



Committee: GO
Committee Review: At a future date
Staff: Gene Smith, Legislative Analyst
Purpose: To receive testimony – no vote expected
Keywords:

AGENDA ITEM #7
January 11, 2022
Public Hearing

SUBJECT

Special Appropriation to the Fiscal Year 2022 Operating Budget, Montgomery County Government, Payments to Municipalities Non-Departmental Account, \$5,000,000 (Source of Funds: General Fund Reserves)

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

The subject appropriation will provide additional reimbursements to certain municipalities in the County (see ©1-4). The Council appropriated \$8,993,067 for property tax duplication reimbursements in FY22, which were provided to the municipalities in November 2021.

SUMMARY OF KEY DISCUSSION POINTS

- Chapter 30A of the County Code creates a program that allows reimbursements to municipalities for those public services provided by municipalities that would otherwise be provided by the County. This reimbursement program addresses the issue of property tax duplication since both the County and the municipality levy a property tax, but only the municipality provides that service within its jurisdiction.
- The County's reimbursements under Chapter 30A are made annually to municipalities pursuant to procedures and formulas established in Council Resolution No. 13-650, dated September 10, 1996. Since FY13, the County has provided reimbursements to municipalities that exceed the amount required by the formulas in Council Resolution 13-650.
- The County Executive proposed new reimbursement formulas for the FY 2022 Operating Budget, but the municipalities claimed that the proposed formulas were not amenable.
- Councilmember Navarro, Chair of the Government Operations and Fiscal Policy Committee, recommended a path forward on property tax duplication in FY 2022 during the April 30, 2021 Government Operations and Fiscal Policy Committee (see ©5-6).

- The County Council received a proposed bill from the Executive to revise formulas, including those for police services. This bill is tentatively scheduled for introduction on January 11, 2022.
- This subject appropriation will fund additional reimbursements that municipalities state they are owed.
- A Government Operations and Fiscal Policy Committee will be scheduled at a future date to review this special appropriation along with the proposed bill by the Executive to update the formulas for these reimbursements.

This report contains:

Proposed resolution	© #1-4
Councilmember Navarro memorandum	© #5-6
Council sponsored special appropriation: Racial Equity and Social Justice	© #7

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Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Council President Hucker, Councilmembers Navarro, Friedson, Katz,
and Council Vice President Albornoz

SUBJECT: Special Appropriation to the Fiscal Year 2022 Operating Budget
Montgomery County Government, Payments to Municipalities Non-Departmental
Account, \$5,000,000 (Source of Funds: General Fund Reserves)

Background

1. Section 308 of the County Charter provides that a special appropriation is an appropriation which states that it is necessary to meet an unforeseen disaster or other emergency, or to act without delay in the public interest. Each special appropriation shall be approved by not less than six Councilmembers. The Council may approve a special appropriation at any time after public notice by news release. Each special appropriation shall specify the source of funds to finance it.
2. Chapter 30A of the Montgomery County Code creates a program that allows reimbursements to municipalities for those public services provided by municipalities that would otherwise be provided by the County.
3. The County's reimbursements under Chapter 30A are made annually to municipalities pursuant to procedures and formulas established in Council Resolution No. 13-650, dated September 10, 1996. These procedures and formulas were recommended by a task force of County and municipal representatives after reviewing the municipal property tax duplication formulas and reimbursements. Since FY13, the County has provided reimbursements to municipalities that exceed the amount required by the formulas in Council Resolution 13-650.
4. The County Executive proposed new reimbursement formulas for the FY 2022 Operating Budget, but the municipalities claimed that the proposed formulas were not amenable.
5. Councilmember Navarro, Chair of the Government Operations and Fiscal Policy Committee, recommended a path forward on property tax duplication in FY 2022 during the April 30, 2021 Government Operations and Fiscal Policy Committee. The path forward included: 1) approving the Executive's recommended \$9,122,411 appropriation for

reimbursements for property tax duplication to municipalities in FY 2022, an increase of \$824,632 from FY 2021; 2) considering an additional \$5,000,000 appropriation – the difference between the County Executive’s proposed appropriation and the estimated amount the municipalities state they are owed – if additional resources were identified in FY 2022; and 3) requesting that the County Executive work with representatives of municipalities to reach agreement on appropriate formulas for property tax duplication reimbursements and appropriate formulas for reimbursements related to the police services for certain municipalities.

6. The County Council anticipates receiving the revised formulas, including those for police services, from the County Executive before the recommended FY 2023 Operating Budget is released.
7. A FY 2022 Operating Budget special appropriation is requested for the Payments to Municipalities Non-Departmental Account:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$5,000,000	\$5,000,000	General Fund Reserves

8. This special appropriation will fund the reimbursements that municipalities state they are owed in FY 2022.
9. Notice of public hearing was given and a public hearing was held.

Action

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

A special appropriation to the FY 2022 Operating Budget for the Payments to Municipalities Non-Departmental Account:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$5,000,000	\$5,000,000	General Fund Reserves

Schedule A details the reimbursement amount for each municipality per the base formulas in Council Resolution 13-650.

This appropriation is needed to act without delay in the public interest.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council

Schedule A

Municipality	Additional Grant for FY 2022
Brookeville	\$7,406.53
Chevy Chase, Sec. III	\$25,001.16
Chevy Chase View	\$37,771.30
Chevy Chase Village	\$89,350.94
Town of Chevy Chase	\$114,054.29
Drummond	\$4,221.57
Friendship Heights	\$13,372.10
Gaithersburg	\$1,188,916.45
Garrett Park	\$44,405.84
Glen Echo	\$18,995.25
Kensington	\$115,332.85
Laytonsville	\$25,713.40
Martin's Additions	\$24,549.79
North Chevy Chase	\$23,131.52
Oakmont	\$2,999.40
Poolesville	\$233,706.70
Rockville	\$2,526,792.47
Somerset	\$52,293.25
Takoma Park	\$410,883.44
Washington Grove	\$41,101.75
Total	\$5,000,000.00



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

Council Sponsored Special Appropriation: Racial Equity and Social Justice

Subject

Special Appropriation to the County Government's FY22 Operating Budget, Montgomery County Government, Payments to Municipalities Non-Departmental Account, \$5,000,000 (Source of Funds: general fund reserves)

- Introduced: December 14, 2021
- Public hearing: Tentatively scheduled for January 11, 2022
- Committee review: Will be scheduled at a future date along with the Executive's proposed bill related to the same topic

Description and Background

This special appropriation provides funding to certain municipalities. Chapter 30A of the County Code creates a program that allows reimbursements to municipalities for those public services provided by municipalities that would otherwise be provided by the County. This reimbursement program addresses the issue of property tax duplication since both the County and the municipality levy a property tax, but only the municipality provides that service within its jurisdiction.

The County's reimbursements under Chapter 30A are made annually to municipalities pursuant to procedures and formulas established in Council Resolution No. 13-650, dated September 10, 1996. Since FY13, the County has provided reimbursements to municipalities that exceed the amount required by the formulas in Council Resolution 13-650.

The County Executive proposed new reimbursement formulas for the FY 2022 Operating Budget, but the municipalities claimed that the proposed formulas were not amenable. The Council approved additional funding in the FY 2022 Operating Budget, as proposed by the Executive, but it did not amend the reimbursement formulas. This special appropriation would provide municipalities additional funding that municipalities state that they are owed in FY22. The source of funding is the County's general fund reserves.

Data

The U.S. Census Bureau provides demographic data for most of the municipalities and the County. Table 1 below provides this information for all municipalities receiving funding through this proposed special appropriation.

Table 1 – Black and Latinx Demographics for Certain Montgomery County Municipalities

Municipality	Total Population	% Black	% Latinx
Brookeville	166	1.2%	3.6%
Chevy Chase, Sec. 3	802	1.5%	6.7%
Chevy Chase View	1,005	1.8%	7.4%
Chevy Chase Village	2,049	0.2%	4.8%
Town of Chevy Chase	2,904	0.9%	3.5%
Drummond*	135	5.0%	5.0%
Friendship Heights	5,360	6.9%	11.1%
Gaithersburg	69,657	16.6%	28.5%
Garrett Park	996	0.9%	6.9%
Glen Echo	279	0.7%	6.5%
Kensington	2,122	7.1%	15.3%
Laytonsville	572	14.2%	13.6%
Martin's Addition	946	1.8%	3.4%
North Chevy Chase	682	5.6%	7.8%
Oakmont*	150	3.0%	6.0%
Poolesville	5,742	5.2%	9.9%
Rockville	67,117	10.9%	16.9%
Somerset	1,187	1.6%	7.9%
Takoma Park	17,629	31.9%	15.7%
Washington Grove	505	5.7%	9.1%
Municipal Total	180,005	14.2%	20.1%
<i>Montgomery County</i>	<i>1,062,061</i>	<i>18.6%</i>	<i>20.5%</i>

Source: U.S. Census Bureau, 2020 Decennial Redistricting Census, except for * where the census tracts were used as proxies based on the last reported population of those municipalities.

Council staff Comments

The requested special appropriation of general funds will provide additional funding to certain municipalities. The implementation of this funding and its impact on racial equity and social justice will be at the discretion of the municipalities through each municipality’s budget deliberation process.