

Overview of Montgomery County's Budget and Revenue Outlook

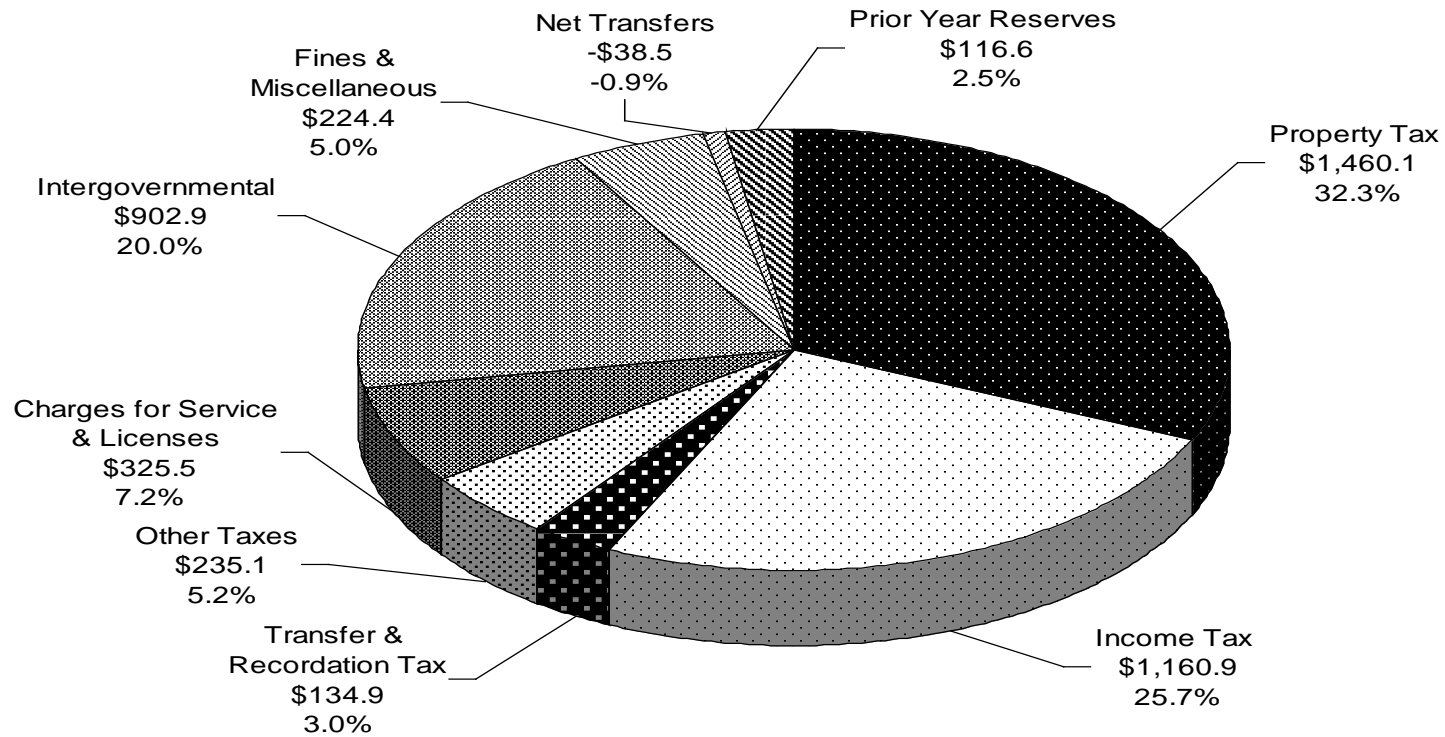
**Prepared by
Offices of the County Executive
Office of Management and Budget
Montgomery County, Maryland
March 15, 2010**



THE BUDGET PROBLEM

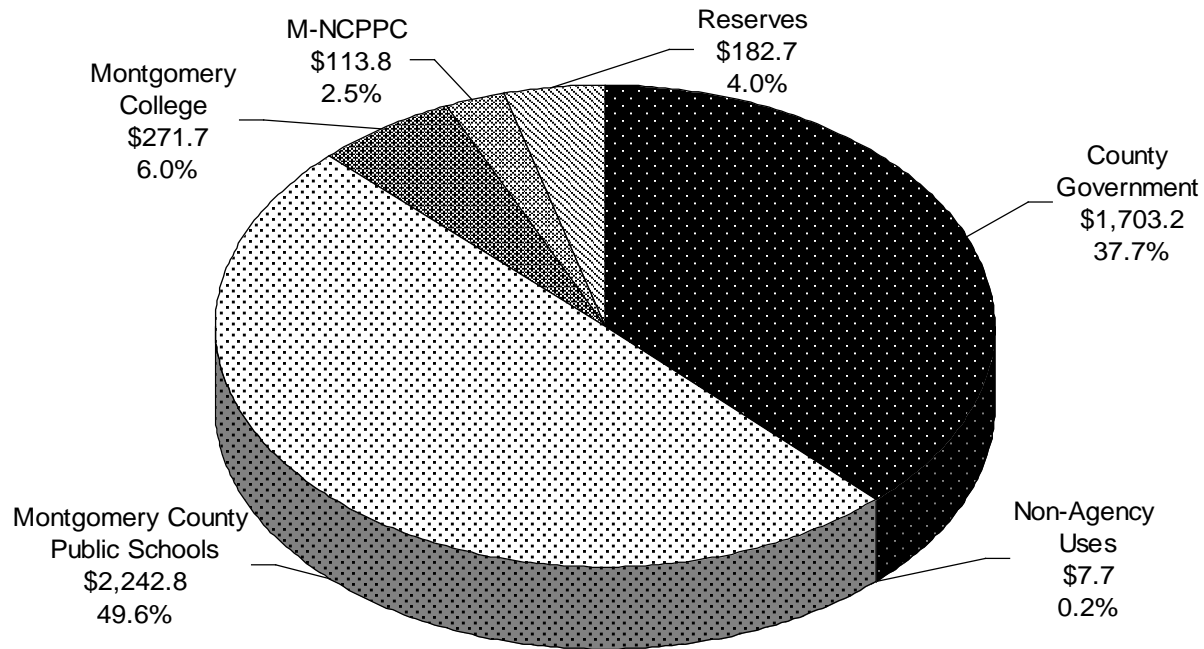
FY11 ALL AGENCIES / ALL FUNDS

WHERE THE MONEY COMES FROM TOTAL APPROVED RESOURCES - \$4,521.9 (million)



FY11 ALL AGENCIES / ALL FUNDS

WHERE THE MONEY GOES * TOTAL APPROVED USES OF FUNDS - \$4,521.9 (million)



*This total covers the full Operating Budget, and funds to the CIP, Debt Service and Reserves.
Of this amount \$4,304,288,414 is approved in the Operating Budget.

Fiscal Plan Update December 2009 Tax Supported Fiscal Plan Summary

(\$ in Millions)									
	App. FY10	Est. FY10	% Chg. FY10-11	Rec. FY11	Projected FY12	Projected FY13	Projected FY14	Projected FY15	Projected FY16
	5-21-09	12-1-09	Rec/Bud	12-1-09					
Total Resources									
Revenues	3,804.9	3,700.1	-2.7%	3,703.3	3,847.3	4,000.3	4,176.9	4,386.3	4,570.4
Beginning Reserves Undesignated	115.5	103.6	-127.4%	(31.6)	101.1	117.7	127.9	139.1	152.4
Beginning Reserves Designated	-	-	0.0%	-	-	-	-	-	-
Net Transfers In (Out)	37.2	37.1	-79.4%	7.7	7.9	8.1	8.4	8.6	9.0
Total Resources Available	3,957.7	3,840.8	-7.0%	3,679.3	3,956.3	4,126.2	4,313.2	4,534.1	4,731.8
Less Other Uses of Resources (Capital, Debt Service, Reserve)	362.2	269.5	25.1%	453.1	507.3	548.6	598.0	620.5	632.4
Available to Allocate to Agencies	3,595.4	3,571.3	-10.3%	3,226.2	3,449.1	3,577.6	3,715.2	3,913.5	4,099.4
Agency Uses									
Montgomery County Public Schools (MCPS)	2,020.1	2,010.2	3.6%	2,092.2	2,174.8	2,262.0	2,352.5	2,445.2	2,530.0
Montgomery College (MC)	217.5	216.5	7.5%	233.9	251.6	270.6	291.0	312.8	336.1
MNCPPC (w/o Debt Service)	106.6	104.5	3.4%	110.2	114.6	119.0	123.4	127.8	131.5
MCG	1,251.2	1,240.2	6.6%	1,333.6	1,427.1	1,526.1	1,631.6	1,742.9	1,853.8
Subtotal Agency Uses	3,595.4	3,571.3	4.9%	3,769.9	3,968.1	4,177.7	4,398.5	4,628.7	4,851.4
Retiree Health Insurance Pre-Funding									
Montgomery County Public Schools (MCPS)				30.9					
Montgomery College (MC)				0.8					
MNCPPC (w/o Debt Service)				3.6					
MCG				29.2					
Subtotal Retiree Health Insurance Pre-Funding				64.5					
Subtotal Other Uses of Resources (Capital, Debt Service, Reserve)	362.2	269.5	25.1%	453.1	507.3	548.6	598.0	620.5	632.4
Total Uses	3,957.7	3,840.8	8.3%	4,287.6	4,475.4	4,726.4	4,996.5	5,249.2	5,483.8
(Gap)/Available	-	-		(608.3)	(519.1)	(600.2)	(683.3)	(715.2)	(752.0)



Notes:

1. FY11-15 property tax revenues are at the Charter Limit.
2. Projected agency spending is based on Major Known Commitments including compensation.
3. Retiree health insurance pre-funding is assumed at the scheduled FY11 amounts.
4. Reserves are restored to the policy level of 6% of total resources in FY11.
5. PAYGO is restored to the policy level of 10% of the planned bond issue in FY11.


(32.9) Non-K-12 State Aid Reduction
 (47.3) Less FFP & Speed Camera Rev
 (44.3) Addl Snow Removal Costs
 (46.0) February Revenue Write-down
(778.9) New FY11 Gap



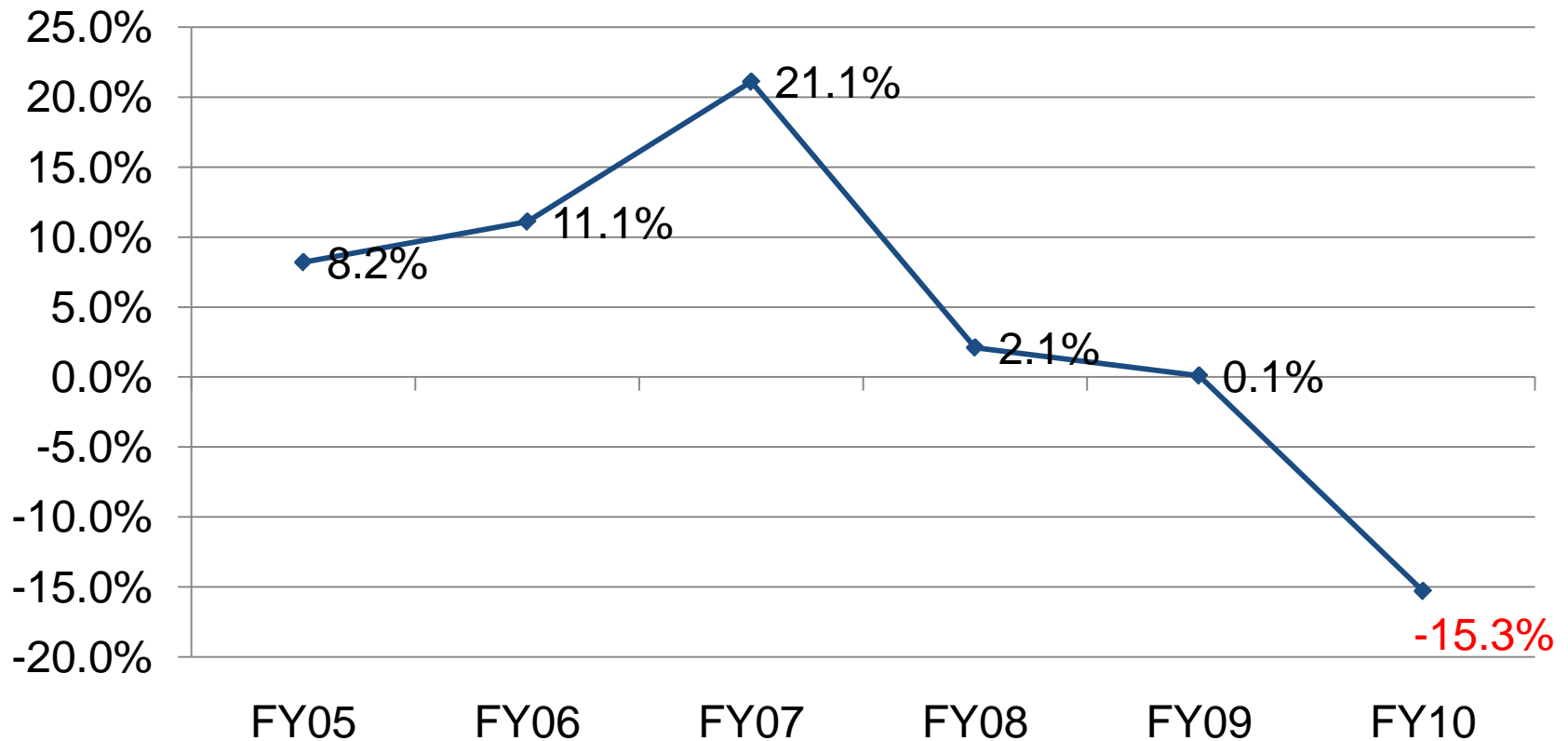


WHAT HAPPENED?

Revenue Changes for FYs 10 and 11

CATEGORIES	TOTAL CHG FY10+FY11 (\$ in mils)	
TAXES		
Property Tax (less PDs)	(46.9)	
Income Tax	(239.1)	
Transfer/Recordation Tax	(0.8)	
Other Taxes	(11.4)	
Total Local Taxes	(298.2)	
Non K-12 State Aid		
Highway User	(30.2)	
Other State Aid	(13.7)	
Subtotal Non K-12	(43.9)	
K-12 State Aid	44.0	
Fees and Fines	(21.6)	
Investment Income & Misc.	(6.5)	
TOTAL REVENUES	(326.2)	

Montgomery County Income Tax Revenue Annual Rate of Growth



FYs 05-07 = 40.3%

FYs 08-10 = -13.2%

Montgomery County

Number of Returns: 2007-2008 Tax Return Comparison

2007-2008 Comparison, Montgomery County only

Range of Taxable Income	Number of Returns		Change	%Change
	2007	2008		
\$1 - 1,000	6,656	4,048	(2,608)	-39%
\$1,001 - 2,000	6,803	4,539	(2,264)	-33%
\$2,001 - 3,000	6,801	4,872	(1,929)	-28%
\$3,001 - 150,000	340,530	335,814	(4,716)	-1%
\$150,001 - 300,000	18,661	18,995	334	2%
\$300,001 - 500,000	5,253	4,933	(320)	-6%
\$500,001 - \$1,000,000	4,737	4,217	(520)	-11%
\$1,000,001 or more	3,172	2,321	(851)	-27%
Total	392,613	379,739	(12,874)	-3%

In both number of returns and net taxable income, there was a decrease in every category except for \$150,000-\$300,000.

Source: Maryland Office of the Comptroller, Bureau of Revenue Estimates

*CountyStat received updated tax return data on 1/15/2010; these slides reflect those figures.

Montgomery County

Net Taxable Income: 2007-2008 Tax Return Comparison

2007-2008 Comparison, Montgomery County only

Range of Taxable Income	Net Taxable Income		Change	%Change
	2007	2008		
\$1 - 1,000	\$5,242,542	\$2,156,741	(3,085,801)	-59%
\$1,001 - 2,000	\$15,454,542	\$6,788,395	(8,666,147)	-56%
\$2,001 - 3,000	\$24,462,619	\$12,171,670	(12,290,949)	-50%
\$3,001 - 150,000	\$17,688,803,084	\$17,307,287,601	(381,515,483)	-2%
\$150,001 - 300,000	\$4,583,476,473	\$4,669,495,527	86,019,054	2%
\$300,001 - 500,000	\$2,149,744,636	\$2,018,594,698	(131,149,938)	-6%
\$500,001 - \$1,000,000	\$3,254,721,956	\$2,870,497,029	(384,224,927)	-12%
\$1,000,001 or more	\$9,755,275,833	\$5,989,456,954	(3,765,818,879)	-39%
Total	\$37,477,181,685	\$32,876,448,615	(4,600,733,070)	-12%

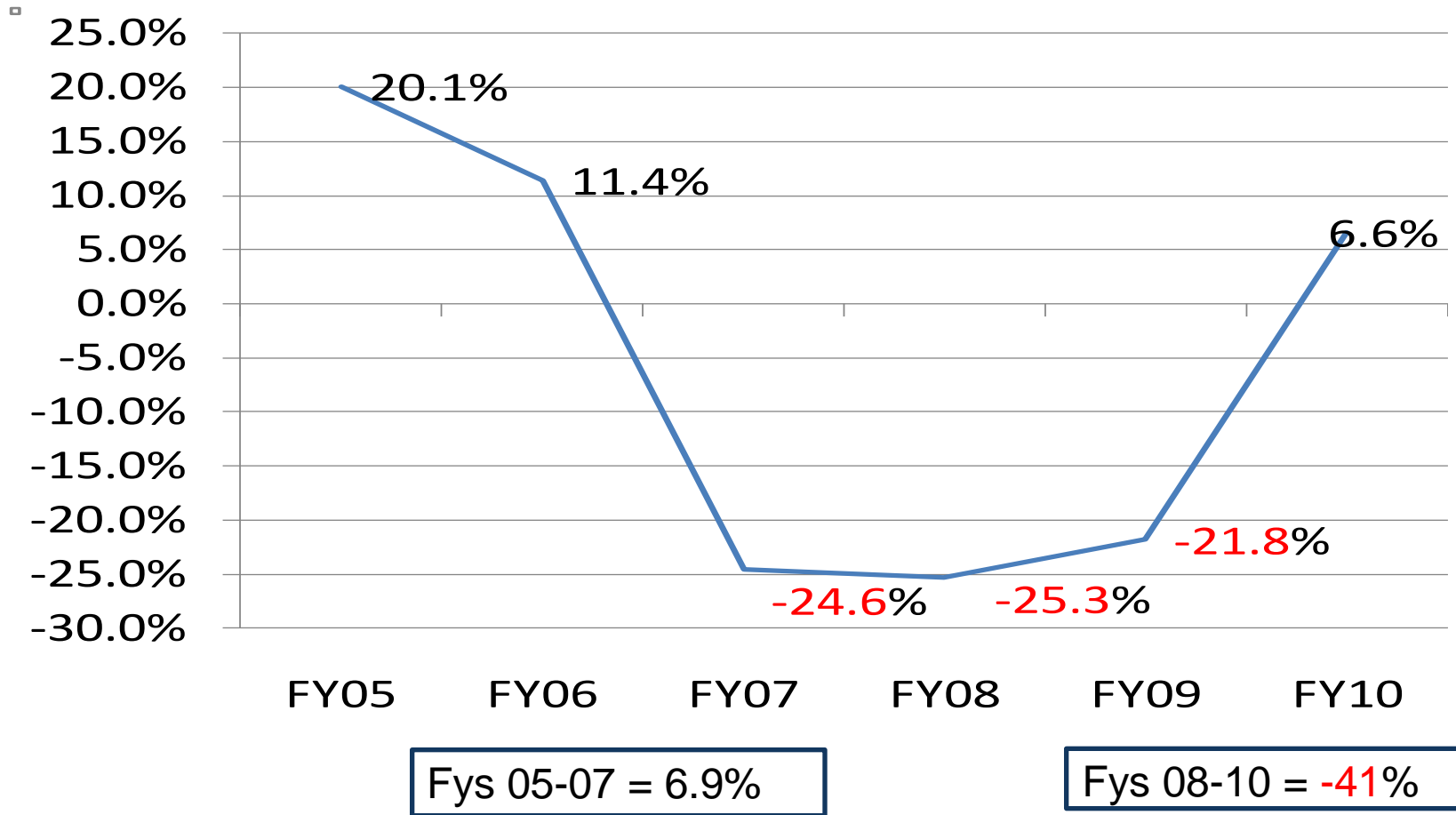
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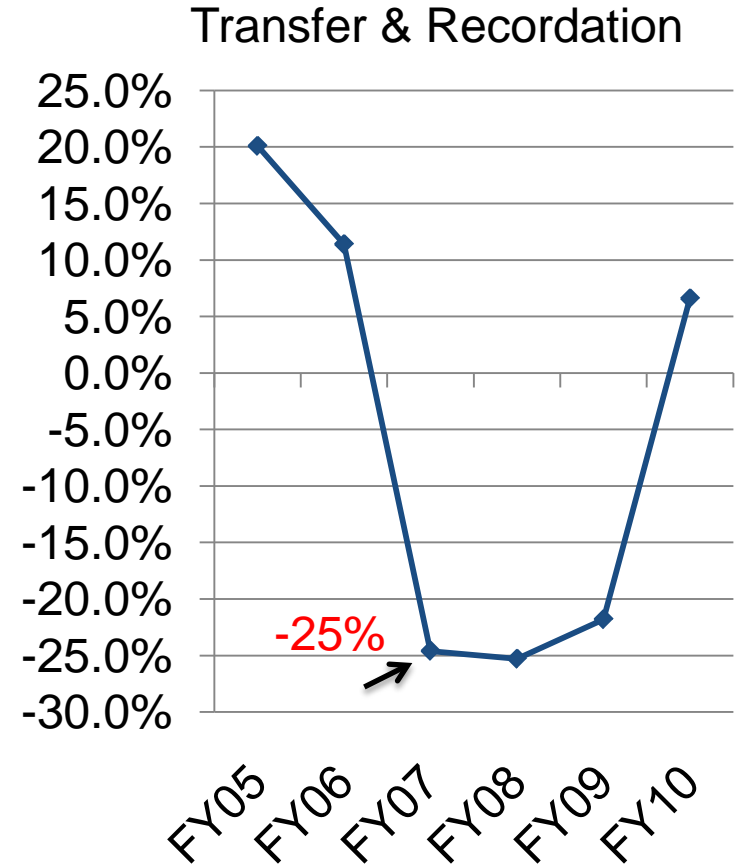
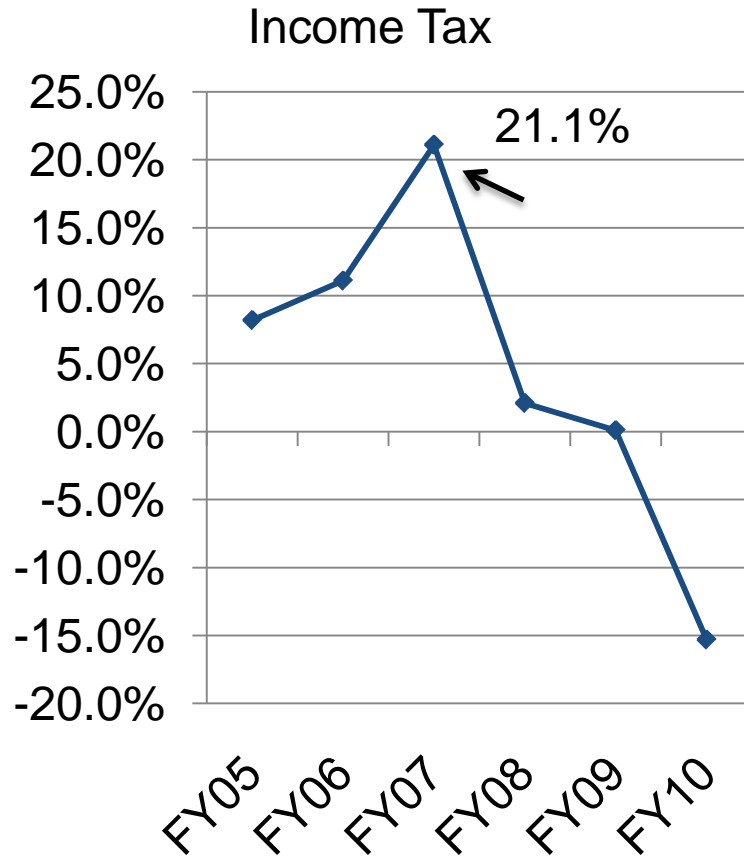
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Equates to \$150 mil. in
Income Tax Revenue

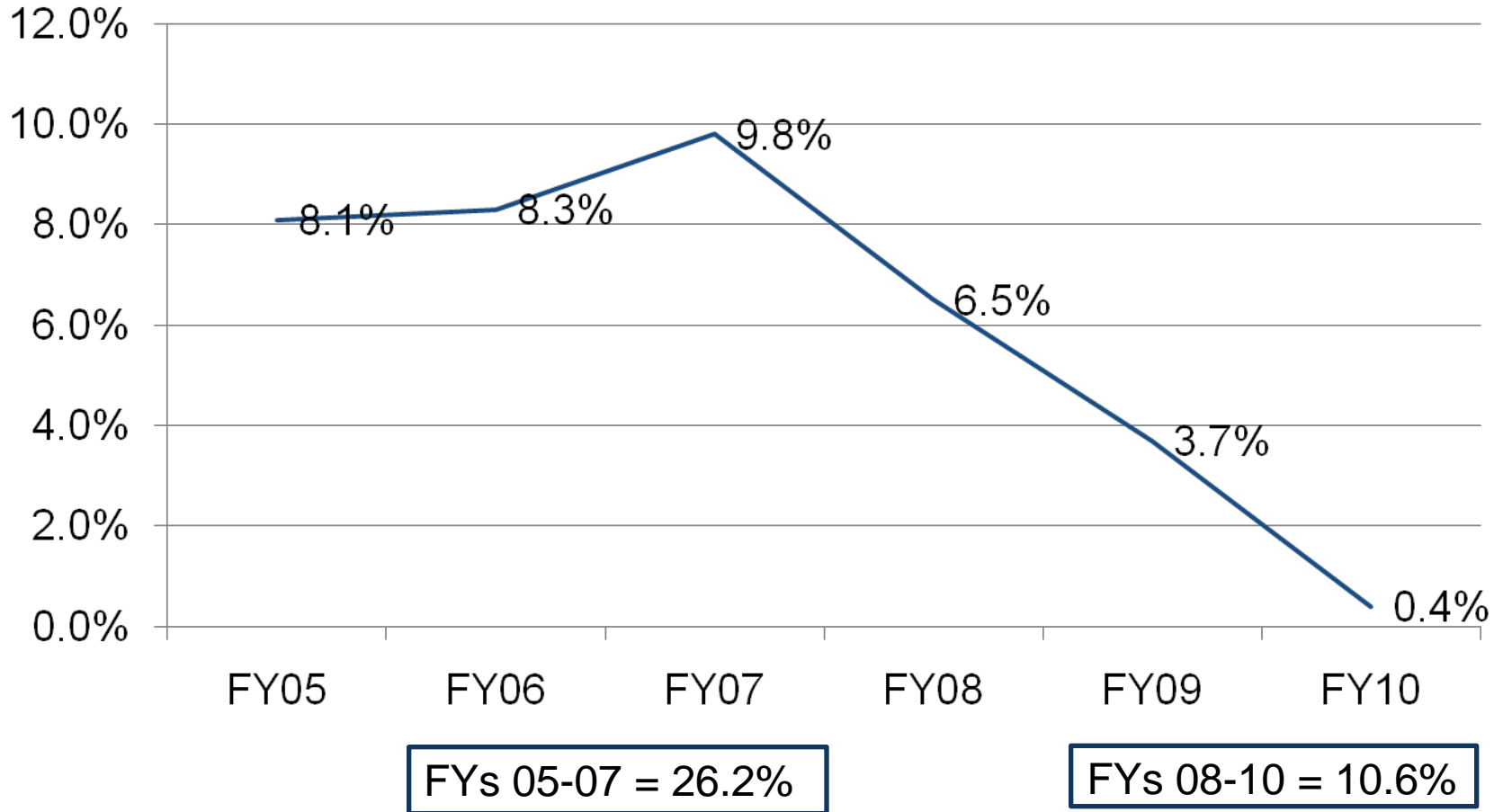
Montgomery County Transfer & Recordation Tax Annual Rate of Growth



Income tax growth in FY07 masks impact of the beginning of the housing market meltdown on transfer and recordation tax receipts

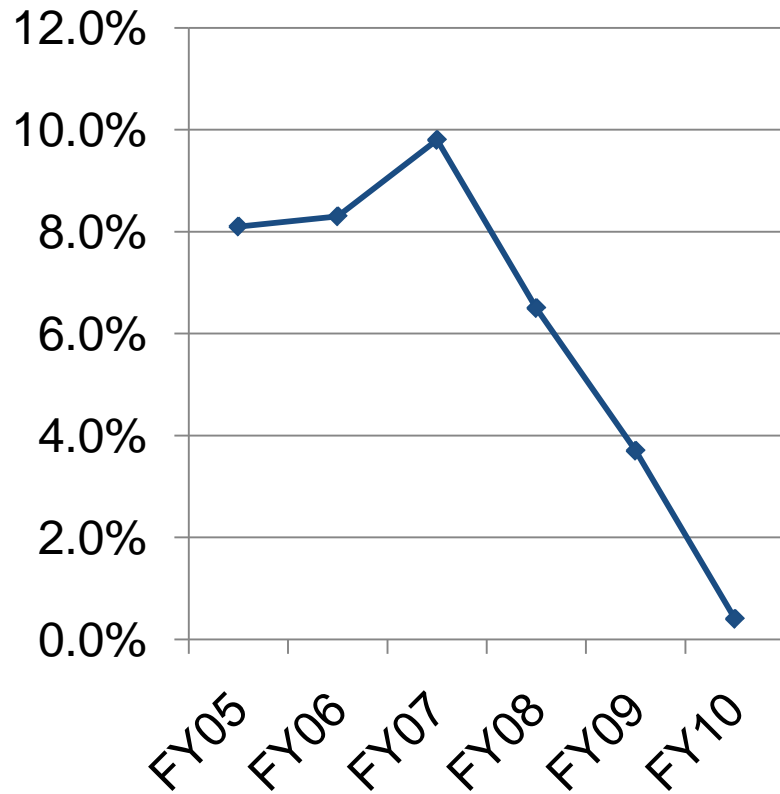


Montgomery County Total Budget Growth Annual Rate of Growth

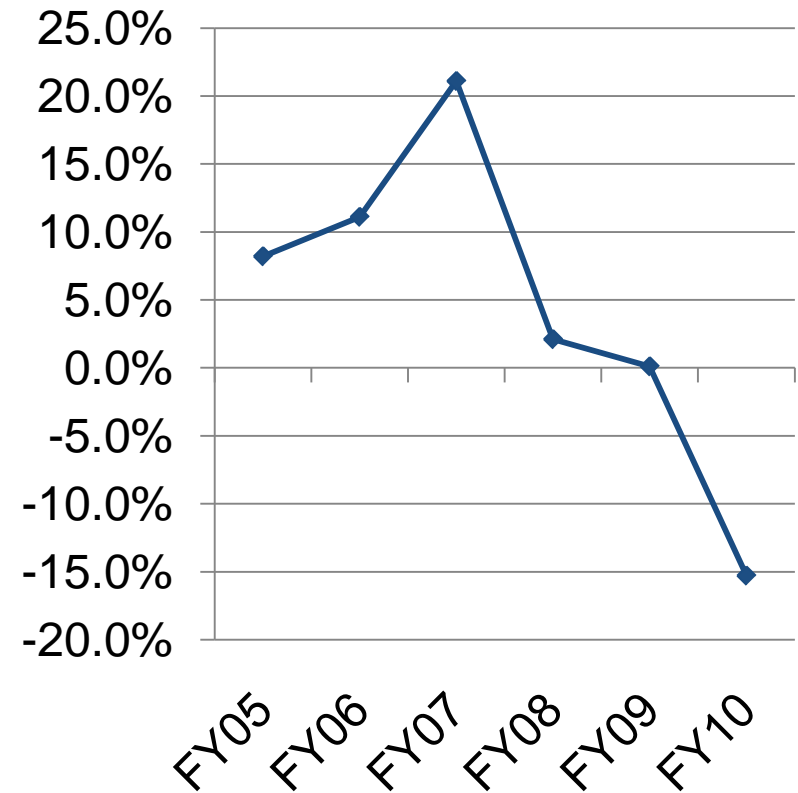


Budget Growth Compared to Income Tax Growth

Budget



Income Tax



Actions Taken

- **Hiring Freeze effective January 3, 2008**
- **Procurement Freeze effective December 1, 2009**
- **Liquidation of selected outstanding contracts**
- **FY10 Savings Plan: Identified savings of \$30 million:**
- **Second FY10 Savings Plan anticipated to save \$70 million**
 - County Government: \$57.4 M
 - Public Schools: \$31.9 M.
 - Montgomery College: \$4.6 M.
 - MNCPPC: \$5.9 M.
- **FY11 Reduction Targets for Montgomery County Departments**
 - Non Public Safety: 20%
 - Public Safety/HHS/Transit: 7%

County Executive Recommendations to address the gap

Revised Gap 3/1/2010

(778.9)

Adjust Agency Requests FY11

County Government	124.5
MCPS (Supt) at MOE	40.9
Montgomery College	15.5
MNCPPC	16.1
No General Wage Adjustments -- All Agencies	122.0
No Steps/Increments -- All Agencies	34.7
No Retiree Health Insurance Pre-funding -- All Agencies	64.4

Revenue Adjustments

Additional state aid for MCPS	43.0
EMS Transport Fee	14.7
Federal Reimbursement for Storms	25.0
Increased Tuition for Montgomery College	4.3
Increase Energy Tax	50.0
Redirect Recordation Tax Premium to General Fund	8.2
Charter Limit with Income Tax Offset Credit	11.5
Transfer funds from non-tax supported funds	38.0

Other Adjustments

FY10 Savings Plan	71.8
Reserves from 6% to 5%	36.8
Reduce cash support to Capital Program	36.2
Lower Debt Service Costs	24.2
Release set aside for MCPS State aid reversions	7.6
Net impact of lower resources on reserve requirements	(10.5)

Gap on March 15, 2010

0.0

TEN-YEAR HISTORY OF COUNTY GOVERNMENT WORKYEARS BY FUNCTION

FUNCTION	APPROVED	APPROVED	APPROVED	APPROVED	APPROVED	APPROVED	APPROVED	APPROVED	APPROVED	REC
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
General Government	664.7	665.2	665.7	660.6	675.7	710.7	707.0	1,079.2	1,041.9	951.4
Public Safety	3,123.0	3,112.4	3,131.5	3,293.6	3,462.3	3,689.6	3,841.3	3,822.1	3,741.2	3,552.4
Transportation	1,423.3	1,435.7	1,457.1	1,509.4	1,482.1	1,528.7	1,638.4	1,233.5	1,251.6	1,139.6
Health & Human Services	1,402.6	1,435.2	1,423.3	1,436.9	1,475.9	1,506.0	1,604.5	1,609.0	1,577.1	1,461.7
Libraries, Culture & Recreation	865.5	844.7	844.2	833.3	844.9	887.7	903.9	903.0	833.1	686.3
Community Development & Housing	315.8	317.7	317.7	317.9	322.5	334.5	342.2	336.8	305.6	263.5
Environment	38.8	42.3	42.8	42.7	44.7	48.8	50.5	209.7	156.8	151.2
Non-Departmental Accounts	1.4	3.2	1.6	1.4	3.2	2.9	2.6	2.6	3.1	2.6
Liquor Control	274.1	286.1	292.2	293.2	321.2	329.8	340.6	343.8	337.3	312.9
Subtotal	8,109.2	8,142.5	8,176.1	8,391.0	8,632.5	9,038.7	9,431.0	9,541.7	9,247.7	8,521.6
Plus Council & Judicial Offices *	444.0	433.5	438.5	446.1	456.0	473.5	482.8	491.4	501.7	479.9
TOTAL COUNTY GOVERNMENT	8,553.2	8,596.0	8,614.6	8,837.1	9,088.5	9,512.2	9,913.8	10,033.1	9,749.4	9,001.5
GOVERNMENT WORKYEARS PER 1000 POPULATION										
General Government	0.7	0.7	0.7	0.7	0.7	0.8	0.7	1.1	1.1	1.0
Public Safety	3.4	3.4	3.4	3.5	3.7	3.9	4.0	4.0	3.9	3.6
Transportation	1.6	1.6	1.6	1.6	1.6	1.6	1.7	1.3	1.3	1.2
Health & Human Services	1.5	1.6	1.5	1.5	1.6	1.6	1.7	1.7	1.6	1.5
Libraries, Culture & Recreation	1.0	0.9	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.7
Community Development & Housing	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.3
Environment	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2
Non-Departmental Accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquor Control	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.3
Total County-Less Elective Offices	9.0	8.9	8.8	9.0	9.2	9.6	9.9	10.0	9.6	8.7
Plus Council & Judicial Offices *	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL COUNTY GOVERNMENT	9.4	9.4	9.3	9.5	9.7	10.1	10.4	10.5	10.1	9.2
Population	905,988	915,062	929,000	929,100	935,275	941,491	949,591	957,200	966,000	978,000
Historical Workyears and Populations reflect the Original Approved Budget. * Includes officials and staff of offices headed by elected officials.										

TEN-YEAR HISTORY OF EXPENDITURES IN CURRENT AND DEFLATED DOLLARS WITH FISCAL YEAR 02 AS BASE

	(In Millions)									
	ACTUAL FY02	ACTUAL FY03	ACTUAL FY04	ACTUAL FY05	ACTUAL FY06	ACTUAL FY07	ACTUAL FY08	ACTUAL FY09	APPROVED FY10	REC FY11
COUNTY GOVERNMENT										
General Fund	559.5	615.3	642.8	697.6	773.0	855.4	925.2	923.2	910.4	851.5
Expenditures in FY02 \$	559.5	598.5	610.0	639.4	680.8	728.7	755.4	737.9	720.2	659.8
Special Funds: Tax Supported	193.7	206.1	221.2	247.2	293.5	324.1	340.0	339.9	340.7	323.2
Expenditures in FY02 \$	193.7	200.4	209.9	226.6	258.5	276.1	277.6	271.7	269.6	250.4
Grant Fund: Non-Tax Supported	82.6	83.9	78.8	77.3	85.6	78.5	76.0	118.9	115.6	112.6
Expenditures in FY02 \$	82.6	81.6	74.8	70.8	75.3	66.9	62.1	95.1	91.5	87.2
Special Funds: Non-Tax Supported	174.8	182.0	199.9	219.0	220.7	234.0	244.3	237.0	263.5	255.7
Expenditures in FY02 \$	174.8	177.0	189.8	200.7	194.4	199.3	199.5	189.4	208.4	198.1
TOTAL COUNTY GOVERNMENT	1,010.7	1,087.2	1,142.7	1,241.0	1,372.8	1,492.0	1,585.6	1,619.0	1,630.3	1,543.0
Expenditures in FY02 \$	1,010.7	1,057.6	1,084.5	1,137.4	1,209.0	1,271.1	1,294.5	1,294.0	1,289.7	1,195.6
M. C. PUBLIC SCHOOLS (b)	1,287.5	1,413.3	1,498.4	1,620.2	1,728.7	1,859.7	1,986.9	2,053.1	2,200.6	2,125.5
Expenditures in FY02 \$	1,287.5	1,374.8	1,422.1	1,484.9	1,522.4	1,584.4	1,622.2	1,641.0	1,740.9	1,646.9
MONTGOMERY COLLEGE (b)	143.8	150.2	156.4	167.6	181.5	201.4	218.6	233.1	265.6	259.4
Expenditures in FY02 \$	143.8	146.2	148.5	153.6	159.8	171.6	178.5	186.3	210.1	201.0
M-NCPPC (b)	85.5	88.0	90.3	97.2	105.1	107.1	117.5	123.8	128.8	113.4
Expenditures in FY02 \$	85.5	85.6	85.7	89.1	92.5	91.2	95.9	98.9	101.9	87.8
DEBT SERVICE (a)	177.4	187.3	194.2	201.1	213.0	219.4	236.0	224.5	248.7	263.0
Expenditures in FY02 \$	177.4	182.2	184.3	184.3	187.6	186.9	192.7	179.5	196.7	203.8
TOTAL ALL AGENCIES	2,704.8	2,926.1	3,082.0	3,327.1	3,601.1	3,879.5	4,144.4	4,253.6	4,474.0	4,304.3
Expenditures in FY02 \$	2,704.8	2,846.4	2,925.0	3,049.3	3,171.4	3,305.2	3,383.7	3,399.7	3,539.4	3,335.1
CPI - FISCAL YEAR 02 = 100	100.0	102.8	105.4	109.1	113.6	117.4	122.5	125.1	126.4	129.1
Fiscal Year Percent Change	0.0%	2.8%	2.5%	3.6%	4.1%	3.4%	4.4%	2.2%	1.0%	2.1%

- (a) Includes add-back of State closed school revenues
 (b) Includes tax supported and non-tax supported funds

County Executive's Recommended FY12-16 Public Services Program Tax Supported Fiscal Plan Summary

(\$ in Millions)											
	% Chg. FY11-12	Projected FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	
Total Resources											
Revenues	2.9%	3,903.5	3.6%	4,044.2	4.2%	4,214.1	5.1%	4,429.3	4.1%	4,612.2	
Beginning Reserves Undesignated	135.1%	139.4	35.2%	188.6	6.1%	200.0	5.5%	210.9	6.4%	224.5	
Beginning Reserves Designated	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	
Net Transfers In (Out)	-57.0%	14.0	2.4%	14.4	2.6%	14.8	2.8%	15.2	3.0%	15.6	
Total Resources Available	4.4%	4,056.9	4.7%	4,247.1	4.3%	4,428.8	5.1%	4,655.4	4.2%	4,852.3	
Less Other Uses of Resources (Capital, Debt Service, Reserve)	23.5%	579.9	10.8%	642.6	9.8%	705.6	5.0%	741.0	0.6%	745.8	
Available to Allocate to Agencies	1.8%	3,477.0	3.7%	3,604.5	3.3%	3,723.2	5.1%	3,914.4	4.9%	4,106.6	
Agency Uses											
Montgomery County Public Schools (MCPS)	5.8%	2,053.3	5.8%	2,172.6	5.8%	2,298.8	5.8%	2,432.4	5.8%	2,573.7	
Montgomery College (MC)	6.0%	221.9	6.0%	235.3	6.0%	249.5	6.0%	264.6	6.0%	280.5	
MNCPPC (w/o Debt Service)	3.8%	95.1	3.8%	98.8	3.9%	102.6	3.9%	106.5	3.9%	110.6	
MCG	5.1%	1,235.1	5.1%	1,298.6	5.1%	1,365.3	5.1%	1,435.5	5.1%	1,509.3	
Subtotal Agency Uses	5.5%	3,605.4	5.5%	3,805.2	5.5%	4,016.2	5.5%	4,239.0	5.5%	4,474.1	
Retiree Health Insurance Pre-Funding											
Montgomery County Public Schools (MCPS)		53.2		64.8		76.4		87.7		92.1	
Montgomery College (MC)		1.0		1.2		1.3		1.4		1.5	
MNCPPC (w/o Debt Service)		4.4		5.1		5.6		6.1		6.4	
MCG		25.0		31.5		38.4		44.6		46.8	
Subtotal Retiree Health Insurance Pre-Funding	-	83.6	-	102.6	-	121.7	-	139.8	-	146.8	
Subtotal Other Uses of Resources (Capital, Debt Service, Reserve)	23.5%	579.9	10.8%	642.6	9.8%	705.6	5.0%	741.0	0.6%	745.8	
Total Uses	9.9%	4,268.9	6.6%	4,550.4	6.4%	4,843.5	5.7%	5,119.7	4.8%	5,366.7	
(Gap)/Available		(212.0)		(303.3)		(414.7)		(464.3)		(514.3)	

Notes:

1. FY12-16 property tax revenues are at the Charter Limit assuming a tax credit.
2. Projected FY12-16 Agency Uses assume average 10-year rate of growth.
3. Reserves are restored to the policy level of 6% of total resources in FY12.
4. PAYGO restored to policy level in FY12.
5. Retiree Health Insurance assumed to resume at scheduled contribution levels in FY12.