

low estimate of capacity. Growth is expected to be slower in the next decades, however.

\* About 17 percent of the total employment related development capacity is located in the County's ten Metrorail station sector plan areas. This percentage would increase if planned transit-oriented development in the I-270 Corridor, such as that recommended for the Shady Grove area, were included.

## **B. Employment Forecast**

\* Continued employment growth is expected in the coming decades, but at a slower rate than that of the past 20 years. Montgomery County is expected to add about 200,000 jobs over the next 20 years, boosting total employment to 650,000 by 2010. That would be about 10 percent more than the absolute growth in employment of about 182,000 over the past 20 years.

## **V. FISCAL FACTS**

\* In 1968, Montgomery County voters approved an amendment to the County's charter that mandated the annual preparation of two six-year budgets - one for the provision of infrastructure, known as the Capital Improvements Program (CIP), and the other for public services, called the Budget and Public Services Program. These budgets, which are prepared by the County Executive for approval by the County Council, provide detailed information and analysis related to proposed expenditures and revenue sources for County government and other agencies that formulate and implement public policy. Together, they provide much of the information needed to relate growth in households and jobs to the services and public works to support this growth, and to maintain and improve services and facilities for existing residents and workers. Public presentations of the capital and operating budgets, and the opportunity for review and comment that accompany them, provide a framework for citizen understanding of, and comment on, the County's fiscal policy.

## **A. Operating Budget**

### **1. Distribution and Growth**

\* The Budget and Public Services Program, also known as the operating budget, determines the amount of money for the day-to-day operation of County government, including activities such as bus operation, public education and police protection. By law, the County must match operating budget expenditures with revenues each year. Although the budget is approved annually, fluctuating economic conditions that change expected tax revenues sometimes cause mid-year adjustments to revenues or the services they are expected to provide.

\* Funding for the operations of the County's Executive Departments and the Board of Education account for over 91 percent of the operating budget. A significant portion of the remainder is allocated for paying debt incurred by borrowing funds for capital expenditures. Approximately 70 percent of the budget is spent on employee salaries and benefits.

\* On average, the budget has grown at a rate of about 5 percent per year since 1974, adjusted for inflation, although that rate has not been constant over time. Budget growth was high in the early 1970s and late 1980s, while in the late 1970s, high inflation, combined with increased resistance to taxes, caused budget decreases in real terms. FY 92's budget has surpassed \$1.53 billion, compared to a budget of \$773 million in FY 70. (Both figures are adjusted for inflation in 1991 dollars.) Since 1970, Montgomery County's operating budget has grown by approximately 35 percent, when adjusted for inflation and population growth.

\* Primary and secondary education currently account for over 45 percent of the operating budget. The Board of Education's proportion of the total operating budget has declined since 1971, when it accounted for over 60 percent of the budget. On the other hand, the expenditure per pupil has risen to more than \$7,200 in 1991, as

compared with \$4,800 for each pupil in FY 78, in 1991 dollars. The 1991 per pupil expenditure was more than any other county in the State.

\* The share of the County-wide budget for agencies reporting directly to the County Executive grew from 31 to 45 percent between 1970 and 1980; it has remained at that level ever since. Departments within County government that have increased most in funding over the past 20 years include Correction and Rehabilitation, Human Resources and Human Relations, Community and Economic Development, and Transportation. Mass transit expenditures experienced their greatest increase in the first half of the 1980s when staffing increased for the Ride-On system and the main portion of the Metrorail system opened to Shady Grove.

## 2. Sources of Revenue

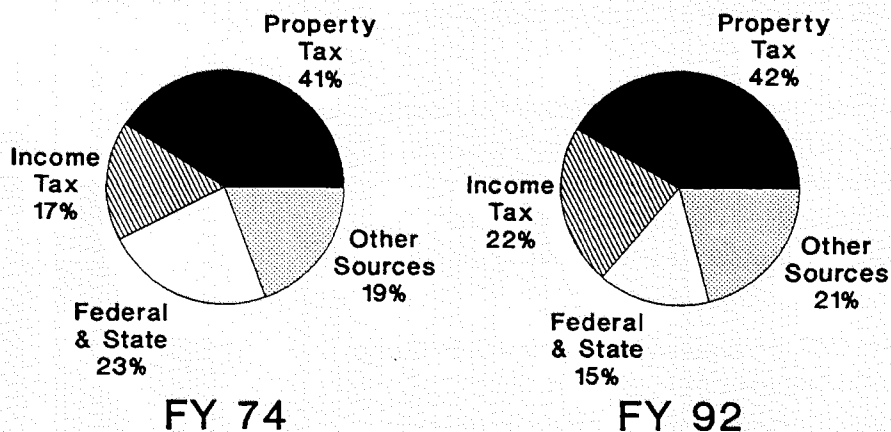
\* The largest single revenue source for the operating budget is property taxes. Since FY 74, property taxes have accounted for a roughly constant

40 percent of County revenues. Since 1978, the proportion of that share that is paid for out of residential property taxes has dropped from 73 to 67 percent, while non-residential property taxes have increased accordingly to 33 percent from 27 percent. The non-residential share includes business personal property tax on furniture, equipment, and public utility property.

\* Reflecting a national trend, State and federal contributions to the operating budget have decreased. Their share has fallen from a high of 23 percent in FY 74 to 15 percent in FY 92.

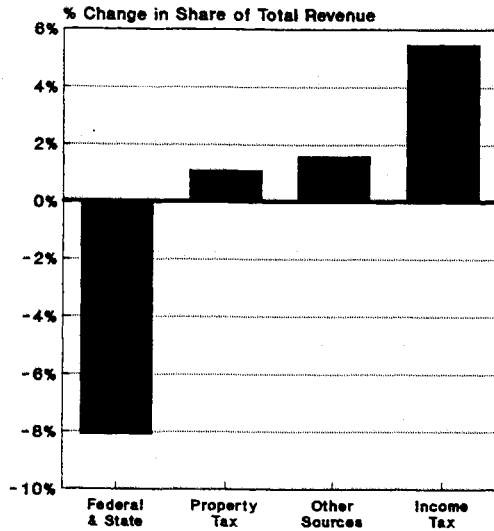
\* County income tax has grown as a percentage of total revenue, from 16.5 to 22.1 percent, between FY 74 and FY 92. Adjusted for inflation, income tax has increased from 1.7 to just over 2.0 percent of household income since FY 74. More incomes in the highest tax bracket, increasing numbers of resident workers, and changes in federal tax statutes account for much of this increase.

### Share of Revenue from Federal and State Sources Declined While Revenue from Income Tax Increased



Source: Montgomery County Office of Management and Budget and Montgomery County Planning Dept.

Share of Total Revenue From Federal & State Sources Declined Since FY 74



Source: Montgomery County Office of Management and Budget and Montgomery County Planning Dept.

Recently, the State has passed legislation that enables the County to raise the income tax, also known as the "piggy-back" tax, to 60 percent of the State income tax. The County income tax has remained at 50 percent of the State income tax since 1971.

\* User fees accounted for 8.7 percent of County revenues in FY 92, more than in any previous year. User fees may increase in significance should the emphasis in charging for public services shift from the general public to the consumer.

\* Since 1978, measures limiting growth in the operating budget have been in effect. In 1978, voters passed a measure capping yearly increases in the operating budget to the rate of inflation, unless overridden by a super majority of the County Council.

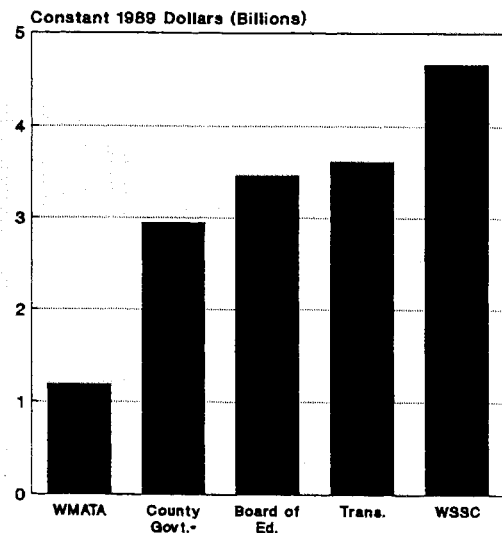
## B. Capital Improvements Program (CIP)

### 1. Distribution and Growth

\* The CIP establishes priorities and funding schedules for public works such as roads, water supply, wastewater collection, and storm drainage. Projects in the CIP are financed largely through the issuance of municipal bonds, which are debts that are later repaid, with interest, through taxes. In the 1980s, about two-thirds of the proceeds from the general obligation bonds issued were used to pay for the construction of roads and schools.

\* Transportation, public schools, and water and sewer service account for the majority of capital program spending since 1970. Between 1970 and 1980, over \$582 million was spent on the public school system, \$544 million for general County government, \$448 million for the regional transit system, and \$1.4 billion for water and sewer service (in 1991 dollars). Within the general government expenditures, 33 percent went to the construction of roads, bridges, and sidewalks,

Approved Capital Expenditures Between FY 81 and FY 91 Are Highest For WSSC, Transportation and Education



\* County Govt. includes typical government services such as Public Safety, Sanitation, and Health & Social Services

while 13 percent of the total was spent to improve public safety.

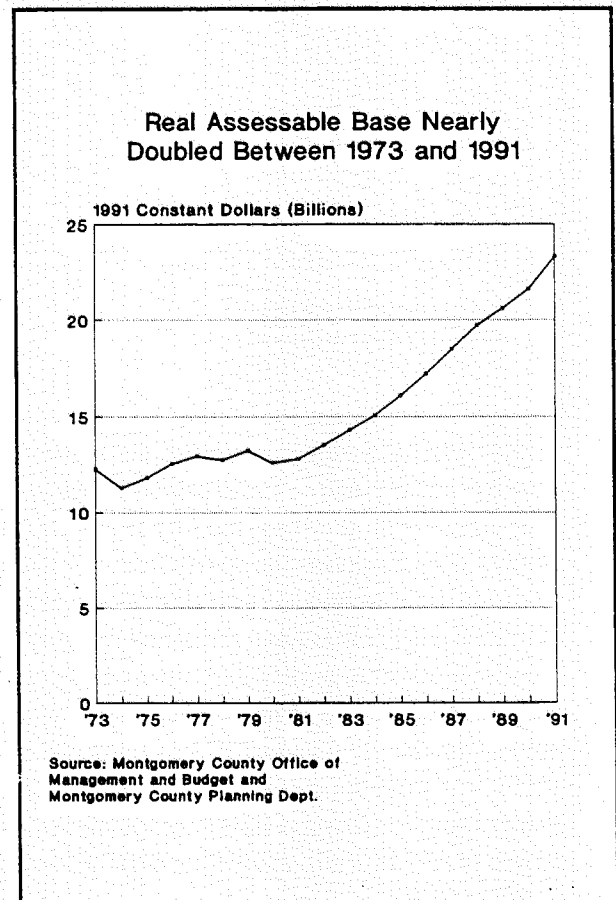
Approved CIP allocations between FY 80 and FY 92, when adjusted for inflation, total over \$3 billion for County government: \$1.1 billion for public schools and \$2.1 billion for the Washington Suburban Sanitary Commission. Fifty-five percent of County government expenditures went for transportation, 10 percent for housing and community development, and 7.2 percent for culture and recreation during that period.

## 2. Revenue Sources and Assessable Base

\* **Montgomery County has enjoyed a AAA bond rating since 1971, meaning that the County pays the lowest possible interest rate on the money it borrows for capital projects. Strong economic growth, combined with sound fiscal management, are largely responsible for this rating. In FY76, the County Council established several guidelines intended to help retain this rating. One was to limit to 9 percent the budget's "debt service", or the proportion of the operating budget used to pay off bond interest. Interestingly, the debt service was 11 percent of the operating budget when the County received its first AAA rating. Another guideline limits the amount of debt incurred through the issuance of bonds to 3.5 percent of the true value of all property in the County. The County has been able to operate within these guidelines since their adoption.**

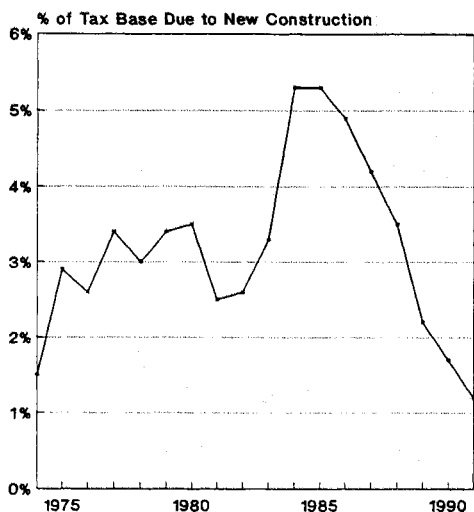
\* **Montgomery County's real assessable tax base grew from \$12.3 billion in 1973 to \$23.3 billion in 1991 (in 1991 dollars) - an increase of 90 percent. Ninety-five percent of that \$11 billion increase occurred in the decade between 1981 and 1991, a period of staggering growth for Montgomery County. The share of the assessable base that comprises apartments, condominiums and homes decreased from 81 percent to 77 percent between 1973 and 1991. The base for the commercial and industrial sectors each increased by about 2 percent from 10.7 and 5.3 percent, respectively. The farm base, which now accounts for 0.4 percent of**

**the total real assessable base, was the only class of property to decrease in total real dollar value - about 2 percent - between 1981 and 1991. The real assessable tax base represents the value of all real estate in the County upon which property taxes may be levied. Tax exempt property, such as government-owned land, is excluded from the real assessable base. By state law, the assessed value of residential property is 40 percent of its full cash value.**



\* **Between 1974 and 1991, new construction represented a yearly average of about 3 percent of the total real property tax base. The annual average was about \$486 million. New residential construction accounts for 78 percent of the total new construction base, and industrial and commercial construction another 21 percent. The new construction component of the property tax base grew rapidly between 1981 and 1985, and declined almost as rapidly between 1986 and 1991.**

**New Construction Is a Small Proportion of the Total Real Property Tax Base**



Source: Montgomery County Dept. of Finance and Montgomery County Planning Dept.

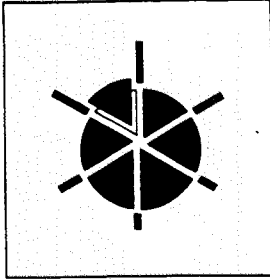
\* Residential property tax rates, set by the County, are applied to the assessed value of a property, which is determined by the State. The County collects general property taxes for itself, 17 municipalities and 11 special service areas. While property taxes have remained roughly constant as a percentage of the operating budget, they have decreased as a percentage of median income, from 3.7 percent in FY 74 to 1.4 percent in FY 91. The total tax rate has also decreased to compensate for rising property assessments, from a high of 3.97 in FY 76 to 2.93 per \$100 of assessed value in FY 92.

\* State and local law limits increases in property taxes in several ways. Since 1978, the State has

capped the revenue raised from general taxes to that raised from the previous year (excluding new construction). The law allows for the limit to be exceeded if a public hearing is first held. State law also provides an automatic tax credit against increases of more than 10 percent in the assessed value of owner-occupied residential property. A further limitation came in a 1990 County Charter amendment, when voters passed a measure which caps tax revenue from most properties to the local rate of inflation, unless overridden by the vote of seven Councilmembers.

\* Current, future, and proposed taxes on developers link development approval with the provision of funds for roads and other capital improvements. Impact taxes, which are expected to total 1.7 percent of the proposed capital budget in FY 93, may be levied on new development to increase road capacity where it is currently insufficient to allow further development. There are currently two such areas. In addition, a County-wide construction excise tax, to be phased in beginning in 1993, will be levied for new construction or additions, with rates that vary by type and size of construction. The County Executive and Council are also considering the creation of special taxing districts, called development districts, in areas of growth such as Germantown West. Owners of land in a development district would be allowed development approval in return for an agreement to stage their development, support a transportation management program, and to pay a tax based on the amount of new development proposed. Legislation has been submitted to establish a system development charge (SDC) to offset the cost of CIP water and sewer projects required to serve new development.

*General Plan*  
REFINEMENT



...on WEDGES and CORRIDORS

## TRANSPORTATION FACTS