T&E/MFP ITEM 1-2
May 7, 2010
Worksession 3

MEMORANDUM

TO: Transportation, Infrastructure, Energy and Environment/ Management and Fiscal Policy Committee

FROM: Michael Faden, Senior Legislative Attorney
Leslie Rubin, Legislative Analyst, Office of Legislative Oversight

SUBJECT: **Worksession 3:** Expedited Bill 15-10, Taxation – Fuel-Energy Tax – Rate
Resolution to change fuel/energy tax rates

This is the joint Committees' third worksession on Expedited Bill 15-10, Taxation – Fuel-Energy Tax – Rate and the companion Resolution to change fuel/energy tax rates, both sponsored by the Council President at the request of the County Executive and introduced on March 23, 2010.

As most recently revised, the Executive would increase the fuel/energy tax rates by 100% for both residential and non-residential taxpayers. This proposal is the Executive's second revised rate increase since the release of his FY11 recommended operating budget on March 15.

The Executive's April 22 proposal would implement the rate increase retroactively to May 1, raising an additional $21 million in FY10, and would sunset the tax rate increase at the end of FY12. The Executive's April 22 budget adjustments memo noted:

> Due to the severity and most recent income tax write down, I am recommending a higher increase in the County's fuel energy tax. This increase, combined with the increases recommended on March 25 will raise an additional $21.4 million in FY10 and $79.8 million in FY11. Recognizing the significant impact that this increase will have on County residents and businesses, I am recommending that the FY11 total increase in the Fuel Energy Tax sunset at the end of FY12.

The table below summarizes the Executive's three proposals and the projected FY11 revenue from each.

Summary of County Executive's proposed fuel/energy tax increase ($ in millions)

	County Executive Proposals			FY10 Projected
	Current (April 22)	March 25	March 15	
% rate increase	**100%**	63.7%	39.6%	0%
Projected total FY11 revenue ($ in millions)	**$265.0**	$217.0	$185.1	132.2
Non-residential revenue	**$192.8**	$157.9	$134.7	$96.2
Residential revenue	**$72.2**	$59.1	$50.4	$36.0

Source: Department of Finance

Issues

1) Impact of rate increase on taxpayers. The fuel/energy tax includes two separate rate schedules – one for residential rate payers and one for non-residential rate payers. Historically, non-residential tax rates are 2 2/3 times higher than the rates for residential rate payers, resulting in non-residential consumers paying 73% of all energy tax revenue and residential consumers paying 27%. Business representatives opposed an increase in the tax rates of the size proposed by the Executive and urged that the tax burden be spread more evenly between residential and non-residential taxpayers.

At the Committees' request, Finance Department staff developed several scenarios to redistribute the tax burden between residential and non-residential consumers. One scenario would impose one set of tax rates for all consumers, equalizing the tax burden for residential and non-residential consumers. At the Committees' April 29th worksession, Committee members did not express support for this proposal because it would raise the rates paid by residential taxpayers by 268%.

Other options would keep the base energy tax rates the same but revise how the *increased revenue* generated from the proposed rate increases would be allocated between residential and non-residential customers. Finance staff calculated three ways to reallocate the increased revenue:

- Collect 40% from non-residential consumers and 60% from residential consumers;
- Collect 50% from non-residential consumers and 50% from residential consumers;
- Collect 60% from non-residential consumers and 40% from residential consumers.

At the second Committee worksession, Committee members expressed interest in the second and third scenarios, but not the first, again because that scenario would raise the rates paid by residential rate payers by 231%.

FY11 allocation scenarios. OLO staff used Finance Department data to calculate the data in the four scenarios on ©28-30 – to illustrate options to allocate the tax burden between residential and non-residential consumers.

Scenario 1 is the County Executive's current proposal – increasing rates 100% for all taxpayers while maintaining the current distribution of the tax burden (73% from non-residential consumers, 27% from residential consumers). Scenarios 2-4 show three different ways to collect tax revenue from residential and non-residential consumers – by reallocating how the increased tax revenue generated from the proposed rate increases would be allocated between residential and non-residential consumers. **Each scenario assumes that the County would raise the same amount of energy tax revenue in FY11: $265 million.**

On ©28, the top line in each scenario shows the current distribution between residential and non-residential consumers of the tax burden for the amount of tax *currently collected* by the County Government. This amount and allocation is the same in each scenario. The middle line shows a revised allocation of the tax burden for the *additional tax revenue* that would be collected under the Executive's proposed rate increases. The bottom line in each exhibit shows the *total* dollar amount and percent of revenue that each group of taxpayers would pay under each scenario.

The tables on ©29 compare the current average annual tax bill with the projected annual tax bill based on each scenario in FY11, both for residential and non-residential taxpayers.

The tables at ©30 summarize the projected monthly tax bill for residential and non-residential consumers, based on different levels of electricity consumption.

2) Master-Metered Residential Buildings. Currently, master-metered apartment buildings are taxed at the higher rate charged to non-residential consumers of natural gas and electricity. Council staff sees three primary options to set rates for master-metered residential apartment buildings, which are summarized in the table below. The table identifies the impact on the tax rate (and correspondingly the tax bill) for each option.

Options for master metered apartment buildings

	Options		
	Proposed non-residential tax rate (Executive's proposal)	**Current non-residential tax rate (status quo)**	**Residential tax rate**
% Increase (or decrease) from current tax rate	100%	0%	– 62%

3) Effective date of tax increase. The Executive originally proposed that the new rates take effect on July 1, which has been customary when the rates are raised during the operating budget process. His April 22 revision proposed accelerating the effective date to May 1 so that significant revenue would flow to the County during FY10. If the Council does not act on this Bill or resolution until May 19, as Council President Floreen has scheduled, the new rates could apply to energy delivered on or after May 1. The County Attorney concluded that doing so would be legally permissible. In a recent letter (see ©17), PEPCO "objects to the retroactive application of the proposed fuel/energy tax, as it is unconstitutional under Article 24 of the Maryland Declaration of Rights, and Article III, §40 of the Maryland Constitution."

This packet contains:	**Found at:**
Expedited Bill 15-10	©1
Legislative Request Report	©5
Resolution	©6
Rate Schedule based on County Executive's April 22 proposed rate increase	©7
Fiscal Impact Statement	©8
PEPCO testimony	©13
PEPCO Letter re retroactivity issue	©17
Comparison of energy tax rates among regional jurisdictions	©20
Comparative examples of monthly electricity tax among regional jurisdictions	©21
Planning Department Summary of Economic Issues	©22
Demographic Data for County Residents	©26
Data on impact of proposed increase	©27
OLO Analysis of 4 scenarios for FY11:	
Allocation of revenue between residential and non-residential consumers	©28
Average annual tax bill for residential and non-residential consumers	©29
Examples of monthly tax bills based on electricity usage	©30

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Expedited Bill No. 15-10
Concerning: Taxation – Fuel-Energy Tax - Rate
Revised: 3-22-10 Draft No. 1
Introduced: March 23, 2010
Expires: September 23, 2011
Enacted:
Executive:
Effective:
Sunset Date: None
Ch. _____, Laws of Mont. Co. ________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

AN EXPEDITED ACT to:
(1) increase the rates of the fuel-energy tax; and
(2) generally amend County laws related to the fuel-energy tax.

By amending
Montgomery County Code
Chapter 52, Taxation
Section 52-14, Fuel-energy tax

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 52-14 is amended as follows:

52-14. Fuel-energy tax.

(a) A tax is levied and imposed on every person transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in the County. Beginning on July 1, 2010, the tax rates in dollars are:

(1) For fuel-energy transmitted, distributed, manufactured, produced, or supplied for residential and agricultural purposes:

FUEL-ENERGY	TAX RATE
Electricity (per kilowatt hr)	$0.0072924198
Natural Gas (per therm)	$0.0628010617
Steam (per therm)	$0.0822605134
Coal (per ton)	$18.6267531744
Fuel oil (per gallon):	
No. 1	$0.0899987212
No. 2	$0.0933631594
No. 3	$0.0933631594
No. 4	$0.0955500442
No. 5	$0.0974004852
No. 6	$0.0995873700
Liquefied petroleum gas (per pound)	$0.0135686262

(2) For fuel-energy transmitted, distributed, manufactured, produced, or supplied for non-residential purposes:

FUEL-ENERGY	TAX RATE
Electricity (per kilowatt hr)	$0.0193251926

Natural Gas (per therm)	$0.1664230814
Steam (per therm)	$0.2179903605
Coal (per ton)	$49.3578373320
Fuel oil (per gallon):	
No. 1	$0.2384966112
No. 2	$0.2474123724
No. 3	$0.2474123724
No. 4	$0.2532076172
No. 5	$0.2581112858
No. 6	$0.2639065305
Liquefied petroleum gas (per pound)	$0.0359568595

The County Council [must] may set the rates for various forms of fuel and energy by resolution adopted according to the requirements of Section 52-17(c). The Council may, from time to time, revise, amend, increase, or decrease the rates, including establishing different rates for fuel or energy delivered for different categories of final consumption, such as residential or agricultural use. The rates must be based on a weight or other unit of measure regularly used by [such] persons in the conduct of their business. The rate for each form of fuel or energy should impose an equal or substantially equal tax on the equivalent energy content of each form of fuel or energy for a particular category of use. The tax does not apply to the transmission or distribution of electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in interstate commerce through the County if the tax would exceed the taxing power of the County under the United States Constitution. The tax does not apply to fuel or energy converted to another form of energy that will be subject to a tax under this Section. The tax must not be imposed at more than one point in the transmission, distribution, manufacture, production, or supply system. The rates of tax apply to the quantities measured at the point of delivery for final consumption in the County.

* * *

Sec. 2. Expedited Effective Date.

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date when it becomes law.

Approved:

Nancy Floreen, President, County Council — Date

Approved:

Isiah Leggett, County Executive — Date

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council — Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 15-10
Taxation – Fuel-Energy Tax – Rate

DESCRIPTION:	This Bill would increase the rates of the fuel-energy tax.
PROBLEM:	In order to meet current fiscal challenges facing the County, the County must increase the amount of revenue available to maintain core Government programs and services.
GOALS AND OBJECTIVES:	To enhance the amount of revenue available to support core government programs and services.
COORDINATION:	Office of Management and Budget; Department of Finance
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	Subject to the general oversight of the County Executive and the County Council.
EXPERIENCE ELSEWHERE:	
SOURCES OF INFORMATION:	Joseph Beach, Director of Management and Budget Kathleen Boucher, Assistant Chief Administrative Officer
APPLICATION WITHIN MUNICIPALITIES:	Tax laws apply County-wide.
PENALTIES:	N/A

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Resolution No. __________
Introduced: March 23, 2010
Adopted: __________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President

SUBJECT: Fuel/energy tax – rates

Background

1. Section 52-14 of the County Code levies a tax on persons transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in the County.

2. Section 52-14 also provides that the County Council may amend the fuel/energy tax rates by resolution, after a public hearing advertised as required by Section 52-17. A public hearing was held on this resolution on (date).

3. The Council finds that it is fair and equitable to continue different rates for fuels and energy transmitted, distributed, manufactured, produced, or supplied for residential and agricultural purposes and for non-residential purposes.

Action

The County Council for Montgomery County, Maryland, approves the following resolution:

1. On and after July 1, 2010, the fuel/energy tax rates levied under Section 52-14 of the County Code are as shown on Schedule A, attached to this resolution.

2. This Resolution supersedes Resolution 16-553.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council Date

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Attachment Resolution No:

SCHEDULE A (starting May 1, 2010)

(a) For fuel-energy transmitted, distributed, manufactured, produced, or supplied for residential and agricultural purposes:

FUEL-ENERGY	TAX RATE
Electricity (per kilowatt hr)	$0.0104475928
Natural Gas (per therm)	$0.0899728678
Steam (per therm)	$0.1178517384
Coal (per ton)	$26.6858928000
Fuel oil (per gallon)	
No. 1	$0.1289379960
No. 2	$0.1337581080
No. 3	$0.1337581080
No. 4	$0.1368911808
No. 5	$0.1395422424
No. 6	$0.1426753152
Liquefied petroleum gas (per pound)	$0.0194392926

(b) For fuel-energy transmitted, distributed, manufactured, produced, or supplied for non-residential purposes:

FUEL-ENERGY	
Electricity (per kilowatt hr)	$0.0276865224
Natural Gas (per therm)	$0.2384284834
Steam (per therm)	$0.3123071068
Coal (per ton)	$70.7132340000
Fuel oil (per gallon)	
No. 1	$0.3416856894
No. 2	$0.3544589862
No. 3	$0.3544589862
No. 4	$0.3627616292
No. 5	$0.3697869424
No. 6	$0.3780895852
Liquefied petroleum gas (per pound)	$0.0515141254

OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

April 27, 2010

TO: Nancy Floreen, President, County Council

FROM: Joseph F. Beach, Director

SUBJECT: Expedited Bill 15-10, Taxation – Fuel-Energy Tax – Rate

The purpose of this memorandum is to transmit a fiscal and economic impact statement to the Council on the subject legislation.

LEGISLATION SUMMARY

The original proposed legislation introduced March 23, 2010 would increase fuel-energy tax rates 39.6% consistent with the County Executive's March 15 operating budget recommendation. Since March 15, the Executive has proposed two modifications to the rate increase, the latest of which was a 100% increase in fuel-energy tax rates effective May 1, 2010 included in his FY10 and FY11 operating budget amendments transmitted to the County Council on April 22, 2010. The latest proposed rates are attached to this fiscal impact statement. The Executive recommends that the 100% increase in the fuel-energy tax rates sunset at the end of FY12.

FISCAL AND ECONOMIC SUMMARY

The original Expedited Bill No. 15-10 increased the fuel-energy tax by 39.6% to raise $50 million more in General Fund revenue than current rates would generate in FY11. These revenues were assumed in the Executive's March 15 recommended operating budget. The 100% increase recommended by the Executive on April 22 will produce $101.3 million (combined over FY10 and FY11) more than assumed in the March 15 budget and is required to maintain balance in the operating budget and restore reserves to the policy level of 6% of total resources. The increase in fuel-energy tax rates will also have a fiscal impact on the operating budgets of County funded agencies and departments (see attachment for detail). The Executive recommended certain budget adjustments to accommodate some of these cost increases.

The energy tax is a broad-based tax paid by households, businesses, and all levels of government. Based on current usage patterns the recommended 100% increase will result in an increase of approximately $8.00 per month for the average homeowner and $289 per month for the average non-residential ratepayer. Since the energy tax is based on consumption, the amount of the tax can be reduced by decreasing energy usage, and a number of existing programs provide incentives for consumers to conserve energy.

The following contributed to this analysis: Bryan Hunt, Office of Management and Budget, David Platt, Department of Finance.

JFB:bh

Attachments

c: Kathleen Boucher, Assistant Chief Administrative Officer
Dee Gonzalez, Offices of the County Executive
David Platt, Department of Finance
Bryan Hunt, Office of Management and Budget
John Cuff, Office of Management and Budget

	FY08	FY09 Carbon Taxes Res. No. 16-553	Pct Change	FY10	FY11 Proposed Rates	Pct. Chg.	FY10-FY11 Proposed Rates	Pct. Chg.	FY10-FY11 Proposed Rates	Pct. Chg.
NON-RESIDENTIAL										
Fuel-Oil										
#1	$0.1553116770	$0.1708428447	10.0%	$0.1708428447	$0.2384966112	39.6%	$0.27966973677	63.7%	$0.34168568940	100.0%
#2 & #3	$0.1611177210	$0.1772294931	10.0%	$0.1772294931	$0.2474123724	39.6%	$0.29012468020	63.7%	$0.35445898620	100.0%
#4	$0.1648916496	$0.1813808146	10.0%	$0.1813808146	$0.2532076172	39.6%	$0.29692039350	63.7%	$0.36276162920	100.0%
#5	$0.1680849738	$0.1848934712	10.0%	$0.1848934712	$0.2581112858	39.6%	$0.30267061235	63.7%	$0.36978694240	100.0%
#6	$0.1718589024	$0.1890447926	10.0%	$0.1890447926	$0.2639065305	39.6%	$0.30946632549	63.7%	$0.37808958520	100.0%
L P Gas	$0.0245305359	$0.0257570627	5.0%	$0.0257570627	$0.0359568595	39.6%	$0.04216431164	63.7%	$0.05151412540	100.0%
Coal	$29.4638475000	$35.3566170000	20.0%	$35.3566170000	$49.3578373320	39.6%	$57.87878202900	63.7%	$70.71323400000	100.0%
Steam	$0.1419577758	$0.1561535534	10.0%	$0.1561535534	$0.2179903605	39.6%	$0.25562336692	63.7%	$0.31230710680	100.0%
Electricity	$0.0125847830	$0.0138432612	10.0%	$0.0138432612	$0.0193251926	39.6%	$0.02266141858	63.7%	$0.02768652240	100.0%
Natural Gas	$0.1135373730	$0.1192142417	5.0%	$0.1192142417	$0.1664230814	39.6%	$0.19515371366	63.7%	$0.23842848340	100.0%
RESIDENTIAL										
Fuel-Oil										
#1	$0.0586081800	$0.0644689980	10.0%	$0.0644689980	$0.0899987212	39.6%	$0.10553574973	63.7%	$0.12893799600	100.0%
#2 & #3	$0.0607991400	$0.0668790540	10.0%	$0.0668790540	$0.0933631594	39.6%	$0.10948101140	63.7%	$0.13375810800	100.0%
#4	$0.0622232640	$0.0684455904	10.0%	$0.0684455904	$0.0955500442	39.6%	$0.11204543148	63.7%	$0.13689118080	100.0%
#5	$0.0634282920	$0.0697711212	10.0%	$0.0697711212	$0.0974004852	39.6%	$0.11421532540	63.7%	$0.13954224240	100.0%
#6	$0.0648524160	$0.0713376576	10.0%	$0.0713376576	$0.0995873700	39.6%	$0.11677974549	63.7%	$0.14267531520	100.0%
L P Gas	$0.0092568060	$0.0097196463	5.0%	$0.0097196463	$0.0135686262	39.6%	$0.01591106099	63.7%	$0.01943929260	100.0%
Coal	$11.1191220000	$13.3429464000	20.0%	$13.3429464000	$18.6267531744	39.6%	$21.84240325680	63.7%	$26.68589280000	100.0%
Steam	$0.0535689720	$0.0589258692	10.0%	$0.0589258692	$0.0822605134	39.6%	$0.09646164788	63.7%	$0.11785173840	100.0%
Electricity	$0.0047489058	$0.0052237964	10.0%	$0.0052237964	$0.0072924198	39.6%	$0.00855135471	63.7%	$0.01044759280	100.0%
Natural Gas	$0.0428442228	$0.0449864339	5.0%	$0.0449864339	$0.0628010617	39.6%	$0.07364279229	63.7%	$0.08997286780	100.0%

Impact of Proposed Increase to Energy Tax

Average Impact to Residential and Non-Residential Taxpayers

Based on latest figures available for energy consumption (2009 Energy Tax data), housing units (2008 Census Bureau data) and business establishments (2007 Census Bureau data)

Residential

Fuel Type	Units	Units Consumed	Tax Rate	Current Tax	Proposed 100% Increase		For Each 1% Increase
					Total	Difference	
Electricity	kWh	12,808	0.005224	$66.91	$133.81	$66.91	$0.67
Heating Fuel	Therm	624	0.044986	$28.08	$56.16	$28.08	$0.28
Total				$94.99	$189.97	$94.99	$0.95
Monthly Change						$ 8	

Non-Residential

Examples of Programs Funded with Energy Tax Increase

Fuel Type	Units	Units Consumed	Tax Rate	Current Tax	Proposed 100% Increase		For Each 1% Increase
					Total	Difference	
Electricity	kWh	204,614	0.013843	$2,832.53	$5,665.06	$2,832.53	$28.33
Heating Fuel	Therm	5,325	0.119214	$634.86	$1,269.72	$634.86	$6.35
Total				$3,467.39	$6,934.78	$3,467.39	$34.67
Monthly Change						$ 289	

Some Examples

	Current Tax	Proposed 100% Increase		For Each 1% Increase	Monthly Difference
		Total	Difference		
3,000 sq. ft., 4-bedroom, 3.5 bath house (DEP employee)	$89.68	$179.35	$89.68	$0.90	$7.47
Council Office Building (142,480 sq. ft.)	$47,075.00	$94,150.00	$47,075.00	$470.75	$3,922.92
East County Government Center (13,700 sq. ft.)	$3,537.86	$7,075.72	$3,537.86	$35.38	$294.82

Impact of Proposed Increase to Energy Tax

Impact to County Government and County Agencies

Based on FY09 energy consumption for the County Government and FY08 energy consumption for County agencies.

	Current Tax	Proposed 100% Increase	
		Total	Difference
County Government	$2,691,671	$5,383,341	$2,691,671
Montgomery County Public Schools	$3,706,816	$7,413,632	$3,706,816
Washington Suburban Sanitary Commission	$3,009,002	$6,018,004	$3,009,002
Maryland-National Capital Park & Planning Commission	$259,967	$519,935	$259,967
Montgomery College	$567,488	$1,134,975	$567,488
Total	$10,234,944	$20,469,887	$10,234,944

All Agencies	Mar 15 CE Rec	Cost Estimate of Proposed Rate Increase	Change	FY11 Amendment	FY10 Impact
MCG (Tax + Non Tax)	996,030	2,691,670	1,695,640	691,710	448,610
MCPS	0	3,706,820	3,706,820	0	617,800
WSSC	0	3,009,000	3,009,000	0	501,500
MNCPPC	96,200	259,970	163,770	163,770	43,330
MC	210,000	567,490	357,490	357,490	94,580
Total	1,302,230	10,234,950	8,932,720	1,212,970	1,705,820

MCG Allocation	FY09 Actual Exp.	% of Total	Mar 15 CE Rec	Allocation of Increase	FY11 Amendment	FY10 Impact
Utilities NDA	23,605,663	74.30%	996,030	1,999,960	0	333,330
Transit Services	82,350	0.26%	0	6,980	6,980	1,160
Recreation	3,050,374	9.60%	0	258,440	258,440	43,070
Tax Supported	26,738,387	84.16%	996,030	2,265,380	265,420	377,560
Fleet Mgmt Svcs	1,011,100	3.18%	0	85,660	85,660	14,280
PLD – Bethesda	1,167,144	3.67%	0	98,890	98,890	16,480
PLD – Silver Spring	1,734,446	5.46%	0	146,950	146,950	24,490
PLD – MH	1,924	0.01%	0	160	160	30
PLD – Wheaton	97,134	0.31%	0	8,230	8,230	1,370
Liquor Control	889,147	2.80%	0	75,330	75,330	12,560
SWS Disposal	130,616	0.41%	0	11,070	11,070	1,850
Non Tax Supported	5,031,511	15.84%	0	426,290	426,290	71,060
Total MCG	31,769,898		996,030	2,691,670	691,710	448,620

pepco
A PHI Company

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202 872-2132 Phone
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April 20, 2010

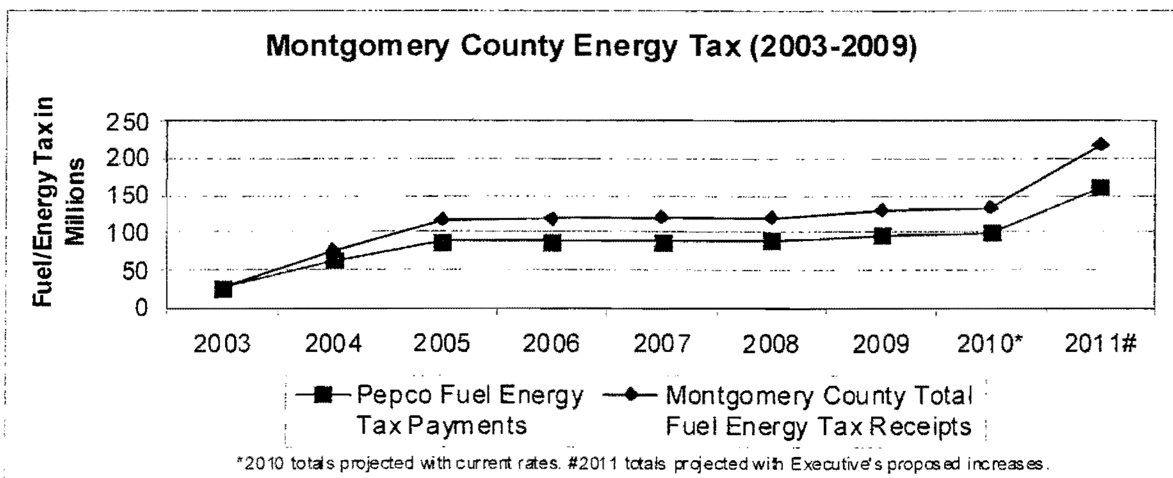
The Honorable Nancy Floreen
President, Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Re: Expedited Bill 15-17 – Taxation – Fuel/Energy

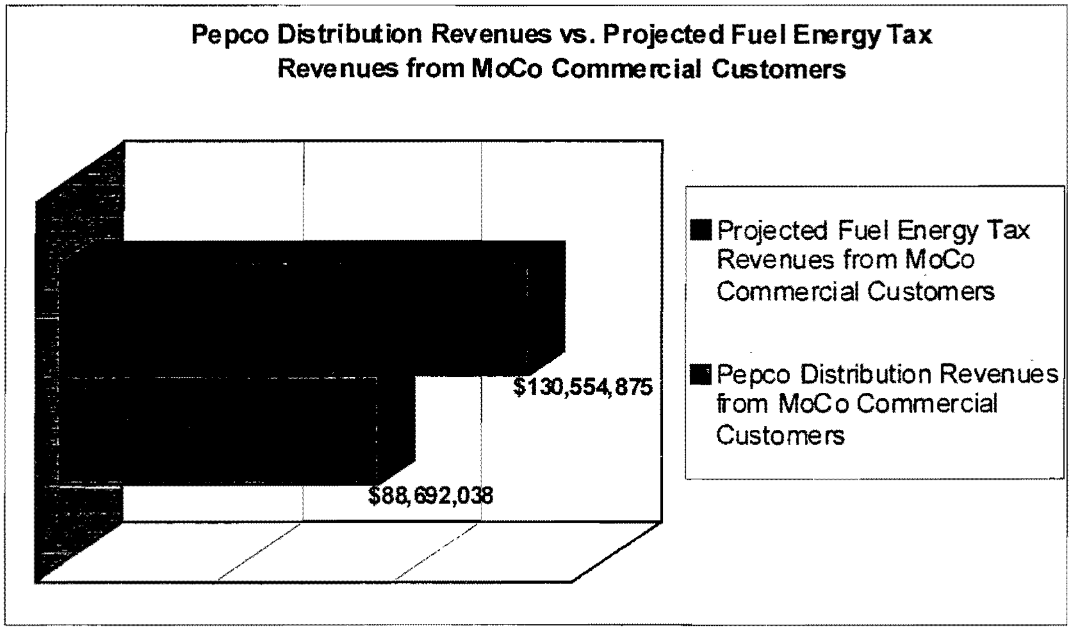
Dear Council President Floreen,

Good evening. My name is Charles Washington and I am the Public Affairs Manager for Pepco. Pepco appreciates the opportunity to comment on the proposed Fuel/Energy tax currently before you. Pepco, a subsidiary of Pepco Holdings, Inc., provides safe and reliable electric service to 767,000 residential and commercial customers in Washington, D.C., and its Maryland suburbs, including Montgomery County.

As the electric distributor for the majority of Montgomery County, Pepco is concerned about the proposed increase in the county's Fuel/Energy tax. In 2003, this tax on electricity, natural gas, oil, coal and other fuels raised $26 million. In 2011, the county's annual Fuel/Energy tax revenues would increase to nearly $217 million if this proposal is approved. That is a **731%** increase in only 8 years.



The County's Fuel/Energy increases since 2003 have always disproportionally impacted commercial customers. However, this proposed increase crosses a notable threshold. Pepco, a distribution company, collects approximately $88.6 million in distribution revenues from commercial customers in Montgomery County. As illustrated below, if the County Executive's proposal is approved, the County would collect over $130 million from those same customers. In essence, the County will be collecting more from the energy tax than Pepco collects as a power delivery company to maintain and operate our electric system.



As demonstrated below using actual randomly selected commercial accounts, this increase will have a real impact on County businesses. One restaurant in Silver Spring will see an increase of over $3,000 a year. A hotel in Bethesda will see a tax increase of approximately $41,000 a year. The County's successful Biotech companies will see increases of hundreds of thousands of dollars of year, with at least one projected to see an increase of over half a million dollars.

Business	KWH	Old Tax	New Tax	Difference
Apartment Building in Bethesda	194347	$32,284.76	$52,850.14	$20,565.39
Coffee in Rockville	8118	$1,348.56	$2,207.58	$859.03
Restaurant Silver Spring	28640	$4,757.65	$7,788.28	$3,030.62
Ice cream parlor in Germantown	9960	$1,654.55	$2,708.49	$1,053.95
Hotel in Bethesda	392488	$65,199.77	$106,732.02	$41,532.25
Grocery Store in Silver Spring	232721	$38,659.41	$63,285.46	$24,626.04
Florist in Takoma Park	1584	$263.13	$430.75	$167.62
Non profit serving children	129920	$21,582.20	$35,330.06	$13,747.86
Office Building in Rockville	365876	$60,779.00	$99,495.23	$38,716.23
Biotech Company	5112805	$849,334.74	$1,390,360.97	$541,026.23

It is important to note that the proposed increase on commercial customers will almost certainly have an impact on County residents as well. In compliance with the applicable laws and regulations, Pepco charges apartment buildings and condominiums that are master-metered the non-residential Fuel/Energy tax rate. Upon the expiration of their leases, property management companies will pass the Fuel/Energy tax increase through to renters. Renters in these master-metered facilities will be harder hit than other County residents. As indicated below using randomly selected actual Pepco accounts, where a typical, individually metered residential customer who uses 1000 KWH a month would see a tax increase of $40 a year; a similar resident in a master-metered building would be responsible for $106 a year.

Typical Homes	KWH	Old Tax	New Tax	Difference
7,150 SQF Home in Potomac, MD	1868	$117.10	$191.69	$74.59
1,428 SQF Town Home in Silver Spring	3370	$211.25	$345.82	$134.57
789 SQF Apartment in Bethesda	258	$16.17	$26.47	$10.30
6 bedroom, 5 bath Home in Germantown, MD	5420	$339.76	$556.18	$216.42
4 bedroom, 3.5 bath Home in Rockville, MD	1180	$73.97	$121.09	$47.12
3,600 SQF Home in Gaithersburg, MD	650	$40.75	$66.70	$25.95

Pepco and its customers would be responsible for approximately **74%** of the revenues from this tax, or $160.4 million. This comes at a time when Pepco's customers are experiencing unprecedented financial difficulties. More than 48,600 Pepco customers are currently in arrears for over $19 million. Many disconnected accounts are never settled and must be written-off. In the first quarter of 2010, Pepco wrote-off over 2,700 Montgomery County accounts, valued at $1.6 million. This bad debt must then be added to Pepco's Maryland rate base – resulting in higher rates for all Maryland customers, including those in Montgomery County.

This tax also puts Pepco's Maryland customers at risk because the company pays the tax on quarterly usage, even if it cannot collect the tax along with other portions of the bill. The risk to customers would be somewhat mitigated if Pepco remits the tax to the County as a pure pass-through, paying only what we actually collect.

Pepco recognizes that, if approved, our customers will be hit hard by the proposed tax increase. We are working with our customers to mitigate the challenges of the tough economic times by offering budget billing plans that allow customers to manage their energy costs. In recent weeks, Pepco announced additional programs to encourage its Maryland customers to conserve by providing energy saving opportunities in the home and installing energy efficient products which in turn save money.

Earlier this year, Pepco also announced that beginning June 1, 2010 the cost for Standard Offer Service (SOS) electricity will decrease by 2.2 percent for residential Maryland customers. The reduction in the cost of electricity translates into a savings of $3.37 on the average monthly bill. This decrease in the cost of electricity is the result of competitive bids to supply electricity.

Despite our efforts on this front, we know many of our customers remain concerned about their energy bills. In consideration of these customers, Pepco urges the County to avoid raising additional revenues through energy bills and to seek alternative funding solutions wherever possible.

Pepco recognizes this is a very challenging economic time for Montgomery County and tough decisions must be made in order to balance the budget. However, we felt that it was critical to communicate in real terms the direct and indirect impact of this proposed energy tax to our common constituency.

pepco

A PHI Company

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April 28, 2010

The Honorable Nancy Floreen
President, Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Dear Council President Floreen:

I write today to further address Pepco's position on Expedited Council Bill 15-10, Taxation -Fuel-Energy Tax -Rate, and the alternative resolution to significantly increase the fuel/energy tax rates. Previously, Charles Washington, Manager, Government Affairs, testified on behalf of Pepco that the proposed increase would negatively impact the 306,000 commercial and residential customers we serve in Montgomery County. In addition to our concern about the negative direct and indirect impact of this proposed energy tax on our customers, Pepco strongly objects to this tax being implemented retroactively.

The most recent County Executive proposal requests that the new rates take effect on May 1, 2010. However, the County Council has announced that it does not plan to take action on the Executive's proposal before May 19. This plan poses serious legal issues as well as operational and customer service challenges for Pepco.

Pepco objects to the retroactive application of the proposed fuel/energy tax, as it is unconstitutional under Article 24 of the Maryland Declaration of Rights, and Article III, §40 of the Maryland Constitution. In determining whether or not a retroactive civil tax is unconstitutional under these provisions of the Maryland Constitution, the Maryland courts analyze the legislature's intent and whether the retroactive legislation impairs a vested right. Pepco's position is that the proposed retroactive tax likely impairs a vested right and is therefore unconstitutional.

The Court of Appeals of Maryland has broadly defined "vested rights." When determining whether vested rights have been impaired, the Maryland courts consider whether the retroactive tax is a change in legislative policy. Pepco submits that the retroactive tax is tantamount to a change in legislative policy, and thus, unconstitutional, insofar as the fuel/energy tax is intended to be fully recoverable from customers. County

Executive Leggett's March 18, 2010 letter to you explicitly acknowledged this policy by stating, "[a]s the Council knows, the County's energy tax is actually a tax on fuel oil, natural gas, and electric utility providers which is passed on to all utility customers."

However, the proposed retroactive application of the fuel/energy tax would likely prevent full recovery of this tax from Pepco's customers. Our intention, both in Mr. Washington's testimony and in this letter, has been to illustrate the difficulties, and likely near impossibility, of full recovery of the retroactive portion of the proposed fuel/energy tax. Thus, approval of the proposed retroactive tax would indicate a change in legislative policy from complete recovery of the tax from customers to only partial recovery by utilities, at best.

Additionally, the sheer magnitude of the proposed increase is sufficient to indicate a change in legislative policy, which would be unconstitutional if applied retroactively. If adopted, the proposed amendment will retroactively raise the fuel/energy tax a staggering 100%. The Court of Appeals of Maryland has previously considered the retroactive approval of a much lower percentage tax increase to be a change in legislative policy.

In addition to the fact that the proposed retroactive fuel/energy tax represents a clear departure from existing legislative policy, the courts may consider several additional factors in determining whether a vested right is impaired by a retroactive civil statute. One such factor is whether the statute works substantial injustice. Pepco submits that the negative effects of trying to recover the proposed retroactive portion of the fuel/energy tax increase (i.e., approximately $4.5 million) works a substantial injustice against the company. When combined with the customer/constituent dissatisfaction, community ill will, and increased operational demands; the potential financial exposure Pepco faces for the portion of the retroactive increase that it is unable to collect from customers is all the more burdensome.

In addition to the unconstitutionality of the retroactive tax increase, Pepco faces serious, financial, operational, and customer care concerns. If the fuel/energy tax is implemented retroactively, under our current tariff, Pepco would under-collect the revenue required to compensate the Company for the fuel energy tax by approximately $4.5 million. Our billing system must be programmed in advance of any tax increases and is unable to "back-bill" customers for a retroactive tax increase. If the Council approves a retroactive tax increase, it will be nearly impossible for the Company to accurately collect the difference in the tax increase from customers, based on their usage.

Instead, Pepco would either attempt to manually calculate the adjustment to all Montgomery County customers on our system or cancel and "rebill" all statements issued before May 20. Either of these options would be costly and labor intensive, requiring either weeks of programming or many man-hours of account work in addition to costs for postage and printing new statements. Undoubtedly, Pepco would still be unable to fully realize the required revenue because we would be unable to collect from customers who are no longer associated with the premises or have been final billed.

The customer impact of this retroactive tax would prove challenging to the company as well. If the County Executive's proposal were approved, Pepco would implement a proactive communications plan to explain to customers why they may now have a balance for a monthly charge that they had previously paid in full. Still, we would expect a flood of confused and angry customers to contact our call centers. Large businesses, in particular, stand to see significant increases and many of these businesses will express their serious concerns about such large increases to Pepco's customer service representatives. It is also highly likely that these customers, your constituents, will contact the Council and the Maryland Public Service Commission.

In aggregate, the challenges of this retroactive tax will be a costly burden for Pepco and its residential and business customers. Pepco strongly objects to the proposed retroactive application of the tax. If the County Council chooses to raise the fuel energy tax to address the current budget challenges, the company requests that the Council collect the desired revenue through a constitutionally-permissible implementation of the fuel energy tax that is not retroactive and that provides ample notice of these significant bill increases to Pepco and its customers.

Sincerely,

Kim Watson

Comparison of Fuel/Energy Tax Rates, Current and FY11 Proposed

	Electricity Rates		Natural Gas Rates		Projected Fuel/Energy Tax Revenue, FY11 ($ in millions) (percent of total tax revenue)
	Residential	Non-Residential	Residential	Non-Residential	
Montgomery County					$264.9 (8.6%)
Current Rate	0.0052237964	0.0138432612	0.0449864339	0.1192142417	
FY11 Proposed Rate**	0.0104475928	0.0276865224	0.0899728678	0.2384284834	
% Change Current-Proposed	*100%*	*100%*	*100%*	*100%*	
Baltimore City					$30.8 (2.8%)
Current Rate	0.0020070000	0.0062700000	0.0238300000	0.0810770000	
FY11 Proposed Rate	0.0020900000	0.0065290000	0.0248170000	0.0844360000	
% Change Current-Proposed	*4%*	*4%*	*4%*	*4%*	
Prince George's County*					$56.8 (4.3%)
Current Rate	0.0080900000		0.0829060000		
FY11 Proposed Rate	0.0069230000		0.0700090000		
% Change Current-Proposed	*-14%*		*-16%*		
Fairfax County					$45.6 (1.6%)
Current Rate (no proposed increase)	0.0060500000	0.0059400000	0.0525900000	0.0479400000	
% Change Current-Proposed	*0%*	*0%*	*0%*	*0%*	
District of Columbia					$152.3 (3.1%)
Current Rate (no proposed increase)	0.0070000000	0.0077000000	0.0707000000	0.0777700000	
% Change Current-Proposed	*0%*	*0%*	*0%*	*0%*	
Rate Comparison with Montgomery County, FY2011 Rates					
Baltimore City					
Rate Difference	0.0083575928	0.0211575224	0.0651558678	0.1539924834	
% Higher in MC (Lower)	**400%**	**324%**	**263%**	**182%**	
Prince George's County***					
Rate Difference	0.0035245928	0.0207635224	0.0199638678	0.1684194834	
% Higher in MC (Lower)	**51%**	**300%**	**29%**	**241%**	
Fairfax County					
Rate Difference	0.0043975928	0.0217465224	0.0373828678	0.1904884834	
% Higher in MC (Lower)	**73%**	**366%**	**71%**	**397%**	
District of Columbia					
Rate Difference	0.0034475928	0.0199865224	0.0192728678	0.1606584834	
% Higher in MC (Lower)	**49%**	**260%**	**27%**	**207%**	

* The tax rates in Prince George's County's proposed FY11 operating budget do not distinguish between residential and non-residential rates.

** Montgomery County Executive's April 22nd proposed tax increase.

*** Comparison of both Montgomery County residential and non-residential rates with Prince George's County's single rate.

Sources: Montgomery County Executive's Proposed FY11 Operating Budget and April 22, 2010 FY10 and FY11 Budget Adjustments; Baltimore City Fiscal 2011 Preliminary Budget Plan; Prince George's County Proposed Operating Budget Fiscal Year 2011; Fairfax County Code; Fairfax County Website; Fairfax County FY2011 Advertised Budget Plan; District of Columbia Code; District of Columbia Website; District of Columbia FY 2011 Proposed Budget and Financial Plan; Maryland Association of Counties (MACO) FY 2010 Budget and Tax Rates Survey

Calculation of Monthly Fuel/Energy Tax for Electricity Usage by Actual Montgomery County Businesses and Homes

Business and home examples provided by Charles Washington, PEPCO's Manager of Government Affairs. Tax calculations based on the Montgomery County Executive's proposed fuel/energy tax rate on April 22, 2010 and on the proposed FY11 rates in other jurisdictions.

Examples of Monthly Electricity Tax – Non-Residential

Type of Business	Location	Actual Kilowatt Hours Used – March 2010	Hypothetical Monthly Fuel/Energy Tax Based on Proposed FY11 Rate in...				
			Montgomery County	District of Columbia	Prince George's County	Baltimore City	Fairfax County
Biotech Company	not identified	5,112,805	$144,556	$65,766	$35,396	$33,382	$30,370
Hotel	Bethesda	392,488	$10,867	$5,049	$2,717	$2,563	$2,331
Office Building	Rockville	365,876	$10,130	$4,706	$2,533	$2,389	$2,173
Grocery Store	Silver Spring	232,721	$6,443	$2,993	$1,611	$1,519	$1,382
Apartment Building	Bethesda	194,347	$5,381	$2,500	$1,345	$1,269	$1,154
Non-profit – Serving Children	not identified	129,920	$3,597	$1,671	$899	$848	$772
Restaurant	Silver Spring	28,640	$793	$368	$198	$187	$170
Ice Cream Parlor	Germantown	9,960	$276	$128	$67	$65	$59
Coffee Shop	Rockville	8,118	$225	$104	$56	$53	$48
Florist	Takoma Park	1,584	$44	$20	$11	$10	$9

Examples of Monthly Electricity Tax – Residential

Type of Home	Location	Size	Actual Kilowatt Hours Used – March 2010	Hypothetical Monthly Fuel/Energy Tax Based on Proposed FY11 Rate in...				
				Montgomery County	District of Columbia	Prince George's County	Fairfax County	Baltimore City
House	Germantown	6 BR, 5 BA	5420	$57	$38	$38	$33	$11
Townhouse	Silver Spring	1,428 square feet	3370	$35	$24	$23	$20	$7
House	Potomac	7,150 square feet	1868	$20	$13	$13	$11	$4
House	Rockville	4 BR, 3.5 BA	1180	$12	$8	$8	$7	$2
House	Gaithersburg	3,600 square feet	650	$7	$5	$4	$4	$1
Apartment	Bethesda	789 square feet	258	$3	$2	$2	$2	$1

Sources for both tables: Businesses and electricity usage taken from April 20, 2010 written testimony from Charles Washington, PEPCO Manager of Government Affairs; Montgomery County Executive's Proposed FY11 Operating Budget and April 22, 2010 FY10 and FY11 Budget Adjustments; Baltimore City Fiscal 2011 Preliminary Budget Plan; Prince George's County Proposed Operating Budget Fiscal Year 2011; Fairfax County Code; Fairfax County Website; Fairfax County FY2011 Advertised Budget Plan; District of Columbia Code; District of Columbia Website; District of Columbia FY 2011 Proposed Budget and Financial Plan; OLO analysis

April 27, 2010

MEMORANDUM

TO: The Honorable Nancy Floreen, Chair
Transportation, Infrastructure, Energy & Environment (T&E)
Montgomery County Council

The Honorable Duchy Trachtenberg, Chair
Management and Fiscal Policy (MFP)
Montgomery County Council

FROM: Jacob Sesker, Planner Coordinator (301-650-5619)

SUBJECT: Summary of Economic Issues-Fuel/Energy Tax

The proposed budget includes additional revenues of approximately $100 million attributable to an increase in the Fuel/Energy Tax. As a matter of perspective, that $100 million gap is equivalent to more than 8% of the total countywide real property tax revenues. That gap will be closed by increasing taxes or decreasing spending[1] or some combination of the two; however, actual increases in property tax are unlikely. To the extent that the gap is partially closed by tax increases, those increases will be in the form of increases to excise taxes[2].

The Executive has now proposed an increase of 100% in the Fuel/Energy tax rates, which follows the earlier proposals to increase the rates by 39.6% and then 63.7%. For each of the three successive proposals, the Executive has proposed increasing the rates by the same percentage for all fuel types and for all end users.

The following represents a brief outline of the economic issues raised by this proposed tax increase. In brief, those issues are uniformity/equity, and timing (onset and sunset). Further discussion, and possibly analysis, is almost certain to occur over the next two weeks. Answering these questions will likely require further coordination between the County Executive, Council staff, and the Planning Department.

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[1] An issue not addressed in this memo is the economic impact of reductions in government services, some of which do negatively impact businesses and the overall business climate in a jurisdiction.

[2] Excise taxes are taxes on the exercise of a privilege (e.g. distribution of energy, consumption of alcohol, etc.). In contrast to property taxes, there is no Maryland requirement that excise taxes be uniform (i.e. that commercial and residential rates be the same). In addition, there are no Charter limitations on increases in excise taxes. Excise taxes, like all taxes, are primarily tools for raising revenue. Excise taxes may often be perceived as a way to influence behavior as well—for that reason many excise taxes are referred to as "sin taxes."

Uniformity

a. Commercial versus residential

The question raised by many members of the business community in compelling written testimony submitted at the April 21st public hearing was whether the increase in the Fuel/Energy Tax unfairly burdens the business community. If the County leans more heavily on the Fuel/Energy Tax to raise revenues, the portion of tax revenues (all sources, i.e. property, income, development impact, and other excise taxes) generated by commercial uses will increase. A question for further analysis is whether that increase will be exacerbating an existing inequality between commercial and residential, or narrowing an existing gap.

In this case, the current Fuel/Energy Tax rates for commercial users are 2.65 times higher than the rates charged for energy distributed to residential users[3]. Because the Executive has proposed equal rate increases for residential and commercial, that relationship would remain the same if the proposal were adopted.

Alternative distributions of the increase could fall anywhere within a range. The examples below are intended to illustrate alternative distributions of the burden where the total amount of revenue raised by the tax remains constant:

Executive's Proposal

	FY11 Consumers	FY 11 Average Tax Paid	FY 11 Projected Revenue	% Rate Increase
Residential	367,000	$198.93	$73,005,747	100%
Commercial	37,977	$5,236.56	$198,868,900	100%
Total-All Uses			$271,874,646	

Example 1: Maintain FY10 Commercial Rate

	FY11 Consumers	FY 11 Average Tax Paid	FY 11 Projected Revenue	% Rate Increase
Residential	367,000	$469.86	$172,440,197	372%
Commercial	37,977	$2,618.28	$99,434,450	0%
Total-All Uses			$271,874,646	

Example 2: Maintain FY 10 Residential Rate

	FY11 Consumers	FY 11 Average Tax Paid	FY 11 Projected Revenue	% Rate Increase
Residential	367,000	$99.46	$36,502,873	0%
Commercial	37,977	$6,197.74	$235,371,773	137%
Total-All Uses			$271,874,646	

[3] For comparison, in Fairfax County the rate charged to commercial users is 1.25 times higher than the rate charged to residential users.

Example 3: Achieve 50/50 Split Overall

	FY11 Consumers	FY 11 Average Tax Paid	FY 11 Projected Revenue	% Rate Increase
Residential	367,000	$370.40	$135,937,323	272%
Commercial	37,977	$3,579.46	$135,937,323	37%
Total-All Uses			$271,874,646	

Example 4: Split Executive's Proposed Increase 50/50

	FY11 Consumers	FY 11 Average Tax Paid	FY 11 Projected Revenue	% Rate Increase
Residential	367,000	$288.41	$105,846,106	190%
Commercial	37,977	$4,371.81	$166,028,540	67%
Total-All Uses			$271,874,646	

b. *Multi-family versus single-family residential*

A potential question for further consideration is whether an amended Fuel/Energy Tax should mandate that energy distributors treat multi-family residential dwellings as residential dwellings for purposes of charging the Fuel/Energy Tax.

PEPCO charges commercial rates to "master metered" multi-family dwellings (condos and apartments). In essence this means that some residents of multi-family structures are paying a Fuel/Energy Tax rate that is 2.65 times higher than nearby residents of single-family structures. Residents of multi-family dwelling units have lower incomes than residents of single-family dwelling units, and therefore have less disposable income with which to absorb a tax increase.

Timing

Two possible issue for additional discussion are: (1) whether to introduce this increase gradually, and (2) the timing and wording of a sunset provision.

The Executive has proposed that the increase be effective on May 1, 2010, and that the entire proposed increase sunset at the end of FY12 (i.e. the increase would be effective for 26 months). Excise taxes are first and foremost tools for raising revenue. The revenue is needed now, and as such the Executive has proposed that the rate change be effective immediately.

Sudden increases in regulatory costs (e.g. taxes) often result in one party bearing the entire unforeseen burden. That burden might fall entirely on the landowner or entirely on the tenant, but in either case the parties might have allocated costs and risks differently in negotiating the lease if the possibility of a significant increase in a specific cost had been apparent at the time of the lease negotiation. While the economy can adjust to these changes over time, adjustments in the short-term are difficult.

Sunset provisions may provide clarity for parties who are negotiating long-term leases in FY11 and FY12 regarding their costs/risks in the short-term and in the long-term. Clarity and a commitment to sunset certainly would aid in the negotiation of long-term leases that are to occur during the next two fiscal years.

An additional issue discussed in testimony was concern that consumption would change and that therefore revenues are not likely to meet projections. While revenues often exceed or fall short of projections, energy consumption is relatively inelastic and is unlikely to change significantly during the next 26 months as a result of this tax increase.

JS:tv jns_energytax_04_2710

cc: Steve Farber
Leslie Rubin

Demographic Data for Montgomery County Residents
2008 Census Update Survey

Montgomery County, MD 2008 Census Update Survey	Single-Family Detached	Townhouse	Garden Apartment	High-Rise	*All Types*
Household Population					
	540,605	178,425	155,670	64,500	*939,200*
Households by Structure Type					
	177,365	65,465	75,085	39,085	*357,000*
% Total Households by Structure Type					
	49.7%	18.3%	21.0%	10.9%	*100.0%*
Average Household Size					
	3.05	2.73	2.07	1.65	*2.63*
Tenure					
% Rental	4.0%	11.0%	69.3%	59.4%	*25.1%*
Average Monthly Costs					
Homeowner (all)	$2,253	$1,685	$1,417	$1,586	*$2,005*
Homeowner with Mortgage or Loan	$2,472	$1,746	$1,536	$2,033	*$2,188*
Renter	$1,990	$1,535	$1,179	$1,419	*$1,327*
2007 Household Income Distribution					
% Under $15,000	0.9%	1.3%	5.4%	6.7%	*2.6%*
% $15,000 to $29,999	2.4%	3.4%	10.9%	6.9%	*4.9%*
% $30,000 to $49,999	5.8%	12.7%	23.5%	15.1%	*11.8%*
% $50,000 to $69,999	8.0%	15.8%	22.1%	20.1%	*13.7%*
% $70,000 to $99,999	15.4%	24.7%	22.9%	20.6%	*19.2%*
% $100,000 to 149,999	26.4%	28.1%	11.0%	16.9%	*22.5%*
% $150,000 to 199,999	17.1%	8.3%	2.8%	8.1%	*11.5%*
% $200,000+	24.0%	5.6%	1.4%	5.5%	*13.8%*
2007 Median Household Income					
	$130,400	$89,800	$58,570	$70,945	*$96,475*
% of Households Spending More Than 30% of Income on Housing Costs					
% Homeowners	16.8%	22.2%	29.4%	18.4%	*19.3%*
% Renters	26.9%	28.7%	34.9%	35.7%	*34.1%*

Source: 2008 Census Update Survey; Research & Technology Center, Montgomery County Planning Dept., M-NCPPC 8/09

Fuel/Energy Tax Data Tables
April 29, 2010

Annual Tax Revenue, FY03-FY11 ($ in millions)

Category	FY03	FY09	FY10*	FY11**	FY03-FY11 Projected	
					$ Increase	% Increase
Residential	$7.9	$35.2	$36.0	$72.2	$64.3	714%
Non-Residential	$18.2	$94.1	$96.2	$192.8	$174.6	859%
Total	***$26.1***	***$129.3***	***$132.2***	***$265.0***	***$238.9***	***815%***

*Projected based on current tax rate
** Projected based on the County Executive's April 22nd proposed tax increase
Source: Department of Finance, OLO Analysis

Average Annual Tax Bill, FY10-FY11

Consumer	FY10*	FY11**	$ Increase	% Increase
Residential	$99	$197	$98	99%
Non-Residential	$2,618	$5,077	$2,459	94%

*Projected
**Projected based on the County Executive's April 22nd proposed tax increase
Source: Department of Finance, OLO Analysis

Total Number of Consumers, FY10 and FY11

Category	FY10	FY11 Projected
Residential	362,000	367,000
Non-Residential	36,737	37,977

Source: Department of Finance

Percentage of Total Tax Revenue by Category, FY10 and FY11

Category	FY10*	FY11*
Residential	27.2%	27.2%
Non-Residential	72.8%	72.8%
Total	***100%***	***100%***

*Projected
Source: Department of Finance – Based on the average of the prior four fiscal years

Annual Tax Revenue, FY03-FY11 ($ millions)

Category	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10*	FY11 Projected		
									March 15 Budget	March 25 Proposal	April 22nd Proposal
Residential	$7.9	$21.5	$32.0	$32.0	$32.3	$32.2	$35.2	$36.0	$50.4	$59.1	$72.2
Non-Residential	$18.2	$52.1	$82.9	$85.6	$86.5	$86.1	$94.1	$96.2	$134.7	$157.9	$192.8
Total	***$26.1***	***$73.6***	***$114.9***	***$117.7***	***$118.8***	***$118.3***	***$129.3***	***$132.2***	***$185.1***	***$217.0***	***$265.0***

*Projected
Source: Department of Finance

SCENARIOS FOR ALLOCATING REVENUE BETWEEN RESIDENTIAL AND NON-RESIDENTIAL CONSUMERS

Scenario #1 – County Executive's Current Proposal (73/27 Allocation of Revenue)

Base Revenue ($132.2 million)	Non-Residential (73%)	Residential (27%)
Additional Revenue ($133 million)	Non-Residential (73%)	Residential (27%)
Total Revenue - $265 million	**$193 million (73%)**	**$72 million (27%)**

Scenario #2 – 66/34 (Non-Residential/Residential) Allocation of Additional Revenue

Base Revenue ($132.2 million)	Non-Residential (73%)	Residential (27%)
Additional Revenue ($133 million)	Non-Residential (66%)	Residential (34%)
Total Revenue - $265 million	**$184 million (69%)**	**$81 million (31%)**

Scenario #3 – 60/40 (Non-Residential/Residential) Allocation of Additional Revenue

Base Revenue ($132.2 million)	Non-Residential (73%)	Residential (27%)
Additional Revenue ($133 million)	Non-Residential (60%)	Residential (40%)
Total Revenue - $265 million	**$176 million (66%)**	**$89 million (34%)**

Scenario #4 – 50/50 Allocation of Additional Revenue

Base Revenue ($132.2 million)	Non-Residential (73%)	Residential (27%)
Additional Revenue ($133 million)	Non-Residential (50%)	Residential (50%)
Total Revenue - $265 million	**$163 million (61%)**	**$102 million (39%)**

Non-Residential = Residential =

Source for all: Department of Finance data, OLO analysis

AVERAGE ANNUAL TAX BILL FOR RESIDENTIAL AND NON-RESIDENTIAL CONSUMERS

Scenario #1 – County Executive's Current Proposal (73/27 Allocation of Revenue)

Rate Payer	FY10 Average Annual Tax Bill	Average Annual Tax Bill – Scenario #1*	$ Change (%)
Non-Residential	$2,618	$5,077	$2,458 (94%)
Residential	$99	$197	$97 (98%)

Scenario #2 – 66/34 (Non-Residential/Residential) Allocation of Additional Revenue

Rate Payer	FY10 Average Annual Tax Bill	Average Annual Tax Bill – Scenario #2*	$ Change (%)
Non-Residential	$2,618	$4,845	$2,226 (85%)
Residential	$99	$221	$121 (122%)

Scenario #3 – 60/40 (Non-Residential/Residential) Allocation of Additional Revenue

Rate Payer	FY10 Average Annual Tax Bill	Average Annual Tax Bill – Scenario #3*	$ Change (%)
Non-Residential	$2,618	$4,634	$2,016 (77%)
Residential	$99	$243	$143 (144%)

Scenario #4 – 50/50 Allocation of Additional Revenue

Rate Payer	FY10 Average Annual Tax Bill	Average Annual Tax Bill – Scenario #4*	$ Change (%)
Non-Residential	$2,618	$4,292	$1,673 (64%)
Residential	$99	$278	$178 (179%)

* Projected
Source for all: Department of Finance data, OLO analysis

EXAMPLES OF MONTHLY TAX BILLS BASED ON ELECTRICITY USAGE

Scenario #1 – County Executive's Current Proposal (73/27 Allocation of Revenue)

Kilowatt Hours Used	Current Monthly Tax Bill	Projected Monthly Tax Bill	$ Increase	% Increase
Non-Residential				**100%**
50,000	$692	$1,384	$692	
250,000	$3,461	$6,922	$3,461	
500,000	$6,922	$13,843	$6,922	
1,000,000	$13,843	$27,687	$13,843	
Residential				**100%**
500	$3	$5	$3	
1,000	$5	$10	$5	
2,500	$13	$26	$13	
5,000	$26	$52	$26	

Scenario #2 – 66/34 (Non-Residential/Residential) Allocation of Additional Revenue[1]

Kilowatt Hours Used	Current Monthly Tax Bill	Projected Monthly Tax Bill	$ Increase	% Increase
Non-Residential				
50,000				
250,000				
500,000				
1,000,000				
Residential				
500				
1,000				
2,500				
5,000				

Scenario #3 – 60/40 (Non-Residential/Residential) Allocation of Additional Revenue

Kilowatt Hours Used	Current Monthly Tax Bill	Projected Monthly Tax Bill	$ Increase	% Increase
Non-Residential				**87%**
50,000	$692	$1,292	$600	
250,000	$3,461	$6,462	$3,001	
500,000	$6,922	$12,923	$6,002	
1,000,000	$13,843	$25,847	$12,003	
Residential				**154%**
500	$3	$7	$4	
1,000	$5	$13	$8	
2,500	$13	$33	$20	
5,000	$26	$66	$40	

Scenario #4 – 50/50 Allocation of Additional Revenue

Kilowatt Hours Used	Current Monthly Tax Bill	Projected Monthly Tax Bill	$ Increase	% Increase
Non-Residential				**72%**
50,000	$692	$1,193	$500	
250,000	$3,461	$5,963	$2,502	
500,000	$6,922	$11,926	$5,004	
1,000,000	$13,843	$23,852	$10,009	
Residential				**193%**
500	$3	$8	$5	
1,000	$5	$15	$10	
2,500	$13	$38	$25	
5,000	$26	$76	$50	

Source: Department of Finance data; OLO Analysis

[1] To be filled in based on forthcoming data from the Department of Finance.