



**MONTGOMERY COUNTY**

# COMMUNITY CONVERSATIONS

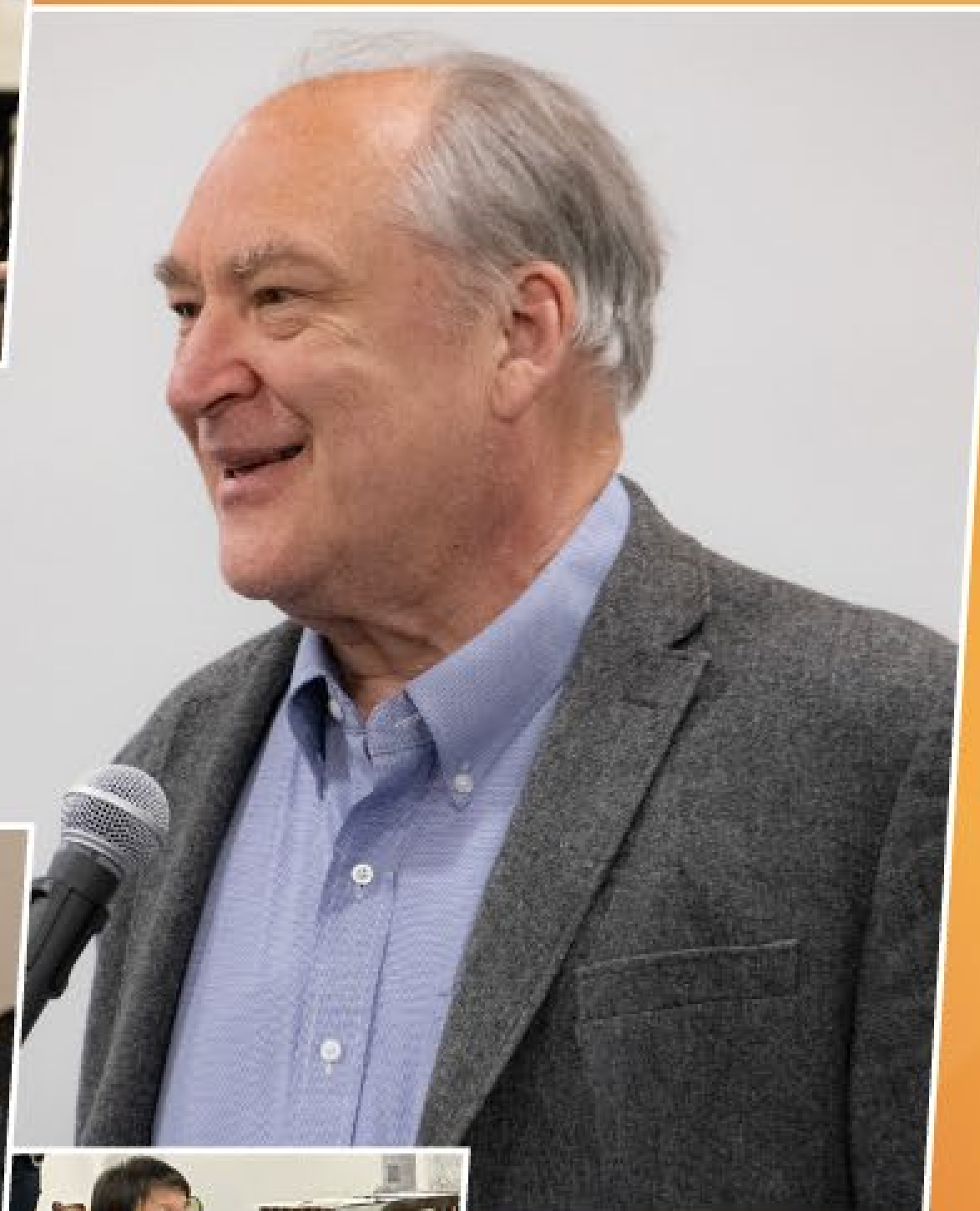
**with County Executive Marc Elrich**

**FY26 Community Conversations**

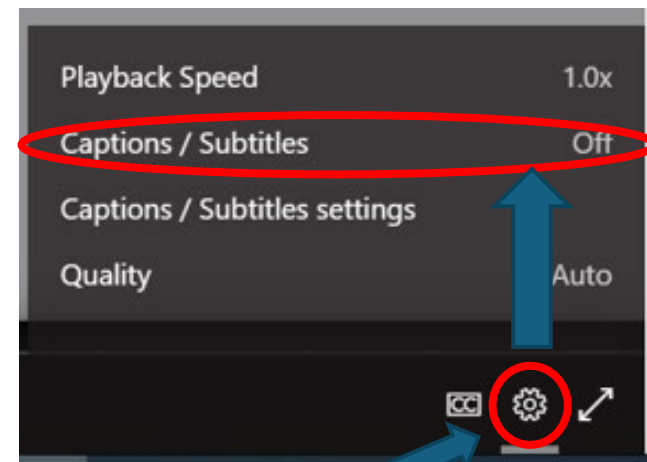
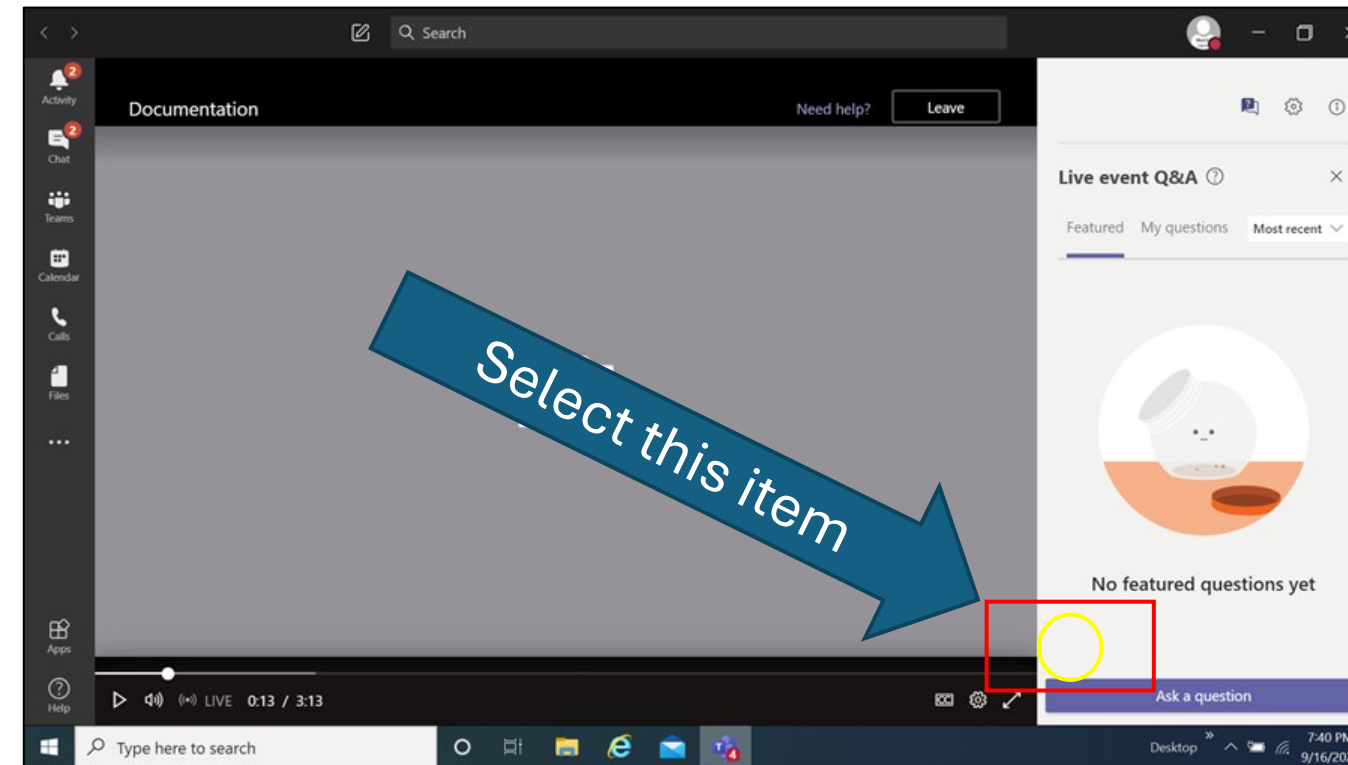


**Montgomery County Government, Rockville, Maryland**

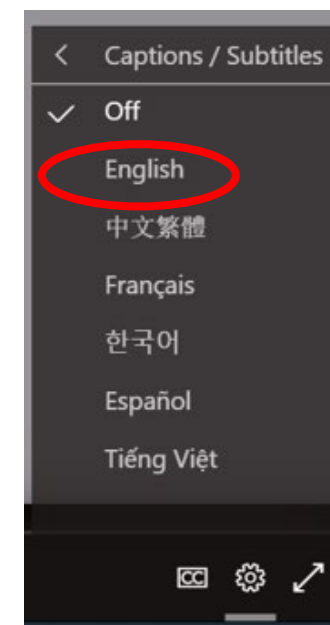
Prepared by the Office of Management and Budget and Department of Finance  
September/October 2024



# How you can view the multi-lingual closed captions



When you select it a menu appears, choose **captions/subtitles**



You then select the language of choice



It will then display the language chosen

**Disclaimer:** The translations provided in this application use what is referred to as mechanical translation technology. Although this method of translation is very effective and provides a high rate of word for word accuracy it is NOT 100% contextually accurate. Things that may affect it are the quality of the microphone used and potentially a person's speech pattern.



# Two Budgets – One County

- Presentation by the **County Executive**
- **Conversations** with the County Executive



# Two Budgets – One County

## Operating Budget: Services

- K-12 Education
- Early Childhood Education and Care
- Community College Education
- Community Development and Housing
- Debt Service
- Economic Development
- Environment Protection
- Land Use Planning and Regulation
- Parks, Recreation, and Libraries
- Public Safety: Police, Fire, Courts, Corrections and Sheriff
- Social Services: Health and Human Services, Income Maintenance and Other
- Transportation: Roads Maintenance, Traffic and Bus Service
- Trash Collection and Disposal

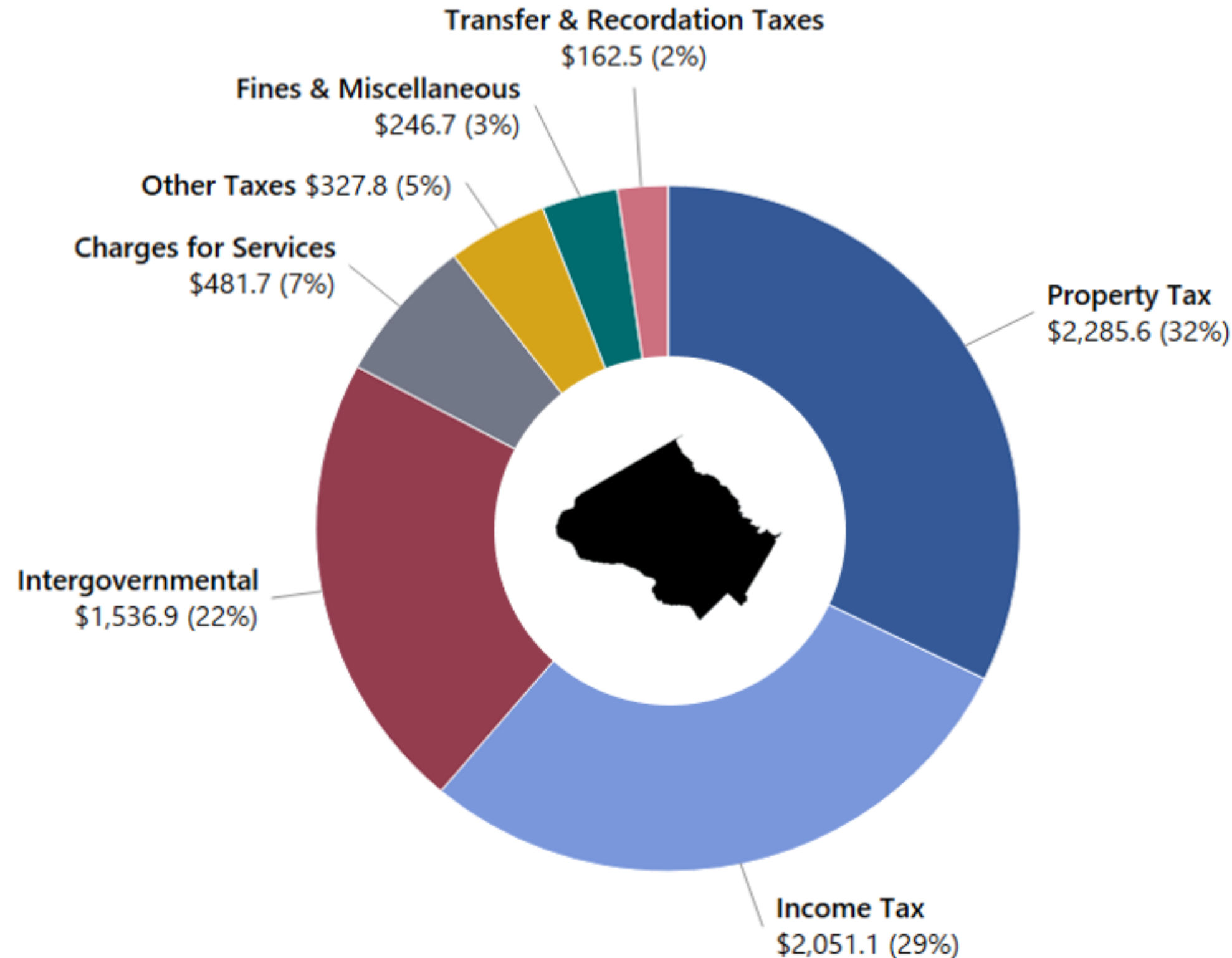
## Capital Budget: Facilities

- Bus Transit Centers
- General Government Facilities
- Information Technology Infrastructure
- Library Buildings
- Metro Stations
- Parking Lots/Parking Garages
- Parks
- Police and Fire Stations
- Roads/Bridges/bridge repairs
- Schools and College Facilities
- Sidewalk improvements
- Swimming Pools/Aquatic Centers
- Water and Sewer Facilities



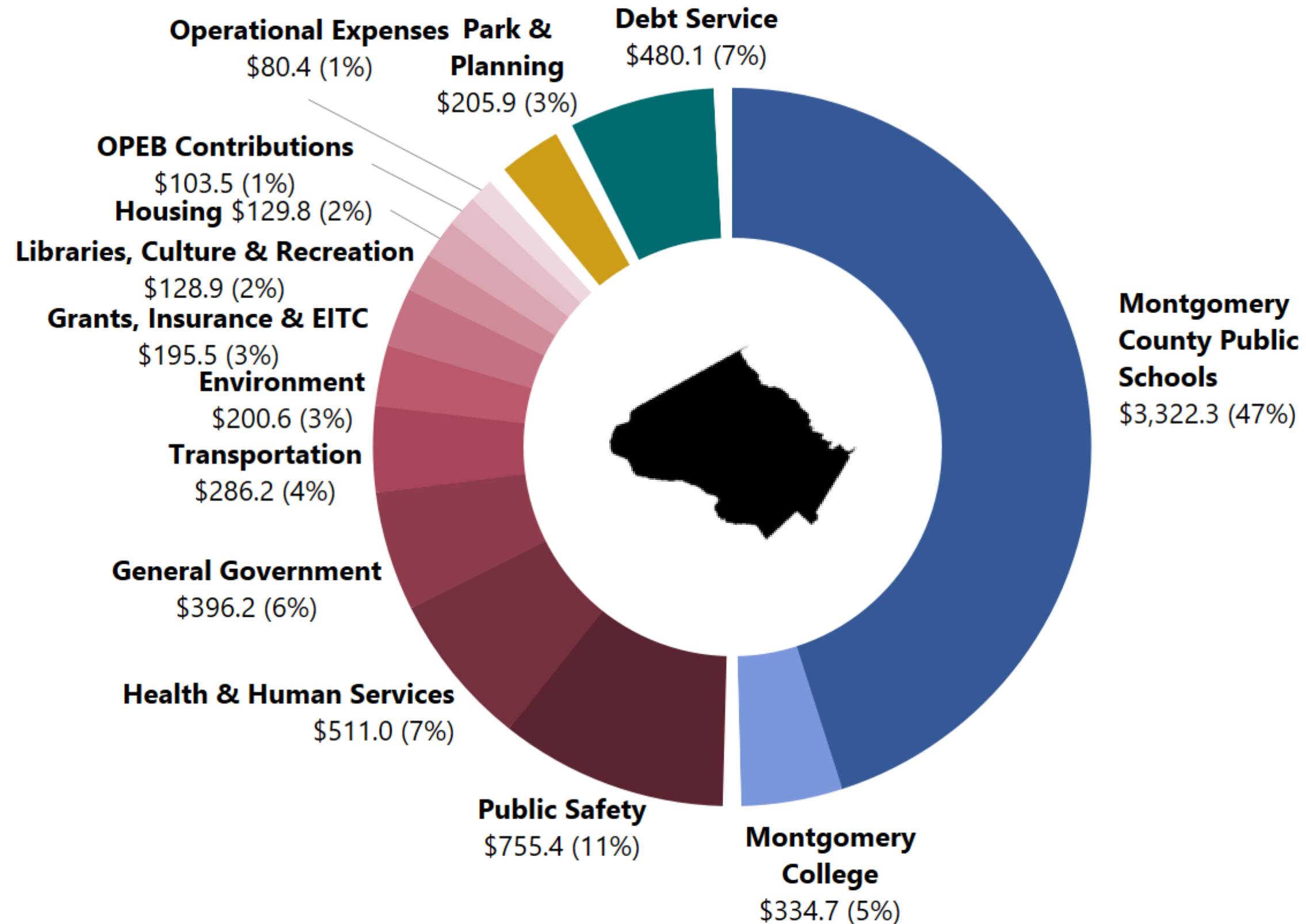
# FY25 Approved Revenues (\$millions)

## Total Revenues: \$7,092.3



# FY25 Approved Expenditures (\$millions)

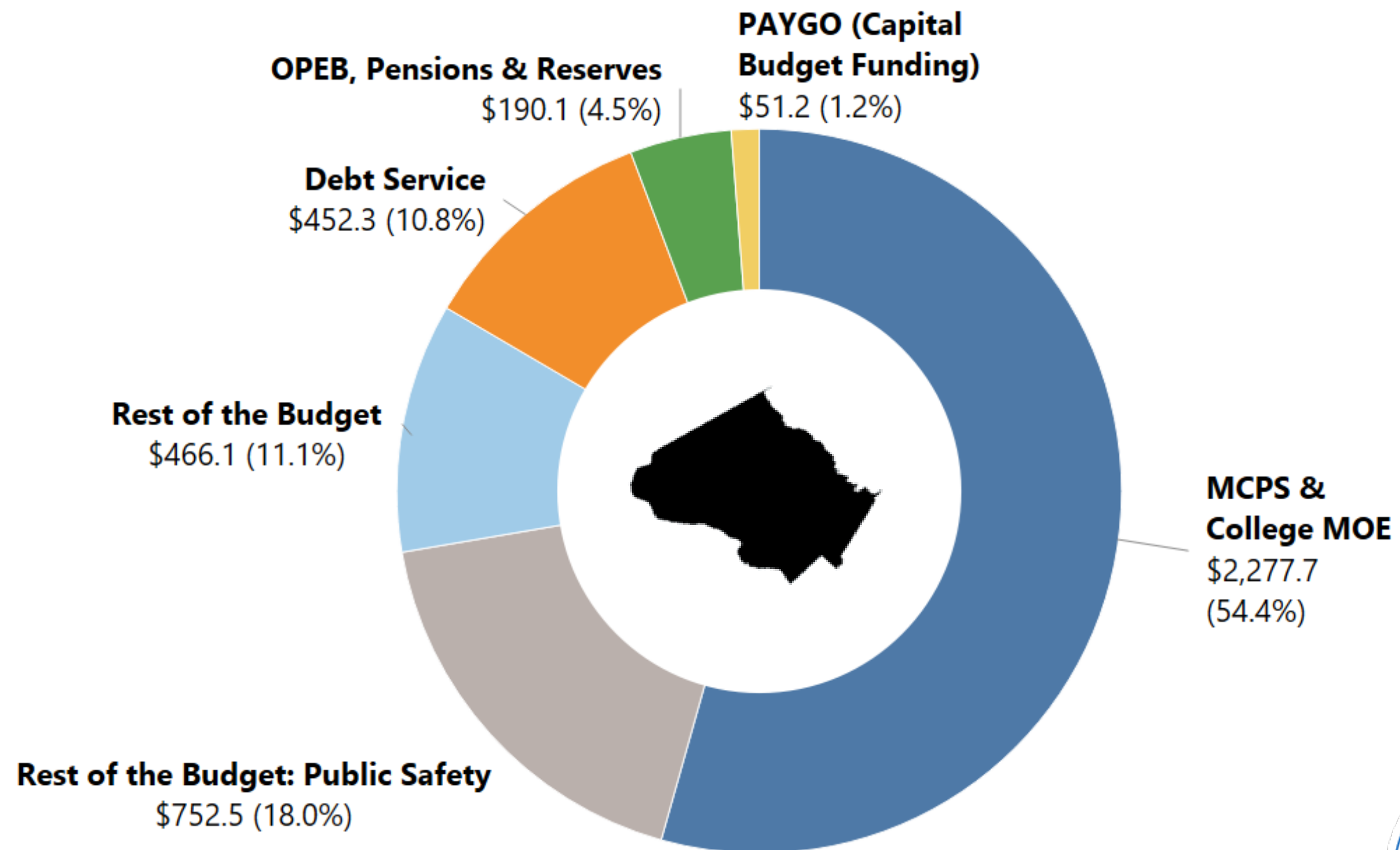
## Total Expenditures: \$7,130.5



# FY25 Fixed & Other Commitments as a % of General Fund Revenue (\$millions)

## Rest of the Budget:

- Public Safety:
  - Corrections
  - Firefighters
  - Police
  - Sheriff
- Bus Drivers
- Circuit Court
- Libraries
- Parks
- Recreation
- School Health Nurses
- And more



# Fiscal Challenges/ Budget Pressures

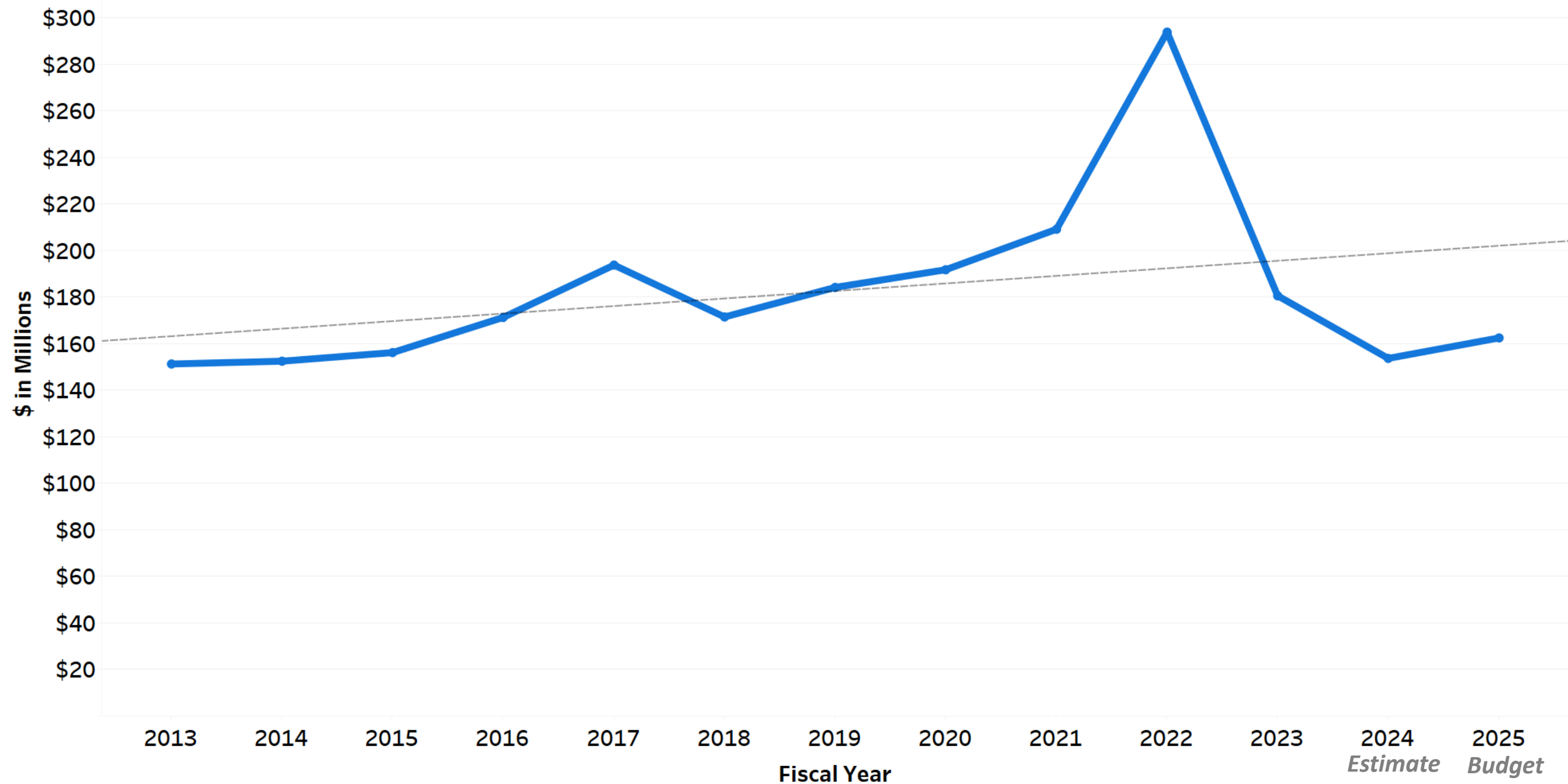
- Blueprint Funding Requirements
- Constrained Resources
- Infrastructure Demands
- Inflation/Financial Market Conditions
- Maintenance of Effort/Per Student Costs
- Real Estate Tax Volatility/Recordation and Transfer Taxes (Real Estate)
- Recruitment and Retention Challenges



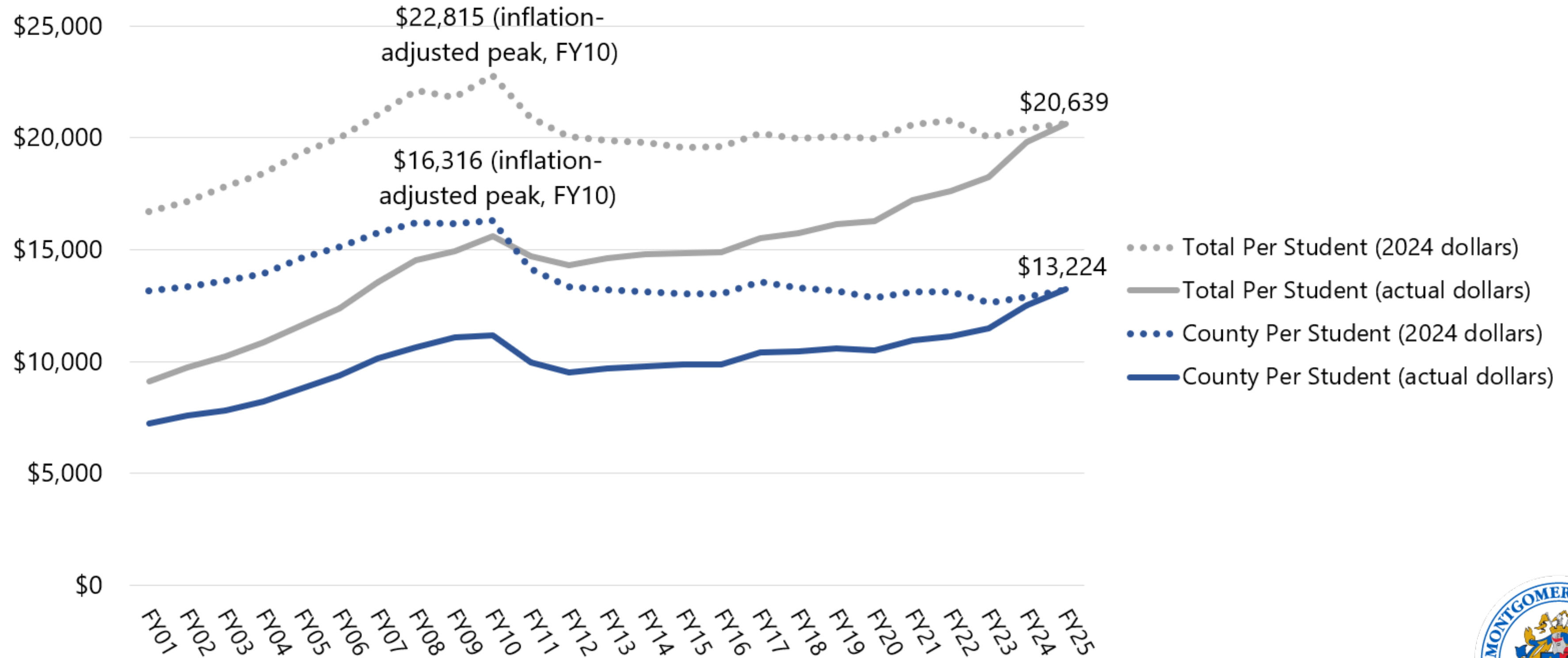


# Transfer & Recordation Tax Revenues FY13 Actual Through FY25 Budget

- Transfer and Recordation tax revenue continued to weaken from their FY22 peak due to the cooling of the real estate market caused by 11 increases in the federal funds rate between March 2022 and July 2023. The increased interest rates caused mortgage rates to increase at the same time home prices were rising – reducing affordability and decreasing real estate activity.
- These tax revenues appear to have stabilized at their current low point and are expected to begin to slowly recover in FY25.

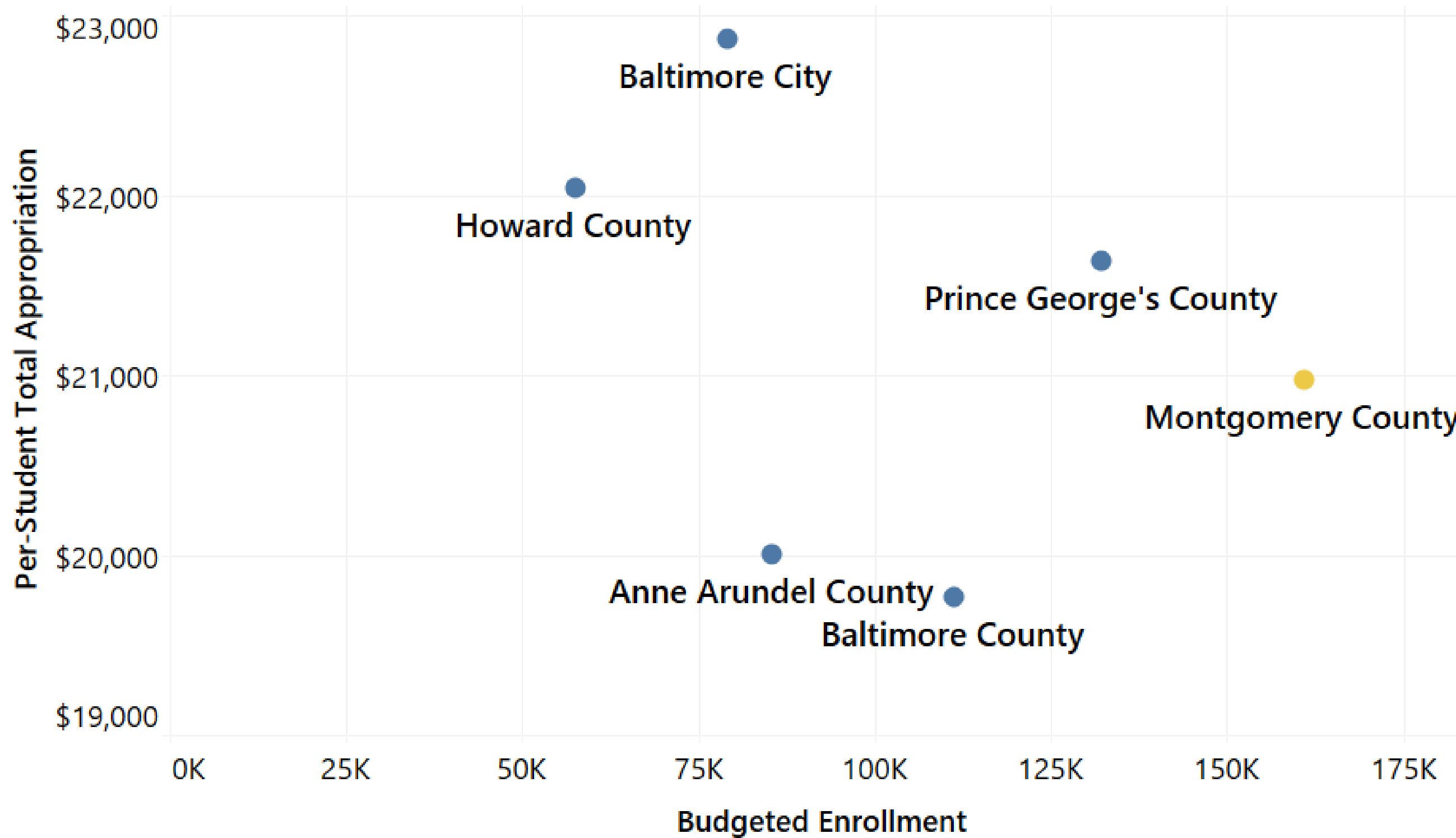


# MCPS Per-Student FY01-FY25 Appropriation Actual & Adjusted for Inflation



# Enrollment and Per-Student Total Appropriation by Jurisdiction

Fiscal Year 2025

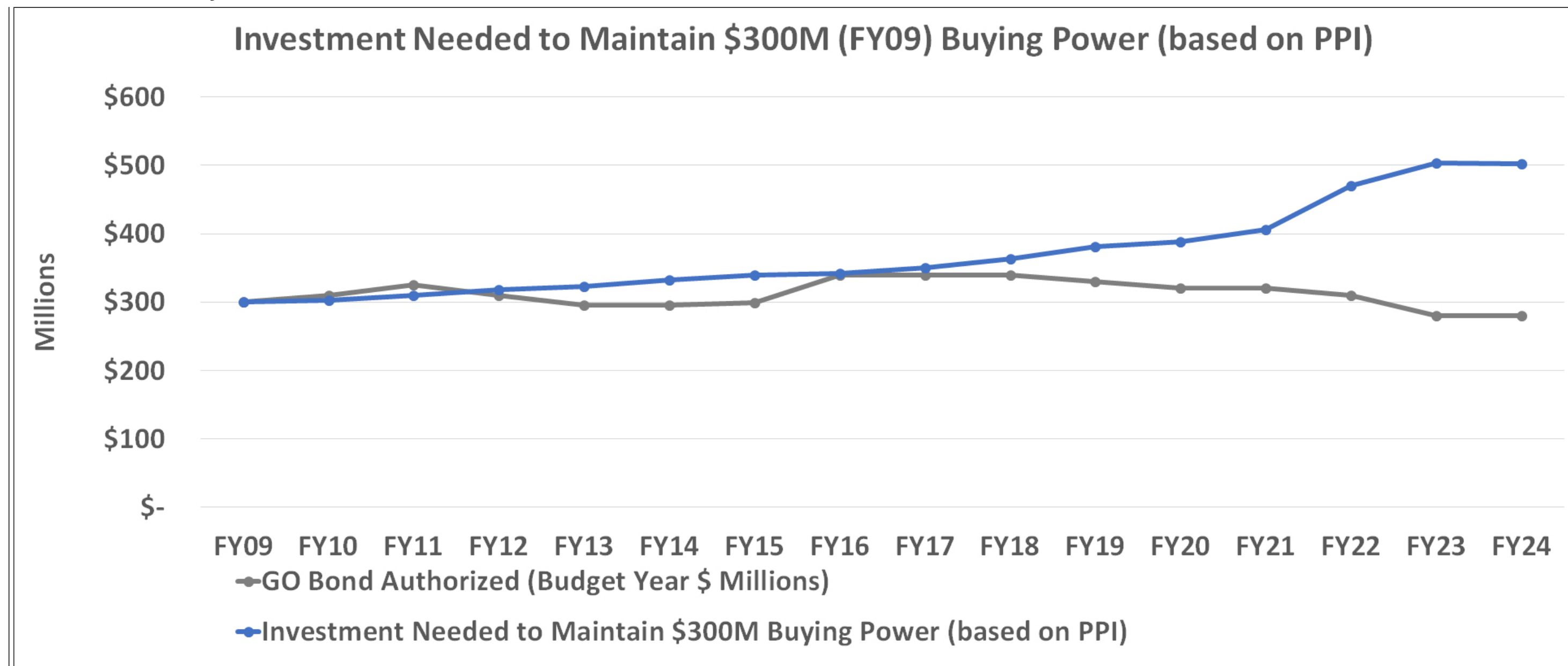


Note: Montgomery County figure includes Enterprise Funds. Health centers are included in this data.



# Infrastructure Demands vs Ability to Borrow and Invest in Infrastructure

**Investment needed to maintain buying power:** The chart below illustrates the General Obligation (GO) Bonds borrowed to fund the Montgomery County Capital Improvements Program (depicted in grey). This program is essential for building and maintaining critical community infrastructure. Additionally, the chart shows the amount needed (represented in blue) to sustain the same purchasing power as in FY2009, adjusted for inflation and construction costs.

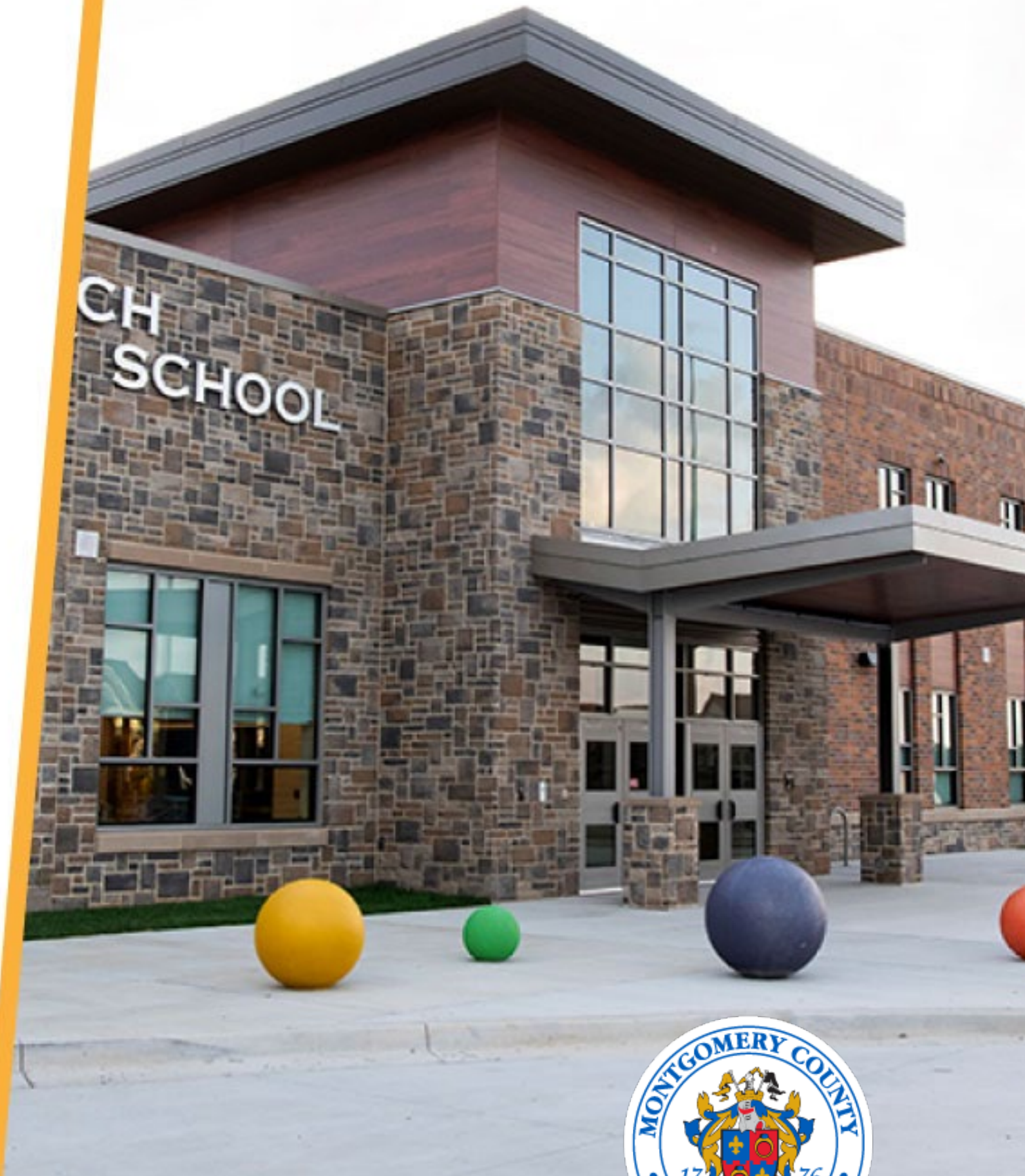


Based on Producer Price Index (PPI) by Commodity for Final Demand: Construction for Government



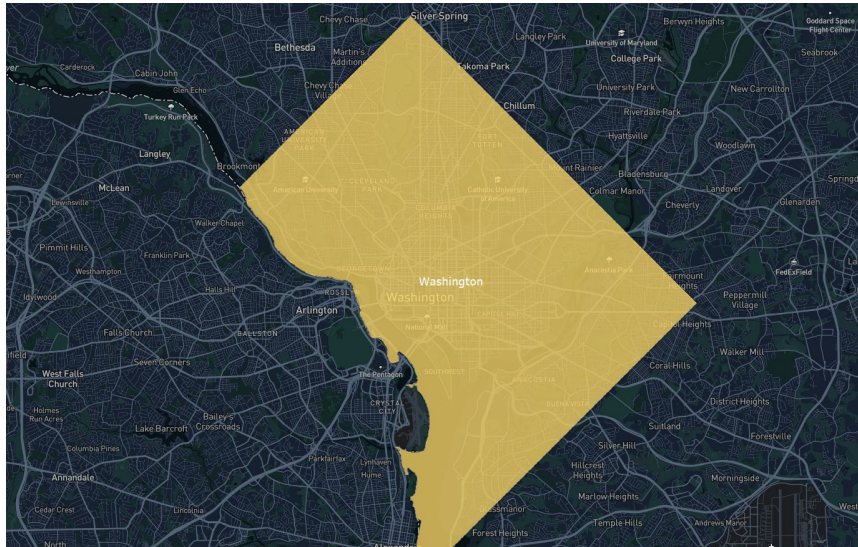
# Need for Tax Restructuring

- Current property and real estate transaction tax structure is centered on the taxation of residential development
- It is reflective of the economy of the 1950s and 1960s - fueled by post WWII rapid growth of residential development
  - During this time, we were able to build the best schools and modern infrastructure
- Montgomery County is now a mature and developed community
- To maintain our competitive edge and continue to have a vital community we must continue to invest in our schools and modernize our transportation infrastructure to reflect a 21st century community
- The communities in Northern Virginia have figured out a way to do this and we must follow suit
- These are not new taxes – this is restructuring how we tax in order to maintain critical investments



# MC Tax Structure Hinders Opportunity

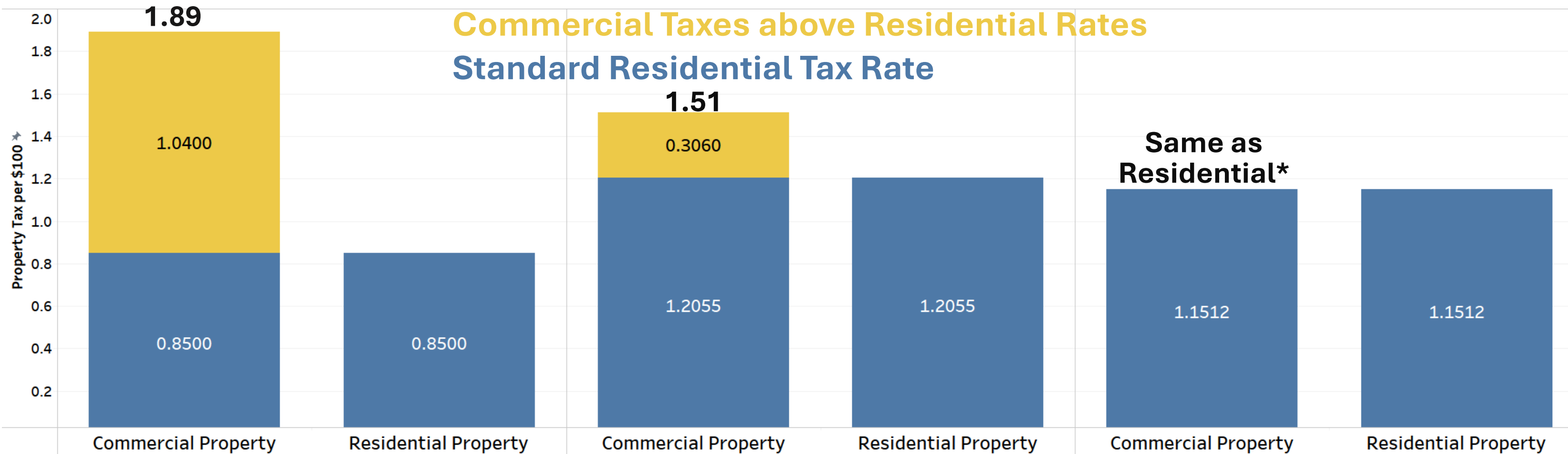
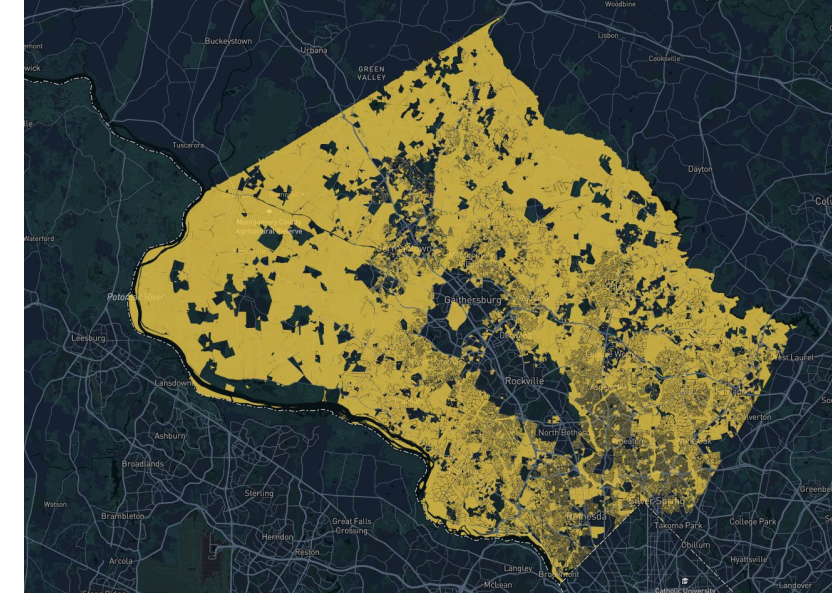
## DISTRICT OF COLUMBIA Districtwide



## FAIRFAX COUNTY VA Reston Service District 10500/1T5RW



## MONTGOMERY COUNTY MD Non-Municipal tax Class 38/42/53



*\*Includes Maryland State Real Property Tax rate of 0.112 per \$100 of assessed value*



# Montgomery County Tax Burden - Commercial

Chart 9: Composition of 2020 Tax Burden of Firm #1 - Small Corporation

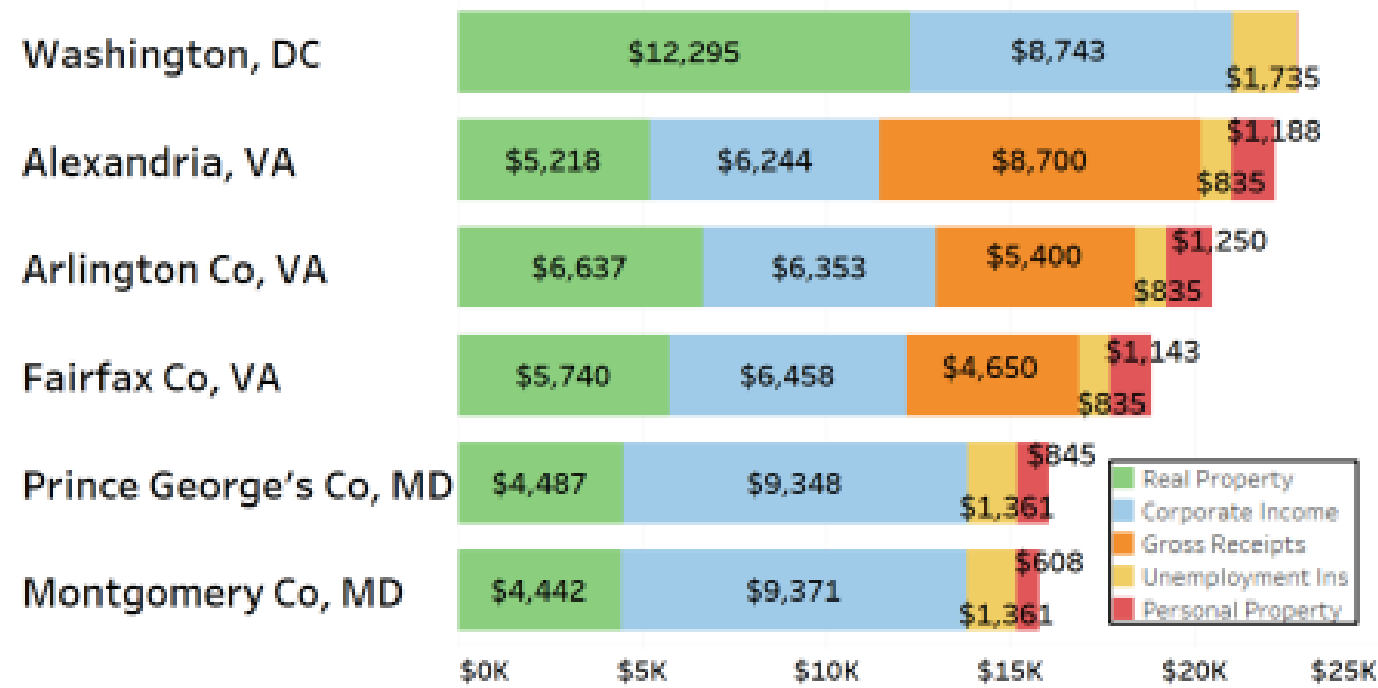
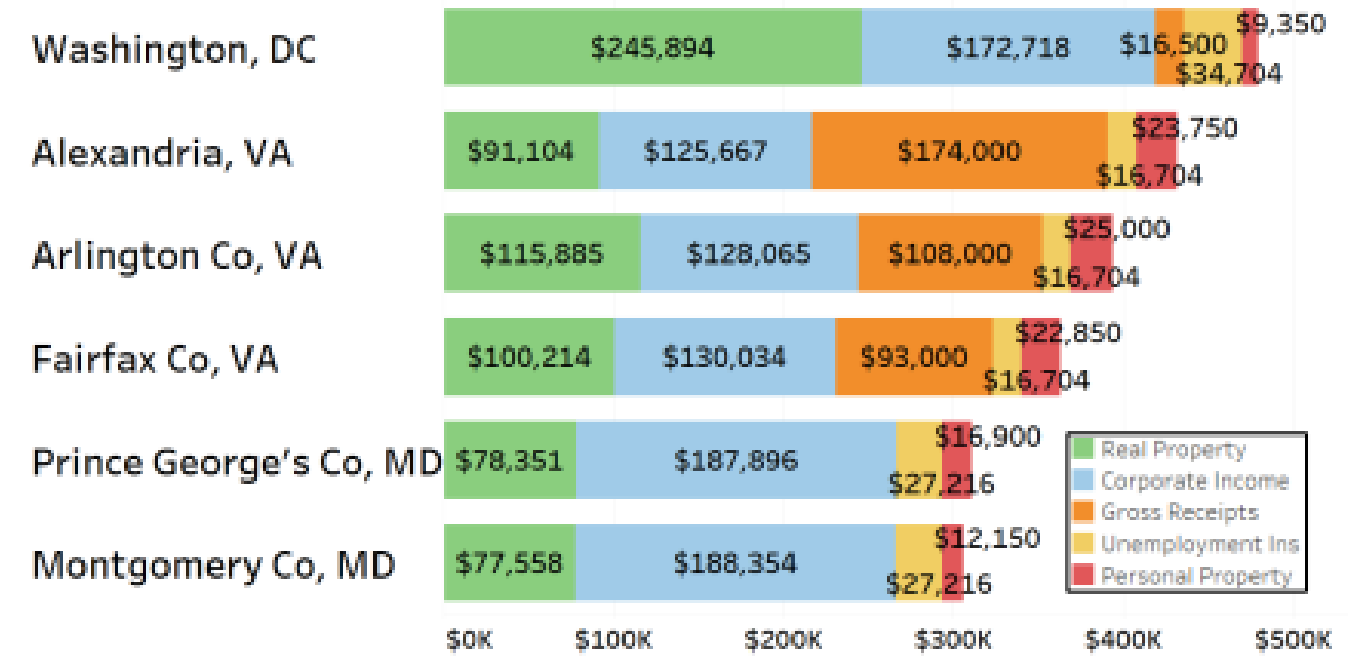
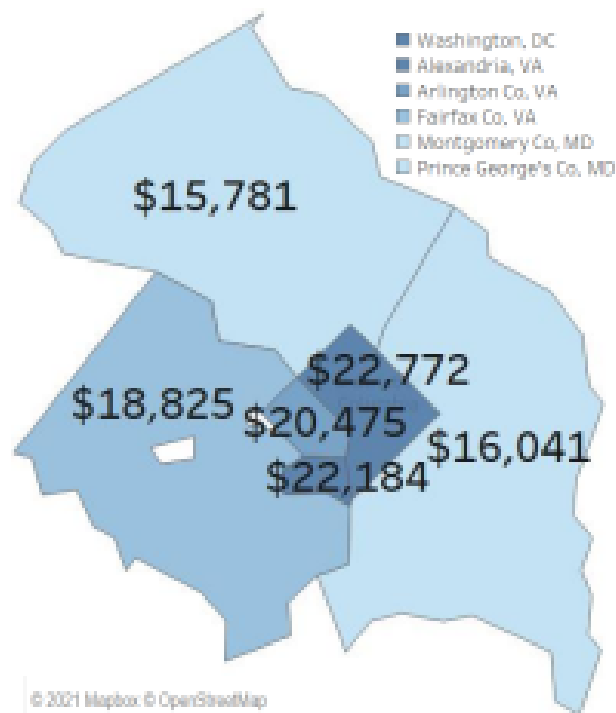


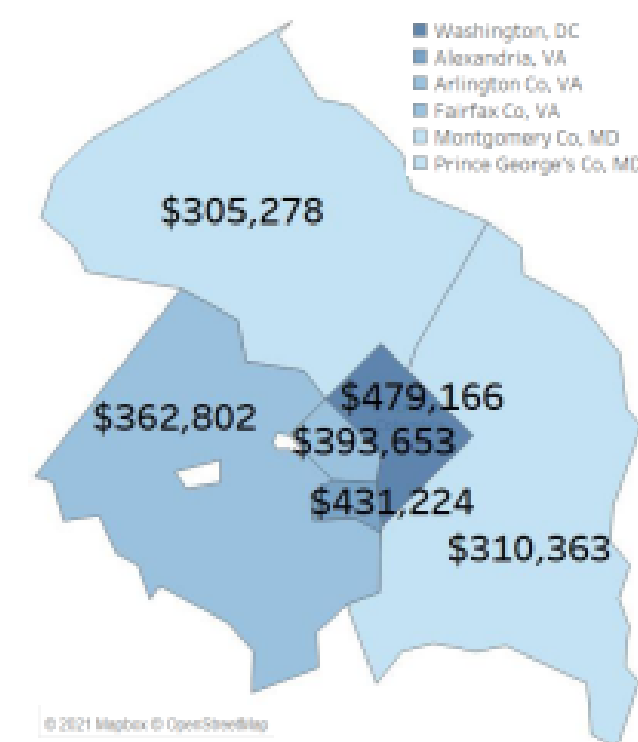
Chart 10: Composition of 2020 Tax Burden of Firm #2 - Large Corporation



Map 1: Firm #1 Total 2020 Tax Burden



Map 2: Firm #2 Total 2020 Tax Burden



Source: District of Columbia, Office of the Chief Financial Officer



# What's on your mind?



**MONTGOMERY COUNTY**

