Montgomery County Council

Committee: GO
Committee Review: At a future date
Staff: Gene Smith, Legislative Analyst
Purpose: To introduce agenda item – no vote expected
Keywords: SAG, Budget

AGENDA ITEM #3A
January 11, 2022
Introduction

SUBJECT

Spending Affordability Guidelines for the FY23 Operating Budget

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

The Council must adopt guidelines for the next operating budget by the second Tuesday in February. The spending affordability guidelines that must be adopted are: 1) a ceiling on the funding from ad valorem real property tax revenues; 2) a ceiling on the aggregate operating budget; and 3) separate budget allocations for all agencies and certain non-agency uses.

SUMMARY OF KEY DISCUSSION POINTS

- The staff report provides analysis and recommendations for public consideration at the scheduled January 25, 2022 public hearing.

- The Government Operations and Fiscal Policy Committee will review the proposed options, including any public comments, on February 3, 2022 and make its recommendations to the Council.

This report contains:

AGENDA ITEM #3A
January 11, 2022
Introduction

M E M O R A N D U M

January 6, 2022

TO: County Council

FROM: Gene Smith, Legislative Analyst

SUBJECT: Spending Affordability Guidelines for the FY23 Operating Budget

PURPOSE: Introduce proposed resolution

The Council has scheduled a public hearing on January 25, 2022 regarding the proposed resolution setting the spending affordability guidelines for the FY23 Operating Budget (see ©1-3). The Government Operations and Fiscal Policy (GO) Committee will make a recommendation for Council action on February 3, 2022. The deadline for the Council to adopt these guidelines is the second Tuesday of February each year; the deadline this year is February 8, 2022.

I. Background

Sections 20-60 and 20-63 of the Council Code requires the Council to specify the following when adopting the spending affordability guidelines for the operating budget:

1) A ceiling on the funding from ad valorem real property tax revenues;
2) A ceiling on the aggregate operating budget (AOB); and
3) Separate budget allocations for the following:
   - County Government ("MCG")
   - Board of Education (i.e., Montgomery County Public Schools or "MCPS")
   - Montgomery College
   - Maryland-National Capital Park and Planning Commission (M-NCPPC)
   - Debt service; and
   - Current revenue funding of capital projects.

The Council previously set an overall spending target for Community Grants as part of its actions establishing spending affordability guidelines for the operating budget in prior years. Starting in FY21, the County Executive and County Council Community Grants programs, applications, and corresponding budgets were combined; therefore, an overall spending target for Community Grants was not set. This practice will continue as the process shifts to an Office of Grants Management.

Section 20-61 of the County Code states for setting the spending affordability guidelines for the operating budget that "*the Council should consider, among other relevant factors, the condition of the economy, the level of economic activity in the County, trends in personal income, and the impact of economic and population growth on projected revenues.*"

A. Condition of the Economy

- **The unemployment rate decreased year-over-year in the region and the County, but the unemployment rate remains greater than the pre-pandemic level**.
  - The Bureau of Labor Statistics (BLS) estimates that the Washington metro area's unemployment rate decreased year-over-year from 6.4% in October 2020 to 3.9% in October 2021.
  - The BLS estimates that the County's unemployment rate decreased year-over-year from 6.5% in October 2020 to 4.5% in October 2021.
  - The pre-pandemic unemployment rate for both the region and the County was 2.8% in February 2020.
- **The total number of payroll jobs increased year-over-year in the region and the County, but total payroll jobs remain less than the pre-pandemic level.**
  - The Center for Regional Analysis (CRA) estimated that the Washington metro area's jobs increased by approximately 207,100 from May 2020 to May 2021. This job growth is about 76.4% of the estimated 271,000 jobs lost from June 2019 to June 2020 that the CRA estimated last year.
  - The CRA estimates that all industry sectors, apart from the Financial sector, experienced job growth from May 2020 to May 2021. The sectors that experienced the greatest growth were those most impacted by the pandemic, including the Leisure and Hospitality sector the Health Services sector, and the Retail Trade sector.
  - The CRA estimates that Suburban Maryland, which the County is part, gained 67,300 jobs from May 2020 to May 2021. The sectors with the greatest gain were the same as the region – Leisure and Hospitality, Health Services, and Retail Trade. This job growth is about 78.1% of the estimated 86,200 jobs lost from June 2019 to June 2020 that the CRA estimated last year.
  - The BLS estimates that the County's total payroll employment increased by approximately 31,800 jobs from May 2020 to May 2021 (preliminary). This job growth is about 55.6% of the estimated jobs lost between June 2019 to June 2020.
- **The County's resident employment has decreased**. This is a key indicator to estimate the County's income tax.
  - Finance estimates that the annual average number of employed residents decreased from 513,663 in 2020 to 511,335 in 2021, a decrease of 0.5% year-over-year. The resident employment decreased by 6.9% since the pre-pandemic level of 549,296 in 2019.
  - Finance estimates that the County will return to resident employment near pre-pandemic levels around 2024.

B. Level of Economic Activity in the County

- **The inflation rate increased in 2021 and is estimated to remain greater than 2.0% through 2028**.
  - Finance estimates that the Washington metro area inflation rate for 2021 was 4.16%.
  - The inflation rate for the Washington metro area was 1.31% in 2019 and 0.89% in 2020.
- **The County's office market experienced an increase in vacancy and rents in 2021, a continuation of the increases experienced in 2020**.
  - Costar estimates that the County's Class A office space average rent increased in 2021 to $33.30 per square foot from the $32.62 per square foot in 2020. The vacancy rate for this type of office space also increased in 2021 to an average of 16.0% from an average of 13.7% in 2020.
  - Costar estimates that the County's Class B office space average rent was unchanged in 2021 to $27.56 per square foot from the $27.65 per square foot in 2020. The vacancy rate for this type of office space increased in 2021 to an average of 16.6% from an average of 14.1% in 2020.
- **The County's home sales and median value increased in 2021**.
  - Finance estimates that existing home sales increased by 19.6% in 2020 and by 4.2% in 2021.
  - Finance estimates that the median home sales price increased by 15.2% from 2020 to 2021.
  - The State Department of Assessments and Taxation released the most recent triennial property assessments for Group 1 – residential properties in Group 1 experienced an average 11.3% increase in property values from 2019 to 2022, and commercial properties in Group 1 experienced an average 10.1% increase in property values from 2019 to 2022.

C. Trends in Personal Income

- **Salary and personal income experienced strong increases in 2021**.
  - Finance estimates that total personal income increased by 11.8% in 2021. The estimated growth in total personal income is expected to be greater than 4.5% through 2025.
  - Finance estimates that wage and salary income increased by 7.1% in 2021. Like total personal income, the growth in wage and salary income is estimated to be about 5.0% though 2025.
- **The COLA for Social Security recipients will be 5.9% in 2022**. The 2021 COLA was 1.3%.

D. Impact of Economic and Population Growth on Projected Revenues

- **The County's population is estimated to continue to increase**.
  - Finance estimates that the County's population will increase by about 7,300 residents a year, bringing the total residents to 1.1 million around 2026. This growth rate is slightly less than the previous estimates.
- **The County's revenues are estimated to increase in FY23 when compared to the FY22 approved budget**.
  - The increase in personal income and salary income is the primary factor driving the increase in income tax revenue.

E. Other Relevant Factors

- The Federal Reserve lowered interest rates to 0.00-0.25% in 2020 as a response to the economic impacts from the pandemic. **Interest rates have remained at that level through the pandemic, but a majority of the Federal Reserve members have forecasted three rate increases in 2022**.
- The State of Maryland's Board of Revenue Estimates (BRE) December 2021 Report increased the State's tax revenue estimates by about $495.2 million in FY22 and by about $542.6 million in FY23 compared to the September 2021 revisions. These estimates are driven by stronger income tax and sales tax collections.
- The COVID-19 pandemic continues to impact individual residents and businesses differently based on the specific situation.

II. Spending Affordability Guidelines for the FY23 Operating Budget

A. Ceiling on Property Tax Revenue

Section 305 of the County Charter was amended during the November 2020 General Election to change how the Charter Limit is calculated. The amended Charter Limit now requires an affirmative vote from all Councilmembers to exceed the real property tax rate from the prior fiscal year. Prior to the November 2020 amendment, the County Charter required an affirmative vote from all Councilmembers to exceed a tax rate that would have levied real property taxes that were greater than the growth in inflation from the real property taxes collected the prior year.

The Council's decision, as it pertains to the guidelines, is to specify the ceiling on real property tax revenue for FY23. The Charter amendment does not change the Council's requirement to set a guideline. The Council may still meet the requirement of the County Code, as it pertains to the guideline, by setting the revenues at the Charter Limit.

Council staff recommends setting the ceiling on real property tax revenue at the Charter Limit. The December 2021 Fiscal Plan update assumes this ceiling, including a $692 Income Tax Offset Credit for qualified properties (see ©4-5).

B. Ceiling on Aggregate Operating Budget

The Council sets a ceiling on the AOB as a benchmark for the upcoming FY23 budget process. The Council considers multiple factors, including the information detailed on pages 2-3, when setting the AOB. The intent of this guideline is to set an AOB that is generally affordable to County residents.

The ceiling on the AOB established by the Council in February demarcates the threshold that requires seven affirmative votes if the Council chooses to exceed that ceiling when finalizing the budget in May. Regardless of the ceiling set by the Council in February, six affirmative votes are required in May if the AOB exceeds the previous fiscal year's AOB by the rate of inflation for the 12-month period preceding the previous December – 4.16% for FY23's AOB. If the AOB does not exceed the previous fiscal year's AOB by this inflation rate, five votes are required.

Section 20-59 of the County Code defines the operating budget as "*the total amount appropriated from current operating revenues for the ensuing fiscal year, including any current revenue funding for capital budgets.*" The AOB includes the operating budget minus the amounts appropriated for (1) enterprise funds; (2) the Washington Suburban Sanitary Commission; (3) expenditures equal to the tuition and tuition-related charges estimated to be received by Montgomery College; and (4) any grant which can only be spent for a specific purpose.

The AOB and its elements are defined by law, but neither the Charter nor the Code specifies how to set the ceiling. The Council has taken multiple approaches in setting the ceiling throughout its history. Table 1 below details the Council's method for setting the ceiling since FY11.

Table 1 – Council's History for Setting the AOB Ceiling

Fiscal Year	Method	Increase
2011	No increase	0.00%
2012	Increase by rate of inflation	1.70%
2013	Increase by estimated rate of total personal income growth	4.80%
2014	Increase by estimated rate of total personal income growth	4.76%
2015	Increase by estimated rate of total personal income growth	1.80%
2016	Increase by estimated rate of total personal income growth	2.30%
2017	Increase by estimated rate of total personal income growth	3.45%
2018	Increase by half of estimated rate of total personal income growth	2.00%
2019	Increase by COLA for Social Security	2.00%
2020	Increase by amount needed to maintain prior year funding for MCG and M-NCPPC	1.43%
2021	Increase by rate of inflation	1.27%
2022	No increase	0.00%

Council staff presents four options on ©6 for consideration in setting the ceiling on the AOB for the FY23 operating budget. The FY22 AOB was approved in Council Resolution No. 19-877.

- Option #1 – The FY23 ceiling is held at the FY22 approved AOB (*0.0% adjustment*).
- Option #2 – The FY23 ceiling increases from the FY22 approved AOB based on agency allocations estimated by Executive Staff in the December 2021 Update (*4.49% increase*).
- Option #3 – The FY23 ceiling increases the FY22 approved AOB by the estimated rate of inflation for 2021 (4.16*% increase*).
- Option #4 – The FY23 ceiling increases the FY22 approved AOB by the half of the estimated increase in average personal income for 2021 (*2.31% increase*).

Council staff recommends establishing the ceiling on the FY23 AOB based on Option #4 – half of the increase in personal income for 2021. The County has weathered the pandemic better than expected, but residents have experienced an uneven impact. This recommended ceiling for the AOB balances the County's growth with this uneven impact on residents. **This recommended method sets the ceiling at $5,260.5 million.**

C. Aggregate Operating Budget Allocations

Section 20-63 the County Code requires that the Council recommend budget allocations for certain portions of the budget. **These allocations are illustrative and not final**. The final allocations are set by Council during the budget process, when competing demands, priorities, and resources are evaluated. There are several factors that could change the allocations during the budget process from those set during the guideline process in February.

- Factor #1: Revenue estimates could change from the December 2021 Update.
- Factor #2: Some of the non-agency uses could be shifted to fund agency uses.
- Factor #3: Reserves as a percentage of adjusted governmental revenues could be set a level different from the estimated level in the December 2021 Update.
- Factor #4: Agency allocations could increase if fund balances are re-appropriated.

The Council's decision to establish these allocations in February does not create a supermajority requirement during the budget process. The Council's decision, however, does trigger a requirement for the agencies. Any agency requesting more than the Council's allocation must submit to the Council by March 31 a memorandum recommending "(1) prioritized expenditure reductions that would be necessary to comply with the adopted budget allocation, and (2) a summary of the effect on the agency's program of the recommended prioritization."

State aid amounts are not known in January. As in previous years, the proposed resolution includes the following provision to account for this factor:

b) Notwithstanding the above, the Council intends that any agency spending allocations which, as a result of additional increases in State aid, exceed the ceilings specified in (b) do not trigger the requirements of §20-63(b).

1. *Council staff recommended allocations*

Debt Service

Debt service is a fixed charge that must be paid before making allocations to the other agencies. Long-term leases are included since these payments are virtually identical to debt. Debt service is in the County Government's debt service fund and in the budget for M-NCPPC. **Council staff recommends that debt service be set at $442.4 million, the amount of debt currently outstanding and estimated to be issued**. The same value was assumed in the December 2021 update.

Current Revenue Funding for the Capital Budget

There are two types of current revenue funding for the capital budget. The first type is for specific projects in the Capital Improvements Program that do not meet the criteria for bond funding and must be funded with current revenue. **Council staff recommends setting this item at $106.8 million, consistent with the December 2021 update**.

The second type, "PAYGO" (pay as you go), is funding for projects that are eligible for bond funding but for which the Council has decided to use current revenue to decrease the need for bonds. The substitution of current revenue for bonds helps protect Montgomery County's AAA bond rating by reducing indebtedness and decreasing future operating budget expenses for debt service. **Council staff recommends setting PAYGO at $33.9 million, consistent with the December 2021 update**. PAYGO is slightly greater than the October 2021 FY23 guideline approved by the Council because it is based on the amended FY22-27 CIP, which shifted some G.O. debt to future fiscal years due delays from the pandemic.

Retiree Health Insurance Pre-funding (OPEB)

Council staff recommends allocating $81.9 million to OPEB, consistent with the December 2021 update.

Agency Allocations (MCG, MCPS, Montgomery College, and M-NCPPC)

Council staff recommends allocations to MCPS and Montgomery College at maintenance of effort levels. The MCPS value is the same as the one in the December 2021 update, which assumes no change to State aid from FY22 and no appropriation of existing fund balance. Montgomery College's allocation is based on the December 2021 update and assumes no fund balance appropriation.

Council staff recommends allocating the remainder to the County Government and M-NCPPC in proportion to their FY22 allocations.

As noted above, any agency requesting more than the Council's spending affordability guidelines must submit to the Council by March 31 prioritized expenditure reductions that would be necessary to comply with the adopted budget allocation and a summary of the effect on the agency's program of the recommended prioritization. However, Council staff recommends that the resolution for FY23 — as was the case in previous fiscal years — should state that a projected increase in State aid should not, by itself, trigger this requirement.

This packet contains:	Circle #
Proposed FY23 SAG resolution	1
December 2021 Fiscal Plan update	4
Proposed FY23 AOB calculations	6

Resolution No.: ____________
Introduced: ____________
Adopted: ____________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

SUBJECT: Spending Affordability Guidelines for the FY23 Operating Budget

Background

1. Section 305 of the Charter and Chapter 20-60 of the County Code require the Council to set spending affordability guidelines for the operating budget for the next fiscal year.

2. The guidelines must specify:

   a) A ceiling on property tax revenue, which is used to fund the aggregate operating budget.

   b) A ceiling on the aggregate operating budget. The aggregate operating budget is the total appropriation from current operating revenues, including appropriations for capital projects but excluding appropriations for: enterprise funds, the Washington Suburban Sanitary Commission, specific grants for which the spending is contingent on the grants, and expenditures equal to the estimated tuition and tuition-related charges at Montgomery College.

   c) The spending allocations for the County Government, the Board of Education, Montgomery College, the Maryland-National Capital Park and Planning Commission, debt service, and current revenue funding of capital projects. As noted above, the College's allocation excludes expenditures equal to the estimated tuition and tuition-related charges.

3. Chapter 20-61 of the County Code lists a number of economic and financial factors to be considered in adopting the guidelines, requires a public hearing before the Council adopts guidelines, and requires that the Council adopt guidelines no later than the second Tuesday in February for the fiscal year starting the following July 1.

4. At the public hearing on January 25, 2022, the public had the opportunity to comment on the following guidelines:

   a) The amount of property tax revenue will not exceed the amount calculated in accordance with §305 of the Charter that would require nine affirmative votes.

   b) The proposed ceiling on the aggregate operating budget and the agency allocations in millions of dollars are:

Debt Service	$ 442.4
Current revenue, specific projects	$ 106.8
Current revenue, PAYGO	$ 33.9
Retiree health insurance prefunding	$ 81.9
MCPS	$ 2,558.4
Montgomery College	$ 193.6
County Government	$ 1,697.3
M-NCPPC	$ 146.2
Total = Aggregate Operating Budget	$ 5,260.5

Action

The County Council for Montgomery County approves the following resolution:

1. The spending affordability guidelines for the FY23 Operating Budget are:

   a) The amount of property tax revenue will not exceed the amount calculated in accordance with §305 of the Charter that would require nine affirmative votes.

   b) The ceiling on the aggregate operating budget and the agency spending allocations in millions of dollars are:

Debt Service	$ 442.4
Current revenue, specific projects	$ 106.8
Current revenue, PAYGO	$ 33.9
Retiree health insurance prefunding	$ 81.9
MCPS	$ 2,558.4
Montgomery College	$ 193.6
County Government	$ 1,697.3
M-NCPPC	$ 146.2
Total = Aggregate Operating Budget	$ 5,260.5

c) Notwithstanding the above, the Council intends that any agency spending allocations which, as a result of additional increases in State aid, exceed the ceilings specified in (b) do not trigger the requirements of §20-63(b).

This is a correct copy of Council action.

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Selena Mendy Singleton, Esq.
Clerk of the Council

DRAFT Fiscal Plan December 2021

Tax Supported Fiscal Plan Summary

($ in Millions)

		App. FY22	Est. FY22	% Chg. FY22-23	% Chg. FY22-23	Projected FY23	% Chg. FY23-24	Projected FY24	% Chg. FY24-25	Projected FY25	% Chg. FY25-26	Projected FY26	% Chg. FY26-27	Projected FY27	% Chg. FY27-28	Projected FY28
		5-27-21	12-14-21	App/Proj	Est/Proj	12-14-21										
	Total Revenues															
1	Property Tax	1,884.7	1,898.1	4.2%	3.4%	1,963.2	3.7%	2,036.5	3.2%	2,102.1	3.0%	2,166.1	2.7%	2,224.3	2.4%	2,278.6
2	Income Tax	1,708.8	1,703.3	3.9%	4.3%	1,776.3	5.5%	1,874.1	5.0%	1,967.2	4.3%	2,051.1	5.0%	2,154.6	5.3%	2,267.8
3	Transfer/Recordation Tax	169.8	213.9	23.9%	-1.6%	210.5	3.8%	218.5	3.8%	226.7	3.7%	235.0	3.7%	243.7	3.6%	252.5
4	Other Taxes	244.4	263.8	9.0%	0.9%	266.3	0.1%	266.6	1.0%	269.4	0.4%	270.3	0.0%	270.2	0.0%	270.1
5	Other Revenues	1,208.4	1,177.5	-6.4%	-4.0%	1,131.0	0.2%	1,133.3	0.2%	1,135.5	0.3%	1,139.3	0.3%	1,143.2	0.3%	1,147.1
6	**Total Revenues**	**5,216.1**	**5,256.6**	**2.5%**	**1.7%**	**5,347.3**	**3.4%**	**5,528.9**	**3.1%**	**5,700.8**	**2.8%**	**5,861.8**	**3.0%**	**6,036.0**	**3.0%**	**6,216.1**
7																
8	**Net Transfers In (Out)**	**10.6**	**10.6**	**2.0%**	**2.0%**	**10.8**	**2.4%**	**11.1**	**2.4%**	**11.3**	**2.4%**	**11.6**	**2.4%**	**11.9**	**2.4%**	**12.2**
9	**Total Revenues and Transfers Available**	**5,226.7**	**5,267.2**	**2.5%**	**1.7%**	**5,358.1**	**3.4%**	**5,540.0**	**3.1%**	**5,712.2**	**2.8%**	**5,873.4**	**3.0%**	**6,047.9**	**3.0%**	**6,228.3**
10																
11	**Non-Operating Budget Use of Revenues**															
12	Debt Service	427.4	427.4	3.5%	3.5%	442.4	-0.5%	440.1	2.8%	452.6	1.2%	458.0	0.9%	462.0	0.0%	462.0
13	PAYGO	15.5	15.5	118.7%	118.7%	33.9	-9.1%	30.8	-8.4%	28.2	-3.5%	27.2	0.0%	27.2	0.0%	27.2
14	CIP Current Revenue	78.4	85.6	36.2%	24.8%	106.8	-11.7%	94.4	-21.0%	74.6	4.7%	78.1	0.0%	78.1	0.0%	78.1
15	Change in Other Reserves	-24.0	-47.7	100.8%	100.4%	0.2	5.2%	0.2	-4.8%	0.2	-1.3%	0.2	-9.8%	0.2	-8.4%	0.2
16	Contribution to General Fund Undesignated Reserves	13.3	-59.4	-284.2%	58.9%	-24.4	119.9%	4.9	39.9%	6.8	11.1%	7.6	-7.8%	7.0	10.6%	7.7
17	Contribution to Revenue Stabilization Reserves	27.5	27.7	-89.1%	-89.2%	3.0	344.1%	13.3	-18.2%	10.9	-8.3%	10.0	15.1%	11.5	-4.3%	11.0
18	Set Aside for other uses (supplemental appropriations)	0.0	45.3	n/a	-55.8%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0
19	**Total Other Uses of Resources**	**538.2**	**494.4**	**8.1%**	**17.7%**	**581.9**	**3.7%**	**603.7**	**-1.7%**	**593.3**	**1.3%**	**601.1**	**0.8%**	**606.0**	**0.0%**	**606.2**
20	**Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)**	**4,688.6**	**4,772.7**	**1.9%**	**0.1%**	**4,776.2**	**3.4%**	**4,936.4**	**3.7%**	**5,118.9**	**3.0%**	**5,272.3**	**3.2%**	**5,441.9**	**3.3%**	**5,622.1**
21																
22	**Agency Uses**															
23																
24	Montgomery County Public Schools (MCPS)	2,551.6	2,551.6	0.3%	0.3%	2,558.4										
25	Montgomery College (MC)	265.5	265.5	-1.3%	-1.3%	262.0										
26	MNCPPC (w/o Debt Service)	143.8	143.8	4.5%	4.5%	150.2										
27	MCG	1,727.8	1,811.9	4.5%	-0.4%	1,805.6										
28	**Agency Uses**	**4,688.6**	**4,772.7**	**1.9%**	**0.1%**	**4,776.2**	**3.4%**	**4,936.4**	**3.7%**	**5,118.9**	**3.0%**	**5,272.3**	**3.2%**	**5,441.9**	**3.3%**	**5,622.1**
29	**Total Uses**	**5,226.7**	**5,267.2**	**2.5%**	**1.7%**	**5,358.1**	**3.4%**	**5,540.0**	**3.1%**	**5,712.2**	**2.8%**	**5,873.4**	**3.0%**	**6,047.9**	**3.0%**	**6,228.3**
30	**(Gap)/Available**	**0.0**	**0.0**			**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**

Assumptions:

1. FY22-FY27 property taxes reflect the passage of Ballot Question A with a $692 credit. Other taxes are at current rates.
2. Reserve contributions are consistent with legal requirements and the minimum policy target.
3. PAYGO, debt service, and current revenue reflect the Amended FY21-26 Capital Improvements Program.
4. State Aid, including MCPS and Montgomery College, is not projected to increase from FY24-28.
5. Projected FY23 allocations for MCPS and Montgomery College assume funding at maintenance of effort. The allocations do not include potential increases to State Aid or other possible agency resources, such as use of additional fund balance. Additional State Aid or use of fund balance would increase the rate of growth for MCPS and Montgomery College.
6. MCG FY22 projected expenditures include the results of first quarter analysis.

DRAFT Fiscal Plan December 2021

Tax Supported Fiscal Plan Summary

($ in Millions)

		App. FY22	Est. FY22	% Chg. FY22-23	% Chg. FY22-23	Projected FY23	% Chg. FY23-24	Projected FY24	% Chg. FY24-25	Projected FY25	% Chg. FY25-26	Projected FY26	% Chg. FY26-27	Projected FY27	% Chg. FY27-28	Projected FY28
31	**Beginning Reserves**															
32	**Unrestricted General Fund**	82.1	169.4	34.0%	-35.1%	110.0	-22.2%	85.5	5.7%	90.4	7.5%	97.2	7.8%	104.8	6.7%	111.8
33	**Revenue Stabilization Fund**	403.8	444.6	17.0%	6.2%	472.3	0.6%	475.3	2.8%	488.6	2.2%	499.5	2.0%	509.5	2.3%	521.0
34	**Total Reserves**	485.9	614.0	19.8%	-5.2%	582.3	-3.7%	560.9	3.2%	579.1	3.1%	596.8	2.9%	614.3	3.0%	632.8
35																
36	**Additions to Reserves**															
37	**Unrestricted General Fund**	13.3	-59.4	-284.2%	58.9%	-24.4	119.9%	4.9	39.9%	6.8	11.1%	7.6	-7.8%	7.0	10.6%	7.7
38	**Revenue Stabilization Fund**	27.5	27.7	-89.1%	-89.2%	3.0	344.1%	13.3	-18.2%	10.9	-8.3%	10.0	15.1%	11.5	-4.3%	11.0
39	**Total Change in Reserves**	40.8	-31.7	-152.6%	32.4%	-21.4	184.9%	18.2	-2.6%	17.7	-0.8%	17.6	5.3%	18.5	1.3%	18.7
40																
41	**Ending Reserves**															
42	**Unrestricted General Fund**	95.3	110.0	-10.3%	-22.2%	85.5	5.7%	90.4	7.5%	97.2	7.8%	104.8	6.7%	111.8	6.9%	119.5
43	**Revenue Stabilization Fund**	431.3	472.3	10.2%	0.6%	475.3	2.8%	488.6	2.2%	499.5	2.0%	509.5	2.3%	521.0	2.1%	532.0
44	**Total Reserves**	526.7	582.3	6.5%	-3.7%	560.9	3.2%	579.1	3.1%	596.8	2.9%	614.3	3.0%	632.8	3.0%	651.6
45	**Reserves as a % of Adjusted Governmental Revenues**	**9.6%**	**10.6%**			**10.0%**		**10.0%**		**10.0%**		**10.0%**		**10.0%**		**10.0%**
46	**Other Reserves**															
47	**Montgomery College**	27.7	27.7	0.0%	0.0%	27.7	0.0%	27.7	0.0%	27.7	0.0%	27.7	0.0%	27.7	0.0%	27.7
48	**M-NCPPC**	4.9	4.9	4.0%	4.0%	5.1	3.7%	5.3	3.1%	5.4	3.0%	5.6	2.6%	5.7	2.3%	5.9
49	**MCPS**	0.0	0.0	n/a	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
50	**MCG Special Funds**	0.9	0.9	0.8%	0.8%	0.9	2.9%	0.9	4.2%	0.9	3.8%	1.0	3.4%	1.0	3.6%	1.0
51	**MCG + Agency Reserves as a % of Adjusted Govt Revenues**	**10.2%**	**11.2%**			**10.6%**		**10.6%**		**10.6%**		**10.6%**		**10.6%**		**10.6%**
52	**Retiree Health Insurance Pre-Funding**															
53	Montgomery County Public Schools (MCPS)	**73.0**	**73.0**			**66.2**		**60.5**		**53.9**		**53.9**		**53.9**		**53.9**
54	Montgomery College (MC)	**5.6**	**5.6**			**5.4**		**5.3**		**5.2**		**5.2**		**5.2**		**5.2**
55	MNCPPC	**2.7**	**2.7**			**2.7**		**2.7**		**2.8**		**2.8**		**2.7**		**2.7**
56	MCG	**10.8**	**10.8**			**7.5**		**4.2**		**0.7**		**0.0**		**0.0**		**0.0**
57	**Subtotal Retiree Health Insurance Pre-Funding**	**92.2**	**92.2**			**81.9**		**72.8**		**62.6**		**61.8**		**61.8**		**61.8**
58	**Adjusted Governmental Revenues**															
59	**Total Tax Supported Revenues**	**5,214.7**	**5,255.2**	**2.5%**	**1.8%**	**5,347.3**	**3.4%**	**5,528.9**	**3.1%**	**5,700.8**	**2.8%**	**5,861.8**	**3.0%**	**6,036.0**	**3.0%**	**6,216.1**
60	**Capital Projects Fund**	**131.7**	**131.7**	**-7.8%**	**-7.8%**	**121.5**	**1.1%**	**122.8**	**6.6%**	**130.9**	**0.3%**	**131.3**	**0.0%**	**131.3**	**0.0%**	**131.3**
61	**Grants**	**129.2**	**129.2**	**2.0%**	**2.0%**	**131.7**	**2.4%**	**134.9**	**2.4%**	**138.2**	**2.4%**	**141.6**	**2.4%**	**145.0**	**2.4%**	**148.6**
62	**Total Adjusted Governmental Revenues**	**5,475.6**	**5,516.1**	**2.3%**	**1.5%**	**5,600.5**	**3.3%**	**5,786.7**	**3.2%**	**5,969.9**	**2.8%**	**6,134.7**	**2.9%**	**6,312.3**	**2.9%**	**6,496.0**

FY22 Approved AOB = $5,141,909,322 $5,141.9

	A	B	C	D	E	F	G
1	**Table 1: Spending Affordability Guideline 2 (Ceiling on the FY23 AOB, $millions)**						
2	*FY22 Approved AOB*	*5,141.9*		Option 1	Option 2	Option 3	Option 4
3	1. No change FY22 to FY23			+0.00%			
4	2. Use Agency allocations in December 2020 update				+4.49%		
5	3. Increase by inflation CY21					+4.16%	
6	4. 50% of change in average personal income CY21						+2.31%
8	**Ceiling on FY21 AOB**			**$5,141.9**	**$5,372.8**	**$5,355.6**	**$5,260.5**
9							
10	**Table 2: Spending Affordability Guideline 3 (Allocation of FY23 AOB, $millions)**						
11		FY22 App		Option 1	Option 2	Option 3	Option 4
12	**A. Non agency allocations**						
13	Debt service						
14	County debt service	420.9		436.1	436.1	436.1	436.1
15	MNCPPC debt service	6.5		6.3	6.3	6.3	6.3
16	Current revenue, specific projects	78.4		106.8	106.8	106.8	106.8
17	Current revenue, PAYGO	15.5		33.9	33.9	33.9	33.9
18	Retiree health insurance prefunding (OPEB)						
19	OPEB for MCPS	73.0		66.2	66.2	66.2	66.2
20	OPEB for Montgomery College	5.6		5.4	5.4	5.4	5.4
21	OPEB for MNCPPC	2.7		2.7	2.7	2.7	2.7
22	OPEB for County Government	10.8		7.5	7.5	7.5	7.5
23	***Subtotal, non-agencies***	***613.5***		***665.0***	***665.0***	***665.0***	***665.0***
24							
25	**B. Agency allocations**	FY22 App	%	Option 1	Option 2	Option 3	Option 4
26	MCPS	2,551.6	56.3%	2,558.4	2,558.4	2,558.4	2,558.4
27	College excl. expen. funded by tuition	197.4	4.4%	193.6	193.6	193.6	193.6
26	MNCPPC	141.1	3.1%	136.8	150.2	153.7	146.2
28	County Government	1,638.3	36.2%	1,588.1	1,805.6	1,784.9	1,697.3
29	***Subtotal, agencies***	***4,528.4***		***4,476.9***	***4,707.9***	***4,690.7***	***4,595.5***
30	**Aggregate Operating Budget**	**5,141.9**		**5,141.9**	**5,372.8**	**5,355.6**	**5,260.5**
31							
32	**Table 3: Change in Agency Allocations, FY21 approved to FY22 recommended**						
33				Option 1	Option 2	Option 3	Option 4
34	MCPS			+0.27%	+0.27%	+0.27%	+0.27%
36	College excl. expen. funded by tuition			(1.93%)	(1.93%)	(1.93%)	(1.93%)
35	MNCPPC			(3.06%)	+6.48%	+8.95%	+3.60%
37	County Government			(3.06%)	+10.21%	+8.95%	+3.60%
38	***Total Agency Allocation***			***(1.14%)***	***+3.96%***	***+3.58%***	***+1.48%***

Notes:
1. FY23 MNCPPC debt service assumes Park Fund: $6,177,000; ALARF Fund: $131,000.
2. All FY22 allocations are from Resolution 19-877.
3. All FY23 non-agency allocations are from the December Fiscal Plan Update.
4. FY23 Montgomery College excludes tution-funded expenditures and no appropration from FY22 fund balance.
5. FY23 MCPS allocation is from the December Fiscal Plan Update and assumes no appropration from FY22 fund balance.