



Committee: GO
Committee Review: Completed
Staff: Gene Smith, Legislative Analyst
Purpose: To make initial decisions – straw vote expected
Keywords: FY22 budget

AGENDA ITEM #32
 May 12, 2021
Worksession

SUBJECT

FY22 Operating Budget – Payments to Municipalities Non-Departmental Account (NDA)

EXPECTED ATTENDEES

None

FY22 COUNTY EXECUTIVE RECOMMENDATION

Payments to Municipalities NDA	FY21 Approved	FY22 CE Recommended	Change from FY21 Approved
Total Expenditures (General Fund)	\$8,297,779	\$9,122,411	9.9%
Personnel Costs	\$0 0.00 FTEs	\$0 0.00 FTEs	0.0% 0.00 FTEs
Operating Costs	\$8,297,779	\$9,122,411	9.9%

COMMITTEE RECOMMENDATIONS

- The Government Operations and Fiscal Policy (GO) Committee recommends:
 - a. Approval of the FY22 appropriation of the subject budget as recommended by the Executive;
 - b. Adding \$2.0 million, \$1.5 million, and \$1.5 million tranches to the Category 2 List for the difference between the Executive’s recommended appropriation and the estimated amount the municipalities state they are owed.
 - c. Adding a provision to the FY22 County Government Operating Budget Resolution as follows:

It is the Council’s intent that by October 1, 2021, in collaboration with the municipalities, that the County will codify a consistent process and method to update the property tax duplication formulas and to allow payments for shared services. The County Council delegates this effort to the County Executive, or his delegate, to work with municipalities and provide revised property tax duplication formulas and any County code amendments to allow for payments of shared services related to police services. The Council anticipates that the Executive and municipalities will provide regular updates, about every two weeks, to the Council on this effort until a revised resolution and proposed amendments are transmitted to the Council.

SUMMARY OF KEY ISSUES

- The County-approved eligible services and formulas for property tax duplication payments are in Resolution 13-650 (see ©2-4). The Council approves an appropriation based on these formulas, and since FY13, it has also provided additional funding greater than required by the formulas to each municipality.
- The Executive has proposed changing the eligible services and formulas for property tax duplication payments. The GO Committee did not recommend approval of the Executive's proposed resolution; rather, it requested that the Executive continue working with the municipalities.

This report contains:

Staff Report	Pages 1-9
Executive's recommended FY22 budget	© #1
Resolution 13-650	© #2-4
Executive memorandum and proposed resolution	© #5-8
Councilmember Navarro memorandum	© #9-10
OMB calculations for new formulas	© #11

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MEMORANDUM

April 27, 2021

TO: Government Operations and Fiscal Policy (GO) Committee

FROM: Gene Smith, Legislative Analyst

SUBJECT: **FY22 Operating Budget – Payments to Municipalities Non-Departmental Account (NDA)**

PURPOSE: Make recommendations for Council consideration

Expected Participants:

- Chris Mullin, Office of Management and Budget (OMB)
- Estela Boronat de Gomes, OMB
- Josh Watters, OMB

Summary of FY22 Recommended Budget and Key Discussion Issues

Payments to Municipalities NDA	FY21 Approved	FY22 CE Recommended	Change from FY21 Approved
General Fund	\$8,297,779	\$9,122,411	9.9%
Personnel Costs	\$0 0.00 FTEs	\$0 0.00 FTEs	0.0% 0.00 FTEs
Operating Costs	\$8,297,779	\$9,122,411	9.9%
Total Expenditures (All Funds)	\$8,297,779 0.00 FTEs	\$9,122,411 0.00 FTEs	9.9% 0.0%

Council staff has identified the following key issues for Council discussion:

- 1) The County-approved eligible services and formulas for property tax duplication payments are in Resolution 13-650 (see ©2-4). The Council approves an appropriation based on these formulas, and since FY13, it has also provided additional funding greater than required by the formulas to each municipality.
- 2) The Executive has proposed changing the eligible services and formulas for property tax duplication payments. The Council introduced the resolution on April 20 (see ©5-8).

- 3) Councilmember Navarro has proposed an approach for the Council’s consideration to address property tax duplication payments in FY22 and before the Executive’s recommended FY23 budget is published next year (see ©9-10).
- 4) The Council received testimony from several municipal elected leaders and residents regarding the funding level in FY22, the Executive’s proposed resolution, and ongoing concern about property tax duplication.

I. Racial Equity and Social Justice Considerations

The Council adopted Bill 27-19 on December 2, 2019. This bill established and required several elements, including that the Executive submit a racial equity and social justice (RESJ) impact statement for each bill and each management initiative or program that would be funded in the operating and capital budgets.

For the FY22 operating budget development process, OMB, working with the Office of RESJ, developed and dedicated a section of the program proposal form to addressing racial equity. Departments and County partners were asked the following questions:

- 1) Does your department use quantitative and qualitative data to track program access and/or service outcomes for different population groups?
- 2) Which community residents will potentially benefit the most from your program proposal or be burdened by your program proposal?
- 3) How does the program promote racial equity?

The County is still in the process of training staff on applying a racial equity and social justice lens to programming and budget decisions; therefore, OMB received a variety of responses to the above questions. Council staff are documenting these responses to establish an official baseline for each department and to identify promising practices and gaps in information.

Council staff will evaluate what information departments are utilizing, or could utilize, to apply a racial equity lens to budget decisions as Council staff works to develop its Racial Equity and Social Justice Action Plan this spring. Council staff will also coordinate with OMB and the Office of RESJ to help inform a more robust analysis for FY23 and future budget cycles.

II. Property Tax Duplication - Background

Section 30A of the County Code establishes the program to provide reimbursements to municipalities to offset property tax duplication.

What is property tax duplication?

Property tax duplication occurs when the County and municipality both levy a property tax on a municipal taxpayer to fund a specific service, but only the municipality provides that service to its residents. There are four conditions that must be met for property tax duplication to occur. Those conditions are:

- 1) Both the County and municipality must levy a property tax; and
- 2) Both the County and municipality must provide the service; and
- 3) The County does not fund the service within the municipality; and
- 4) The municipality funds that specific service for its residents.

Only a small portion of the County’s property taxes meet the above criteria. Most of the County’s property tax revenues fund expenditures that a municipality does not provide, like public schools. The small portion of County property taxes that do not fund a specific expenditure within the municipality is the duplicated tax portion.

What are the County’s options to address property tax duplication?

The State requires that Maryland counties offset duplicated property taxes for municipal residents. There are three different methods available to Maryland counties detailed below. **The State is agnostic on the method selected, leaving the decision between the Maryland county and its municipalities.**

Method #1: Property tax differential. This method reduces the County property tax rate for municipal residents commensurate of the duplicated portion. **This method is the clearest solution to solving property tax duplication because municipal residents pay less County property taxes, thus eliminating any duplicated property taxes.** This method requires the Department of Finance to create different County tax rates for each municipality in the County based on the duplicated portion for that municipality.

Method #2: Payments to the municipalities. This method provides direct payments to the municipalities to help offset the duplicated property taxes. This method provides the greatest flexibility to the municipality to direct funds to its services and programs. **Unlike the first method, municipal residents do not experience any direct tax relief from duplicated property taxes through this method.**

Method #3: Hybrid of Method 1 and Method 2. Some Maryland counties have allowed each municipality to select its preferred method to offset property tax duplication.

Which option has the County selected to address property tax duplication?

The County has selected Option #2 – payments to the municipalities. The County’s program was created before the State, so the negotiations between the County and its municipalities primarily focused on providing payments. Throughout the County’s history of property tax duplication, the tax differential option has been considered but never implemented. The County has negotiated property tax duplication payment formulas (the “formulas”) for eligible services with the municipalities. These formulas have been updated occasionally. The current County-approved formulas are in Resolution 13-650.

What are eligible services?

Eligible services are public services that are provided by both the County and the municipality, but only the municipality provides the service to municipal residents. An example that is widely understood is road maintenance. Municipalities fund road maintenance within its borders; the County does not. If the service is provided by both the County and the municipality to municipal residents, it is considered a shared service. Shared services are not currently eligible for property tax duplication payments through this program.

How are the property tax duplication payment formulas determined?

The County has negotiated with municipalities the formulas for eligible services from time-to-time. **Given the variety of municipalities and the nature of these formulas, the County typically convenes a task force to analyze the eligible services and appropriate formulas to address property tax duplication.** The current formulas were adopted in 1996 based on recommendations by a task force convened by Mr. Duncan. Mr. Leggett convened a task force from 2007 – 2012 to review the eligible services and formulas. A resolution revising the formulas was never transmitted by Mr. Leggett or his task force for Council review.

What is the County’s recent history for property tax duplication payments?

The County began publishing the specific property tax duplication payments for each municipality in FY13. Prior to that fiscal year, the budget publication only displayed the total appropriation for the entire program. Table 1 below details the property tax duplication payments received by each municipality from FY18-FY21. In addition to the payments for property tax duplication, the County has provided additional funding each year that is labeled as “Additional County Grant” in the budget publications.

Table 1: Property Tax Duplication Payments by Municipality FY18-FY21

Municipality	FY18	FY19	FY20	FY21
Brookeville	\$6,883	\$6,863	\$7,321	\$6,992
Chevy Chase, Sec. III	\$27,323	\$27,257	\$28,896	\$27,828
Chevy Chase View	\$35,139	\$35,037	\$37,376	\$35,695
Chevy Chase Village	\$84,585	\$83,678	\$89,264	\$85,248
Town of Chevy Chase	\$102,524	\$107,223	\$114,148	\$116,369
Drummond	\$3,927	\$3,916	\$4,177	\$3,989
Friendship Heights	\$89,554	\$89,522	\$92,057	\$91,901
Gaithersburg	\$1,050,161	\$1,043,720	\$1,114,059	\$1,061,945
Garrett Park	\$41,268	\$41,148	\$43,895	\$41,921
Glen Echo	\$17,673	\$17,622	\$18,798	\$17,952
Kensington	\$130,639	\$129,670	\$138,745	\$131,643
Laytonsville	\$12,195	\$12,933	\$13,796	\$13,176
Martin’s Additions	\$22,841	\$22,774	\$24,295	\$23,202

Table 1: Continued

Municipality	FY18	FY19	FY20	FY21
North Chevy Chase	\$21,497	\$21,435	\$22,866	\$21,837
Oakmont	\$2,790	\$2,782	\$2,968	\$2,835
Poolesville	\$205,668	\$205,052	\$218,740	\$212,574
Rockville	\$2,200,864	\$2,288,620	\$2,408,425	\$2,142,057
Somerset	\$45,478	\$45,110	\$48,841	\$45,960
Takoma Park	\$916,640	\$939,318	\$979,718	\$995,194
Washington Grove	\$38,240	\$38,129	\$40,674	\$38,845
Total	\$5,055,890	\$5,161,808	\$5,449,060	\$5,117,161

Source: FY18-FY21 budget publications.

Does the Council approve other appropriations for property tax duplication?

The Council approves annual funding for the City of Takoma Park through this NDA and through two other NDAs that are related to property tax duplication. The City of Takoma Park receives funding for its library services per §2-53 of the County Code and for its police services per §35-5 of the County Code. In addition to these rebates, the City of Takoma Park receives additional funding for its police services through this NDA.

Based on the Executive’s recommended FY22 appropriations, the County is estimated to provide \$176,742 for library services and \$4,020,521 for police services in the City of Takoma Park.

III. Discussion

The Council is reviewing two items related to property tax duplication payments in FY22 – the Executive’s proposed resolution and the Executive’s recommended appropriation for the FY22 Operating Budget. The Council can consider both items concurrently, but it only needs to approve an appropriation for FY22. The proposed resolution can be deferred until later if the Council believes it needs more information or believes the Executive should continue negotiations with the municipalities.

Councilmember Navarro recommends deferring the proposed resolution because the municipalities requested more time to negotiate with the Executive and approving the appropriation as recommended by the Executive for FY22 (see ©9-10).

A. Proposed Resolution

The Executive provided a new resolution to govern the eligible services and formulas beginning in FY22 (see ©6-8). No additional documentation was provided about the approach or consideration by the Executive in recommending these changes.

What are the Council's options for the proposed resolution?

The Council's approach to the proposed resolution is the same as it is for most resolutions. The Council can: 1) approve it as recommended by the Executive; 2) amend it before approval; or 3) not approve it. **The proposed resolution does not need to be approved as part of the Council's considerations for the FY22 Operating Budget.** If the Council does not approve the resolution, the adopted formulas in Resolution 13-650 will remain in effect for purposes of calculating the property tax duplication payments in FY22.

What elements does the proposed resolution change?

The proposed resolution changes the currently adopted eligible services and formulas. In addition to the changes detailed below, the Executive proposed a two-year phase in for the new methodology. Below are the changes proposed in the new resolution.

- 1) **The proposed resolution changes the formulas from using the percentage of the County's property tax to flat percentages.**

The proposed resolution uses flat percentages of 60% for transportation services and 100% for other services. **This is a significant departure from the approved formulas and the general approach by the County for addressing tax equity in the County.** The approved formulas use "the percentage of the County expenditures that are paid for with property tax revenues" (i.e., the "property tax portion").

The property tax portion was utilized because the formulas are addressing property tax duplication. The percentage of the County's property tax portion changes year-to-year based on actual taxes collected; this value is not arbitrary or a fixed percentage. **Exceeding the property tax portion includes other taxes that are not duplicated and creates additional tax inequity for non-municipal residents.** The proposed flat percentages shift some general fund tax revenues contributed by non-municipal residents to the municipalities.

- 2) **The proposed resolution removes some eligible services previously funded by the County.**

The eligible services removed from the County's payments are: 1) Board of Appeals; 2) Zoning; 3) Elderly Services; 4) Human Relations Communications; and 5) Animal Control. Four of the twenty municipalities received payments for these services previously. Table 2 below details the estimated FY22 payments by municipality based on the approved formulas in Resolution 13-650.

Table 2: Removed Eligible Services in the Executive’s Proposed Resolution

	Board of Appeals	Zoning	Elderly Services	Human Relations Com.	Animal Control
Town of Chevy Chase	\$1,941	\$2,149	---	---	---
Friendship Heights	---	---	\$1,040	---	---
Gaithersburg	---	---	\$15,057	---	\$105,932
Rockville	---	---	\$15,077	\$238,924	\$106,079
Total	\$1,941	\$2,149	\$31,174	\$238,924	\$212,011

Source: OMB calculations based on Resolution 13-650.

- 3) **The proposed resolution includes police and crossing guard costs for any municipality that has a full service, independent municipal policy agency.**

This provision was not included in the previous County-approved formulas. The only municipality that qualifies for this repayment is the City of Takoma Park. He County previously funded these services through §35-5 of the County Code and a MOU with the City. The new formula payment reduces any required payments from §35-5 of the County Code.

What elements does the proposed resolution not change or address?

The proposed resolution does not change or address several elements that have been part of the County’s prior discussions related to property tax duplication payments.

- 1) **The proposed resolution retains the previous formulas for park maintenance.**
- 2) **The proposed resolution retains the County’s audited financial costs for the eligible services as the starting point.** The continuation of this approach eliminates substantial work by County and municipal staff to audit, calculate, and provide payments for each municipality.
- 3) **The proposed resolution retains that the County’s payments to municipalities will occur on or before October 1 each year.** The continuation of this provision provides clarity for municipalities each year.
- 4) **The proposed resolution retains the County’s position that the Council delegates to the Executive the duty to meet with municipalities and discuss the County’s property tax duplication payments.**
- 5) **The Executive’s recommendations in FY22 did not include changes to the County Code to address certain shared services, in particular police services in certain municipalities.** The County could create MOUs, like it did with the City of Takoma Park, or amend the County Code to allow certain shared services to be allowed through this program. Funding shared police services has been a priority for certain municipalities for many years.

- 6) **The proposed resolution does not address the tax inequity that exists due to the State’s revenue sharing program, particularly as it relates to income taxes.** The County explored this issue in detail in the [Office of Legislative Oversight’s \(OLO\) 2013 Report](#).¹ The OLO Report notes that “*while some municipal residents are being subject to double taxation, some municipal residents are receiving double benefit from the allocation of non-property tax revenues. In such instances the residents outside of municipal corporations are paying a higher property tax rate than they should be paying.*” The County’s previous discussions about property tax duplication also considered this issue of “double benefit” for some municipal residents to avoid creating additional inequities for non-municipal residents.

B. Recommended FY22 Appropriation

The recommended FY22 appropriation funds the payments based on the proposed resolution, including the two-year phase in. See OMB’s calculations and breakdown by municipality based on the new formulas on ©11. The Council’s consideration of the proposed resolution and new formulas will determine its options for the FY22 appropriation. Below are some of the options before the Council.

Option #1: Approve the proposed resolution as recommended; approve the recommended appropriation. If the Council votes to approve the proposed resolution, the recommended appropriation fully funds the new formulas. The appropriation amount and breakdown with the Executive’s recommended budget on ©1. This option includes a \$129,344 appropriation for speed camera payments.

Option #2: Do not approve the proposed resolution, approve the recommended appropriation. If the Council does not consider the proposed resolution, it can still approve the recommended appropriation amount. In this instance, Resolution 13-650 would still govern the County’s formulas. Table 3 below is the breakdown for each municipality based on Resolution 13-650 and the Executive’s recommended appropriation. It is important for the County to continue to publish the formulas as approved to provide clarity and transparency for County and municipal residents. The total is \$3 more than the published budget due to rounding to the nearest dollar.

This option will yield the same total appropriation as the recommended budget – \$9,122,414, which includes \$129,344 for speed camera payments.

¹ <https://www.montgomerycountymd.gov/olo/resources/files/oloreport2013-6.pdf>.

Table 3: FY22 Payments based on Resolution 13-650 and Recommended Appropriation

Municipality	FY22 Property Tax Duplication Payments	FY22 Additional Grant	FY22 Total
Brookeville	\$6,639	\$2,740	\$9,379
Chevy Chase, Sec. III	\$26,717	\$9,181	\$35,898
Chevy Chase View	\$33,892	\$14,033	\$47,925
Chevy Chase Village	\$80,942	\$34,488	\$115,430
Town of Chevy Chase	\$111,119	\$39,684	\$150,803
Drummond	\$3,788	\$1,568	\$5,356
Friendship Heights	\$92,634	\$3,606	\$96,240
Gaithersburg	\$1,031,528	\$358,962	\$1,390,490
Garrett Park	\$39,803	\$16,427	\$56,230
Glen Echo	\$17,046	\$7,059	\$24,105
Kensington	\$142,191	\$37,505	\$179,696
Laytonsville	\$19,398	\$3,367	\$22,765
Martin’s Additions	\$22,030	\$9,123	\$31,153
North Chevy Chase	\$20,734	\$8,557	\$29,291
Oakmont	\$2,691	\$1,115	\$3,806
Poolesville	\$202,665	\$74,972	\$277,637
Rockville	\$2,116,245	\$684,434	\$2,800,679
Somerset	\$46,664	\$18,993	\$65,657
Takoma Park	\$1,148,775	\$2,449,599	\$3,598,374
Washington Grove	\$36,883	\$15,273	\$52,156
Total	\$5,202,384	\$3,790,683	\$8,993,070

Note: These totals do not include \$129,344 for speed camera payments.

Option #3: Continuation of FY21 funding level. This option recognizes that the County has not achieved agreement on new formulas for property tax duplication. As detailed in Table 3, the Executive’s recommended appropriation fully funds the approved formulas from Resolution 13-650 and still provides additional funding for each municipality. The Council, as it did last year, could provide level-funding for each municipality until a new agreement is reached.

This packet contains:

	<u>Circle #</u>
Executive FY22 recommendation	1
Resolution 13-650	2
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Councilmember Navarro memorandum	9
OMB calculations for new formulas	11

Payments to Municipalities

The Montgomery County Tax Duplication Program, authorized by Chapter 30A of the Montgomery County Code, reimburses municipalities for those public services they provide that would otherwise be provided by the County. The current reimbursement policy goes beyond State law, Section 6-305, which requires the County to provide to municipalities only the Property Tax-funded portion of those costs. County Council Resolution No. 9-1752, enacted April 27, 1982, increased the scope of program coverage from street-related expenditures to include other public services, such as police supplemental aid, animal control, elderly transportation, park maintenance, Board of Appeals, and Human Rights.

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

For the FY22 payment, the County Executive recommends changing the payment formula so that municipalities would receive 60 percent of certain transportation -related expenditures, 95 percent of computed park expenditures, and certain police and crossing guard payments for Takoma Park.

Payment to Municipalities - FY22 Recommended	
Municipality	FY22 Payment
Brookeville	9,379
Chevy Chase, Sec. III	35,898
Chevy Chase View	47,925
Chevy Chase Village	115,430
Town of Chevy Chase	150,803
Drummond	5,356
Friendship Heights	96,240
Gaithersburg	1,390,490
Garrett Park	56,230
Glen Echo	24,105
Kensington	179,696
Laytonsville	22,765
Martin's Additions	31,153
North Chevy Chase	29,291
Oakmont	3,806
Poolesville	277,637
Rockville	2,800,679
Somerset	65,657
Takoma Park	3,598,374
Washington Grove	52,156
TOTAL	\$8,993,067

This does not include the estimated Municipalities' Speed Camera Allocation of \$129,344

FY22 Recommended Changes	Expenditures	FTEs
FY21 Approved	8,297,779	0.00
Increase Cost: Revised Methodology Two Year Phase in	824,632	0.00
FY22 Recommended	9,122,411	0.00

Resolution No.: 13-650
Introduced: Sept. 10, 1996
Adopted: Sept. 10, 1996

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: County Reimbursements under the Montgomery County Municipal Revenue Program - Task Force Report and Recommendations

Background

1. Chapter 30A of the Montgomery County Code (1994) provides for a program which reimburses municipalities and special taxing districts for those public services provided by the municipalities which would otherwise be provided by the County.
2. Reimbursements under Chapter 30A have been made pursuant to a procedure established under Resolution 8-2222, dated October 17, 1978, which was revised and supplemented by Resolution 9-1752, dated April 27, 1982.
3. In March 1995 County Executive Douglas M. Duncan appointed County and municipal representatives to serve on the Montgomery County Task Force to Study the Municipal Tax Duplication Reimbursement Program. This Task Force was charged with reviewing the procedures and formulas used to determine the amount of the reimbursements and with making recommendations to improve these procedures and formulas.
4. The Task Force submitted its Final Report and recommendations, a copy of which is attached, to County Executive Douglas M. Duncan, on June 5, 1996.
5. The goals of the Task Force were to determine:
 - a. Whether the complex formulas used to calculate the reimbursements could be simplified;
 - b. Whether reimbursements could be made in a way that would provide greater

predictability to each municipality in planning the following year's budget;

c. Whether a single reimbursement could be made.

6. The Task Force recommends that the following formulas be used to determine the reimbursements for the following services provided by the municipalities:
- a. **Transportation.** Reimbursements shall be a percentage of the County's actual, audited per mile or per item expenditure, multiplied by the number of miles or items in each municipality. The percentage reflects the percentage of the County expenditures that are paid for with property tax revenues.
 - b. **Park Maintenance.** Reimbursements will be based upon the same formula currently used.
 - c. **Code Enforcement.** Reimbursements will be based upon the net County property tax supported code enforcement expenditures per dwelling or per parcel.
 - d. **Other services.** Reimbursements will be based upon the net County property tax supported expenditures.

Action

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

- 1. The Final Report of the Task Force to Study the Municipal Tax Duplication Reimbursement Program is accepted and the recommendations, as outlined in the report, are accepted for funding within the Municipal Revenue Program
- 2. The recommendations contained in the Report will be implemented beginning in Fiscal Year 1997.
- 3. Reimbursement payments to municipalities will be made once a year, by October 1.
- 4. Reimbursements for Fiscal Year 1997 will be based upon Fiscal Year 1995 actual, audited expenditures from the County's comprehensive annual financial report. Thereafter annual reimbursements will continue to be based upon the actual audited expenditures using a similar two year interval.
- 5. Municipalities will not be required to submit their expenditures but will be required to provide annual certification of eligible services
- 6. The Task Force will meet annually to review the municipal revenue program.

7. To the extent that the County Council is required to meet annually and discuss with each municipality the rate for assessments or the tax reimbursement program, the Council delegates this duty to the County Executive or his delegate, who should then report back to the County Council.

This is a correct copy of Council action.

/s/

Mary A. Edgar, CMC
Secretary of the Council

APPROVED:

/s/

Douglas M. Duncan
County Executive



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Marc Elrich
County Executive

M E M O R A N D U M

March 11, 2021

TO: Tom Hucker, President, County Council

FROM: Marc Elrich, County Executive *Marc Elrich*

SUBJECT: County Reimbursement under the Montgomery County Municipal Revenue Program – County Code, Chapter 30A

For a number of years, the County and its municipalities have not been in agreement on how to calculate the payments provided to them under the Municipal Tax Duplication Program. Over the past two years, I have negotiated an agreement with the municipalities that will revise the formula for the payment calculation. The resolution that currently governs the payment methodology is almost 25 years old and needs to be revised to reflect this negotiated agreement.

My FY22 Recommended Operating Budget provides for a two-year phase in of this new methodology. Along with the budget, I am submitting a proposed resolution to alter the calculation methodology consistent with what has been negotiated with the municipalities.

Should you have any questions, please feel free to reach out to Estela Boronat de Gomes in the Office of Management and Budget.

I appreciate your prompt consideration of this action.

Attachment: Resolution

c: Jennifer Bryant, Director, Office of Management and Budget

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: County Council

SUBJECT: County Reimbursements under the Montgomery County Municipal Revenue Program

Background

1. Chapter 30A of the Montgomery County Code provides for a program which reimburses municipalities and special taxing districts for those public services provided by the municipalities which would otherwise be provided by the County.
2. Reimbursements under Chapter 30A have been made pursuant to a procedure established under Resolution No. 13-650, dated September 10, 1996.
3. In an effort to simplify the formulas then in use, Resolution No. 13-650 accepted the recommendations in the final report of the Montgomery County Task Force to study the Municipal Tax Duplication Reimbursement Program.
4. The Municipal Tax Duplication Reimbursement Program includes payments for transportation, police, crossing guards, and park maintenance.
5. To augment the tax duplication payments made to each municipality, the County has frequently relied upon discretionary grants to each municipality, the amounts of which vary from year to year.
6. The County worked with municipalities to derive a new formula for the tax duplication reimbursement program, which would provide funding that more aligns with municipalities' annual expenditures.

Action

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

1. Resolution No. 13-650 is hereby rescinded in its entirety and no further payments shall be made to any municipality pursuant to the formulas set forth therein.
2. The payments set forth in this Resolution will be fully implemented beginning in Fiscal Year 2023. For Fiscal Year 2022, the total increase calculated for each municipality by the below methodology over the Fiscal Year 2021 budget, will be multiplied by fifty percent.
3. Reimbursement payments to municipalities will be made once per year, by October 1st.
4. Municipalities will not be required to submit expenditures, but will be required to provide annual certification of eligible services.
5. Reimbursements for Fiscal Year 2022 will be based upon Fiscal Year 2020 actual, audited expenditures. Reimbursements for any subsequent fiscal year shall be similarly based upon the actual, audited expenditures using the same two-year interval.
6. The formulas for the Municipal Tax Duplication Formula shall be as follows:
 - (a) For transportation, reimbursements shall be sixty percent of the County's actual per mile or per item expenditures, multiplied by the number of miles or items in each municipality.
 - (b) For park maintenance, reimbursements shall be based upon the same formula currently used. Specifically, for Fiscal Year 2022, the calculations for the reimbursements for each municipality shall be as follows:
 - (i) For Section 3 of the Village of Chevy Chase: \$724.00
 - (ii) For the Town of Chevy Chase: \$11,273.00
 - (iii) For the Village of Friendship Heights: \$88,497.00
 - (iv) For the Town of Kensington: \$45,504.00
 - (v) For the City of Takoma Park: \$92,463.00

For all subsequent fiscal years, the amounts set forth above shall be increased in an amount equal to the amount of the annual percentage change to the

Consumer Price Index (CPI) for the preceding 12-month period using the CPI issued for the Washington, D.C. Metropolitan Area by the United States Department of Labor, Bureau of Labor Statistics.

- (c) For police and crossing guards, reimbursements shall be based on the costs that the County would incur to provide those services within municipalities that have a full service, independent municipal police agency. Reimbursements shall be reduced by any rebate payment made for such services under Section 35-5 of the County Code.
7. To the extent the County Council is required to meet annually to discuss with each municipality the rate for assessments or the tax duplication reimbursement program, the Council delegates this duty to the County Executive or his delegate, who shall then report back to the County Council.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council



MONTGOMERY COUNTY COUNCIL

ROCKVILLE, MARYLAND

**COUNCILMEMBER NANCY NAVARRO
DISTRICT 4**

**CHAIR, GOVERNMENT OPERATIONS AND
FISCAL POLICY COMMITTEE**

EDUCATION AND CULTURE COMMITTEE

MEMORANDUM

April 23, 2021

TO: Members of the County Council

FROM: Nancy Navarro, Councilmember

SUBJECT: A path forward on the property tax duplication reimbursement formulas

On April 30, 2021, the Government Operations and Fiscal Policy (GO) Committee will be reviewing funding for the County's property tax duplication reimbursement agreement with the municipalities. I appreciate all the hard work that has taken place in this arena under the leadership of Councilmember Sidney Katz who is the Council's lead on property tax duplication efforts.

The good news is that there has been some progress; the County Executive's recommended FY 2022 Operating Budget includes an increase of \$824,632 for a total of \$9,122,411 in reimbursements and grants to the municipalities. The County Executive forwarded a proposed resolution that contains revised formulas that, according to him, were the negotiated agreements with the municipalities. At the April 13 meeting of the County Council and the leadership of the municipalities, the municipal leaders stated that they had not seen the County Executive's resolution and would like more time to review it and collaborate on a final solution with the County Executive. I agree that all parties need additional time and effort to reach agreement on revised formulas that address this issue.

We are close to a solution and have a unique opportunity to fix this decades long problem. The County Executive's proposed resolution is a good starting point. **I recommend that the Council consider the following approach to preserve the progress made and hopefully reach agreement before the FY23 budget:**

1. Approve the County Executive's increase of \$824,632 in the FY22 budget, for a total of \$9,122,411.
2. Add to Category 2, the sum of \$5,000,000 (in three tranches of \$2,000,000, \$1,500,000 and \$1,500,000 respectively) to represent the difference between the County Executive's proposal and the estimated amount the municipalities state they are owed.
3. Request that the County Executive work with representatives of the municipalities to reach agreement on:
 - The appropriate formulas for property tax duplication reimbursements, which may or may not include any phase-in approach as proposed by the County Executive this year; and
 - The appropriate formulas for reimbursements related to the County's and certain municipalities' police services.

The expectation is for these negotiations to conclude by August 2021, so the County Executive can transmit the agreed upon formulas via a proposed resolution and the narrowly defined amendments to the County Code for the police services. If the Council could receive these document as we return in September 2021, then the GO Committee will have ample time to review and finalize before the FY23 budget is prepared.

As chair of the GO committee, I sincerely look forward to a just and equitable solution that puts this problem behind us once and for all. Please feel free to contact me if you have any questions or ideas about this issue.

Copy to:
Marc Elrich, County Executive
Rich Madaleno, Chief Administrative Officer
Marlene Michaelson, Executive Director

FY22 Municipal Tax Duplication Payment Summary: Revised Methodology

FY21 Adjusted Percentage									
	60.0%	100.0%	100.0%	95.0%					
Municipality	Transportation	Police	Crossing Guards	Park	FY 21 Approved Budget	FY22 Revised Methodology	Total Increase	50% Increase	FY22 Rec Adjusted Payment*
Brookeville	10,690				8,067	10,690	2,623	1,311	9,379
Chevy Chase, Sec. III	35,794			4,488	31,513	40,282	8,769	4,384	35,898
Chevy Chase View	54,574				41,275	54,574	13,299	6,650	47,925
Chevy Chase Village	130,336				100,524	130,336	29,812	14,906	115,430
Town of Chevy Chase	159,228			10,709	131,669	169,938	38,269	19,134	150,803
Drummond	6,099				4,613	6,099	1,487	743	5,356
Friendship Heights	13,162			84,072	95,245	97,234	1,989	995	96,240
Gaithersburg	1,574,412				1,206,567	1,574,412	367,846	183,923	1,390,490
Garrett Park	64,093				48,367	64,093	15,725	7,863	56,230
Glen Echo	27,448				20,762	27,448	6,685	3,343	24,105
Kensington	159,354			43,229	156,809	202,582	45,773	22,887	179,696
Laytonsville	31,236				14,293	31,236	16,942	8,471	22,765
Martin's Additions	35,473				26,832	35,473	8,641	4,320	31,153
North Chevy Chase	33,387				25,195	33,387	8,192	4,096	29,291
Oakmont	4,334				3,278	4,334	1,056	528	3,806
Poolesville	326,338				228,936	326,338	97,402	48,701	277,637
Rockville	3,191,608				2,409,750	3,191,608	781,858	390,929	2,800,679
Somerset	75,140				56,173	75,140	18,967	9,484	65,657
Takoma Park	568,143	2,757,266	269,856	87,840	3,513,643	3,683,104	169,461	84,730	3,598,374
Washington Grove	59,390				44,922	59,390	14,467	7,234	52,156
TOTAL	6,560,239	2,757,266	269,856	230,338	8,168,435	9,817,699	1,649,263	824,632	8,993,067

*Reflects Two-year phase-in