



Staff: Gene Smith, Legislative Analyst
Purpose: Review – straw vote expected
Keywords: FY21 Budget

AGENDA ITEM #27
 May 5, 2020
Worksession

SUBJECT

Non-Departmental Accounts: Leases, Working Families Income Supplement, State Property Tax Services, Grants to Municipalities in Lieu of Shares Tax, Future Federal/State/Other Grants, Takoma Park Police Payment, and Municipal Tax Duplication

EXPECTED ATTENDEES

Greg Ossont, Department of General Services
 Naeem Mia, Office of Management and Budget
 Brett Magellan, Office of Management and Budget

EXECUTIVE RECOMMENDATION

NDA	FY21 Executive Recommendation	
Leases	\$22,706,895	0.00 FTE
Increase (Decrease) from FY20	\$1,560,072 7.4%	0.00 FTE 0.0%
Working Family Income Supplement	\$20,105,090	0.00 FTE
Increase (Decrease) from FY20	\$0	0.00 FTE
State Property Tax Services	\$3,565,615	0.00 FTE
Increase (Decrease) from FY20	\$0	0.00 FTE
Grants to Municipalities in Lieu of Shares	\$28,020	0.00 FTE
Increase (Decrease) from FY20	\$0	0.00 FTE
Future Federal/State/Other Grants	\$20,000,000	0.00 FTE
Increase (Decrease) from FY20	\$0	0.00 FTE
Takoma Park Police Payment	\$1,227,572	0.00 FTE
Increase (Decrease) from FY20	\$100,807 8.9%	0.00 FTE 0.0%
Municipal Tax Duplication	\$9,551,709	0.00 FTE
Increase (Decrease) from FY20	\$1,237,379 14.9%	0.00 FTE 0.0%

COUNCIL STAFF RECOMMENDATION – CONTINUITY OF SERVICES BUDGET

NDA	FY21 Executive Recommendation	
Leases	\$22,706,895	0.00 FTE
Increase (Decrease) from CE Rec.	\$0 0.0%	0.00 FTE 0.0%
Working Family Income Supplement	\$20,105,090	0.00 FTE
Increase (Decrease) from CE Rec.	\$0	0.00 FTE
State Property Tax Services	\$3,565,615	0.00 FTE
Increase (Decrease) from CE Rec.	\$0	0.00 FTE

Grants to Municipalities in Lieu of Shares	\$28,020	0.00 FTE
Increase (Decrease) from CE Rec.	\$0	0.00 FTE
Future Federal/State/Other Grants	\$20,000,000	0.00 FTE
Increase (Decrease) from CE Rec.	\$0	0.00 FTE
Takoma Park Police Payment	\$1,227,572	0.00 FTE
Increase (Decrease) from CE Rec.	\$0 0.0%	0.00 FTE 0.0%
Municipal Tax Duplication	\$8,297,779	0.00 FTE
Increase (Decrease) from CE Rec.	(\$1,253,930) (13.1%)	0.00 FTE 0.0%

EXECUTIVE RECOMMENDED ITEMS NOT INCLUDED IN CONTINUITY OF SERVICES

Municipal Tax Duplication

- Recommended addition of \$1,237,379 for enhanced adjustments that exceed the FY20-level of service payments.

CONTINUITY OF SERVICES FROM FY20

Leases

- Included in the budget are: 1) \$1,048,606 from existing rent increases; 2) \$230,371 from new lease and operating expenses for the County Government’s portion of the new Wheaton building; 3) \$201,400 from new leases added in FY21; and 4) \$79,695 from increases to maintenance.

Working Family Income Supplement

- Included is the same funding from FY20. See a breakdown on ©4 for this program from FYXX-FY21 recommended.
- This program matches the State’s Earned Income Tax Credit at 100%. The total expenditures fluctuate based on economic conditions.

State Property Tax Services

- See ©4 for a breakdown of these expenditures in FY21.

Grants to Municipalities in Lieu of Shares Tax

- Included is the payment as required by State law that is the same every year.

Future Federal/State/Other Grants

- Included is the same non-tax supported recommendation as in prior years to reduce paperwork on future grants received in FY21.

Takoma Park Police Payment

- Included is a \$100,807 increase based on the change in the City of Takoma Park’s real property assessable base. This payment is required in County Code and is a placeholder.

Municipal Tax Duplication

- Included are: 1) (\$16,551) in savings from projected speed camera payments; 2) the property tax duplicated payments, as required by State law; and 3) additional grants to each municipality based on FY20's payment. See ©5 for a breakdown for these expenditures by municipality.

POTENTIAL REDUCTIONS

- None.

POTENTIAL ITEMS RELATED TO COVID-19

- None.

This report contains:

Executive recommended FY21 budget	© #1-3
Working Family Income Supplement table	© #4
State Property Tax Services breakdown	© #4
Municipal property tax duplication table	© #5

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Leases

This NDA provides the funds necessary to lease privately owned real estate to accommodate County programs. Real property leased by the County includes office, warehouse, and retail space; child care space in schools; parking spaces; and space for communication antennas. Leasing property allows the County the flexibility to locate programs in the communities they serve and provides space for programs to operate when there is no County-owned space available. Further, it is an economical way to procure highly specialized, location sensitive, and/or temporary space. For FY21, approximately 68 leased facilities are budgeted. The inventory of leases is constantly shifting as new leases are added and existing leases are terminated.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	21,146,823	0.00
Increase Cost: Existing Rent Increases	1,048,606	0.00
Add: New Lease and Operating Costs for Wheaton Office Building	230,371	0.00
Increase Cost: New Leases Added in FY21	201,400	0.00
FY21 Recommended Changes	Expenditures	FTEs
Increase Cost: Maintenance Cost Increases	79,695	0.00
FY21 Recommended	22,706,895	0.00

Working Families Income Supplement

This NDA provides funds to supplement the State's Refundable Earned Income Tax Credit (EITC). The intent of the Working Families Income Supplement is to provide financial assistance to low-income working families in Montgomery County. The County, through the NDA, reimburses the State for the cost of the refund and related administrative expenses.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	20,105,090	0.00
FY21 Recommended	20,105,090	0.00

State Property Tax Services

This NDA funds the reimbursement to the State for three programs that support the property tax billing administration conducted by the Department of Finance: the Montgomery County's Homeowners Credit Supplement, the Homestead Credit Certification Program, and the County's share of the cost of conducting property tax assessments by the State Department of Assessments and Taxation. This NDA also funds the County Renters' Property Tax Relief Supplement (Bill 21-15) enacted in 2016 and administered by the Department of Finance.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	3,565,615	0.00
FY21 Recommended	3,565,615	0.00

☀ Grants To Municipalities in Lieu Of Shares Tax

This NDA funds payments required in accordance with State law. The 1968 Session of the General Assembly revised the tax structure to include a County income tax. As part of this restructuring, the shared tax on banks and financial institutions was eliminated, and a provision was adopted which requires counties to pay annually to municipalities the amount (\$28,020) that had been received by the municipalities in FY68.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	28,020	0.00
FY21 Recommended	28,020	0.00

☀ Future Federal/State/Other Grants

This NDA enables the County to implement new grant-funded programs up to \$200,000 each and provides funds for grant continuations and enhancements without having to process individual supplemental appropriations through the County Council. Upon approval by the County Executive, funds in this program are transferred to the receiving department's grant account.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	20,000,000	0.00
FY21 Recommended	20,000,000	0.00

☀ Takoma Park Police Rebate

The County provides financial support to the City of Takoma Park for police protection services in accordance with provisions of the County Code. This provision was enacted in 1949 and provides a payment to the City for protective services for the County residents of the City of Takoma Park. The payment is based on a formula, which uses \$0.048 per \$100 of assessable base tax rate with "full value assessment" levied on real property.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	1,126,765	0.00
Increase Cost: Formula Projection Adjustment	100,807	0.00
FY21 Recommended	1,227,572	0.00

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 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, parks 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 FY21 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 - FY21 Recommended	
Municipality	FY21 Payment
Brookeville	\$10,490
Chevy Chase, Sec. III	\$39,539
Chevy Chase View	\$53,550
Chevy Chase Village	\$127,890
Town of Chevy Chase	\$166,779
Drummond	\$5,985
Friendship Heights	\$95,647
Gaithersburg	\$1,505,143
Garrett Park	\$62,890
Glen Echo	\$26,933
Kensington	\$176,213
Laytonsville	\$19,766
Martin's Additions	\$34,808
North Chevy Chase	\$32,760
Oakmont	\$4,253
Poolesville	\$318,907
Rockville	\$3,001,159
Somerset	\$68,950
Takoma Park	\$3,612,429
Washington Grove	\$58,275
TOTAL	\$9,422,365

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

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	8,314,330	0.00
Increase Cost: Formula Calculation Adjustment	1,253,930	0.00
Decrease Cost: Reduction Projected Speed Camera Payments	(16,551)	0.00
FY21 Recommended	9,551,709	0.00

WORKING FAMILIES INCOME SUPPLEMENT NDA (EITC)						
Fiscal Year	County Match	Admin. Cost	Cost of EITC Refunds	Total Cost	Total Recipients	Average EITC
2000	100.00%	\$11,813	\$2,199,592	\$2,211,405	12,322	\$178.51
2001	125.00%	\$9,740	\$2,544,412	\$2,554,152	10,917	\$233.08
2002	100.00%	\$10,921	\$3,952,062	\$3,962,983	14,122	\$279.86
2003	100.00%	\$10,732	\$4,585,128	\$4,595,860	14,814	\$309.51
2004	100.00%	\$12,910	\$6,012,089	\$6,024,999	18,074	\$332.64
2005	100.00%	\$14,109	\$7,907,451	\$7,921,560	20,805	\$380.08
2006	100.00%	\$25,376	\$10,236,647	\$10,262,023	20,789	\$492.40
2007	100.00%	\$16,027	\$9,970,176	\$9,986,203	20,210	\$493.33
2008	100.00%	\$17,577	\$12,910,993	\$12,928,570	26,584	\$485.66
2009	100.00%	\$15,361	\$9,000,906	\$9,016,267	19,559	\$460.19
2010	100.00%	\$19,448	\$15,063,537	\$15,082,985	30,189	\$498.97
2011	72.50%	\$32,726	\$12,920,388	\$12,953,114	33,840	\$381.81
2012	68.90%	\$33,231	\$12,805,177	\$12,838,409	34,290	\$373.44
2013	75.50%	\$34,058	\$14,686,507	\$14,720,565	34,876	\$421.11
2014	85.00%	\$38,663	\$16,847,181	\$16,885,860	37,281	\$451.90
2015	90.00%	\$40,811	\$18,919,815	\$18,960,626	38,824	\$487.32
2016	95.00%	\$41,650	\$20,724,479	\$20,766,129	40,076	\$517.13
2017	100.00%	\$40,346	\$21,978,370	\$22,018,716	39,452	\$557.09
2018	100.00%	\$36,120	\$21,384,743	\$21,420,863	37,898	\$564.27
2019 Act	100.00%	\$35,694	\$20,938,374	\$20,974,068	36,269	\$577.31
2020 Est	100.00%	\$37,983	\$20,930,162	\$20,968,145	38,424	\$544.72
2021 Rec	100.00%	\$38,000	\$20,067,090	\$20,105,090	38,424	\$522.25

Source: Montgomery County Department of Finance, Division of Treasury

Summary of State Property Tax Services NDA by Program

Program	FY19 (Act)	FY20 (Bud)	FY20 (Est)	FY21 CE Rec
SDAT Reimbursement	\$2,776,380	\$3,219,615	\$3,208,640	\$3,219,615
Homestead Credit Admin.	\$146,444	\$180,000	\$99,846	\$180,000
Homeowners Tax Credit Admin.	\$31,690	\$35,000	\$32,365	\$35,000
Renters' Prop. Tax Relief Sup.	\$132,211	\$131,000	\$129,908	\$131,000
Total	\$3,086,725	\$3,565,615	\$3,470,759	\$3,565,615

Source: Montgomery County Department of Finance, Division of Treasury

MUNICIPAL TAX DUPLICATION - FY21

Municipality	FY21 Property Tax Duplication	Additional County Grant	FY21 Total*
Brookeville	\$6,992	\$1,075	\$8,067
Chevy Chase, Sec. III	\$27,828	\$3,685	\$31,513
Chevy Chase View	\$35,695	\$5,580	\$41,275
Chevy Chase Village	\$85,248	\$15,276	\$100,524
Town of Chevy Chase	\$116,369	\$15,300	\$131,669
Drummond	\$3,989	\$624	\$4,613
Friendship Heights	\$91,901	\$3,344	\$95,245
Gaithersburg	\$1,061,945	\$144,622	\$1,206,567
Garrett Park	\$41,921	\$6,447	\$48,367
Glen Echo	\$17,952	\$2,810	\$20,762
Kensington	\$131,643	\$25,166	\$156,809
Laytonsville	\$13,176	\$1,118	\$14,293
Martin's Additions	\$23,202	\$3,631	\$26,832
North Chevy Chase	\$21,837	\$3,358	\$25,195
Oakmont	\$2,835	\$443	\$3,278
Poolesville	\$212,574	\$16,362	\$228,936
Rockville	\$2,142,057	\$267,692	\$2,409,750
Somerset	\$45,960	\$10,213	\$56,173
Takoma Park	\$995,194	\$2,518,450	\$3,513,643
Washington Grove	\$38,845	\$6,078	\$44,922
TOTAL	\$5,117,161	\$3,051,274	\$8,168,435

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