

COUNTY EXECUTIVE TESTIMONY
SPENDING AFFORDABILITY
FY23-28 CAPITAL IMPROVEMENTS PROGRAM

September 21, 2021

Good afternoon. I am Mary Beck, the Office of Management and Budget Capital Budget Manager, and I am here to testify on behalf of County Executive Marc Elrich regarding his FY23-FY28 Spending Affordability Guideline recommendations.

The County Executive recommends that the Council adopt the following Spending Affordability Guidelines for County General Obligation (G.O.) bonds: \$300 million in FY23 and \$290 million each year for FY24-FY28, for a six-year total of \$1.750 billion. These guidelines would maintain the County's currently approved FY23 to FY24 Capital Improvements Program GO bond funding assumptions and then stabilize funding for the remaining four years at a slightly higher level than previously approved due to modest improvement in revenues and debt service costs. The County Executive feels these bond limits will appropriately balance the needs of the capital and operating budgets.

Given our current budget structure and outlook, the County Executive does not support increasing General Obligation bond debt beyond these levels due to a desire to maintain greater operating budget flexibility so that we can avoid "crowding out" other vital services during economic downturns and so that we can make investments in joint County Council and County Executive priorities such as affordable housing, early care programs, education, and economic development enhancements. (See the attached list of Opportunity Costs or trade-offs that may be required for each \$1 million of debt service costs.)

The County already faces significant levels of mandated operating budget expenditures. In the FY22 approved budget, 64 percent of general fund revenues were dedicated to Montgomery County Public Schools, Montgomery College and tax-supported debt service. Increasing the bond limits and related debt service further would erode our ability to allocate funds to operate new facilities funded through the capital budget.

The potential for further debt service increases to “crowd out” funding for other worthy services is real. Debt service is currently the second largest budget, second only to Montgomery County Public Schools. This is not surprising since, over time, the tax supported debt service has grown faster than funding for the College, Police, Fire and Rescue, Montgomery County Public Schools, Health and Human Services, Recreation, and Public Libraries – increasing from \$256 million in FY11 to an estimated \$507 million by FY28 at the recommended G.O. bond levels. (See attached Tax-Supported Debt Service: FY11-FY28 chart.)

Fortunately, Councilmembers and their staff are working with Executive branch representatives to explore alternative infrastructure funding options for schools and transportation since our current budgeting approaches significantly constrain our ability to meet County needs. The County Executive welcomes input from the Council on this topic.

For Park and Planning bonds, the Executive recommends \$6.6 million in FY23 and \$6.7 million annually in FY24 through FY28, for a \$40.1 million six-year total. This recommendation is consistent with the currently FY23-FY26 approved park bond levels.

Thank you for your consideration. Executive branch staff will be available to assist you in Council work sessions as we work together to balance the needs of the capital and operating budgets.

Debt Service Opportunity Costs

Every \$1 million used for debt service could also be used for:

- ❖ 14 public school teachers
- ❖ 9 police officers
- ❖ 9 fire fighters
- ❖ Operating 1 library for a year (except for large libraries such as Silver Spring and Rockville)
- ❖ Operating 8 Senior Centers
- ❖ Operating 5 Recreation Community centers
- ❖ Operating 3 Elementary School Excel Beyond the Bell Programs
- ❖ Rental assistance for 416 families
- ❖ Emergency shelter for 160 clients
- ❖ Respite care for 324 clients
- ❖ Child care subsidies for 143 children for a year
- ❖ Services for 4,428 Montgomery Cares clients
- ❖ 1,274 County-funded Maternity Partnership program
- ❖ 1,594 Housing Stabilization grants
- ❖ Pruning 2,150 trees
- ❖ Purchasing 2 buses
- ❖ Renovations for 250 bus stops

Tax Supported Debt Service FY11-FY28

