



OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett  
County Executive

Jennifer A. Hughes  
Director

MEMORANDUM

December 5, 2011

TO: Stephen B. Farber, Staff Director, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget

SUBJECT: Fiscal Plan Update

Attached please find the updated fiscal plan and supporting documents. The only major change to the FY12-17 fiscal plan adopted by the County Council on June 28, 2011 is the incorporation of the Department of Finance's updated revenue forecast. Other assumptions in the fiscal plan, including year-end results, current year expenditure updates, and other non-agency spending have not been changed, but will be updated as more information becomes available.

The fiscal plan would require a 1.0 percent reduction in agency spending to be balanced in FY13. While this is an improvement compared to this point last year, the forecast still calls for a reduction in spending, which means the County will once again face a challenging fiscal environment with difficult choices ahead. I want to highlight a few aspects of this update:

1. **Revenues:** As detailed in the Department of Finance's December 2011 Revenue Update and Selected Economic Indicators report, income tax revenues have been revised upward by \$184.5 million (\$120.9 million in FY12 and \$63.6 million in FY13). The estimated increase in income tax revenues results primarily from the more volatile component of the November income tax distribution related to extended filings, estimated payments, and reconciliations. The forecast for FY13 and beyond reflects the largely one-time nature of most of the increased November 2011 distribution. While income tax revenues have been revised upward, the Department of Finance has reduced its forecast for all other taxes by a total of \$68.9 million, resulting in a net increase of \$115.6 million (\$79.2 million in FY12 and \$36.4 million in FY13) above the estimate in the approved fiscal plan. The downward revision in all other taxes reflects continued economic sluggishness and the impact of the weak housing market on taxable assessments and other real estate related taxes. The revenue estimates do anticipate the sunset at the end of FY12 in the increase in the energy tax rates approved for FY11.

Office of the Director

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2. **Intergovernmental Aid:** State Aid assumptions will be updated after budget requests from Montgomery County Public Schools and Montgomery College are received and the Governor releases his budget in January 2012. However, given the State's projected \$1 billion gap, the Governor's FY13 budget may include reductions to local aid. In addition, MCPS' FY12 Maintenance of Effort penalty of \$26 million, which was deferred by the legislature to FY13, may still be imposed. Other changes to formulas and cost shifting may also be part of the State's plan to close its budget gap. The County may also be affected by cutbacks in Federal employment and procurement due to the \$1.2 trillion automatic sequester scheduled to begin in January 2013. The updated fiscal plan does not reflect any of these potential adverse impacts.
3. **FY13 Expenditures:** While not included in the estimate of agency expenditures in the updated fiscal plan, FY13 expenditures are estimated to grow by \$102.2 million or 3.0 percent in FY13. Attached is a chart of the "Major Known Commitments" that shows the projected cost increases by agency. Note the estimate assumes the continuation of a wage freeze. Each agency is in the midst of bargaining with its employee representatives so the fiscal plan does not reflect the potential outcome of these negotiations.
4. **Rate of Growth:** The impact of revised revenue estimates will require a 1.0 percent reduction in the size of agency operating budgets in FY13 to produce a balanced budget. Assuming the estimated increase in expenditures identified by each agency would equate to an imbalance of \$135 million.
5. **Reserves:** Prior fiscal year results are not yet finalized. Because FY11 year-end reserves are still an estimate at this point, it is premature to draw any firm conclusions about the projected reserves displayed in the updated fiscal plan. The projection, however, reflects the impact of the revised revenue forecast, particularly the unanticipated FY12 income tax revenues. According to the Revenue Stabilization Fund law (MCC 20-68) adopted by the Council in June 2010, the mandatory contribution to the RSF must be the greater of 50 percent of excess revenues<sup>1</sup> or 0.5 percent of Adjusted Governmental Revenues<sup>2</sup>. Under this law, \$54 million must be contributed to the RSF in FY12, which is nearly \$34 million more than assumed in the budget. As a result, total reserves are projected to increase to 7.5 percent at the end of FY12. General Fund reserves in excess of the 5 percent Charter Limit<sup>3</sup> are projected to be drawn down during FY13, and total reserves are projected to increase to 9.5 percent by the end of FY18.

The fiscal plan update does not reflect decisions the Executive may consider as part of his budget recommendations in January and March. As noted above, there are many unknown factors that could significantly affect fiscal plan projections, including the Executive's choices regarding taxes, spending on the Capital Improvements Program, and other fiscal issues. These and other decisions will be incorporated into his recommendations later this winter and spring.

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<sup>1</sup> Defined as the amount, if positive, by which total revenues from the income tax, real property transfer tax, recordation tax, and investment income of the General Fund for the fiscal year exceed the original projections for these amounts.

<sup>2</sup> Defined as the tax supported revenues of the four County agencies, excluding the local contributions to MCPS and Montgomery College, plus revenues of the County Government's Grants and Capital Projects Funds.

<sup>3</sup> Section 310 of the County Charter limits the undesignated General Fund reserve to 5 percent of prior fiscal year General Fund revenues.

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In summary, the uneven economic recovery, coupled with continued uncertainty regarding State and Federal revenues, argues for caution in the County's spending plans. Despite the greater projected FY12 income tax revenues, we expect only modest growth in the base income tax revenues. The decline in property and transfer and recordation tax revenue estimates, along with the loss of the energy tax revenues, buttresses the view that any income tax revenue increases should be viewed with caution.

JAH:aae

Attachments

c: Timothy L. Firestine, Chief Administrative Officer  
Joseph F. Beach, Director, Department of Finance  
Kathleen Boucher, Assistant Chief Administrative Officer

# Fiscal Plan Update December 2011

## Tax Supported Fiscal Plan Summary

(\$ in Millions)															
	App. FY12	Estimate FY12	% Chg. FY12-13	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
<b>Total Revenues</b>	5-26-11		Rec/Bud	Rec/Est											
1 Property Tax (less PDs)	1,462.2	1,444.7	2.0%	3.3%	1,492.2	3.0%	1,537.4	2.6%	1,576.9	3.4%	1,631.0	3.7%	1,692.1	3.0%	1,743.7
2 Income Tax	1,117.2	1,238.2	12.1%	1.1%	1,252.1	3.5%	1,296.2	6.4%	1,379.7	3.9%	1,433.8	3.6%	1,485.5	4.1%	1,547.1
3 Transfer/Recordation Tax	143.5	130.8	-2.9%	6.6%	139.4	6.1%	147.8	5.2%	155.5	8.0%	168.0	7.5%	180.7	5.4%	190.4
4 Investment Income	1.6	1.6	69.4%	69.4%	2.7	92.0%	5.2	37.3%	7.2	22.1%	8.8	17.8%	10.3	0.0%	10.3
5 Other Taxes	325.3	313.9	-36.5%	-34.2%	206.7	1.9%	210.7	2.1%	215.0	2.2%	219.7	1.9%	223.9	1.8%	227.9
6 Other Revenues	842.2	842.2	0.4%	0.4%	845.9	0.5%	850.1	0.5%	854.6	0.6%	859.5	0.6%	864.8	0.6%	870.2
7 <b>Total Revenues</b>	<b>3,892.1</b>	<b>3,971.4</b>	<b>1.2%</b>	<b>-0.8%</b>	<b>3,939.0</b>	<b>2.8%</b>	<b>4,047.5</b>	<b>3.5%</b>	<b>4,188.9</b>	<b>3.1%</b>	<b>4,320.8</b>	<b>3.2%</b>	<b>4,457.3</b>	<b>3.0%</b>	<b>4,589.6</b>
8															
9 <b>Net Transfers In (Out)</b>	<b>41.3</b>	<b>41.3</b>	<b>2.7%</b>	<b>2.7%</b>	<b>42.4</b>	<b>3.0%</b>	<b>43.7</b>	<b>3.2%</b>	<b>45.1</b>	<b>3.4%</b>	<b>46.6</b>	<b>3.6%</b>	<b>48.3</b>	<b>3.6%</b>	<b>50.0</b>
10 <b>Total Revenues and Transfers Available</b>	<b>3,933.4</b>	<b>4,012.7</b>	<b>1.2%</b>	<b>-0.8%</b>	<b>3,981.4</b>	<b>2.8%</b>	<b>4,091.2</b>	<b>3.5%</b>	<b>4,234.0</b>	<b>3.2%</b>	<b>4,367.3</b>	<b>3.2%</b>	<b>4,505.6</b>	<b>3.0%</b>	<b>4,639.6</b>
11															
12 <b>Non-Operating Budget Use of Revenues</b>															
13 Debt Service	296.2	296.2	8.4%	8.4%	321.0	6.9%	343.3	5.7%	362.9	6.0%	384.5	5.2%	404.6	0.0%	404.6
14 PAYGO	31.0	31.0	4.8%	4.8%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5
15 CIP Current Revenue	35.0	35.0	69.0%	69.0%	59.2	36.9%	81.0	0.9%	81.7	-21.0%	64.6	0.0%	64.6	0.0%	64.6
16 Change in Montgomery College Reserves	(9.0)	(9.0)	67.2%	67.2%	(2.9)	102.4%	0.1	9.2%	0.1	9.0%	0.1	8.7%	0.1	2.9%	0.1
17 Change in MNCPPC Reserves	(1.5)	(1.5)	105.6%	105.6%	0.1	41.9%	0.1	-11.5%	0.1	33.4%	0.1	10.8%	0.2	9.8%	0.2
18 Change in MCPS Reserves	(17.0)	(17.0)	100.0%	100.0%	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
19 Change in MCG Special Fund Reserves	22.8	22.8	-99.3%	-99.3%	0.2	-131.0%	(0.0)	286.6%	0.1	37.5%	0.1	-10.7%	0.1	3.7%	0.1
20 Contribution to General Fund Undesignated Reserves	66.4	96.8	-133.8%	-123.2%	(22.5)	89.1%	(2.4)	286.6%	4.6	37.5%	6.3	-10.7%	5.6	3.7%	5.8
21 Contribution to Revenue Stabilization Reserves	20.4	54.3	3.9%	-60.9%	21.2	6.5%	22.6	6.6%	24.1	5.2%	25.4	4.2%	26.4	2.6%	27.1
22 Retiree Health Insurance Pre-Funding	49.6	49.6	195.4%	195.4%	146.6	11.3%	163.2	5.1%	171.5	-2.8%	166.8	-2.8%	162.0	0.0%	162.0
23 Set Aside for other uses (supplemental appropriations)	0.2	15.2	10000.0%	32.9%	20.2	0.0%	20.2	0.0%	20.2	0.0%	20.2	0.0%	20.2	0.0%	20.2
24 <b>Total Other Uses of Resources</b>	<b>494.3</b>	<b>573.6</b>	<b>16.4%</b>	<b>0.3%</b>	<b>575.5</b>	<b>14.8%</b>	<b>660.5</b>	<b>5.7%</b>	<b>697.8</b>	<b>0.4%</b>	<b>700.6</b>	<b>2.2%</b>	<b>716.3</b>	<b>0.1%</b>	<b>717.2</b>
25 <b>Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)</b>	<b>3,439.1</b>	<b>3,439.1</b>	<b>-1.0%</b>	<b>-1.0%</b>	<b>3,405.9</b>	<b>0.7%</b>	<b>3,430.7</b>	<b>3.1%</b>	<b>3,536.2</b>	<b>3.7%</b>	<b>3,666.8</b>	<b>3.3%</b>	<b>3,789.3</b>	<b>3.5%</b>	<b>3,922.4</b>
26 <b>Agency Uses</b>	<b>3,439.1</b>	<b>3,439.1</b>	<b>-1.0%</b>	<b>-1.0%</b>	<b>3,405.9</b>	<b>0.7%</b>	<b>3,430.7</b>	<b>3.1%</b>	<b>3,536.2</b>	<b>3.7%</b>	<b>3,666.8</b>	<b>3.3%</b>	<b>3,789.3</b>	<b>3.5%</b>	<b>3,922.4</b>
27 <b>Total Uses</b>	<b>3,933.4</b>	<b>4,012.7</b>	<b>1.2%</b>	<b>-0.8%</b>	<b>3,981.4</b>	<b>2.8%</b>	<b>4,091.2</b>	<b>3.5%</b>	<b>4,234.0</b>	<b>3.2%</b>	<b>4,367.3</b>	<b>3.2%</b>	<b>4,505.6</b>	<b>3.0%</b>	<b>4,639.6</b>
28 <b>(Gap)/Available</b>	<b>0.000</b>	<b>0.000</b>			<b>0.000</b>		<b>0.000</b>		<b>0.000</b>		<b>0.000</b>		<b>0.000</b>		<b>0.000</b>

### Assumptions:

1. Property taxes are at the Charter Limit using the income tax offset credit.
2. May 2010 Energy Tax increase sunsets at the end of FY12.
3. Reserve contributions at the policy level and consistent with legal requirements.
4. PAYGO, Debt Service, and Current Revenue at the amended FY11-16 CIP.
5. Retiree health insurance pre-funding is programmed at the scheduled FY13 contribution level (year 6 of 8).
6. Wage freeze is assumed.
7. Requires 1.0 percent reduction in agency spending to balance.

# Fiscal Plan Update December 2011

## Tax Supported Fiscal Plan Summary

(\$ in Millions)

	App. FY12	Est FY12	% Chg. FY12-13	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
<b>Beginning Reserves</b>															
Unrestricted General Fund	66.9	66.9	144.7%	144.7%	163.7	-13.7%	141.2	-1.7%	138.8	3.3%	143.3	4.4%	149.6	3.7%	155.2
Revenue Stabilization Fund	94.1	94.1	57.7%	57.7%	148.4	14.3%	169.6	13.3%	192.2	12.5%	216.3	11.7%	241.7	10.9%	268.1
<b>Total Reserves</b>	<b>161.0</b>	<b>161.0</b>	<b>93.9%</b>	<b>93.9%</b>	<b>312.1</b>	<b>-0.4%</b>	<b>310.8</b>	<b>6.5%</b>	<b>331.0</b>	<b>8.7%</b>	<b>359.7</b>	<b>8.8%</b>	<b>391.3</b>	<b>8.2%</b>	<b>423.3</b>
<b>Additions to Reserves</b>															
Unrestricted General Fund	66.4	96.8	-133.8%	-123.2%	-22.5	89.1%	(2.4)	286.6%	4.6	37.5%	6.3	-10.7%	5.6	3.7%	5.8
Revenue Stabilization Fund	20.4	54.3	3.9%	-60.9%	21.2	6.5%	22.6	6.6%	24.1	5.2%	25.4	4.2%	26.4	2.6%	27.1
<b>Total Change in Reserves</b>	<b>86.9</b>	<b>151.1</b>	<b>-101.4%</b>	<b>-100.8%</b>	<b>-1.3</b>	<b>1701.3%</b>	<b>20.2</b>	<b>42.1%</b>	<b>28.7</b>	<b>10.4%</b>	<b>31.6</b>	<b>1.3%</b>	<b>32.0</b>	<b>2.8%</b>	<b>32.9</b>
<b>Ending Reserves</b>															
Unrestricted General Fund	133.3	163.7	5.9%	-13.7%	141.2	-1.7%	138.8	3.3%	143.3	4.4%	149.6	3.7%	155.2	3.7%	161.0
Revenue Stabilization Fund	114.5	148.4	48.1%	14.3%	169.6	13.3%	192.2	12.5%	216.3	11.7%	241.7	10.9%	268.1	10.1%	295.2
<b>Total Reserves</b>	<b>247.8</b>	<b>312.1</b>	<b>25.4%</b>	<b>-0.4%</b>	<b>310.8</b>	<b>6.5%</b>	<b>331.0</b>	<b>8.7%</b>	<b>359.7</b>	<b>8.8%</b>	<b>391.3</b>	<b>8.2%</b>	<b>423.3</b>	<b>7.8%</b>	<b>456.3</b>
<b>Reserves as a % of Adjusted Governmental Revenues</b>	<b>6.1%</b>	<b>7.5%</b>			<b>7.6%</b>		<b>7.8%</b>		<b>8.2%</b>		<b>8.7%</b>		<b>9.1%</b>		<b>9.5%</b>
<b>Other Reserves</b>															
Montgomery College	7.0	7.0	-42.3%	-42.3%	4.0	1.8%	4.1	1.9%	4.2	2.0%	4.2	2.1%	4.3	2.2%	4.4
M-NCPPC	3.7	3.7	2.3%	2.3%	3.8	3.1%	3.9	2.7%	4.1	3.5%	4.2	3.7%	4.3	4.0%	4.5
MCP5	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
MCG Special Funds	2.6	2.6	5.9%	5.9%	2.7	-1.7%	2.7	3.3%	2.7	4.4%	2.9	3.7%	3.0	3.7%	3.1
<b>MCG + Agency Reserves as a % of Adjusted Govt Revenues</b>	<b>6.5%</b>	<b>7.9%</b>			<b>7.8%</b>		<b>8.1%</b>		<b>8.5%</b>		<b>8.9%</b>		<b>9.4%</b>		<b>9.8%</b>
<b>Retiree Health Insurance Pre-Funding</b>															
Montgomery County Public Schools (MCPS)	20.0	20.0			78.3		90.6		101.4		98.0		94.2		94.2
Montgomery College (MC)	1.0	1.0			2.4		2.7		3.1		2.9		2.7		2.7
MNCPPC	2.6	2.6			6.3		7.1		7.7		7.2		6.8		6.8
MCG	26.1	26.1			59.6		62.8		59.4		58.7		58.4		58.4
<b>Subtotal Retiree Health Insurance Pre-Funding</b>	<b>49.6</b>	<b>49.6</b>	<b>-</b>	<b>-</b>	<b>146.6</b>	<b>-</b>	<b>163.2</b>	<b>-</b>	<b>171.5</b>	<b>-</b>	<b>166.8</b>	<b>-</b>	<b>162.0</b>	<b>-</b>	<b>162.0</b>
<b>Adjusted Governmental Revenues</b>															
<b>Total Tax Supported Revenues</b>	<b>3,892.1</b>	<b>3,971.4</b>	<b>1.2%</b>	<b>-0.8%</b>	<b>3,939.0</b>	<b>2.8%</b>	<b>4,047.5</b>	<b>3.5%</b>	<b>4,188.9</b>	<b>3.1%</b>	<b>4,320.8</b>	<b>3.2%</b>	<b>4,457.3</b>	<b>3.0%</b>	<b>4,589.6</b>
<b>Capital Projects Fund</b>	<b>45.6</b>	<b>60.3</b>	<b>33.8%</b>	<b>1.1%</b>	<b>61.0</b>	<b>-0.5%</b>	<b>60.7</b>	<b>4.9%</b>	<b>63.7</b>	<b>6.9%</b>	<b>68.0</b>	<b>-1.1%</b>	<b>67.3</b>	<b>0.0%</b>	<b>67.3</b>
<b>Grants</b>	<b>108.9</b>	<b>108.9</b>	<b>2.5%</b>	<b>2.5%</b>	<b>111.6</b>	<b>2.6%</b>	<b>114.5</b>	<b>2.8%</b>	<b>117.8</b>	<b>2.7%</b>	<b>120.9</b>	<b>2.7%</b>	<b>124.2</b>	<b>2.7%</b>	<b>127.6</b>
<b>Total Adjusted Governmental Revenues</b>	<b>4,046.6</b>	<b>4,140.6</b>	<b>1.6%</b>	<b>-0.7%</b>	<b>4,111.6</b>	<b>2.7%</b>	<b>4,222.7</b>	<b>3.5%</b>	<b>4,370.3</b>	<b>3.2%</b>	<b>4,509.7</b>	<b>3.1%</b>	<b>4,648.8</b>	<b>2.9%</b>	<b>4,784.4</b>

	A	B	C	D	E	F
1	<b>Major Known Commitments (MKCs)</b>					
2						
3		<b>MCPS</b>	<b>MCG</b>	<b>College</b>	<b>MNCPPC</b>	<b>Total</b>
4	FY12 Approved Budget	1,950,909,291	1,222,908,680	218,004,776	96,904,080	3,488,726,827
5	Retiree Health Insurance Pre-Funding (OPEB)		47,075,000		2,559,850	49,634,850
6	Agency Budgets Net of OPEB	1,950,909,291	1,175,833,680	218,004,776	94,344,230	3,439,091,977
7						
8	Potential or Negotiated Compensation					
9	Wages					0
10	Steps/service increments					0
11	Other projected bargaining costs					0
12	Group insurance cost increases	13,241,554	6,251,960	1,305,380	1,715,975	22,514,869
13	Retirement cost increases	9,925,470	5,125,000	304,770	2,557,198	17,912,438
14	Other labor costs/2% RSP & GRIP	51,513	3,170,880			3,222,393
15	Annualization of Program Expenses		1,010,910	(67,329)		943,581
16	Cost increase due to enrollment	14,196,816		288,327		14,485,143
17	Elimination of One-Time Items		(10,814,380)			(10,814,380)
18	Restore Salary Reduction from Furloughs				858,539	858,539
19	Deferred Costs					
20	Restoration of prior year reductions		2,784,000			2,784,000
21	Deferred Vehicle Replacement		4,390,520			4,390,520
22	Operating Impact of Capital Projects:					
23	Facilities	1,809,642	2,713,300	258,867		4,781,809
24	Roads		98,750			98,750
25	Tech Mod and other Information Technology		5,819,650			5,819,650
26	Programmatic obligations:					
27	Election Cycle Changes		227,820			227,820
28	Arts & Humanities Council NDA		430,190			430,190
29	Community Grants: CIP Cost Sharing		425,000			425,000
30	Community Grants NDA		2,953,790			2,953,790
31	Leases		544,180			544,180
32	Working Families Income Supplement		685,200			685,200
33	County Attorney Disparity Study		600,000			600,000
34	EDF Commitments		7,767,150			7,767,150
35	Information Technology cost increases		1,108,040			1,108,040
36	HHS programs/grant replacements		1,246,290			1,246,290
37	Bikesharing Grant		409,000			409,000
38	Salary costs from expiration of ARRA funding		1,374,160			1,374,160

	A	B	C	D	E	F
3		<b>MCPS</b>	<b>MCG</b>	<b>College</b>	<b>MNCPPC</b>	<b>Total</b>
39	Classification and Compensation Audit		155,000			155,000
40	Other programmatic cost changes		3,147,670			3,147,670
41	Inflation:					
42	Service/Materials Contracts		1,335,070			1,335,070
43	Energy/utility costs	(3,003,749)	1,000,000	(517,371)	99,701	(2,421,419)
44	Fuel/rate increases	2,055,017	3,000,000			5,055,017
45	Nonpublic placements	727,880				727,880
46	Other	4,338,960		250,000		4,588,960
47	Other inescapable cost increases:					
48	Liability insurance, workers compensation	3,493,412	545,770	200,000	100,644	4,339,826
49	Maintenance, transportation, etc.	522,228				522,228
50						
51	Total Major Known Commitments	47,358,743	47,504,920	2,022,644	5,332,057	102,218,364
52						
53	<b>Total Projected FY13 Agency Spending</b>	<b>1,998,268,034</b>	<b>1,223,338,600</b>	<b>220,027,420</b>	<b>99,676,287</b>	<b>3,541,310,341</b>
54	<b>% Change</b>	<b>2.4%</b>	<b>4.0%</b>	<b>0.9%</b>	<b>5.7%</b>	<b>3.0%</b>

**REVENUE SUMMARY**  
**TAX SUPPORTED BUDGETS**  
(\$ Millions)

A KEY REVENUE CATEGORIES	B App. FY12	C Estimate FY12	D % Chg. FY12-13	E %Chg FY12-13	F Projected FY13	G % Chg. FY13-14	H Projected FY14	I % Chg. FY14-15	J Projected FY15	K % Chg. FY15-16	L Projected FY16	M % Chg. FY16-17	N Projected FY17	O % Chg. FY17-18	P Projected FY18
<b>TAXES</b>	5-26-11		Rec/Bud	Rec/Est											
1 Property Tax (less PDs)	1,462.2	1,444.7	2.0%	3.3%	1,492.2	3.0%	1,537.4	2.6%	1,576.9	3.4%	1,631.0	3.7%	1,692.1	3.0%	1,743.7
2 Income Tax	1,117.2	1,238.2	12.1%	1.1%	1,252.1	3.5%	1,296.2	6.4%	1,379.7	3.9%	1,433.8	3.6%	1,485.5	4.1%	1,547.1
3 Transfer Tax	83.3	77.9	3.6%	10.9%	86.4	7.1%	92.5	5.4%	97.5	7.5%	104.7	7.3%	112.4	5.6%	118.7
4 Recordation Tax	51.9	48.6	2.2%	9.2%	53.0	4.5%	55.4	4.9%	58.1	9.0%	63.3	7.8%	68.3	5.0%	71.7
4a Recordation Tax Premium	8.3	4.3	-100.0%	-100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
4b Recordation Tax CIP	0.0	0.0	0.0%	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
5 Energy Tax	251.2	241.5	-48.0%	-45.9%	130.6	2.0%	133.2	1.9%	135.7	1.1%	137.1	0.5%	137.8	0.8%	138.9
6 Telephone Tax	51.5	50.2	2.9%	5.5%	53.0	2.1%	54.1	2.0%	55.2	4.7%	57.8	4.9%	60.6	3.6%	62.8
7 Hotel/Motel Tax	20.0	19.8	3.0%	4.0%	20.6	1.1%	20.8	3.2%	21.5	2.6%	22.0	2.7%	22.6	2.8%	23.3
8 Admissions Tax	2.6	2.4	-3.4%	3.4%	2.5	3.5%	2.6	3.7%	2.7	3.6%	2.8	3.6%	2.9	3.6%	3.0
9 Total Local Taxes	3,048.3	3,127.6	1.4%	-1.2%	3,090.4	3.3%	3,192.2	4.2%	3,327.1	3.8%	3,452.5	3.8%	3,582.3	3.5%	3,709.1
<b>INTERGOVERNMENTAL AID</b>															
10 Highway User	1.8	1.8	0.0%	0.0%	1.8	0.0%	1.8	0.0%	1.8	0.0%	1.8	0.0%	1.8	0.0%	1.8
11 Police Protection	8.2	8.2	0.0%	0.0%	8.2	0.0%	8.2	0.0%	8.2	0.0%	8.2	0.0%	8.2	0.0%	8.2
12 Libraries	5.5	5.5	0.0%	0.0%	5.5	0.0%	5.5	0.0%	5.5	0.0%	5.5	0.0%	5.5	0.0%	5.5
13 Health Services Case Formula	3.6	3.6	0.0%	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6
14 Mass Transit	22.8	22.8	0.0%	0.0%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8
15 Public Schools	559.8	559.8	0.0%	0.0%	559.8	0.0%	559.8	0.0%	559.8	0.0%	559.8	0.0%	559.8	0.0%	559.8
16 Community College	29.8	29.8	0.0%	0.0%	29.8	0.0%	29.8	0.0%	29.8	0.0%	29.8	0.0%	29.8	0.0%	29.8
17 Direct Reimbursements	14.3	14.3	0.0%	0.0%	14.3	0.0%	14.3	0.0%	14.3	0.0%	14.3	0.0%	14.3	0.0%	14.3
18 Other	11.2	11.2	0.0%	0.0%	11.2	0.0%	11.2	0.0%	11.2	0.0%	11.2	0.0%	11.2	0.0%	11.2
19 Subtotal State Aid	657.1	657.1	0.0%	0.0%	657.1	0.0%	657.1	0.0%	657.1	0.0%	657.1	0.0%	657.1	0.0%	657.1
20 Federal Aid	8.0	8.0	0.0%	0.0%	8.0	0.0%	8.0	0.0%	8.0	0.0%	8.0	0.0%	8.0	0.0%	8.0
21 Total Intergovernmental Aid	665.0	665.0	0.0%	0.0%	665.0	0.0%	665.0	0.0%	665.0	0.0%	665.0	0.0%	665.0	0.0%	665.0
<b>FEES AND FINES</b>															
22 Licenses & Permits	11.8	11.8	1.5%	1.5%	12.0	1.5%	12.2	1.5%	12.3	1.5%	12.5	1.5%	12.7	1.5%	12.9
23 Charges for Services	49.2	49.2	2.2%	2.2%	50.2	2.4%	51.4	2.6%	52.8	2.7%	54.2	2.9%	55.8	2.9%	57.4
24 Fines & Forfeitures	19.8	19.8	1.6%	1.6%	20.1	1.6%	20.4	1.6%	20.8	1.6%	21.1	1.6%	21.4	1.6%	21.8
25 Montgomery College Tuition	82.0	82.0	2.2%	2.2%	83.7	2.4%	85.8	2.6%	87.9	2.7%	90.3	2.9%	92.9	2.9%	95.6
26 Total Fees and Fines	162.8	162.8	2.0%	2.0%	166.1	2.2%	169.8	2.4%	173.8	2.5%	178.2	2.6%	182.9	2.6%	187.7
<b>MISCELLANEOUS</b>															
27 Investment Income	1.6	1.6	69.4%	69.4%	2.7	92.0%	5.2	37.3%	7.2	22.1%	8.8	17.8%	10.3	0.0%	10.3
28 Other Miscellaneous	14.4	14.4	2.7%	2.7%	14.8	3.0%	15.3	3.2%	15.7	3.4%	16.3	3.6%	16.9	3.6%	17.5
29 Total Miscellaneous	16.0	16.0	9.4%	9.4%	17.5	16.8%	20.5	11.9%	22.9	9.2%	25.0	8.6%	27.2	2.2%	27.8
30 TOTAL REVENUES	3,892.1	3,971.4	1.2%	-0.8%	3,939.0	2.8%	4,047.5	3.5%	4,188.9	3.1%	4,320.8	3.2%	4,457.3	3.0%	4,589.6



# Fiscal Plan Update December 2011

## Tax Supported Fiscal Plan Summary

(\$ in Millions)															
	App. FY12	Estimate FY12	% Chg. FY12-13 Rec/Bud	% Chg. FY12-13 Rec/Est	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
<b>Total Revenues</b>	5-26-11														
1 Property Tax (less PDs)	1,462.2	1,444.7	2.0%	3.3%	1,492.2	3.0%	1,537.4	2.6%	1,576.9	3.4%	1,631.0	3.7%	1,692.1	3.0%	1,743.7
2 Income Tax	1,117.2	1,238.2	12.1%	1.1%	1,252.1	3.5%	1,296.2	6.4%	1,379.7	3.9%	1,433.8	3.6%	1,485.5	4.1%	1,547.1
3 Transfer/Recordation Tax	143.5	130.8	-2.9%	6.6%	139.4	6.1%	147.8	5.2%	155.5	8.0%	168.0	7.5%	180.7	5.4%	190.4
4 Investment Income	1.6	1.6	69.4%	69.4%	2.7	92.0%	5.2	37.3%	7.2	22.1%	8.8	17.8%	10.3	0.0%	10.3
5 Other Taxes	325.3	313.9	-36.5%	-34.2%	206.7	1.9%	210.7	2.1%	215.0	2.2%	219.7	1.9%	223.9	1.8%	227.9
6 Other Revenues	842.2	842.2	0.4%	0.4%	845.9	0.5%	850.1	0.5%	854.6	0.6%	859.5	0.6%	864.8	0.6%	870.2
7 <b>Total Revenues</b>	<b>3,892.1</b>	<b>3,971.4</b>	<b>1.2%</b>	<b>-0.8%</b>	<b>3,939.0</b>	<b>2.8%</b>	<b>4,047.5</b>	<b>3.5%</b>	<b>4,188.9</b>	<b>3.1%</b>	<b>4,320.8</b>	<b>3.2%</b>	<b>4,457.3</b>	<b>3.0%</b>	<b>4,589.6</b>
8															
9 <b>Net Transfers In (Out)</b>	<b>41.3</b>	<b>41.3</b>	<b>2.7%</b>	<b>2.7%</b>	<b>42.4</b>	<b>3.0%</b>	<b>43.7</b>	<b>3.2%</b>	<b>45.1</b>	<b>3.4%</b>	<b>46.6</b>	<b>3.6%</b>	<b>48.3</b>	<b>3.6%</b>	<b>50.0</b>
10 <b>Total Revenues and Transfers Available</b>	<b>3,933.4</b>	<b>4,012.7</b>	<b>1.2%</b>	<b>-0.8%</b>	<b>3,981.4</b>	<b>2.8%</b>	<b>4,091.2</b>	<b>3.5%</b>	<b>4,234.0</b>	<b>3.2%</b>	<b>4,367.3</b>	<b>3.2%</b>	<b>4,505.6</b>	<b>3.0%</b>	<b>4,639.6</b>
11															
12 <b>Non-Operating Budget Use of Revenues</b>															
13 Debt Service	296.2	296.2	8.4%	8.4%	321.0	6.9%	343.3	5.7%	362.9	6.0%	384.5	5.2%	404.6	0.0%	404.6
14 PAYGO	31.0	31.0	4.8%	4.8%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5
15 CIP Current Revenue	35.0	35.0	69.0%	69.0%	59.2	36.9%	81.0	0.9%	81.7	-21.0%	64.6	0.0%	64.6	0.0%	64.6
16 Change in Montgomery College Reserves	(9.0)	(9.0)	67.2%	67.2%	(2.9)	102.4%	0.1	9.2%	0.1	9.0%	0.1	8.7%	0.1	2.9%	0.1
17 Change in MNCPPC Reserves	(1.5)	(1.5)	105.6%	105.6%	0.1	41.9%	0.1	-11.5%	0.1	33.4%	0.1	10.8%	0.2	9.8%	0.2
18 Change in MCPS Reserves	(17.0)	(17.0)	100.0%	100.0%	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
19 Change in MCG Special Fund Reserves	22.8	22.8	-99.3%	-99.3%	0.2	-131.0%	(0.0)	286.6%	0.1	37.5%	0.1	-10.7%	0.1	3.7%	0.1
20 Contribution to General Fund Undesignated Reserves	66.4	96.8	-133.8%	-123.2%	(22.5)	89.1%	(2.4)	286.6%	4.6	37.5%	6.3	-10.7%	5.6	3.7%	5.8
21 Contribution to Revenue Stabilization Reserves	20.4	54.3	3.9%	-60.9%	21.2	6.5%	22.6	6.6%	24.1	5.2%	25.4	4.2%	26.4	2.6%	27.1
22 Retiree Health Insurance Pre-Funding	49.6	49.6	195.4%	195.4%	146.6	11.3%	163.2	5.1%	171.5	-2.8%	166.8	-2.8%	162.0	0.0%	162.0
23 Set Aside for other uses (supplemental appropriations)	0.2	15.2	10000.0%	32.9%	20.2	0.0%	20.2	0.0%	20.2	0.0%	20.2	0.0%	20.2	0.0%	20.2
24 <b>Total Other Uses of Resources</b>	<b>494.3</b>	<b>573.6</b>	<b>16.4%</b>	<b>0.3%</b>	<b>575.5</b>	<b>14.8%</b>	<b>660.5</b>	<b>5.7%</b>	<b>697.8</b>	<b>0.4%</b>	<b>700.6</b>	<b>2.2%</b>	<b>716.3</b>	<b>0.1%</b>	<b>717.2</b>
25 <b>Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)</b>	<b>3,439.1</b>	<b>3,439.1</b>	<b>-1.0%</b>	<b>-1.0%</b>	<b>3,405.9</b>	<b>0.7%</b>	<b>3,430.7</b>	<b>3.1%</b>	<b>3,536.2</b>	<b>3.7%</b>	<b>3,666.8</b>	<b>3.3%</b>	<b>3,789.3</b>	<b>3.5%</b>	<b>3,922.4</b>
26 <b>Agency Uses</b>	<b>3,439.1</b>	<b>3,439.1</b>	<b>-1.0%</b>	<b>-1.0%</b>	<b>3,405.9</b>	<b>0.7%</b>	<b>3,430.7</b>	<b>3.1%</b>	<b>3,536.2</b>	<b>3.7%</b>	<b>3,666.8</b>	<b>3.3%</b>	<b>3,789.3</b>	<b>3.5%</b>	<b>3,922.4</b>
27 <b>Total Uses</b>	<b>3,933.4</b>	<b>4,012.7</b>	<b>1.2%</b>	<b>-0.8%</b>	<b>3,981.4</b>	<b>2.8%</b>	<b>4,091.2</b>	<b>3.5%</b>	<b>4,234.0</b>	<b>3.2%</b>	<b>4,367.3</b>	<b>3.2%</b>	<b>4,505.6</b>	<b>3.0%</b>	<b>4,639.6</b>
28 <b>(Gap)/Available</b>	<b>0.000</b>	<b>0.000</b>			<b>0.000</b>		<b>0.000</b>		<b>0.000</b>		<b>0.000</b>		<b>0.000</b>		<b>0.000</b>

### Assumptions:

1. Property taxes are at the Charter Limit using the income tax offset credit.
2. May 2010 Energy Tax increase sunsets at the end of FY12.
3. Reserve contributions at the policy level and consistent with legal requirements.
4. PAYGO, Debt Service, and Current Revenue at the amended FY11-16 CIP.
5. Retiree health insurance pre-funding is programmed at the scheduled FY13 contribution level (year 6 of 8).
6. Wage freeze is assumed.
7. Requires 1.0 percent reduction in agency spending to balance.

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**Montgomery County, Maryland**

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**DECEMBER 2011  
REVENUE UPDATE AND  
SELECTED ECONOMIC  
INDICATORS**

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**Department of Finance**

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**December 13, 2011**

## ***Overview***

- **Finance provides a full revenue update in December of each year, after the November income tax distribution**
- **At this time, final data about the prior year income tax receipts are known, and updates are available to certain economic factors**
- **Another full update is done for the March budget**

# **ECONOMIC OUTLOOK - SUMMARY**

## ***Economic Recovery vs. Fiscal Recovery***


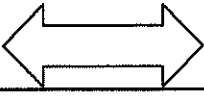


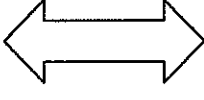


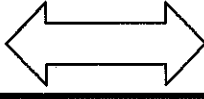
- **While economic indicators can point to recovery in certain tax revenues, some revenues, such as the property tax and excise taxes, will continue to decline.**
- **This can be due to lags in the receipt of revenues related to the fiscal improvement and distribution formula (e.g. income tax) or built in process lags (e.g. triennial reassessment cycle).**
- **Lags can also be behavioral – e.g., consumer spending, real estate market.**
- **The recent length (last three cycles) of an economic recovery and expansion (e.g., from trough to peak) has averaged about 95 months according to the National Bureau of Economic Research.**

## ***Current Signs of Economic Recovery***

- Slight drop in unemployment rate from 5.5 percent to 5.2 percent in October but has remained above the 5.0 percent level for nearly three years.**
- The growth in the stock market has remained virtually flat over the past year.**
- Home prices show signs of modest improvement**
- Montgomery County has experienced modest growth in employment to date in 2011.**

## ***Continued Causes of Concern***

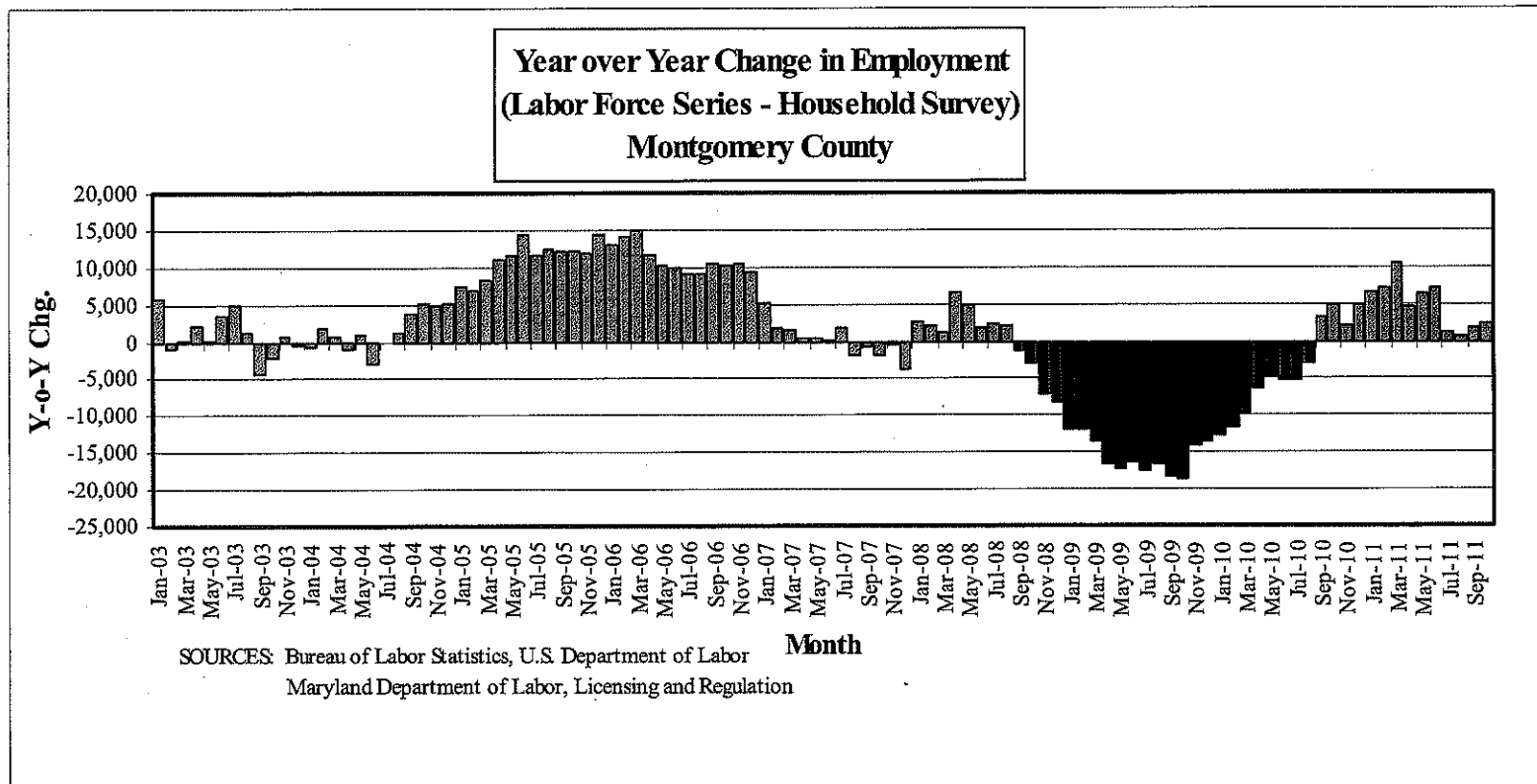
- Pull backs in federal spending with the failure of the Congressional Super Committee**
- Continued soft housing market due to weak home sales**
- Fed funds rate expected to remain flat through first half of CY2013**

ECONOMIC INDICATOR DASHBOARD	LATEST DATA	REVENUE AFFECTED	EXPLANATION	COMPARISON	DIRECTION (Yr-over-yr.)
INFLATION	3.3% 2011 est.	Property Taxes	Key determinant of property tax revenues at the Charter Limit	2010: 1.72% 2009: 0.23%	
UNEMPLOYMENT RATE	5.2% 2011 est.	Income Taxes	Indicates overall health of the job market	2010: 5.6% 2009: 5.4%	
RESIDENT EMPLOYMENT	490,160 2011 est.	Income Taxes	Primary determinant of income tax receipts	2010: 485,050 2009: 488,607	
PAYROLL EMPLOYMENT (Estimated)	468,890 2011 est.	Income Taxes	Another determinant of income tax receipts	2010: 464,000 2009: 464,300	
STOCK MARKET - S&P 500	1244.28 As of Dec. 2nd	Income Taxes	Key determinant of capital gains portion of the income tax	December 31st: 2010: 1257.64 2009: 1,115.10	
HOME SALES	8,995 2011 est.	Transfer/ Recordation Taxes	Indicates activity affecting receipts	2010: 10,401 2009: 10,376	
HOME PRICES (Average Price Sold)	\$460,11 2011 est.	Transfer/ Recordation Taxes	Taxes are based on values, affects amount of taxes collected	2010: \$441,482 2009: \$434,297	
FEDERAL FUNDS RATE	0.07% Oct. 2011	Investment Income	County's return on investments closely correlated with the Fed Fund rates	Sept. 2011: 0.08% Oct. 2010: 0.19%	



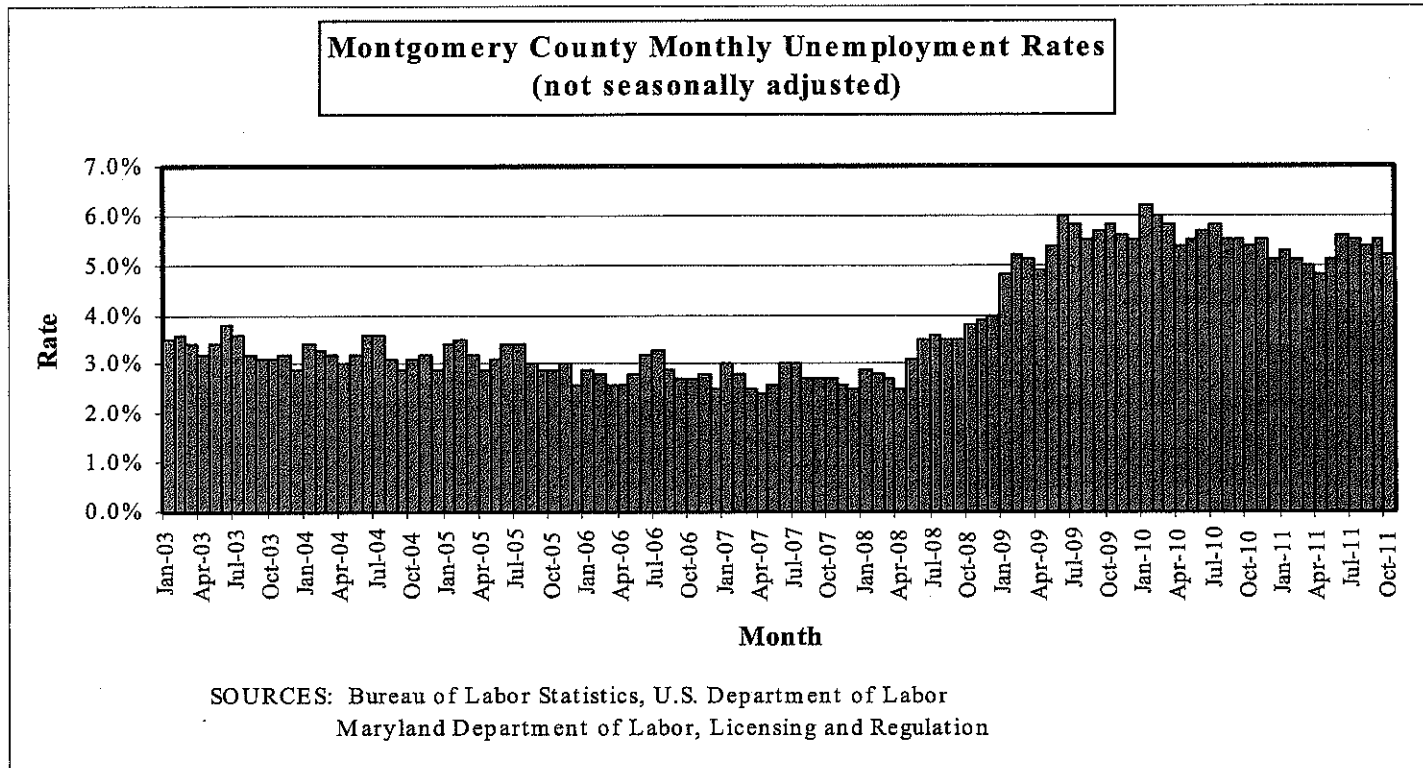
# Resident Employment is Rising

Resident employment in Montgomery County was 490,898 in October compared to 488,594 in October'10 - an increase of over 2,300. October's increase was the fourteenth consecutive year-over-year increase.



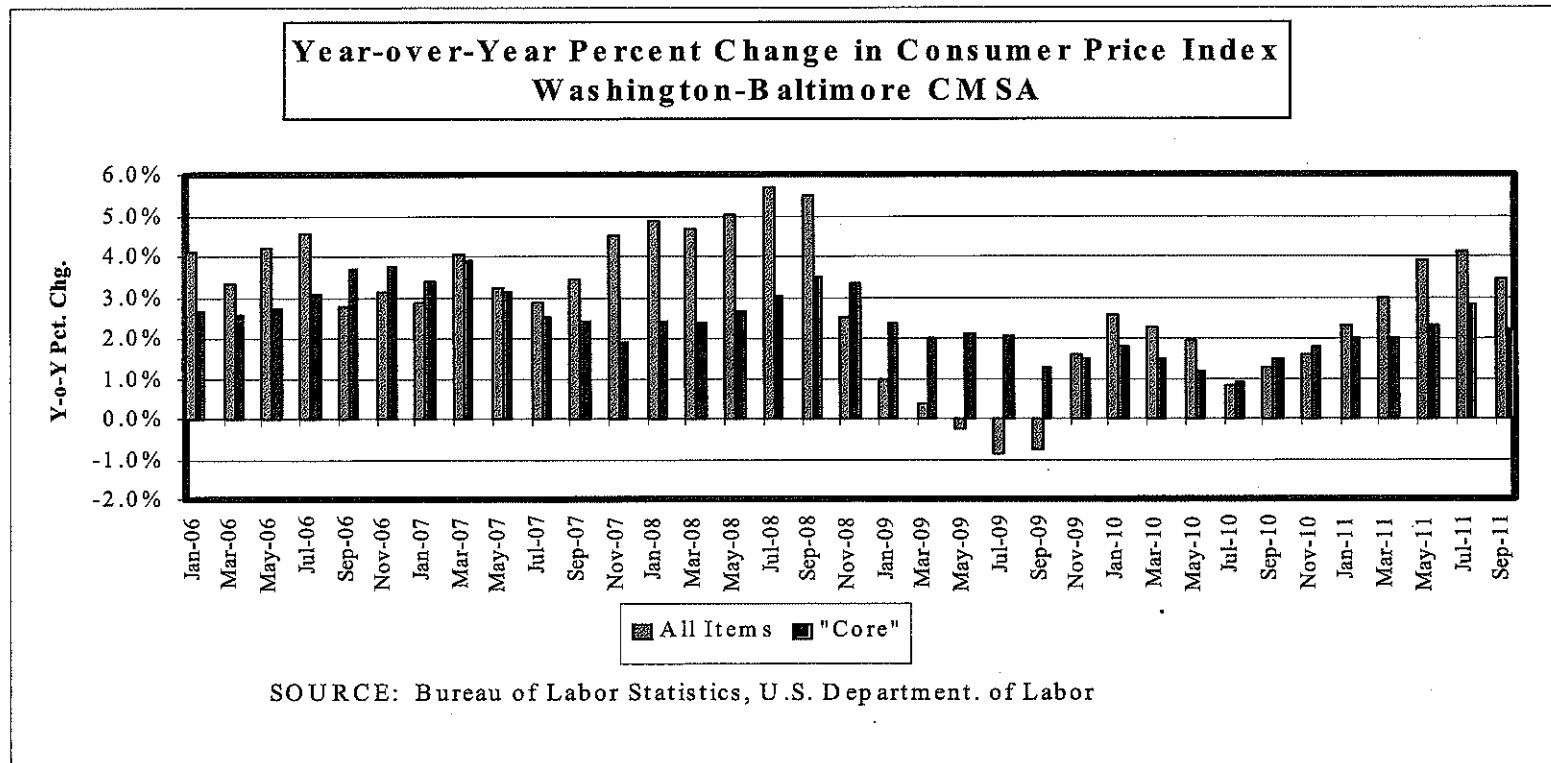
# ***The Unemployment Rate has Decreased***

Because of the steady increase in the County's resident employment over the past year, the unemployment rate has declined from 5.8 percent in July '10 to 5.2 percent in October of this year but remains above the 5.0 percent level.



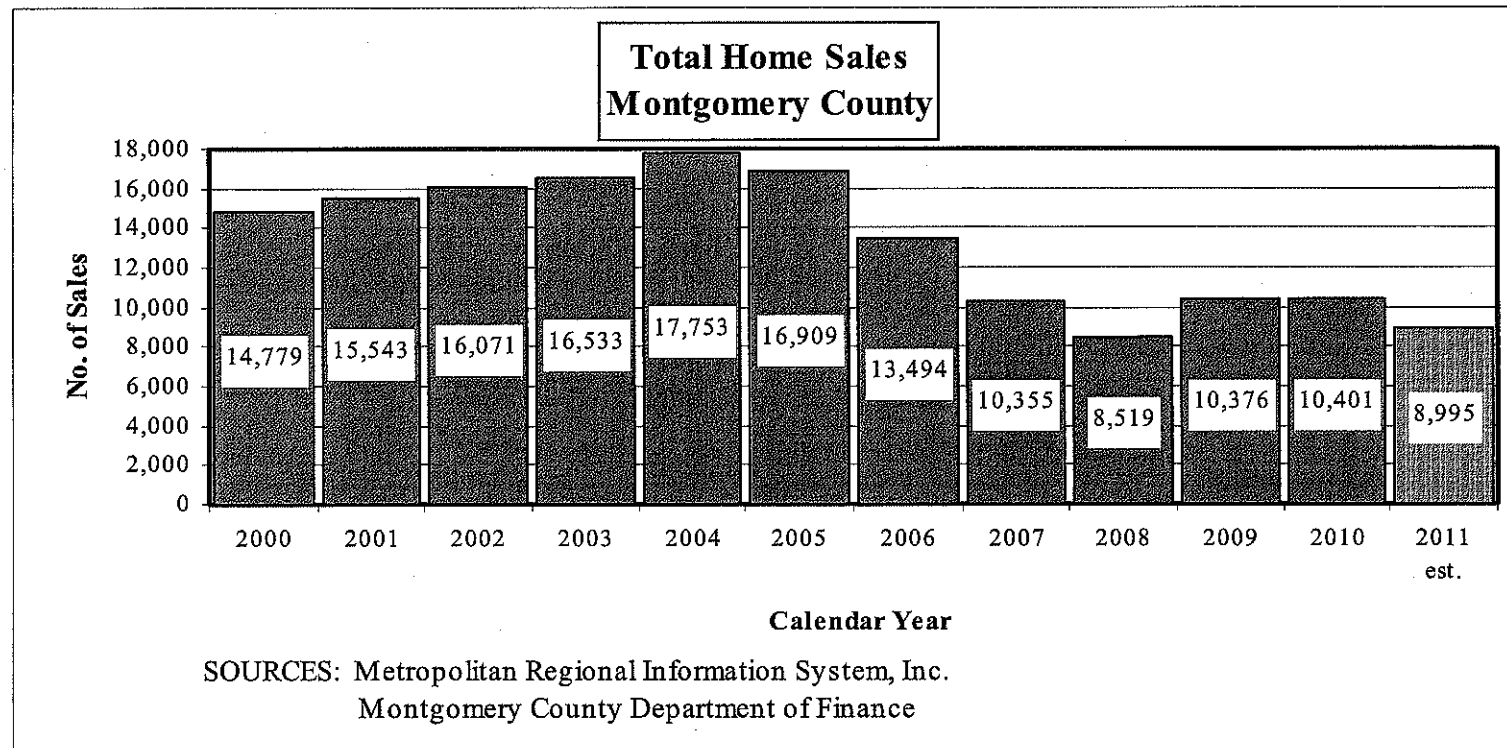
## ***The consumer price index (CPI) accelerated in 2011***

Overall for the Washington-Baltimore consolidated region the CPI increased 3.4 percent in September compared to September '10. For the calendar year to date (January through September), the index increased 3.4 percent compared to 1.8 percent in 2010.



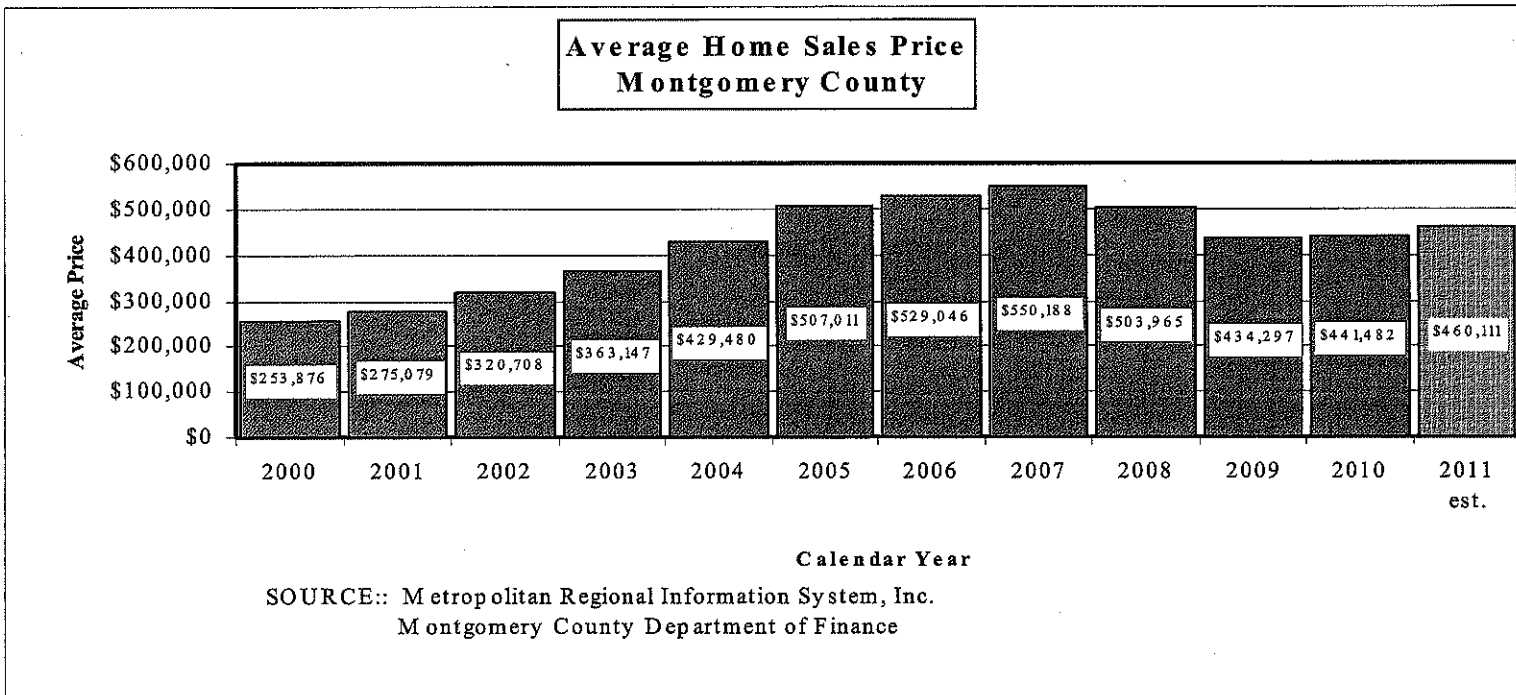
# Home Sales are Down

Total sales of existing homes are expected to decrease 13.5 percent in 2011 compared to an increase of 0.2 percent in 2010. Most of that increase occurred during the first half of the calendar year.



# Average Home Sales Prices are Up

While the sales of existing homes in the County are expected to decrease in 2011, the average sales price is expected to increase by 4.2 percent, which follows a decrease of 13.8 percent (2009) and a modest increase of 1.7 percent (2010).



# **REVENUE UPDATE**

## ***FY12 and FY13 Summary***

**The outlook for the remainder of this fiscal year (FY12) and next year (FY13) suggests an increase in revenues compared to the estimates prepared for the FY12 budget. This increase is solely attributed to revisions to income tax revenues. The combined increase in FY12 and FY13 is nearly \$115.6 million higher than previously estimated.**

# Revenue Update

*December revised revenues for FY12 are \$79.3 million above the FY12 Budget estimates. The only contributor is the estimated increase in income tax revenues.*

	FY12 BUDGET - DECEMBER 2011 UPDATE (\$MIL.)		
	FY12 Budget	Dec. Update	Difference
Income	\$1,117.243	\$1,238.197	\$120.954
Property	\$1,462.247	\$1,444.679	(\$17.568)
Transfer/Recordation	\$143.538	\$130.784	(\$12.754)
Other Taxes:			
-Admissions	\$2.581	\$2.412	(\$0.169)
-Fuel/Energy	\$251.200	\$241.500	(\$9.700)
-Telephone	\$51.528	\$50.217	(\$1.311)
-Hotel/Motel	\$19.968	\$19.765	(\$0.204)
Investment Income	\$1.606	\$1.606	\$0.000
Other Revenues	\$842.200	\$842.200	\$0.000
<b>TOTAL</b>	<b>\$3,892.111</b>	<b>\$3,971.360</b>	<b>\$79.248</b>



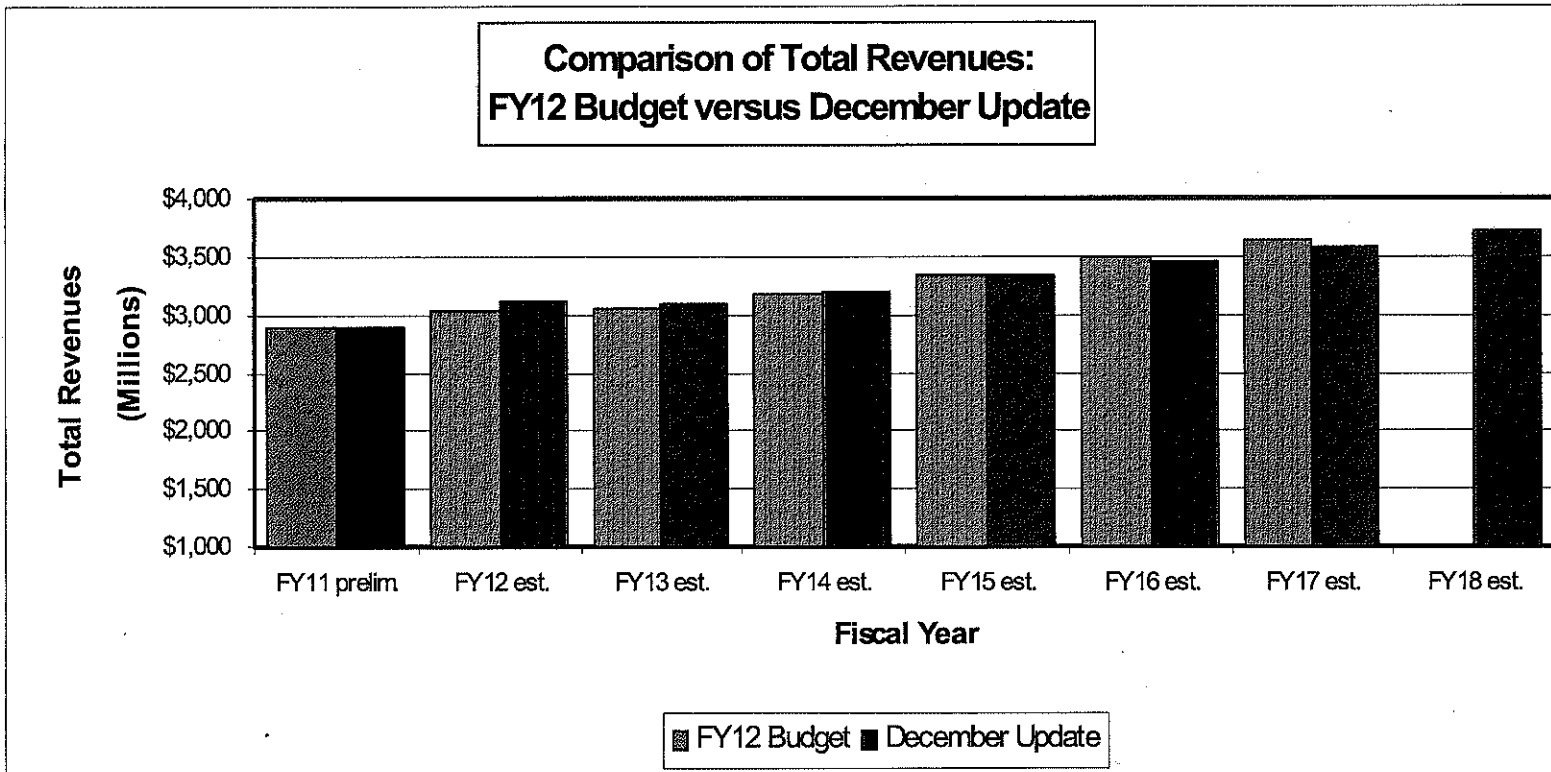
# Revenue Update

***December revised revenue estimates for FY13 are \$36.4 million above the FY12 Budget estimates. The only contributor is the estimated increase in income tax revenues.***

	FY12 BUDGET - DECEMBER 2011 UPDATE (\$ML)		
	FY13 Estimate	Dec. Update	Difference
Income	\$1,188.561	\$1,252.121	\$63.560
Property	\$1,498.620	\$1,492.182	(\$6.438)
Transfer/Recordation	\$149.980	\$139.366	(\$10.614)
Other Taxes:			
–Admissions	\$2.673	\$2.494	(\$0.179)
–Fuel/Energy (sunset)	\$139.510	\$130.630	(\$8.880)
–Telephone	\$53.709	\$53.000	(\$0.709)
–Hotel/Motel	\$20.902	\$20.561	(\$0.341)
Investment Income	\$2.719	\$2.719	\$0.000
Other Revenues	\$845.900	\$845.900	\$0.000
<b>TOTAL</b>	<b>\$3,902.573</b>	<b>\$3,938.973</b>	<b>\$36.399</b>

## Revenue Trend FY12-17

*During the current five year period (FY12-FY17), total revenues are expected to be approximately \$38.4 million above FY12 budget estimates.*

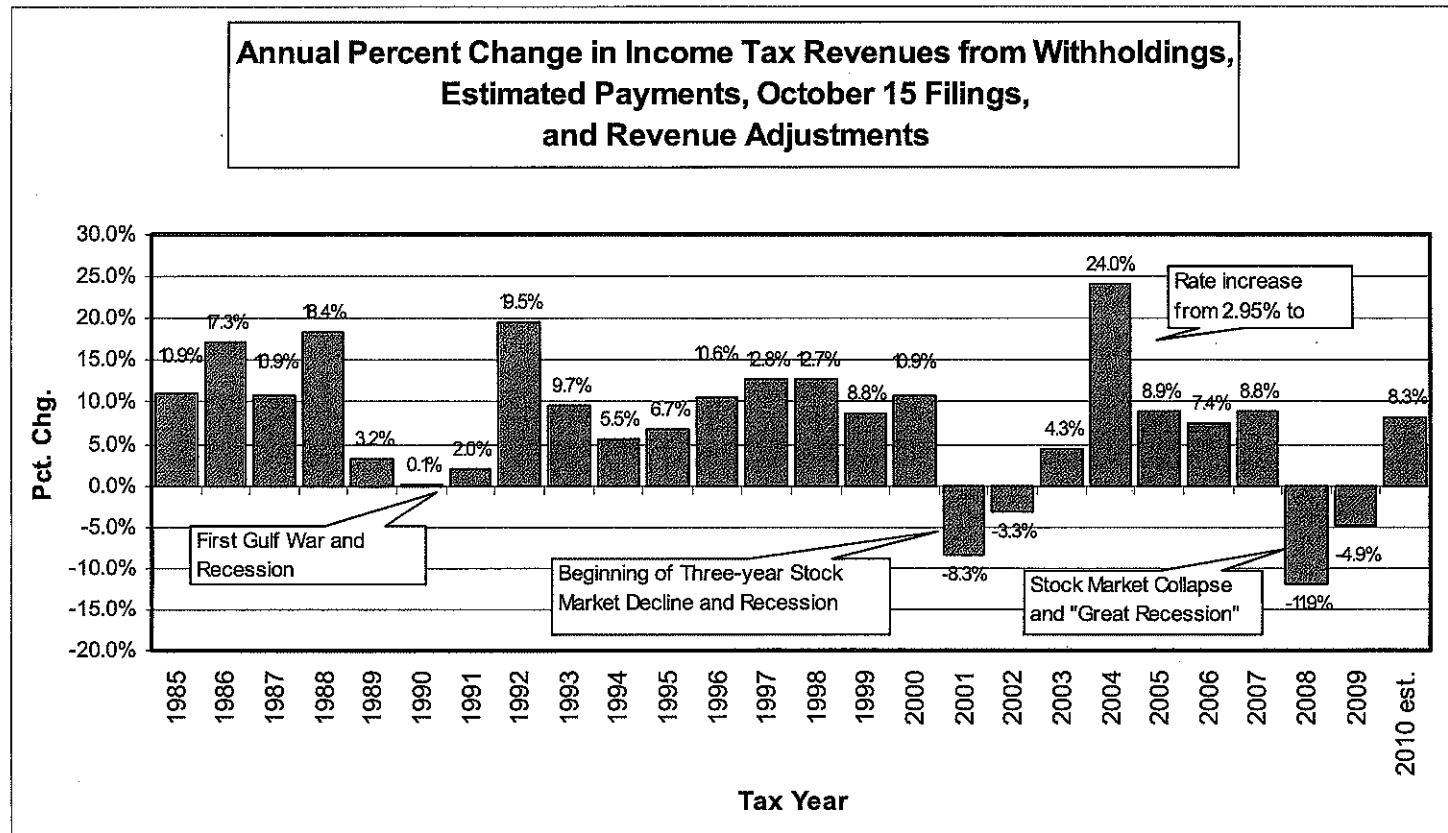


## ***Income Tax – Tax Year Liability***

- **Income tax revenues through November for Montgomery County *and* local jurisdictions increased 9.6 percent in tax year (TY) 2010 from TY2009 - the largest increase among the twenty-three counties and the City of Baltimore. That increase followed a 5.7 percent decline in TY2009.**
- **Because of the increase in 2010, Montgomery County's share of total local tax liability in Maryland increased from 27.9 percent (TY09) to 28.6 percent (TY10).**

# Income Tax Volatility

*Year-over-year percent changes in the income tax are volatile and sensitive to economic events especially capital gains in Montgomery County.*



## ***Income Tax – November Distribution***

- **The largest share (five year average of 77%) of the County's income tax revenues for any tax year comes in quarterly distributions of withholdings and estimated payments.**
- **The November distribution reflects actual results from the prior tax year (e.g., final tax year 2010 in November 2011) and provides a near final review of last year's tax liability – this provides a base for future projections.**
- **The Comptroller's Office also adjusts its distribution formula for the current tax year based on the prior year results (e.g., 2010 tax year final results affect quarterly distributions for this fiscal year).**
- **Income tax revenues represent 40 percent of estimated total tax-supported revenues in FY12 and nearly 32 percent of the County's total revenues.**

## ***Income Tax – November distributions***

(millions)	Actual FY09	Actual FY10	Actual FY11	Estimated FY12	Actual FY12	Difference
October 15 <sup>th</sup> Filings and Adjustments	\$146.10	\$9.60	\$17.00	\$36.37	\$134.76	\$98.39
Withholding and Estimated payments for 3 <sup>rd</sup> Quarter	\$242.70	\$210.60	\$212.90	\$226.20	\$242.79	\$16.59
Total November Distribution	\$388.80	\$220.20	\$229.90	\$262.57	\$377.55	\$114.98

•Increase in receipts from October 15th Filings and Adjustments is based on an adjustment to reflect increased income tax receipts due the County for tax year 2010 as compared to tax year 2009. Overall, the State has indicated that the County's income tax receipts for 2010 are 8.3% higher than for 2009.

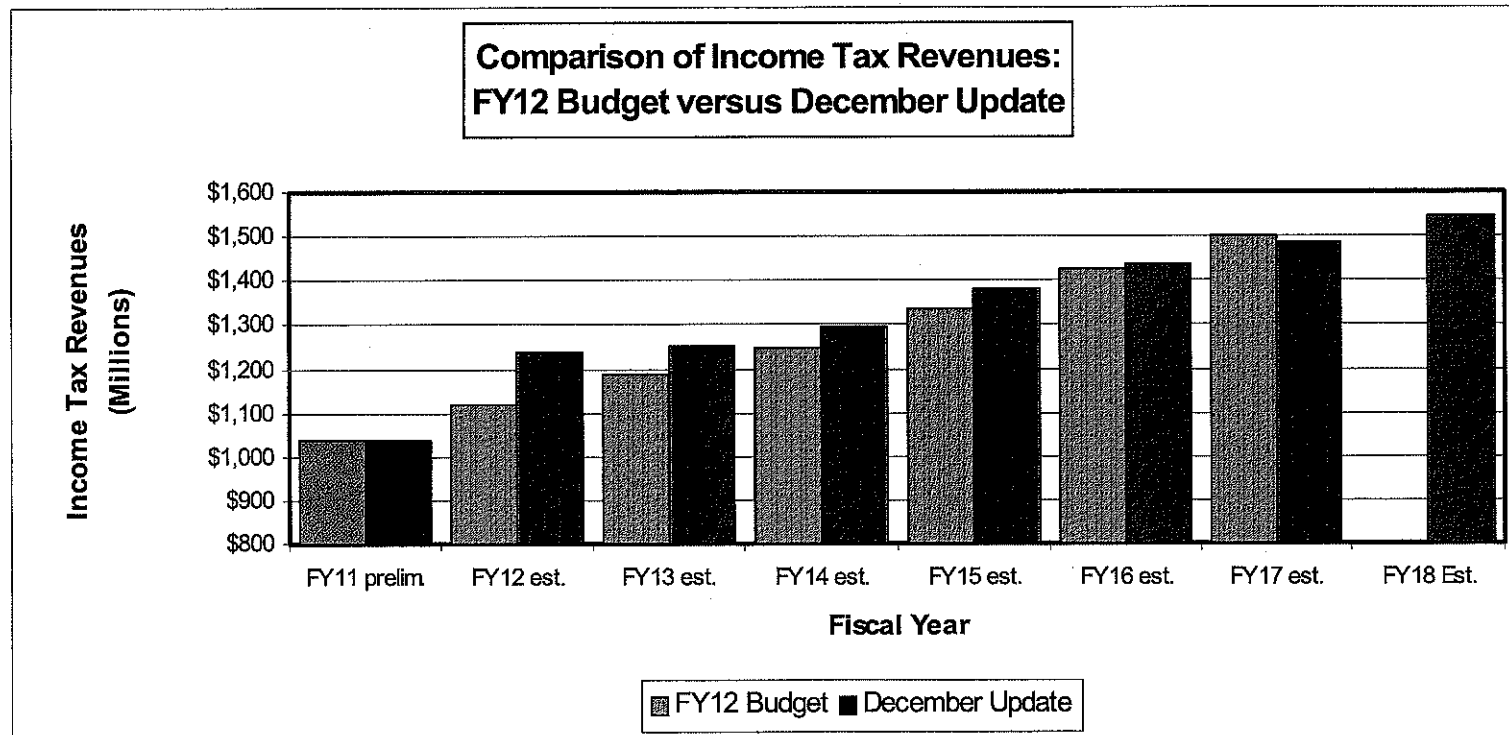
•Increase in withholdings and estimated payments is due to an increase in income tax receipts statewide and a change in the distribution formula, which is updated by the State in November to reflect the overall increase in prior year income tax receipts.

## ***Income Tax – Economic Factors***

- Resident employment is expected to increase 1.1 percent (↑1.1%) in CY11 and increase a modest 0.3 percent (↑0.3%) in CY12. This is compared to March economic assumptions of 0.7 percent increase in 2011 and 1.1 percent in 2012.**
- Personal income is estimated to increase 5.4 percent in CY11 and 4.5 percent in CY12.**
- Wage and salary income is expected to increase 4.5 percent in 2011 and increase 5.0 percent in 2012.**

# Income Tax FY12-17

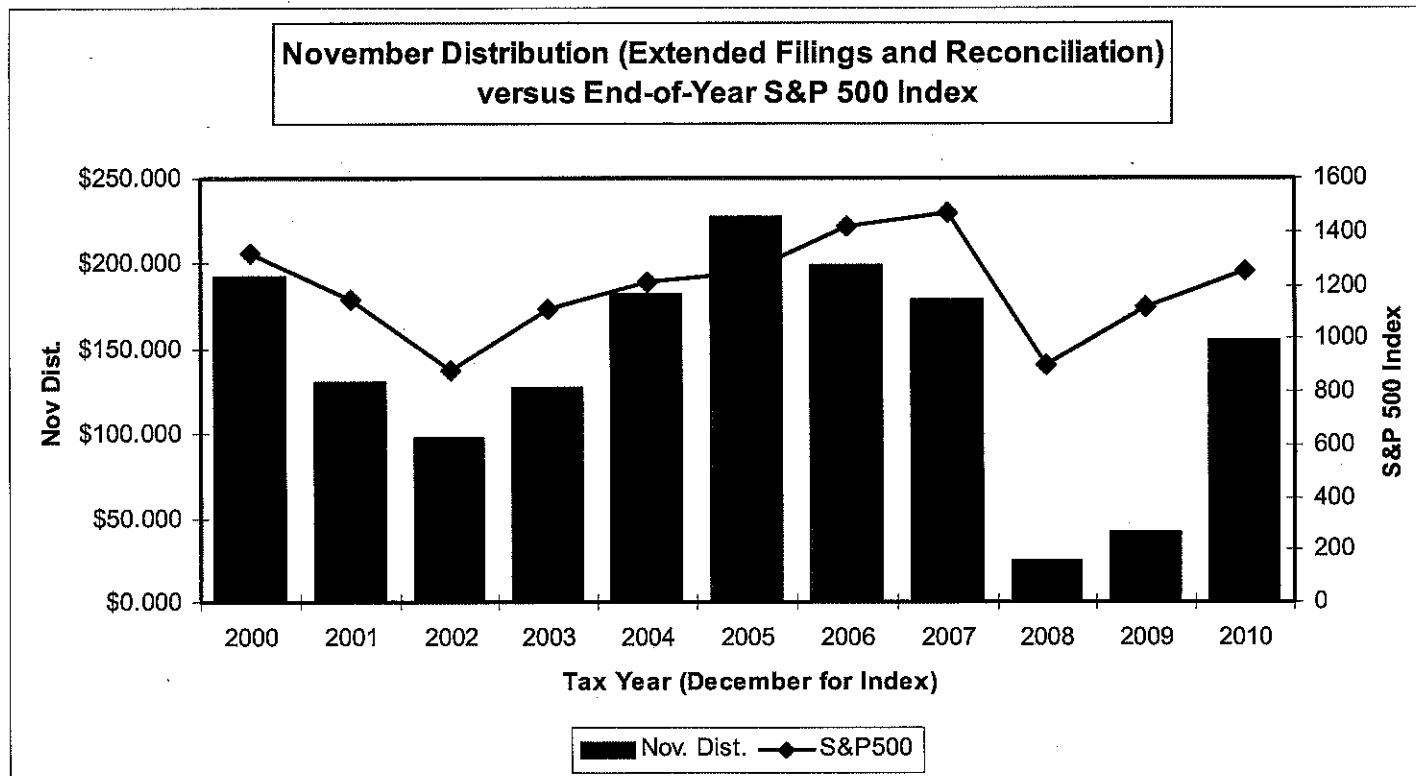
**Over the current five year period (FY12-FY17), income tax revenues are expected to be approximately \$268.0 million above FY12 budget estimates.**





# Income Tax

*The amount of revenues from the November distribution has been associated with the stock market (S&P 500 Index)*



## ***Property Tax***

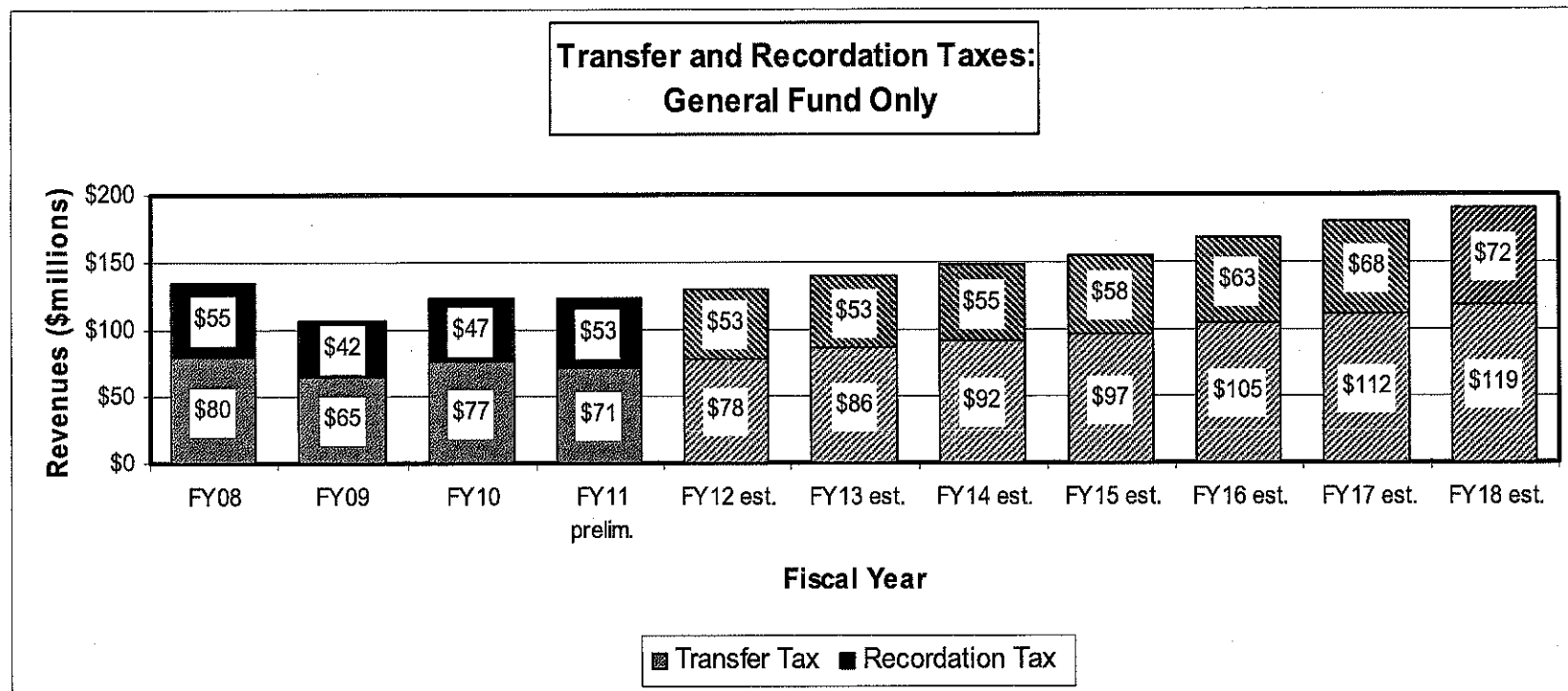
- **The inflation rate is expected to be 3.3 percent in calendar year 2011, which follows a 1.7 percent increase in CY10 and a meager 0.2 percent in CY09. Inflation is used to estimate real property tax under the Charter Limit excluding new construction.**
- **The reassessment rates for real property for Group 3 in fiscal year 2013 are expected to be released by the Maryland State Department of Assessments and Taxation (SDAT) at the end of this month. Preliminary indications are that this group may experience a decline in the real property tax base.**

## ***Transfer and Recordation Taxes***

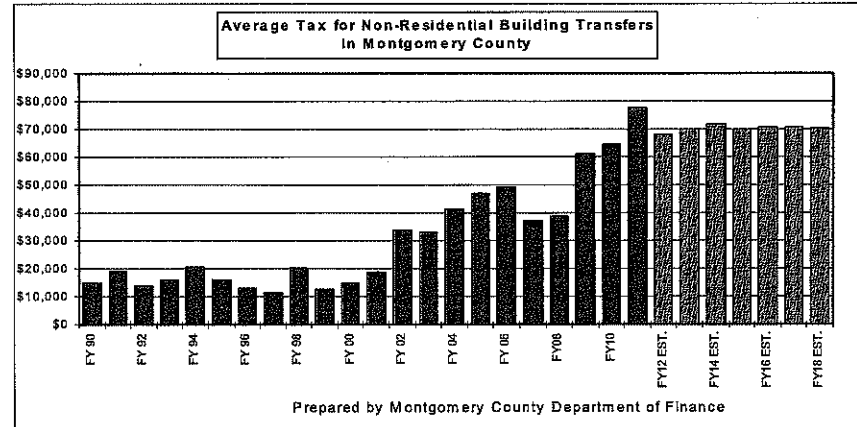
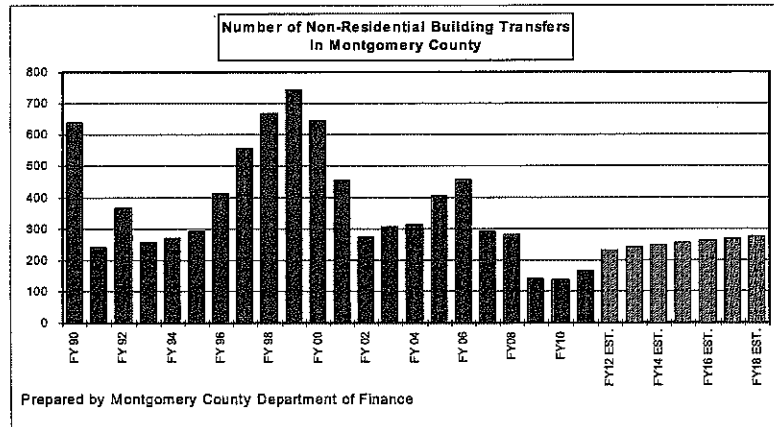
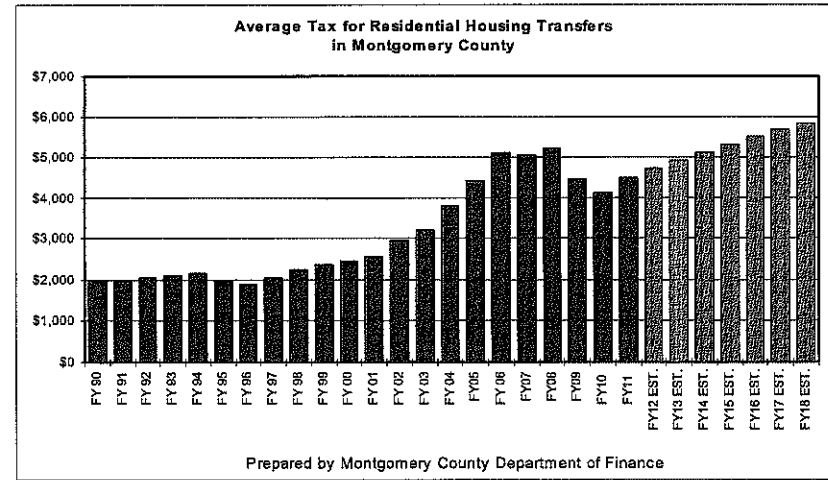
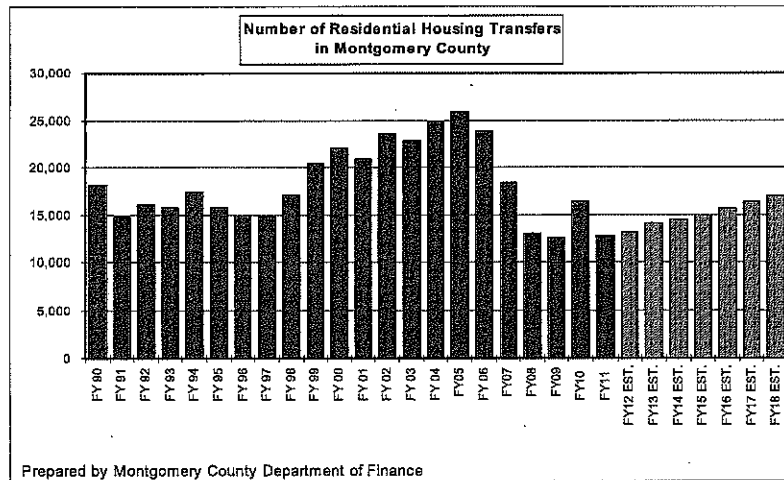
- **Home sales are expected to increase 3.0 percent in FY12 and prices are also anticipated to increase 4.5 percent. Based on collections to date, the non-residential real estate market is estimated to experience a significant increase in FY12.**
- **Because of the estimated increase in home sales during the latter half of FY12, Finance estimates that the number of residential transfers may increase 3.0 percent in FY12 the same as the increase in home sales.**
- **Because average sales prices are also anticipated to increase, the average transfer tax amount on a residential sale is expected to increase 4.7 percent in FY12.**
- **Because of the expected increase in the number of non-residential transactions, non-residential transfer tax revenues are estimated to increase by over 20.0 percent in FY12.**

## Transfer and Recordation Taxes

*Since reaching \$241.7 million in FY06, transfer and recordation taxes declined to a low of \$123.7 million in FY11. By FY18, transfer and recordation taxes are estimated to reach \$190.4 million – nearly \$51.3 million below the FY06 peak.*



# Transfer and Recordation Taxes



# Other Tax Revenues

***Due to the rate increases in FY11 for the fuel/energy tax and for the telephone tax, the combined total estimated revenues for FY11 and FY12 are expected to be nearly \$206.7 million above FY10. However, revenues are estimated to decline in FY13 from FY12 due to the sunset provision in the fuel/energy tax. Over the current five-year period (FY12-FY17), total other tax revenues are estimated to be \$77.8 million below FY12 budget estimates.***

