




OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

April 24, 2025

TO: Kate Stewart, President
Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Amendments to the FY26 Recommended Operating Budget

As I indicated in the transmittal of my FY26 Recommended Operating Budget, the County faced uncertainty awaiting the conclusion of State budget decisions. I specified in my presentation to Council and in my transmittal message that once the Maryland General Assembly has concluded its 2025 legislative session, I would submit a series of amendments addressing the changes impacting the County. Now that the session has concluded, I am pleased to submit this amendment package.

CHANGES IN RESOURCES

State and Local Income Taxation Authority

The Maryland General Assembly made several changes in the 2025 legislative session surrounding income tax, at both the State and local levels. Changes to the State income tax law have resulted in a projected increase in FY26 income tax receipts to the County of \$14.3 million. Changes to the local income tax law allows all counties to increase the local portion of the income tax from 3.2 percent to 3.3 percent, retroactive to January 1, 2025, provided they do not make any other changes to the brackets. I am recommending this change, which will result in a projected increase in FY26 income tax receipts to the County of \$75.0 million.

Property Tax Changes

As a result of the income tax changes, I am removing the recommendation of an additional 3.5 cents on the property tax, reducing projected property tax revenue by \$88.7 million compared to my recommended budget.

Income Tax Offset Credit (ITOC) Changes

After removing the additional property tax increase, I am also recommending removing the additional ITOC change I recommended in March, which would have increased the credit by \$168 resulting in an expenditure decrease of \$32.4 million. The income tax change does not include progressivity, so instead I am recommending an increase in the ITOC of \$60 for a total ITOC of \$752, resulting in an expenditure increase of \$11.6 million when compared to FY25 (increase of the ITOC represents a revenue decrease). Increasing the ITOC provides some progressivity and relief to certain taxpayers affected by several necessary fee increases included in this budget. Later in these amendments, you will see a change to the Working Families Income Supplement to add to the progressivity of this budget.

Recycling and Resource Management (RRM) Fee Change

At my direction, the Department of Environmental Protection has explored ways to shift costs in RRM, which allows for a reduction in the revenues generated by RRM fees of \$7.0 million. The solid waste charges originally recommended were increases of 31.0 percent for single family homes, 104.4 percent for multi-family properties, and 104.9 percent for commercial properties. These will change to 27.4 percent for single family homes, 75.9 percent for multi-family properties, and 86.3 percent for commercial properties.

State Aid for Education

Montgomery County Public Schools (MCPS)

MCPS will receive an additional \$14.4 million in State aid compared to what was assumed in my recommended budget. This additional revenue is related to implementing the “Collaborative Time” requirements included in the Blueprint for Maryland’s Future and reduces the Board of Education’s requested increase in County funding from \$284.0 million to \$270.0 million.

Montgomery College

The final State budget increases support for Montgomery College by \$2.6 million. The additional funds correct an error on the State’s interpretation of the County’s Maintenance of Effort support. The intent for the College is to use the increase in State aid to offset fund balance support assumed in the recommended budget.

Other Resource Changes

The following are other resource changes I am recommending at this time:

Amendments to the Recommended FY26 Operating Budget

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- The County’s agreement with Marriott for the Conference Center has been finalized, and the updated Incentive Management Fees structure allows the County to recognize an additional \$500,000 in FY26 in net proceeds.
- An adjustment to the Emergency Medical Services Transport (EMST) rates is necessary to keep pace with current trends and will result in additional revenue of \$2.0 million in FY26. In addition, I am recommending implementing a \$150 fee per Mobile Integrated Health (MIH) visit, which would yield \$30,000 in FY26.
- There was a technical error in the budget related to the Department of Housing and Community Affairs revenues resulting in the exclusion of \$2.8 million in revenue changes. In approving the FY25 budget, Council approved half of the requested rate changes and requested submission of the second half in FY26. This technical change accounts for the revenue associated with the phasing in of the FY25 changes (Common Ownership Community units fees and Rental Licensing fees). This additional revenue was utilized to offset additional personnel costs added in FY26.

These changes in resources will result in a projected end of FY26 fund balance of \$785.1 million (\$70.2 million of which are undesignated reserves), representing an 11.1% reserves balance.

CHANGES IN EXPENDITURES

Below is the table of anticipated amendments for my FY26 Recommended Budget and a description of each of those amendments.

| Amendments to FY26 Recommended Operating Budget | | |
|--|---|---------------------|
| <i>Tax-Supported</i> | | |
| Department | Amendment | Amount |
| FRS | EMST Administrative Costs | \$380,000 |
| HHS | <i>1% Rate Increase of DD Providers</i> | \$2,829,840 |
| HHS | SEPH 2 Diversion Specialists Brokers | \$177,000 |
| HHS | Community Reinvestment & Repair Funds | \$2,500,000 |
| MCPS | <i>MCPS Teacher Pensions</i> | \$19,584,160 |
| MC | <i>Community College Pensions</i> | \$1,003,851 |
| M-NCPPC | Parks Employee Contract | \$1,072,826 |
| NDA - SPTS | <i>SDAT Office Cost Share</i> | \$2,461,254 |
| NDA - WFIS | Increase Working Families Income Supplement from 56% to 65% | \$5,031,000 |
| OCP | Position to Implement Bill 6-25 | \$105,945 |
| Total Tax-Supported | | \$35,145,876 |
| <i>Non-Tax Supported</i> | | |
| DEP | RRM - Shifted Expenditures | -\$7,042,062 |
| Total Non-Tax Supported | | -\$7,042,062 |

Amendments in italics denote changes in reaction to the State BRFA

Fire and Rescue Service

EMST Administration

I am recommending expenditures in FY26 of \$380,000 to address EMS billing contractor costs as well as the required revenue distribution to local fire and rescue departments. This fee increase allows Montgomery County to keep pace with the rising costs of providing emergency medical services and aligns with the current insurance providers' reimbursement rates. These updated rates are supported by cost trends and Medicare/private insurance reimbursement data. Ambulance fees are billed directly to residents' insurance companies; Montgomery County residents do not receive a bill or pay a deductible, and charges are waived for uninsured residents.

Department of Health and Human Services

Developmental Disability Supplement

During the 2025 State legislative session, a one percent rate increase for developmental disability providers was proposed, but ultimately removed in the final State FY26 Budget. This action provides a one-time \$2.8 million appropriation to provide a one percent developmental disability provider rate increase in FY26. This funding would be distributed to providers proportionally based the same manner in which the supplement is distributed and anticipates the State will fund an equivalent provider rate increase in FY27.

Services to End and Prevent Homelessness (SEPH)

I am recommending \$177,000 to fund two contractual Diversion Specialists in SEPH. Diversion Specialists enhance our system's capacity to prevent homelessness and reduce reliance on emergency shelters. Diversion is a strategic intervention that helps individuals who recently lost their housing identify and access safe alternatives to emergency shelters. This approach not only prevents the trauma associated with homelessness but also preserves shelter resources for those with no other options. Each Diversion Specialist manages an average caseload of 60 individuals per month, engaging in person-centered, strengths-based conversations to explore immediate housing solutions. These solutions may include negotiating returns to previous housing, facilitating stays with family or friends, or connecting individuals with community resources. By implementing these strategies, Diversion Specialists reduce the number of individuals engaging with the Crisis Center and decrease the inflow to shelters that are currently above capacity. By prioritizing diversion, we can allocate shelter beds to individuals with the most acute needs while supporting others in achieving housing stability more cost-effectively.

Community Reinvestment and Repair Funds

This amendment provides \$2.5 million in Community Reinvestment and Repair Funds in FY26. These funds are restricted in the General Fund and can only be used consistent with State and County

law, and will utilize accumulated restricted fund balance received from the State. Administrative expenses within the Department of Health and Human Services total \$95,229, including personnel costs for a 0.5 FTE Program Manager I (\$72,229); and operating expenses for Community Reinvestment and Repair Fund Commission member stipends (\$13,000) and miscellaneous administrative costs (\$10,000). With initial Commission recommendations expected in FY26, the remaining funds (\$2,404,771) will support community programming consistent with County Bill 4-24 and Maryland Senate Bill 894 of 2025.

Montgomery County Public Schools

Local Share of Pension Costs

The State's Budget Reconciliation and Financing Act (BRFA) of 2025 shifted to the County a portion of the share of annual employer pension contributions for members of the Teachers' Retirement System/Teachers' Pension System (TRS/TPS) employed by local school systems and community colleges. I am recommending an increase of \$19.6 million for the portion attributable to members employed at MCPS.

Montgomery College

Local Share of Pension Costs

The State's BRFA has shifted to the County a portion of the share of annual employer pension contributions for members of the TRS/TPS employed by local school systems and community colleges. I am recommending an increase of \$1.0 million for the portion attributable to members employed at Montgomery College.

Maryland-National Capital Park and Planning Commission (M-NCPPC)

Employee Compensation

I am recommending an amendment to the M-NCPPC Parks Fund for \$1.1 million to fully cover the impact of employee compensation in the FY26 Budget without needing to assume repurposing of existing resources.

Non-Departmental Account State Property Tax Services

Local Cost Share

In addition, the State's BRFA shifted more of the responsibility for funding the local State Department of Assessments and Taxation (SDAT) offices to the counties. SDAT and the County share costs associated with real property valuation, business personal property valuation, and IT

support. The State has increased the County's portion of the cost share from 50 percent to 90 percent, resulting in an increase to the County of \$2.5 million in FY26.

Non-Departmental Account Working Families Income Supplement

Earned Income Tax Credit (EITC) Adjustment

I am recommending an increase in the Working Families Income Supplement of \$5.0 million. This increase funds an adjustment in the amount the County matches of the State refundable EITC from 56 percent to 65 percent. This adjustment increases the tax credit for qualified families and provides additional progressivity to our tax structure.

Office of Consumer Protection (OCP)

Support for Implementation of Bill 6-25

I am recommending an increase of \$105,945 for the implementation of Bill 6-25, Consumer Protection – Defective Tenancies as Deceptive Trade Practices. This funding is needed to support an additional investigator position for OCP to handle the expected increased volume of consumer complaints received. This bill expands OCP's authority to investigate and enforce consumer protection laws in landlord-tenant matters and cannot be absorbed by existing personnel.

Department of Environmental Protection

RRM Cost Decrease

I am recommending a reduction in FY26 spending in RRM of \$7.0 million in non-tax supported funds to provide rate relief for the increase assumed in my recommended budget. This will be accomplished by a shift of \$4.0 million to FY25 using accrued revenue from the sale of electricity at the Resource Recovery Facility, and a shift of \$3.0 million to FY28 to provide relief to ratepayers.

I appreciate the Council considering these proposed amendments to my FY26 Recommended Budget, as if they were part of the original submission. Should you have any questions, please reach out to Jennifer Bryant in the Office of Management and Budget.

ME:cbo

Enclosure: Detail on Recommended FY26 CE Amendments Report

Amendments to the Recommended FY26 Operating Budget

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cc: Cecily Thorne, Chief of Staff to the Council President, Montgomery County Council
Craig Howard, Executive Director, Montgomery County Council
Gene Smith, Deputy Director, Montgomery County Council
Julie Yang, President, Montgomery County Board of Education
Dr. Thomas W. Taylor, Superintendent, Montgomery County Public Schools
Dr. Jermaine F Williams, President, Montgomery College
Artie Harris, Chair, Montgomery County Planning Board
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Michael Coveyou, Director, Department of Finance
Eric S. Friedman, Director, Office of Consumer Protection
Jon Monger, Director, Department of Environmental Protection
Corey Smedley, Chief, Montgomery County Fire and Rescue Service

Detail on Recommended FY26 CE Amendments

Non-Tax Supported

EXPENDITURE AMENDMENTS

Recycling and Resource Management

Reduce: Adjust Timing of Expenditures to Reduce FY26 Appropriation and Rates -7,042,062

Total Non-Tax Supported Expenditures -7,042,062

RESOURCE AMENDMENTS

Montgomery College

Additional State Aid 669,295

Total Non-Tax Supported Resources 669,295

Detail on Recommended FY26 CE Amendments

Tax Supported

EXPENDITURE AMENDMENTS

Consumer Protection

Add: New Investigator III to Implement Bill 6-25 **105,945**

Fire and Rescue Service

Increase Cost: Emergency Medical Services Billing Contractor and Local Fire and Rescue
Departments Distribution from Emergency Medical Services Transport (EMST) Fee Adjustment **380,000**

Health and Human Services

Add: Community Reinvestment and Repair Fund Commission Support and Programming **2,500,000**

Increase Cost: Developmental Disability Provider One Percent Rate Increase to Cover State
Shortage **2,829,840**

Replace: Two Diversion Specialist Brokers Previously Funded by COVID-19 Grant Funds with
General Funds **177,000**

NDA - Working Families Income Supplement

Increase Cost: County Match to Sixty Five Percent **5,031,000**

NDA - State Property Tax Services

Increase Cost: State Adjustment to Cost Share for Property Tax Administration **2,461,254**

Montgomery College

Increase Cost: Cost Share Adjustment for Teachers' Retirement System/Teachers' Pension
System **1,003,851**

Montgomery County Public Schools

Increase Cost: Adjustment for Blueprint Collaborative Time Funding **14,414,086**

Increase Cost: Cost Share Adjustment for Teachers' Retirement System/Teachers' Pension
System **19,584,160**

Maryland-National Capital Park and Planning Commission

Increase Cost: Employee Compensation **1,072,826**

Total Tax Supported Expenditures 49,559,962

RESOURCE AMENDMENTS

Countywide Generic

Increase FY26 Income Tax Projections due to State Law Changes **89,300,000**

Detail on Recommended FY26 CE Amendments

| Tax Supported | |
|---|--------------------|
| Increase Income Tax Offset Credit (ITOC) from \$692 to \$752 | -11,562,691 |
| Eliminate 3.5 Cent Property Tax Increase and ITOC Increase from \$692 to \$860 | -56,347,991 |
| Fire and Rescue Service | |
| Increase EMST Fee | 2,000,000 |
| Add Mobile Integrated Health Fee Implementation | 30,000 |
| Health and Human Services | |
| Community Reinvestment and Repair Fund Commission Support and Programming | 2,500,000 |
| Housing and Community Affairs | |
| Reduced Assumption of Revenue Collection from Issuance of Citation and Re-inspection Fees by Code Enforcement | -65,900 |
| Increase Common Ownership Communities Registration Fees (Phase 2 of Increases) | 553,242 |
| Increase Rental Licensing Fees for Multifamily Units and Short-Term Rentals (Phase 2 of Increases) | 2,323,122 |
| NDA - Conference Center | |
| Increased Revenues Based on Marriott Conference Center Updated Incentive Management Fees Structure | 500,000 |
| Montgomery College | |
| Additional State Aid | 1,908,415 |
| Montgomery County Public Schools | |
| Adjustment for Blueprint Collaborative Time Funding | 14,414,086 |
| Total Tax Supported Resources | 45,552,283 |