget. These funding decisions will be considered as part of the County Executive's Recommended Budget and will be transmitted to the Council in March.

In addition to the expenditures assumed in the Updated Fiscal Plan, it does not include additional assumptions for continued budget pressures for human services programming and other expenditures necessary throughout the remainder of FY23 and in FY24 as the County continues its pandemic recovery efforts. For example, the Updated Fiscal Plan assumes additional expenditures for HHS of \$12.0 million beyond what was budgeted in FY23 to respond to the pandemic – including additional expenditures related to testing, vaccinations, nurses, and funding for minority health programs. It is possible that the actual amount needed by the Department will be higher than what is assumed in the plan. The County Executive will transmit a supplemental appropriation to Council early in 2023 to recognize these necessary additional pandemic-related expenditures.

3. Reserves:

Due to the FY22 closeout and current projections for FY23 spending and revenues, the updated fiscal plan currently projects total reserves to be 12.3 percent of AGR at the end of FY23. For FY24 and beyond, reserves are assumed to be maintained at the 10 percent policy level.

The fiscal plan assumes that in FY24 and beyond, the General Fund reserve will be funded at the Charter limit and contributions to the RSF will be made consistent with the County's fiscal policies and RSF law. Total reserves are projected to be at 10 percent in FY24 and beyond in accordance with the County's fiscal policies.

Looking Ahead

As you know, the County Executive will update the fiscal plan in March as part of his Recommended FY24 Operating Budget and FY24-29 Public Services Program. The March update will include several changes that are not part of the attached fiscal plan because the information is currently not available or is dependent on events that will occur subsequent to this transmittal, including:

1. The County Executive's recommendations for the Amended FY23-28 CIP and the FY24 Operating Budget;
2. The mid-December update by the State Board of Revenue Estimates on its economic forecast;
3. The February 2023 income tax distribution (including additional data on the currently unprocessed income tax returns by the State) and data on the County's excise taxes for November 2022 through February 2023;
4. Revisions to estimates of the assessable base by the State Department of Assessments and Taxation expected in January 2023; and
5. Federal and State budget decisions that may affect the County's budget including FEMA reimbursements.

In summary, this version of the fiscal plan reflects an increase in anticipated resources for FY23 and slower revenue growth in FY24 compared to the Approved Fiscal Plan. Since this version of the Fiscal Plan contains only limited updates, there are additional changes that will be incorporated into the County Executive's Recommended Budget and Fiscal Plan. The County Executive will need to balance the needs of

the community while maintaining the fiscal health of the County. As the County continues to respond to the evolving nature of the pandemic, the County Executive and County Council will need to maintain fiscal flexibility for response and recovery efforts. At this time, OMB would continue to encourage fiscal restraint in order to maintain that level of flexibility.

JB:cm

Enclosure: December Fiscal Plan

cc: Craig Howard, Deputy Director, County Council
Richard S. Madaleno, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
Michael J. Coveyou, Director, Department of Finance
Gino Renne, President UFCW Local 1994
Jeff Buddle, President, International Association of Fire Fighters, Local 1664
Lee Holland, President, Fraternal Order of Police, Lodge 35

Fiscal Plan December 2022 Tax Supported Fiscal Plan Summary

(\$ in Millions)

	App. FY23	Est. FY23	% Chg. FY23-24	% 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	% Chg. FY28-29	Projected FY29
	5-26-22	12-13-22	App/Proj	Est/Proj	12-13-22										
Total Revenues															
Property Tax	1,951.4	1,923.2	0.8%	2.3%	1,966.7	2.1%	2,007.5	1.7%	2,041.2	0.8%	2,056.9	0.8%	2,073.6	1.1%	2,096.9
Income Tax	1,870.5	1,955.9	4.1%	-0.4%	1,947.9	3.6%	2,018.9	3.3%	2,085.3	3.5%	2,157.7	4.3%	2,250.4	4.4%	2,350.4
Transfer/Recordation Tax	228.9	195.3	-16.2%	-1.7%	191.9	4.5%	200.5	1.4%	203.3	3.0%	209.5	7.6%	225.3	8.1%	243.7
Other Taxes	266.6	265.7	-0.2%	0.2%	266.2	0.4%	267.2	0.4%	268.2	0.3%	268.9	0.2%	269.4	0.4%	270.4
Other Revenues	1,214.1	1,214.1	0.3%	0.3%	1,218.2	0.1%	1,219.9	0.3%	1,223.3	0.3%	1,226.8	0.3%	1,230.1	0.3%	1,233.4
Total Revenues	5,531.5	5,554.1	1.1%	0.7%	5,590.9	2.2%	5,713.9	1.9%	5,821.3	1.7%	5,919.8	2.2%	6,048.9	2.4%	6,194.8
Net Transfers In (Out)	18.8	18.8	2.3%	2.3%	19.3	2.4%	19.7	2.4%	20.2	2.3%	20.7	2.2%	21.1	0.0%	21.1
Total Revenues and Transfers Available	5,550.4	5,573.0	1.1%	0.7%	5,610.1	2.2%	5,733.6	1.9%	5,841.5	1.7%	5,940.4	2.2%	6,070.0	2.4%	6,215.9
Non-Operating Budget Use of Revenues															
Debt Service	441.9	441.9	1.0%	1.0%	446.2	3.6%	462.1	1.8%	470.5	1.7%	478.4	0.6%	481.2	0.0%	481.2
PAYGO	33.9	33.9	-9.1%	-9.1%	30.8	-5.2%	29.2	0.0%	29.2	-0.7%	29.0	0.0%	29.0	0.0%	29.0
CIP Current Revenue	92.4	92.4	6.4%	6.4%	98.3	-7.7%	90.7	-4.7%	86.4	12.3%	97.1	-4.1%	93.1	0.0%	93.1
Change in Other Reserves	-57.4	-70.4	100.2%	100.1%	0.1	23.1%	0.1	20.3%	0.1	-41.9%	0.1	7.0%	0.1	28.3%	0.1
Contribution to General Fund Undesignated Reserves	-15.6	-61.8	-745.5%	101.8%	-132.1	110.7%	14.1	-13.8%	12.2	-66.2%	4.1	-13.5%	3.6	140.8%	8.6
Contribution to Revenue Stabilization Reserves	3.0	3.0	30.9%	30.9%	3.9	3.8%	4.0	3.8%	4.2	3.8%	4.3	3.8%	4.5	0.0%	4.5
Set Aside for other uses (supplemental appropriations)	-1.6	60.7	1333.3%	-67.1%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0
Total Other Uses of Resources	496.5	499.7	-5.9%	-6.5%	467.2	32.8%	620.3	0.4%	622.6	1.7%	633.0	-0.2%	631.4	0.8%	636.5
Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)	5,053.9	5,073.3	1.8%	1.4%	5,142.9	-0.6%	5,113.3	2.1%	5,218.8	1.7%	5,307.4	2.5%	5,438.5	2.6%	5,579.4
Agency Uses															
Montgomery County Public Schools (MCPS)	2,729.7	2,729.7	-0.3%	-0.3%	2,720.8										
Montgomery College (MC)	275.3	275.3	-3.4%	-3.4%	266.0										
MNCPCC (w/o Debt Service)	153.9	153.9	5.2%	5.2%	161.9										
MCG	1,895.1	1,914.5	5.2%	4.2%	1,994.2										
Agency Uses	5,053.9	5,073.3	1.8%	1.4%	5,142.9	-0.6%	5,113.3	2.1%	5,218.8	1.7%	5,307.4	2.5%	5,438.5	2.6%	5,579.4
Total Uses	5,550.4	5,573.0	1.1%	0.7%	5,610.1	2.2%	5,733.6	1.9%	5,841.5	1.7%	5,940.4	2.2%	6,070.0	2.4%	6,215.9
(Gap)/Available	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0

Assumptions:

- Property taxes are at the Charter Limit with a \$692 credit. Other taxes are at current rates.
- Reserve contributions are consistent with legal requirements and the minimum policy target.
- PAYGO, debt service, and current revenue reflect the Approved FY23-28 Capital Improvements Program.
- State Aid, including MCPS and Montgomery College, is not projected to increase from FY24-29.
- Projected FY24 allocations for MCPS and Montgomery College assume funding at maintenance of effort (as estimated in the June 2023 Approved Fiscal Plan). The allocations do not include potential increases to State Aid or other possible agency resources, such as use of additional fund balance. Additional State Aid or use of fund balance would increase the rate of growth for MCPS and Montgomery College.
- MCG FY23 projected expenditures include the results of first quarter analysis.

Fiscal Plan December 2022
Tax Supported Fiscal Plan Summary

(\$ in Millions)

	App. FY23	Est. FY23	% Chg. FY23-24	% 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	% Chg. FY28-29	Projected FY29
31 Beginning Reserves															
32 Unrestricted General Fund	90.9	188.5	39.5%	-32.8%	126.7	-104.2%	-5.3	264.8%	8.8	138.4%	21.0	19.6%	25.1	14.2%	28.6
33 Revenue Stabilization Fund	518.5	587.4	13.8%	0.5%	590.3	0.7%	594.2	0.7%	598.2	0.7%	602.4	0.7%	606.8	0.7%	611.3
34 Total Reserves	609.4	775.9	17.7%	-7.6%	717.1	-17.9%	588.9	3.1%	607.0	2.7%	623.4	1.4%	631.8	1.3%	639.9
35															
36 Additions to Reserves															
37 Unrestricted General Fund	-15.6	-61.8	-745.5%	-113.7%	-132.1	110.7%	14.1	-13.8%	12.2	-66.2%	4.1	-13.5%	3.6	140.8%	8.6
38 Revenue Stabilization Fund	3.0	3.0	30.9%	30.9%	3.9	3.8%	4.0	3.8%	4.2	3.8%	4.3	3.8%	4.5	0.0%	4.5
39 Total Change in Reserves	-12.7	-58.8	-912.6%	-117.9%	-128.2	114.2%	18.2	-9.9%	16.4	-48.3%	8.5	-4.6%	8.1	62.2%	13.1
40															
41 Ending Reserves															
42 Unrestricted General Fund	75.2	126.7	-107.1%	-104.2%	-5.3	264.8%	8.8	138.4%	21.0	19.6%	25.1	14.2%	28.6	30.0%	37.2
43 Revenue Stabilization Fund	521.5	590.3	13.9%	0.7%	594.2	0.7%	598.2	0.7%	602.4	0.7%	606.8	0.7%	611.3	0.7%	615.8
44 Total Reserves	596.7	717.1	-1.3%	-17.9%	588.9	3.1%	607.0	2.7%	623.4	1.4%	631.8	1.3%	639.9	2.0%	653.0
45 Reserves as a % of Adjusted Governmental Revenues	10.2%	12.3%			10.0%		10.0%		10.0%		10.0%		10.0%		10.0%
46 Other Reserves															
47 Montgomery College	23.9	23.9	0.0%	0.0%	23.9	0.0%	23.9	0.0%	23.9	0.0%	23.9	0.0%	23.9	0.0%	23.9
48 M-NCPPC	5.9	5.9	0.9%	0.9%	6.0	2.1%	6.1	1.7%	6.2	0.8%	6.2	0.9%	6.3	1.1%	6.4
49 MCPS	0.0	0.0	n/a	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	1.4	1.4	3.2%	3.2%	1.5	0.1%	1.5	2.8%	1.5	2.4%	1.6	2.2%	1.6	2.9%	1.6
51 MCG + Agency Reserves as a % of Adjusted Govt Revenues	10.8%	12.8%			10.5%		10.5%		10.5%		10.5%		10.5%		10.5%
52 Retiree Health Insurance Pre-Funding															
53 Montgomery County Public Schools (MCPS)	57.4	57.4			57.4		57.4		57.4		57.4		57.4		57.4
54 Montgomery College (MC)	1.7	1.7			1.7		1.7		1.7		1.7		1.7		1.7
55 MNCPPC	3.7	3.7			3.5		3.4		3.2		3.2		3.2		3.2
56 MCG	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0
57 Subtotal Retiree Health Insurance Pre-Funding	62.8	62.8			62.6		62.5		62.3		62.3		62.3		62.3
58 Adjusted Governmental Revenues															
59 Total Tax Supported Revenues	5,531.5	5,554.1	1.1%	0.7%	5,590.9	2.2%	5,713.9	1.9%	5,821.3	1.7%	5,919.8	2.2%	6,048.9	2.4%	6,194.8
60 Capital Projects Fund	154.3	154.3	0.4%	0.4%	154.9	31.0%	202.9	29.3%	262.4	-5.9%	246.8	-27.5%	179.0	0.0%	179.0
61 Grants	136.3	136.3	2.3%	2.3%	139.4	2.4%	142.7	2.4%	146.1	2.3%	149.4	2.2%	152.7	2.2%	156.0
62 Total Adjusted Governmental Revenues	5,822.1	5,844.7	1.1%	0.7%	5,885.2	3.0%	6,059.5	2.8%	6,229.8	1.4%	6,316.0	1.0%	6,380.5	2.3%	6,529.7

County Council Approved FY23-28 Public Services Program Tax Supported Fiscal Plan Summary

(\$ in Millions)

	App. FY22	Est. FY22	% Chg. FY22-23	App. 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		App/App	5-26-22										
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	1,804.2	9.5%	1,870.5	4.5%	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	1,160.3	0.5%	1,214.1	0.2%	1,216.5	0.1%	1,218.2	0.3%	1,221.6	0.3%	1,225.1	0.3%	1,228.4
6 Total Revenues	5,216.1	5,345.1	6.0%	5,531.5	2.9%	5,690.5	3.2%	5,875.0	2.5%	6,021.2	2.6%	6,175.6	2.8%	6,351.2
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	5,361.2	6.2%	5,550.4	2.9%	5,709.8	3.2%	5,894.7	2.5%	6,041.4	2.6%	6,196.2	2.8%	6,372.3
10 Non-Operating Budget Use of Revenues														
11 Debt Service	427.4	420.5	3.4%	441.9	1.0%	446.2	3.6%	462.1	1.8%	470.5	1.7%	478.4	0.6%	481.2
12 PAYGO	15.5	15.5	118.7%	33.9	-9.1%	30.8	-5.2%	29.2	0.0%	29.2	-0.7%	29.0	0.0%	29.0
13 CIP Current Revenue	78.4	137.2	17.8%	92.4	6.4%	98.3	-7.7%	90.7	-4.7%	86.4	12.3%	97.1	-4.1%	93.1
14 Change in Other Reserves	-24.0	-2.1	-139.6%	-57.4	100.3%	0.2	31.3%	0.3	-0.2%	0.3	-8.6%	0.2	5.1%	0.2
15 Contribution to General Fund Undesignated Reserves	13.3	-78.6	-217.8%	-15.6	87.1%	-2.0	1088.1%	19.9	-15.6%	16.8	-43.0%	9.6	-30.9%	6.6
16 Contribution to Revenue Stabilization Reserves	27.5	73.9	-89.2%	3.0	30.9%	3.9	3.8%	4.0	3.8%	4.2	3.8%	4.3	3.8%	4.5
17 Set Aside for other uses (supplemental appropriations)	0.0	0.4	n/a	-1.6	1333.3%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0
18 Total Other Uses of Resources	538.2	566.9	-7.7%	496.5	20.3%	597.4	4.8%	626.3	0.2%	627.4	1.8%	638.6	-0.6%	634.6
19 Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)	4,688.6	4,794.3	7.8%	5,053.9	1.2%	5,112.4	3.1%	5,268.4	2.8%	5,414.0	2.7%	5,557.6	3.2%	5,737.7
20 Agency Uses														
21 Montgomery County Public Schools (MCPS)	2,551.6	2,524.5	7.0%	2,729.7										
22 Montgomery College (MC)	265.5	245.6	3.7%	275.3										
23 MNCPPC (w/o Debt Service)	143.8	143.8	7.0%	153.9										
24 MCG	1,727.8	1,880.5	9.7%	1,895.1										
25 Agency Uses	4,688.6	4,794.3	7.8%	5,053.9	1.2%	5,112.4	3.1%	5,268.4	2.8%	5,414.0	2.7%	5,557.6	3.2%	5,737.7
26 Total Uses	5,226.7	5,361.2	6.2%	5,550.4	2.9%	5,709.8	3.2%	5,894.7	2.5%	6,041.4	2.6%	6,196.2	2.8%	6,372.3
27 (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 Approved FY23-28 Capital Improvements Program.
4. State Aid, including MCPS and Montgomery College, is not projected to increase from FY23-28.

County Council Approved FY23-28 Public Services Program Tax Supported Fiscal Plan Summary

(\$ in Millions)

	App. FY22	Est. FY22	% Chg. FY22-23	App. 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
Beginning Reserves														
Unrestricted General Fund	82.1	169.4	10.7%	90.9	-17.2%	75.2	-2.7%	73.2	27.2%	93.2	18.1%	110.0	8.7%	119.6
Revenue Stabilization Fund	403.8	444.6	28.4%	518.5	0.6%	521.5	0.7%	525.4	0.8%	529.4	0.8%	533.6	0.8%	537.9
Total Reserves	485.9	614.0	25.4%	609.4	-2.1%	596.7	0.3%	598.6	4.0%	622.6	3.4%	643.6	2.2%	657.5
Additions to Reserves														
Unrestricted General Fund	13.3	-78.6	-217.8%	-15.6	87.1%	-2.0	1088.1%	19.9	-15.6%	16.8	-43.0%	9.6	-30.9%	6.6
Revenue Stabilization Fund	27.5	73.9	-89.2%	3.0	30.9%	3.9	3.8%	4.0	3.8%	4.2	3.8%	4.3	3.8%	4.5
Total Change in Reserves	40.8	-4.6	-131.0%	-12.7	114.7%	1.9	1188.6%	24.0	-12.3%	21.0	-33.7%	13.9	-20.1%	11.1
Ending Reserves														
Unrestricted General Fund	95.3	90.9	-21.1%	75.2	-2.7%	73.2	27.2%	93.2	18.1%	110.0	8.7%	119.6	5.5%	126.2
Revenue Stabilization Fund	431.3	518.5	20.9%	521.5	0.7%	525.4	0.8%	529.4	0.8%	533.6	0.8%	537.9	0.8%	542.4
Total Reserves	526.7	609.4	13.3%	596.7	0.3%	598.6	4.0%	622.6	3.4%	643.6	2.2%	657.5	1.7%	668.6
Reserves as a % of Adjusted Governmental Revenues	9.6%	10.9%		10.2%		10.0%		10.0%		10.0%		10.0%		10.0%
Other Reserves														
Montgomery College	27.7	34.6	-13.7%	23.9	0.0%	23.9	0.0%	23.9	0.0%	23.9	0.0%	23.9	0.0%	23.9
M-NCPPC	4.9	7.3	20.7%	5.9	2.8%	6.1	3.3%	6.3	3.0%	6.4	2.8%	6.6	2.9%	6.8
MCPS	0.0	35.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
MCG Special Funds	0.9	11.7	68.6%	1.4	1.9%	1.5	3.7%	1.5	4.1%	1.6	3.0%	1.6	3.1%	1.7
MCG + Agency Reserves as a % of Adjusted Govt Revenues	10.2%	12.5%		10.8%		10.5%		10.5%		10.5%		10.5%		10.5%
Retiree Health Insurance Pre-Funding														
Montgomery County Public Schools (MCPS)	73.0	73.0		57.4		57.4		57.4		57.4		57.4		57.4
Montgomery College (MC)	5.6	5.6		1.7		1.7		1.7		1.7		1.7		1.7
MNCPPC	2.7	2.7		3.7		3.5		3.4		3.2		3.2		3.2
MCG	10.8	10.8		0.0		0.0		0.0		0.0		0.0		0.0
Subtotal Retiree Health Insurance Pre-Funding	92.2	92.2		62.8		62.6		62.5		62.3		62.3		62.3
Adjusted Governmental Revenues														
Total Tax Supported Revenues	5,214.7	5,345.1	6.1%	5,531.5	2.9%	5,690.5	3.2%	5,875.0	2.5%	6,021.2	2.6%	6,175.6	2.8%	6,351.2
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
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
Total Adjusted Governmental Revenues	5,475.6	5,606.0	6.3%	5,822.1	2.8%	5,984.8	3.9%	6,220.6	3.4%	6,429.7	2.2%	6,571.8	1.7%	6,682.9