Montgomery County Council

Committee: Directly to Council
Committee Review: N/A
Staff: Gene Smith, Legislative Analyst
Purpose: Receive briefing and discuss – no vote expected
Keywords: FY21 Budget, Revenues

AGENDA ITEM #4
July 14, 2020
Discussion

SUBJECT

Update on County Tax Revenue Estimates

EXPECTED ATTENDEES

Mike Coveyou, Department of Finance (Finance)
Rich Madaleno, Office of Management and Budget (OMB)
David Platt, Finance
Chris Mullin, OMB
Dennis Hetman, Finance

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

The Council approved the FY21 Operating Budget on May 19, 2020 which included tax revenue estimates based on the Executive's March 2020 recommended budget. The Council will receive an update on tax revenue estimates for the County based on the economic impact from the health crisis.

SUMMARY OF KEY DISCUSSION POINTS

- FY20 tax revenue estimates are revised down by $47.69 million compared to the estimates in the approved budget.
- FY21 tax revenue estimates are revised down by $191.95 million compared to the estimates in the approved budget.
- FY21 property tax estimates are mostly unchanged compare to the approved budget.
- For historical context, actual tax revenues decreased by $188.18 million combined in FY10 and FY11 due to the Great Recession of 2007.
- Today's update only includes updates to estimated tax revenues. It does not include any revisions to the County's FY21 expenditures, State aid, or Federal grants.

This report contains:

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AGENDA ITEM #4
July 14, 2020
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M E M O R A N D U M

July 9, 2020

TO: County Council

FROM: Gene Smith, Legislative Analyst

SUBJECT: Update on County Tax Revenue Estimates

The Council will receive an update about the County's tax revenue estimates (see ©1-8). Finance and OMB staff have prepared this information based on current economic data and taxes collected. The following are important highlights from this information:

1) **FY20 tax revenue estimates are revised down by $47.69 million compared to the estimates in the approved budget**. This reduction results in fewer resources available to fund expenditures in FY20. It is unknown how this revision will impact the overall FY20 budget close out because this update does not include any revisions to the County's expenditures or the use of Federal grant funding to offset FY20 expenditures.

2) **FY21 tax revenue estimates are down $191.95 million compared to the estimates in the approved budget.** Approximately 62% of this reduction is due to a decrease from the County's income taxes. Like the FY20 budget narrative, this reduction only applies to tax revenues available to fund the FY21 budget. It does not include revisions to the following important items:
   a. <u>Revisions to the County's expenditures in FY21</u>. The Executive recently recommended reductions that totaled $38.3 million in the FY21 Operating Budget and $27.7 million in savings from the FY21 Capital Budget.
   b. <u>Revisions to the County's State aid</u>. The State is also faced with a significant reduction in resources to fund its budget, including aid to the counties.
   c. <u>Offsetting Federal grants</u>. The County still has a portion of the Federal funding already received to help offset certain expenditures in FY21.

3) **FY21 property tax estimates are mostly unchanged compared to the approved budget**. This tax revenue is approximately 40% of the County's tax revenues each year, and Finance staff are still waiting for updated information related to potential appeals in FY21.

4) **Actual tax revenues decreased by $188.18 million combined in FY10 and FY11 due to the Great Recession of 2007**. This provides an historical context to the last time the County received less tax revenue compared to the previous year.

I. Background

The Executive submitted a budget to the Council on March 16, 2020 as required by the County's Charter. The Recommended FY21 Operating Budget include revenue estimates based on information available to Finance and OMB staff in January and early-February of 2020. A few days prior to the Executive's budget transmittal, the World Health Organization declared a new disease caused by a novel coronavirus a pandemic. To respond to this health emergency, the County and State began stay-at-home orders to prevent spread of COVID-19 that shut down or revised the operations of the economy.

The Council unanimously adopted Resolution 19-388 on March 24, 2020 (see ©9-10**). The intention of this resolution was to indicate the Executive's and Council's legal obligations related to approving a fiscal year budget while still recognizing that 2020 was unique as the world grapples with a pandemic**. The Council indicated its support for a FY21 budget that maintained a continuity of services from FY20 to FY21 to better position the County fiscally during and following the pandemic. The Council adopted a budget on May 19, 2020.

The approved budget included the Executive's recommended revenue estimates from the recommended budget submission to fund the FY21 appropriations. These estimates were used because revised revenues were not received from the Executive prior to adoption of the budget. Today's discussion provides the first update to the Council about the tax revenue situation in the County due to the ongoing pandemic.

II. Revenue update

Finance provided a detailed explanation of the data and assumptions that informed the revised tax revenue estimates on ©2-8. **Based on current economic data, Finance estimates that economic activity will rebound in a "swoosh" trajectory** (see ©2). A growing consensus of economist have coalesced around the "swoosh" recovery model that contains: 1) an initial deep reduction to economic activity as a result of the pandemic; 2) followed by a moderate bounce to economic activity as some economic activity resumes; and 3) followed by a long recovery to return to the previous estimates for economic activity. The table below outlines the revised estimates for the County's tax revenues from FY20 to FY22 based on Finance's use of the "swoosh" model.

Table 1: Revisions to County Tax Revenue Estimates based on FY21 Approved Budget ($ Millions)

Tax	FY20 Revision	FY21 Revision	FY22 Revision	Total Revisions
Income	- 29.98	- 118.10	- 208.97	- 357.05
Property	- 3.83	- 9.64	- 27.38	- 40.85
Energy	- 2.36	- 16.07	- 13.30	- 31.73
Transfer	- 2.78	- 21.93	- 17.63	- 42.34
Recordation	0.90	- 8.63	- 6.33	- 14.06
Hotel/Motel	- 8.37	- 16.33	- 7.10	- 31.80
Telephone	0.26	0.71	0.74	1.71
Admissions	- 0.33	- 1.05	- 1.08	- 2.46
Highway User	- 1.19	- 0.93	- 0.94	- 3.05
Total	**- 47.69**	**- 191.95**	**- 282.01**	**- 521.65**

The following sections summarize the recent data and major assumptions used by Finance for the revised estimates to the County's major taxes.

A. Income Tax

FY20 estimated income tax revenues decreased because the May and June distributions from the State were both less than estimated (see ©3). The estimated decrease for FY20 is $29.98 million.

FY21-26 estimated income tax revenues decreased because Finance estimates a decrease in resident employment for several years. Finance estimates that resident employment will decline by 1.82% in 2020 and remain suppressed through 2021 (see ©4). Finance reduced the FY21 estimated income tax revenue by $118.10 million, or 62% of the total reductions estimated for FY21 in this update.

Further revisions to the FY21-26 income tax estimates are likely following the November distribution to the County.

B. Property Tax

FY20 estimated property tax revenues deceased modestly based on actual appeals and revisions that occur every year. By March each year, most of the property taxes are collected for that fiscal year.

FY21-26 estimated property tax revenues decreased because of the estimated changes to the Consumer Price Index (CPI) (see ©6). The Charter restricts growth to real property tax revenues to the CPI, unless all Councilmembers vote to exceed it, so Finance uses CPI growth to estimate growth to the property taxes for future years.

The other major component to potential changes in property tax estimates are appeals. Finance notes that 2020 appeals are down compared to previous years, but they believe it will increase as property owners assess the economic realities following the pandemic. **Additional revisions to the property tax estimates are likely; however, this information will be unavailable until after September when the first installment of property taxes is due**.

C. Transfer and Recordation Taxes

FY20 estimated transfer and recordation taxes were not significantly impacted due to the pandemic. Finance has made minor revisions to the estimates based on actual collections.

FY21-26 estimated transfer and recordation taxes decreased because of anticipated home sales and median sales price will be lower due to the pandemic (see ©6-7). The current model shows a deep, sustained reduction in home sales for many years. Finance estimates FY21 transfer and recordation taxes will decrease by approximately $30.56 million.

D. Fuel-Energy Taxes

FY20-FY22 estimated fuel-energy taxes decreased based on the actual usage between April and May of 2020. Finance notes that commercial usage declined by 53%, but there were no offsetting increases on residential usage (see ©7). Finance estimates the FY21 energy taxes will decrease by approximately $16.07 million.

E. Hotel/Motel Taxes

The County's Hotel/Motel tax has been significantly impacted by pandemic because of the business activity required to generate the tax. Finance estimates that this tax will be suppressed for several years following the pandemic (see ©8). Finance estimates that this tax will decrease by $31.80 million from FY20-FY22.

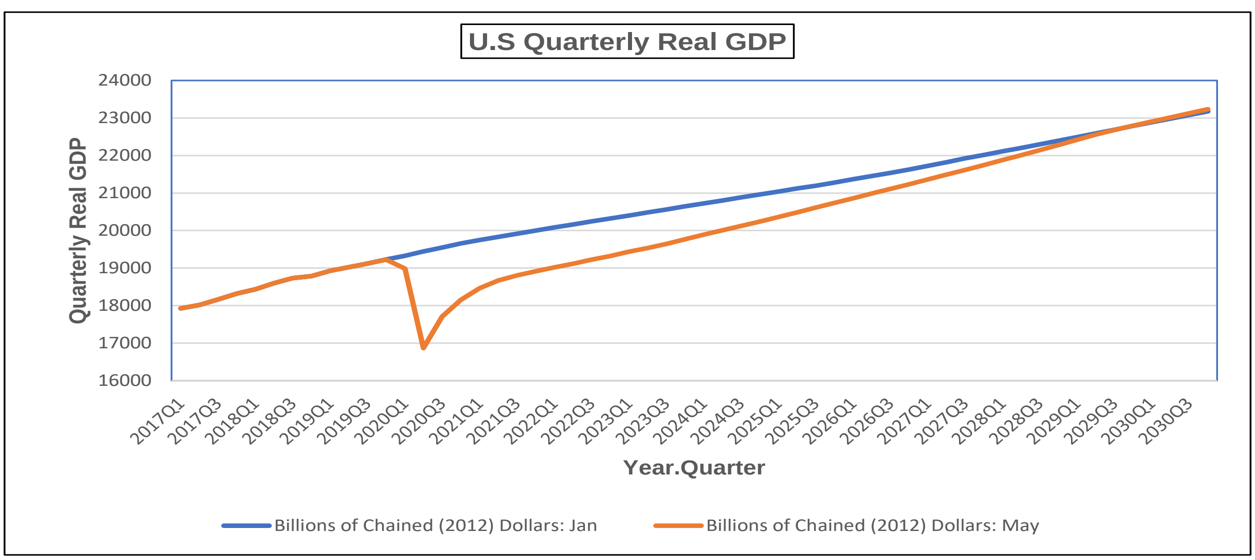
	TAX-SUPPORTED REVENUE ESTIMATES FOR FY2020- FY2026 REVENUE ESTIMATES: FISCAL YEAR 2021 APPROVED BUDGET - IMPACT OF COVID-19 ($millions)						
	FY20	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
COUNTY INCOME TAX							
-FY21 Approved Budget	**$1,720.541**	**$1,695.361**	**$1,763.430**	**$1,844.350**	**$1,938.840**	**$2,020.600**	**$2,096.940**
-Estimated Impact of COVID-19	**$1,690.557**	**$1,577.261**	**$1,554.458**	**$1,631.178**	**$1,721.405**	**$1,852.985**	**$1,985.747**
- Variance from FY21 Approved Budget	($29.984)	($118.100)	($208.972)	($213.172)	($217.435)	($167.615)	($111.193)
PROPERTY TAX (Credit)							
-FY21 Approved Budget	**$1,793.278**	**$1,830.767**	**$1,886.405**	**$1,929.972**	**$1,974.345**	**$2,020.374**	**$2,067.338**
-Estimated Impact of COVID-19	**$1,789.445**	**$1,821.128**	**$1,859.025**	**$1,900.043**	**$1,942.008**	**$1,987.616**	**$2,034.225**
- Variance from FY21 Approved Budget	($3.833)	($9.639)	($27.380)	($29.929)	($32.337)	($32.758)	($33.113)
TRANSFER TAX							
-FY21 Approved Budget	**$116.340**	**$122.390**	**$128.890**	**$136.410**	**$144.090**	**$152.610**	**$162.060**
-Estimated Impact of COVID-19	**$113.562**	**$100.465**	**$111.257**	**$123.186**	**$131.909**	**$139.105**	**$144.060**
- Variance from FY21 Approved Budget	($2.778)	($21.925)	($17.633)	($13.224)	($12.181)	($13.505)	($18.000)
RECORDATION TAX (W/O SCHOOL CONSTR. AND PRICE PREMIUM)							
-FY21 Approved Budget	**$56.256**	**$59.185**	**$62.326**	**$65.962**	**$69.678**	**$73.795**	**$78.365**
-Estimated Impact of COVID-19	**$57.151**	**$50.560**	**$55.991**	**$61.995**	**$66.385**	**$70.006**	**$72.500**
- Variance from FY21 Approved Budget	$0.895	($8.626)	($6.334)	($3.968)	($3.294)	($3.789)	($5.865)
		-11.53%	10.74%	10.72%	7.08%	5.46%	3.56%
ADMISSIONS TAX							
-FY21 Approved Budget	**$3.317**	**$3.409**	**$3.504**	**$3.600**	**$3.699**	**$3.799**	**$3.901**
-Estimated Impact of COVID-19	**$2.989**	**$2.357**	**$2.423**	**$2.490**	**$2.558**	**$2.627**	**$2.698**
- Variance from FY21 Approved Budget	($0.328)	($1.052)	($1.081)	($1.110)	($1.141)	($1.172)	($1.203)
FUEL / ENERGY TAX							
-FY21 Approved Budget	**$192.006**	**$191.323**	**$190.683**	**$189.984**	**$189.237**	**$188.452**	**$187.633**
-Estimated Impact of COVID-19	**$189.648**	**$175.252**	**$177.381**	**$180.485**	**$185.453**	**$184.682**	**$185.757**
- Variance from FY21 Approved Budget	($2.358)	($16.071)	($13.302)	($9.499)	($3.785)	($3.769)	($1.876)
TELEPHONE TAX							
-FY21 Approved Budget	**53.353**	**53.752**	**54.216**	**54.643**	**55.055**	**55.459**	**55.856**
-Estimated Impact of COVID-19	**53.610**	**54.465**	**54.953**	**55.386**	**55.811**	**56.267**	**56.717**
- Variance from FY21 Approved Budget	$0.257	$0.713	$0.738	$0.743	$0.756	$0.808	$0.861
HOTEL / MOTEL TAX							
-FY21 Approved Budget	**$23.332**	**$23.326**	**$23.680**	**$24.034**	**$24.389**	**$24.744**	**$25.100**
-Estimated Impact of COVID-19	**$14.959**	**$6.998**	**$16.576**	**$19.227**	**$21.950**	**$22.270**	**$22.590**
- Variance from FY21 Approved Budget	($8.374)	($16.328)	($7.104)	($4.807)	($2.439)	($2.474)	($2.510)
HIGHWAY USE FUND							
-FY21 Approved Budget	**$8.284**	**$8.448**	**$8.548**	**$8.648**	**$8.750**	**$8.854**	**$8.958**
-Estimated Impact of COVID-19	**$7.096**	**$7.521**	**$7.610**	**$7.700**	**$7.791**	**$7.882**	**$7.975**
- Variance from FY21 Approved Budget	($1.187)	($0.927)	($0.938)	($0.949)	($0.960)	($0.971)	($0.983)
E-CIGARETTES TAX							
-FY21 Approved Budget	**$1.681**	**$1.759**	**$1.837**	**$1.914**	**$1.992**	**$2.070**	**$2.148**
-Estimated Impact of COVID-19	**$1.681**	**$1.759**	**$1.837**	**$1.914**	**$1.992**	**$2.070**	**$2.148**
- Variance from FY21 Approved Budget	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000
TOTAL ESTIMATED REVENUES							
-FY21 Approved Budget	**$3,968.388**	**$3,989.719**	**$4,123.516**	**$4,259.519**	**$4,410.076**	**$4,550.756**	**$4,688.298**
-Estimated Impact of COVID-19	**$3,920.698**	**$3,797.765**	**$3,841.511**	**$3,983.603**	**$4,137.262**	**$4,325.511**	**$4,514.417**
- Variance from FY21 Approved Budget	*($47.690)*	*($191.954)*	*($282.005)*	*($275.916)*	*($272.814)*	*($225.245)*	*($173.882)*
PERCENT CHANGE							
-FY21 Approved Budget	**6.2%**	**0.5%**	**3.4%**	**3.3%**	**3.5%**	**3.2%**	**3.0%**
-Estimated Impact of COVID-19	**4.9%**	**-3.1%**	**1.2%**	**3.7%**	**3.9%**	**4.6%**	**4.4%**
MONTGOMERY COUNTY DEPARTMENT OF FINANCE July 2020							

DEPARTMENT OF FINANCE REVENUE UPDATE

The Department of Finance (Finance) has updated the post-March 2020 budget revenue estimates for the FY21 Approved Budget. The March budget estimates were developed prior to the coronavirus (COVID-19) pandemic. The pandemic and the social distancing measures implemented to contain the spread of the virus have disrupted economic activity causing massive business closures and job losses. For example, the number of initial unemployment claims for Montgomery County increased from 256 for the week ending in March 14 to peak of 11,074 for the week ending in May 2. Since the peak, the weekly claims have declined but remain significantly above the initial claims prior to the pandemic. Because of the dramatic increase in the initial claims, the County's unemployment rate increased from 2.8 percent in March to 8.5 percent in April.

The update of the March budget estimates depends on the path of the economic recovery. Analysts have characterized the economic recovery by the shape of the recovery: Z-shaped, V-shaped, U-shaped, W-shaped, L-shaped, or the "Nike Swoosh." Previous estimates of revenue reductions from the March budget estimates by Finance assumed both the V-shaped and L-shaped recoveries that provided a range of reductions in the March budget estimates.

The Conference Board's June economic forecast for the U.S. Economy is "adopting a 'swoosh' shaped scenario as its base forecast. The "swoosh" shaped recovery is characterized by a steep drop and gradual economic recovery such that is takes longer to return to the pre-crisis level than the V-shaped recovery but not as long as the L-shaped recovery. According to the Brookings Institution (Brookings), they state that it is unlikely there will be no quick recovery like the V-shaped quick recovery. Their review of the shapes of the economic recovery also note that the L-shaped recovery is the most pessimistic but the "swoosh" recovery is likely. The Congressional Budget Office (CBO) projects that "social distancing will continue but to a declining degree". Such persistence of social distancing "will keep economic activity and labor market conditions suppressed for some time. Based on CBO long-term forecast of U.S. real GDP, the shape of the economic recovery suggests an "swoosh" shape.



Because of the Conference Board's economic forecast, Brookings' review of shape of the economic recovery, and the CBO's forecast of economic activity and labor market conditions being suppressed for some time, Finance has updated the March 2020 budget revenue estimates assuming a "swoosh" recovery based on an economic forecast from Moody's Analytics. The charts and data presented below are from the data from Moody's Analytics economic forecast.

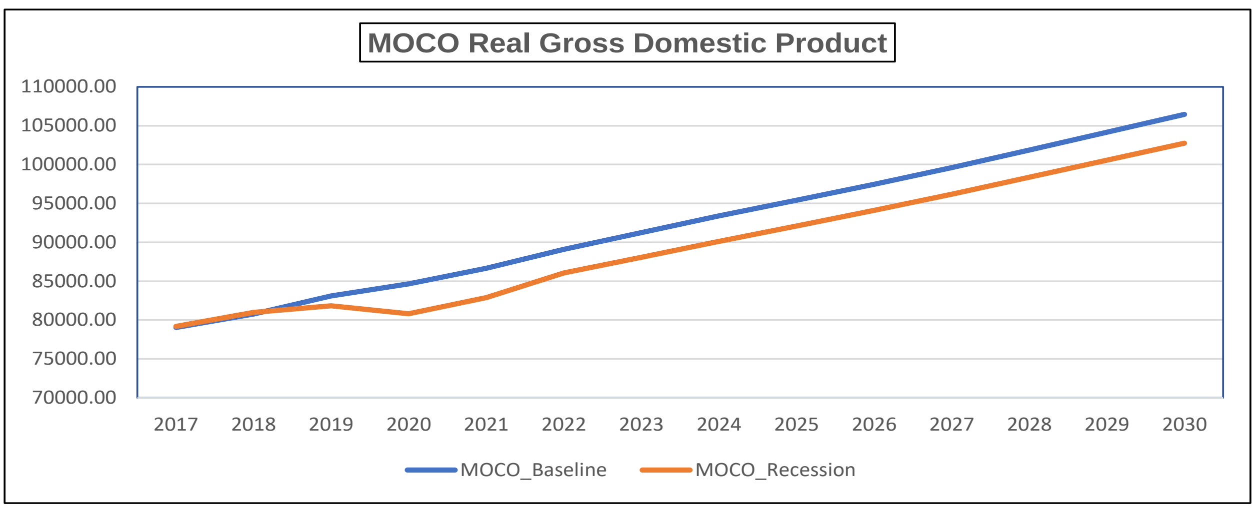
The impact of COVID-19 will likely reduce the revenue estimates prepared in March 2020 for the FY21 Recommended and Approved Budgets. The reductions in the March revenue estimates can be attributed to the reductions primarily focused in the income tax, property, and transfer, recordation, fuel, and hotel taxes. The reduction in the revenue estimates for FY21 is based on the assumption of a "swoosh" economic recovery. That assumption will be reviewed and updated based on current economic data.

I. MONTGOMERY COUNTY ECONOMIC FORECAST

The Moody's economic forecast of the selected economic indicators suggest each indicator could experience a "swoosh" type recovery except for resident employment that could experience a U-shaped recovery, and home sales could experience an L-shaped recovery.

II. MONTGOMERY COUNTY REAL GROSS DOMESTIC PRODUCT

The County's real gross domestic product is estimated to decline 1.21 percent in CY2020 compared to the baseline forecast of an increase of 1.87 percent. The shape of the economic recovery following the 2020 recession is a "swoosh" type recovery based on data from Moody's Analytics. Because of the estimated decline in CY2020, the long-term growth of the County's real GDP will remain below the baseline forecast through CY2030.

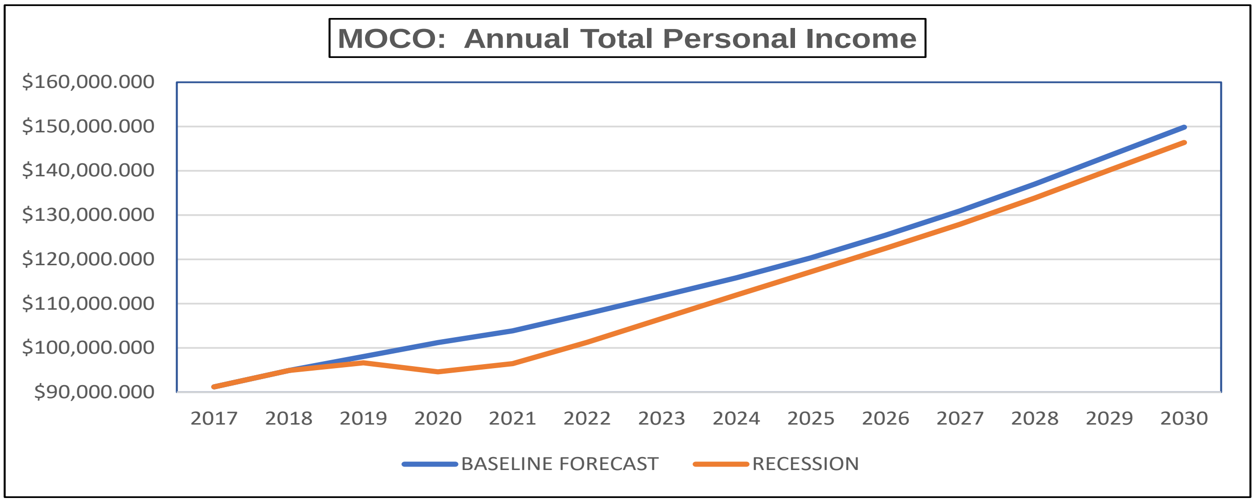


III. INCOME TAX

Regarding income tax revenues, the distribution in May was $309.730 million with a deficit of $19.320 million from the estimate and the distribution in June from withholdings and estimated payments is $108,206,932 or a deficit of $19.993 million. The impact of coronavirus impacted our May distribution covered the first quarter of the current tax year and have and will impact the second quarter of the current tax year – June and July distributions.

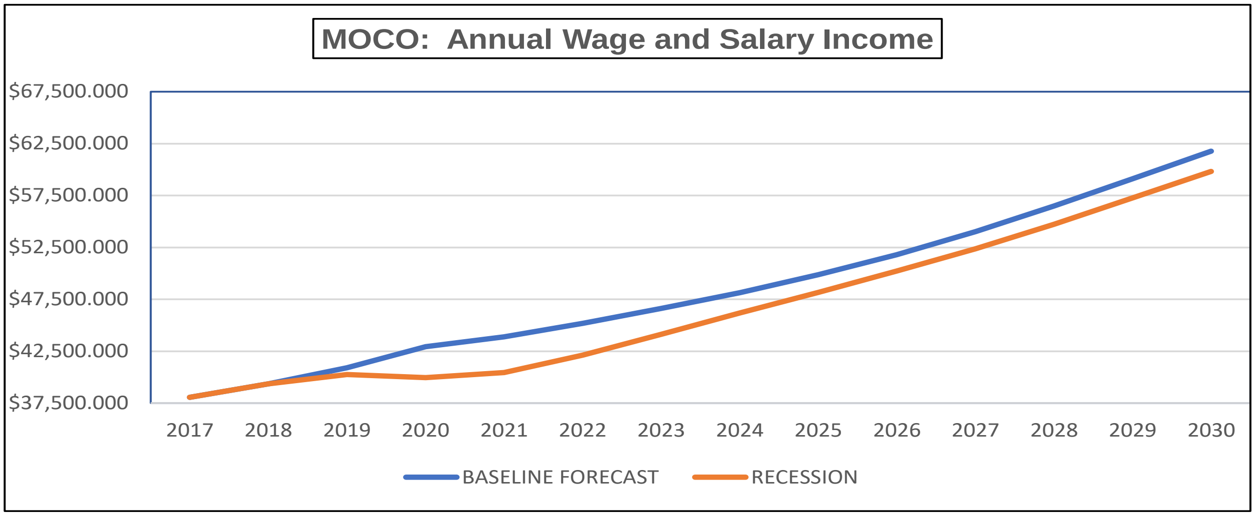
A. Personal Income Forecast

Total personal income is estimated to decrease 2.06 percent in CY2020 then increase to 1.92 percent in CY2021. Both percentages are below the post-Great Recession annual average of 4.16 percent.



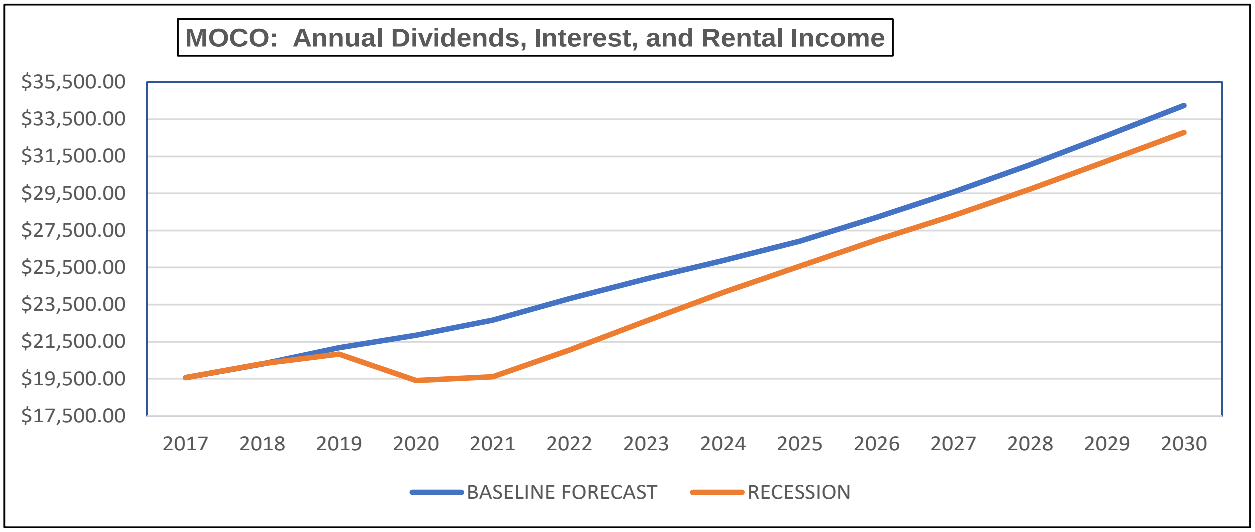
B. Wage and Salary Income Forecast

Wage and salary income are estimated to decline 0.80 percent in CY2020 then increase 1.25 percent in CY2021. Both percentages are well below the post-Great Recession annual average of 3.00 percent.



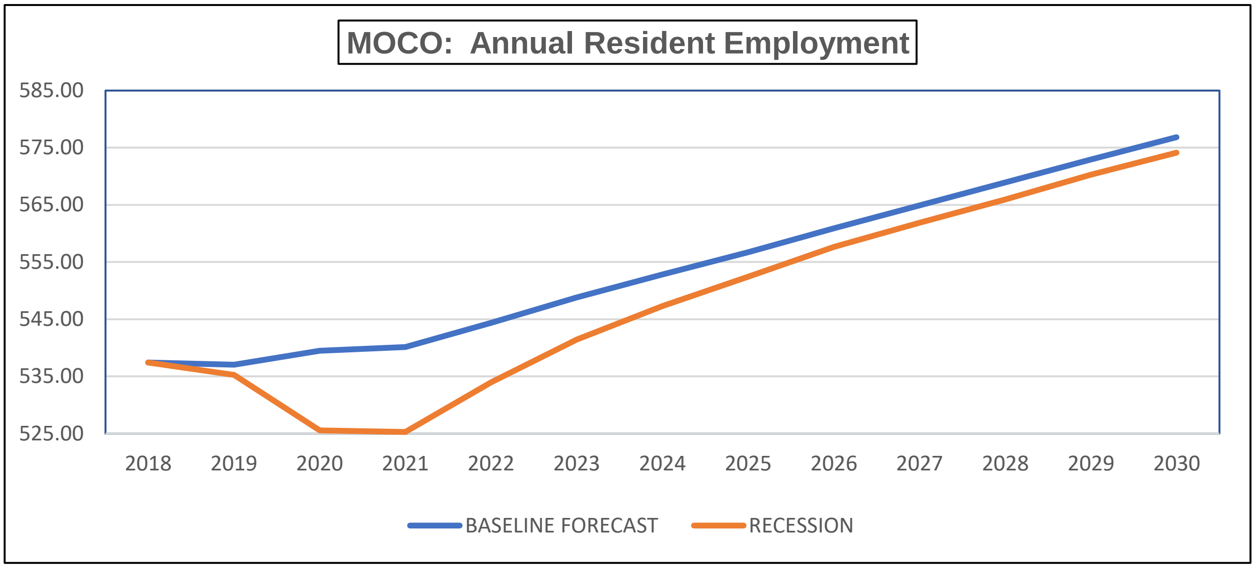
C. Income from Dividends, Interest, and Rents (DIR) Forecast

Income from dividends, interest, and rents are estimated to decline 6.82 percent in CY2020 then increase 1.02 percent in CY2021. Both percentages are significantly below the post-Great Recession annual average of 4.86 percent.



D. Resident Employment (Labor Force Data) Forecast

Resident employment is estimated to decline 1.82 percent in CY2020 and 0.05 percent in CY2021. Both percentages are significantly below the post-Great Recession annual average of 1.00 percent.



IV. PROPERTY TAX

Regarding property tax revenues, most of revenues for real property have been collected for the fiscal year and expected to meet the March 2020 revised estimates for FY20. From January to

May, the consumer price index (CPI) for the Washington metropolitan statistical area has increased only 0.60 percent over the same period in CY2019.

A. <u>Assessment Appeals</u>

- **Recession Revision:**
    - The State Department of Assessments and Taxation reported that the number of appeals as of June 26 was 1,225. The number is *below* the 1,269 in 2019 and 1,654 in 2017. Since the data suggest that the number of appeals for 2020 will likely increase, Finance will coordinate with SDAT regularly to get an update on the number of appeals before updating our current recession revised forecast.

B. <u>Inflation (CPI) rates</u>

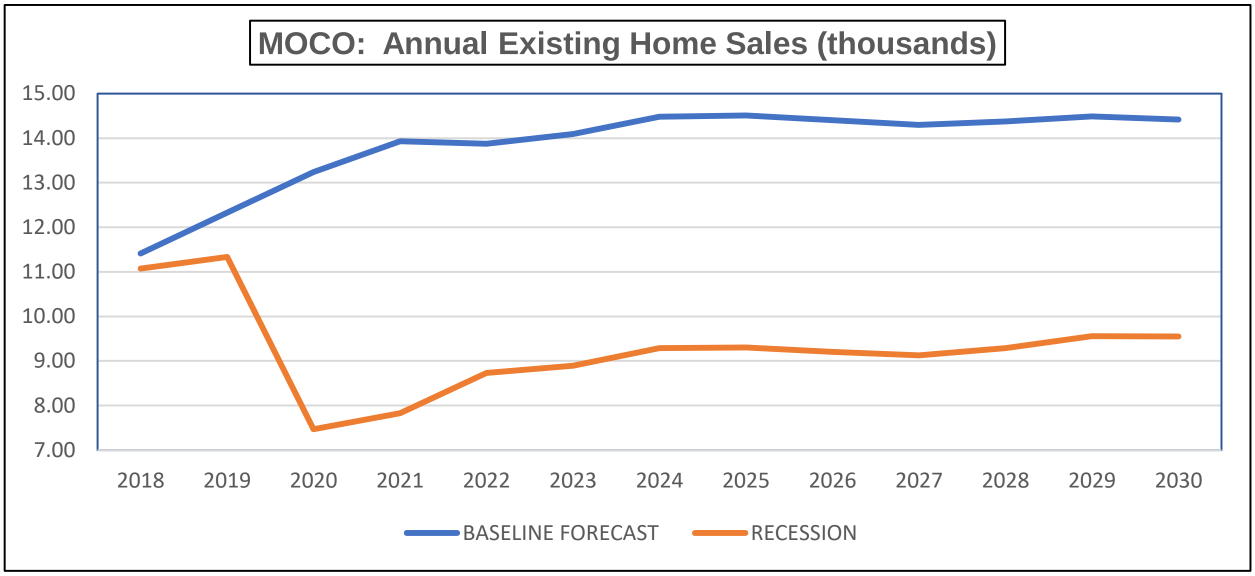
- March 2020 Revised Estimates:
    - FY22 (CY20): 1.55%
    - FY23 (CY21): 1.62%
    - FY24 (CY22): 1.61%

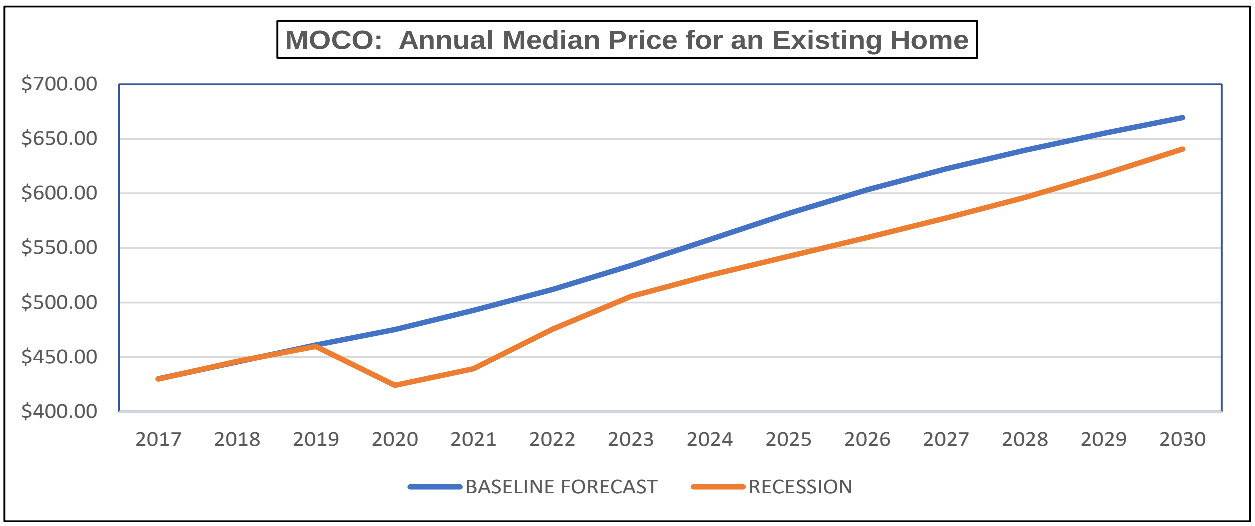
- Recession Revision:
    - FY22 (CY20): 0.53%
    - FY23 (CY21): 1.50%
    - FY24 (CY22): 1.50%

V. TRANSFER – RECORDATION TAXES

Tax revenues through March for the transfer and recordation taxes have not been impacted by COVID-19. However, the virus is expected to have an impact on home sales through the remainder of this fiscal year. As such, collections from the Transfer and Recordation taxes declined in April and May from the same months in FY19. According to data for the months of April and May, the Metropolitan Regional Information System reported that sales of existing homes decreased 11.49 percent and decreased 35.55 percent, respectively, from the same months in CY2019. Therefore, total sales will decline through the second quarter of this calendar year compared to the second quarter of 2019.

Sales for existing homes are estimated to decline 34.11 percent in CY2020 but increase 4.79 percent in CY2011. Median prices are estimated to decline 7.77 percent in CY2020 but increase 3.60 percent in CY2011.





VI. FUEL ENERGY TAX

Both commercial and residential usage had reductions driven by the decrease in commercial usage coupled with non-offsetting increases in residential usage given the prevalence of telecommuting. Commercial rates are higher than residential which has the potential effect of compounding the reduced commercial usage. There have been 53% declines in Non-residential electricity for April in May and 15% declines in natural gas usage for Non-residential over the same time frame that are not being offset by gains in residential electricity use. Finance initially took 10% off of totals at the outset of the pandemic anticipating an unprecedented decline in commercial for a total annual dollar impact of $19M. Recent actuals now forecasts revised pull backs closer to 7% on average for the next three years.

VII. HOTEL TAX

The most vulnerable tax to the pandemic. Marriott CEO noted that activity is down 90%, both Marriott and Hilton stocks are down approximately 40% from previous year. Montgomery County's hotel census prior to COVID-19 was 9,671 rooms within 55 properties. Hotel census during COVID-19 is 55 properties with a census of 7,150 rooms. Approximately 14 hotels had temporarily suspended operations throughout the county in April 2020. As a result, the hotel supply in Montgomery County in April 2020 decreased 29.7% compared to April 2019. Since Maryland's stay-at-home order occurred mid-month March 2020, the April 2020 STR report provides a more accurate snapshot of the impact the COVID-19 crisis had on Montgomery County's lodging industry.

Prior to COVID-19, Montgomery County hotel occupancy was trending upward from the previous year. January 2020 hotel occupancy increased 3.1% from the previous year and February 2020 hotel occupancy had increased 3.6% year-over-year. In March 2020 hotel occupancy was 33.9%, a -50.1% decline from the previous year. In April 2020 hotel occupancy plummeted to 22.6%, a -70% decrease over the prior year.

The hardest hit area in Montgomery County was Bethesda with a 9.8% total hotel occupancy for April 2020. In April 2019, Bethesda's total occupancy was 80.8%. The hotel average daily rate for Montgomery County in April 2019 was $142.24. There was a -41.1% decline in hotel average daily rate in April 2020, $83.78. Hotel revenue per available room significantly declined from $83.78 to $18.96, an -82.7% drop year-over-year. Visit Montgomery is projecting for hotel occupancy in the month of May 2020 to be 20% and June 2020 to be 25%.

According to Airbnb data, Airbnb rentals in Montgomery County have not experienced significant decreases in occupancy in comparison to the hotel industry. In March 2020 occupancy at Airbnb rentals in Montgomery County, MD decreased -14.5% compared to March 2019. Occupancy at Airbnb rentals decreased -21.6% in April 2020 as compared to April 2019. Kelly Groff at Visit Montgomery is particularly concerned that Airbnb has NOT remitted their lodging taxes for the months of March and April 2020. The Airbnb Data indicates that rental activity from hosts in Montgomery County in March 2020 was only down -14.5% from March 2019. In April 2020 host rental activity was down – 21.6%.

Hilton CEO on the recovery: https://www.bloomberg.com/news/articles/2020-06-19/hilton-worldwide-ceo-christopher-nassetta-on-coronavirus-pandemic?srnd=premium&sref=BEOsOQpH

Marriott CEO on the recovery: https://www.bizjournals.com/washington/news/2020/06/26/marriot-international-arne-sorenson-expects-recove.html

Resolution No.:	19-388
Introduced:	March 24, 2020
Adopted:	March 24, 2020

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Navarro
Co-Sponsors: Councilmembers Albornoz, Friedson, Riemer, Rice and Council Vice President Hucker

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SUBJECT: Options for the Approval of and Appropriation for the FY 2021 Operating Budget

Background

1. As required by Section 303 of the County Charter, the County Executive sent to the County Council the FY2021 Operating Budget on March 16, 2020.

2. As required by Section 304 of the County Charter, the Council must hold public hearings on the proposed operating budget.

3. A new coronavirus disease, called Covid-19, has spread extremely quickly, making its way to over 100 countries, including the United States.

4. On March 11, the World Health Organization officially declared the Covid-19 viral disease a pandemic.

5. The number of new cases in the United States is growing quickly and has spread to each of the 50 States and the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands.

6. To slow the spread of this communicable disease, Governor Hogan issued several emergency orders closing all non-essential businesses, restricting public transit, closing schools, prohibiting public gatherings of 10 persons or more, and postponing the Presidential Primary Election in Maryland.

7. Although County government operations are continuing during this pandemic, County employees are using situational teleworking wherever possible to perform their duties. Due to the need to limit person to person contact, many County residents have lost paychecks and many County businesses have lost revenue.

8. The Executive was required by the Charter to develop his recommended FY2021 Operating Budget before the most recent events clarified the full extent of the pandemic.

9. Considering this unprecedented global pandemic and national state of emergency, the Council must move expeditiously to provide continuity of operations in approving an operating budget for FY2021 that provides additional flexibility to help County residents and businesses recover.

Action

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

1. The Council directs staff to develop viable options to streamline our budget process, so that for FY2021, the Council may adopt an aggregate operating budget for our departments and agencies that reflects a continuation of the services provided at the same level as FY2020.

2. These viable options must include funding the Operating Budgets of the County Board of Education and Montgomery College at the required Maintenance of Effort level and should avoid funding any new programs unrelated to relief for County residents and businesses from the Covid-19 viral disease pandemic.

3. These viable options should include flexibility for possible future appropriations:

   a. to assist County residents and businesses to recover from the Covid-19 viral disease pandemic; and
   b. to provide additional resources for other County programs and employee wage and benefit enhancements, if available, after the crisis is over.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council