



2017 Proposed Montgomery County Budget

Background

The County is proposing a \$409.5 million dollar budget for 2017. In this year's budget a dedicated revenue stream for the Montgomery County Community College has been added through a new dedicated real estate tax millage rate of 0.39 mills. This translates to about \$66 per year for the average Montgomery County homeowner. This increase is only on the Montgomery County portion of taxpayers' real estate bill (not the entire bill). All of the information about our proposed 2017 budget, and where the spending is allocated is located on the County [website](#).

The 2017 budget invests in the core functions of County government and provides dedicated support to the Community College.

- Two out of every three County tax dollars either goes to human services or criminal justice (corrections, courts, detectives, etc.).
- Tax dollars also support our parks and trails and our aggressive programs to rebuild our roads and bridges.
- The budget supports our Capital Improvement Plan (2017 – 2021) – which finances vital infrastructure needs for the County.
- There is a dedicated millage to support the Montgomery County Community College. Research has shown that an investment in community colleges yields significant returns for the community and taxpayers.
- The budget includes a 2.75% pay increase for non-represented employees.
- The budget includes an \$8 million dollar contribution to the County's Employee Pension Fund.
- The budget maintains a fiscally responsible General Fund reserve of around 11%.

The budget also reflects significant revenue loss driven by the Commonwealth - either in reduction of revenues, or in passing on costs for services the Commonwealth would no longer support:

- In 2016, the Commonwealth ended a contract for housing State inmates at the County Prison (-\$1M).
- They passed new regulations reducing Recorder of Deeds fees collected on condos (-\$0.1M).
- Commonwealth funding for court-related expenses (-\$0.5M) was reduced.
- The Federal Communications Commission (FCC) passed new regulations reducing commissions (-\$0.6M) paid to the County.

Even with this loss of revenue and with the addition of dedicated support for the Community College, our millage rate remains the lowest in the area, despite the fact that we are the largest county among the neighboring suburbs.

County	2017 Operating Budget	Real Estate Millage (proposed)
Bucks	\$415,000,000 (proposed)	23.200
Delaware	\$351,000,000 (adopted)	5.604
Chester	\$460,000,000 (adopted)	4.369
Montgomery*	\$410,000,000 (proposed)	3.849

*Includes General Fund Operating Tax Rate (3.459 mills) and Dedicated Montgomery County Community College Tax Rate (0.39 mills)

Compared to 2011:

- Montgomery County is operating departments at a lower cost (\$393 million in operating expenses in 2011 compared to \$385 proposed in 2017).
- Staffing levels have been reduced by approximately 19%.
- General Fund Balance has gone from 6.2% to 11%.
- We have gone from no contributions to the pension fund in 2011 to \$8 million proposed for 2017.

Supporting the Community College

By charter, the County has, along with the Commonwealth and student tuition, supported the Community College through tax revenue since 1963. We are recommending bringing funding back to previous levels, as an equal partner with the Commonwealth, by creating a dedicated revenue stream to continue the great work the College does. Officials at the College came to the County and asked us to match the investment provided by the Commonwealth – around \$22 million. For the last few years, the College and the students that have attended have felt the results of decreased contributions from the County, with increases in tuition forcing some students to curtail their dream of higher education because the tuition was out of reach.

Research has shown that state and county governments see a 7.2% rate of return on their support of community college, which is in line with private sector rates of return on similar long-term investments ([Economic Impact Fact Sheet](#), EMSI, 2013). MCCC contributes to an educated, skilled workforce:

- Employees with an associate’s degree earn approximately \$60,800 – or \$15,900 more at the midpoint of their careers than high school graduates (EMSI, 2/2013, p. 15)
- 81 percent of students remain in Montgomery County (EMSI, 2/2013, p. 10)
- 18 percent settle outside the county, but remain in the Commonwealth (EMSI, 2/2013, P.10)

The Community College also feeds the Montgomery County economy:

- Montgomery County economy receives approximately \$52.6 million in net added income annually due to MCCC payroll and operations spending (EMSI Executive Summary, 2/2013)
- Accumulated credits achieved by former MCCC students during the past 30 years translated to \$309.8 million in added regional income in 2011-12 due to the higher earnings of students and increased output of businesses (EMSI Executive Summary, 2/2013)
- Skills acquired by MCCC’s students translate into higher earnings and increased business output, totaling approximately \$309.8 million each year (Economic Impact Fact Sheet, EMSI, 2013)
- The average annual added income resulting from the College’s activities and students equals \$362.4 million, which is 0.6% of the total Montgomery County economy (Economic Impact Fact Sheet, EMSI, 2013)

A Strong General Fund Reserve

The General Fund Reserve will allow the County to survive unforeseen emergencies, or challenges presented by the State legislature. Previous administrations needed to borrow money at the beginning of the year to meet payroll and pay bills in the first quarter. Last year, when the state delayed its payments to Counties across the Commonwealth, many counties were unable to meet their obligations and provide critical human services. We were able to use our fund balance reserves to bridge the gap so that County services were not impacted and County employees did not see any delay to their paychecks.

Hotel Fees

Separate from the budget is a new hotel tax – a fee increase that was requested by the Hotel Industry. All revenue generated from the fee is passed through to the Tourism Board and impacts tourists who stay in county hotels – translating to a little more than a \$2 fee per hotel night. That revenue will be used to support marketing efforts to increase tourism throughout the county. Research has shown that this will drive significant revenue to county businesses. Even with that increase, our hotel taxes will be the lowest in the area.