

# Montgomery County Public Schools

## FY 2008 OPERATING BUDGET

### Spending Affordability Guidelines

The Montgomery County Council will adopt preliminary spending affordability guidelines (SAG) on December 12, 2006, for the FY 2008 Operating Budget. Below are details of the main issues and concerns facing the Council.

#### Revenue

- Revenue estimates for FY 2008 assume that property taxes will increase only up to the Charter Limit, instead of at current rates. This increases property taxes by 3.8 percent (line 6 of attachment) or \$43.9 million. At current rates, property tax revenue would increase by \$203.1 million.
- The draft SAG budget assumes that with property tax revenue at the charter limit there will be \$159.3 million less in revenue than at current rates. This reduces rates by an average of \$.105 cents per \$100 of value, or about 10 percent.
- If the Council adopts the spending affordability guidelines and confirms them in April 2007, it would take 7 votes to overturn the Charter limit on property tax revenue.
- The budget assumes an increase of \$40.7 million in income tax revenue over current estimates (3.4 percent), although income tax revenue has increased \$106 million this year alone over the original estimate (line 7). In most fiscal years, final income tax revenues have usually increased over earlier projected amounts.

#### Expenditures

- Montgomery County has a total increase of \$60.0 million in revenue over budget this year (line 13), but \$38 million of that has been committed to expenditures, mainly for \$32 million in already approved or projected supplemental appropriations for County Government (line 28 and 32).
- The proposed budget plans to use \$32.8 million of additional resources for increases in PAYGO and current revenue for the capital budget, with \$26.1 million also needed for higher debt service in FY 2008 (lines 21, 22, 30, and 31).
- The budget includes \$31.9 million to begin pre-funding of the GASB requirement for retiree benefits, with \$16.0 million of that designated for MCPS to begin a five-year phase-in of this payment.

- The SAG budget assumes that MCPS will get an increase of 3.7 percent (\$63.4 million), which is the minimum required by the state maintenance of effort requirement (line 24)
- MCPS will get this amount only because of an expected \$74.2 million in additional state aid from the sixth year of Thornton funding increases, including \$22.7 million for funding the GCEI.
- Under the SAG budget at maintenance of effort, the county contribution would be reduced by \$11.0 million because of lower enrollment projections. The \$63 million increase is the \$74 million minus the \$11 million reduction.
- There is a gap of approximately \$51 million between MCPS needs in the FY 2008 Operating Budget and the proposed SAG budget, the difference between a tax-supported budget increase of \$130 million and the \$79 million included for MCPS in SAG (lines 23 and 24).
- Other county agencies would get the following increases: Montgomery College, 4.4 percent (line 25), County Government 0.8 percent (line 28, and M-NCPPC 0.8 percent (line 31). At these levels the SAG guidelines would necessitate major service reductions in all agencies and would raise doubts about the county's long-term capacity to provide necessary funding for retiree benefits.

Attachment

12/06