

A STUDY OF MONTGOMERY COUNTY'S BUDGET PROCESS

The League of Women Voters of Montgomery County Budget Process Committee is charged with reviewing the county's budget process because of interest in the budget formulation and a general sense that knowledge needed updating. This study examines the multiple factors and the agencies involved in developing a workable county budget. At unit meetings, we will review present positions and determine if they are still relevant.

OVERVIEW

In Montgomery County there are two budgets. The first is the Operating Budget, which includes K-12 education, community college education, public safety, transportation, health and human services, environmental protection, parks, recreation, libraries, land use planning and regulation, trash services, economic development and debt service. Montgomery County's Fiscal Year (FY) starts on July 1 and ends on June 30. Montgomery County Government departments prepare their budget submissions between September and December; agencies submit their budgets to the County Executive and County Council between December and January. The County Executive announces his Recommended Fiscal Year Operating Budget on March 15. The County Council approves the operating budget at the end of May. For Fiscal Year 2013, the operating budget was \$4.6 billion and went into effect on July 1, 2012.

The second budget, the Capital Budget, encompasses school facilities, college facilities, roads and bridges, water and sewer facilities, information technology infrastructure, libraries, police and fire stations and general government facilities. It is funded primarily through the issuance of bonds (borrowing). The county's Capital Improvements Program (CIP), which is the focus of major review every two years, was updated in June 2012 resulting in a total of \$4.36 billion for the FY13-18 CIP for all agencies, excluding WSSC. This represents an increase of \$308.7 million or 7.6% from the previous CIP.

THE PROCESS

The mission of the Office of Management and Budget (OMB) is "to support and enhance the effective, efficient operation of County government, maintain the County's fiscal integrity and financial condition, and preserve the County's AAA bond rating." The OMB is assigned the following duties: 1.) budget preparation and administration; 2.) performance analysis and improvement; 3.) Provision and support of budget information systems; 4.) provision of fiscal information and advice and policy development and implementation. Around April, OMB calculates the "mark" for every department, which the Director of the Office of Management and Budget defines as the current expenses less one-time expenses plus known additional costs, such as the County Executive's new initiatives. Examples of initiatives that have been added to the budget include the Conservation Corps and health and human services programs.

Simultaneously, the county departments formulate their needs and describe any new programs they will propose. The "mark" is the starting point for discussion and decision-making for each department. OMB looks at projected revenues, what outside departments (e.g., schools) and agencies are likely to

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request. OMB budgets funds for reserves, debt service and retiree health benefits. OMB analysts work with the departments as budgets are prepared and get input from departments on what should be cut, if necessary. OMB reviews the submissions and makes recommendations to the County Executive who then adjusts the recommendations according to his priorities. Currently, OMB has to sign off on all new positions not created in the budget or when a department fills any position above a certain grade. Cluster meetings, comprised of groups of departments with similar or related missions, discuss how to accomplish the missions most effectively and how changes in one department affect the other departments. In 2012, the second year of implementation, OMB reports that cluster meetings were working well.

Throughout this process, OMB works with the Department of Finance to determine revenue and meets several times a week with the County Executive. OMB looks at the gap between the sum of the marks and the remaining projected revenues. OMB presents this gap information to the Executive and offers alternative ways to close it, usually citing one preferred alternative.

THE COUNTY EXECUTIVE

The initial budget is the County Executive's fiscal plan and reflects his priorities. For the MCPS budget, Montgomery College, Planning and Parks and WSSC, the Executive can recommend changes to the council. He cannot make changes as these departments are state-enabled and governed by state law. Although the County Executive publishes his budget prior to public hearings, he does listen to the public input. In December, five public forums on the FY13 Operating Budget were scheduled to be held throughout the County during the month of January to seek input from residents on Fiscal Year 2013 Operating Budget priorities.

County Council Members may make informal requests prior to the completion of the County Executive's budget. This really isn't necessary as the council has the power to make any changes it wishes. If it is a bigger project, a member may ask the Executive to include it, as any additions by the council need to be offset by reductions or covered by new revenue in order to achieve a balanced budget.

The Executive has to inform the council before he applies for any major grants. There are probably 12-15 grant applications a year. For example, the council did not approve a grant received for two helicopters, opposing the purchase because of maintenance costs. The Executive was able to convince the federal government to let him use the money for another project. The Executive has some power to move appropriations between programs.

THE COUNTY COUNCIL

The County Council holds public hearings in early April, reviews budgets in April and May and approves budgets and taxes by June. Before the County Executive publishes his Operating Budget, the council has limited input into the budget. However, council staff communicates with OMB during the year as, for example, regarding state revenue estimates. On occasion, a council member may suggest a particular project and the council has input on the Spending Affordability Guidelines. Moreover, the council can take up a special appropriation any time during the year.

The impact of the council on the development of the Executive's Budget varies with the preference of the Executive. The council's policy plans may differ from those of the County Executive. The current County Executive had served on the council. He, therefore understands and respects the council's role,

and there is more communication than before. Also, he has felt that it was important to communicate revenue estimates, so that council would understand that cuts were necessary, and to communicate with them about how and where to make them.

After the budget is submitted to the council, the role of the Executive has ended and the council can make changes in the budget. After the public hearings, the council's review of the budget is handled by its various committees, which have work sessions that are open to the public. These work sessions develop recommendations to the full County Council. Council staff makes its recommendations, which may or may not agree with council thinking. However, once a committee--or the council--takes a position, staff supports those positions. Council deliberations and hearings give the budget intense scrutiny.

IMPACT OF STATE AND FEDERAL GOVERNMENT ON COUNTY BUDGET

There is significant impact of state and federal government on the county budget. Montgomery County is subject to all applicable state and federal laws. To the extent that implementation costs money over and above state and federal aid, the budget can be affected. For example, in 2012 the Maryland Legislature, during the May Special Session, passed two laws that directly affect how counties can spend their money. There is a complete Revenue Summary showing sources of income on pp. 5-19 in the FY12 Montgomery County budget.

Overall Funding

In FY 12, the State of Maryland provided \$657.1 million in state aid to Montgomery County or 16.88% of total revenues, of which 85% — or \$559.5 million — is for public education. Mass transit received \$22.8 million and Montgomery College \$29.8 million. The balance is spread across several departments. In FY 12, the Federal Government provided \$8 million in direct aid. This is projected to be reduced to -0- in future years.

Maintenance of Effort for School Funding

Maintenance of Effort (MOE) for school funding is a law that has been in effect for some time and which requires each county (and Baltimore City) to spend at least as much per pupil as it did in the prior year in order to adequately fund the public schools. Fines could be imposed on the school district if effort was not maintained. Because of the recession, Montgomery County did not meet the maintenance of effort requirement for a few years. They were absolved from fines by the legislature for one year and are subject to a fine the second year. In the special session, maintenance of effort rules were tightened up and the State was given the power to shift funds from the local income tax directly to the school district to make up any deficit in maintenance of effort.

Thus, for schools, OMB must look at maintenance of effort requirements (must fund at same level cost/pupil as the previous year) and projected increase in the number of students. Maryland's Maintenance of Effort requires the county to fund education at the same per pupil rate from one year to the next. The County Council's actions in FY 2012 reset MOE at a level that is \$1,490 per student lower than it was in FY 2009. Because the county did not seek a waiver from MOE for this fiscal year, the state is expected to withhold \$26 million in funds as a penalty. MOE precludes the council from making reductions to the MCPS budget. The state will not add funding because any additions will be permanent and included in future MOE.

The County's Board of Education budgets its salaries and benefits and the County Council has no influence. This coming year, even if the schools just ask for MOE funding, Montgomery College and county government will face an estimated 5% reduction in funding to meet that increase.

Pension Costs

Until this year, counties have paid the employer portion of teachers' Social Security costs and the state paid the required contribution for public school teachers' pensions. As of this year, counties will be required to pay a portion of the pension contribution in addition to Social Security. This will be implemented over four years.

PUBLIC INPUT

There are many venues for public input to the budget:

- Letters/emails to the County Executive and County Council members
- Boards, Commissions and Advisory Board members, who are appointed by the County Executive, and confirmed by the County Council
- Executive Branch-sponsored budget forums across the county, where residents and businesses provide input on their priorities
- The County Executive meets with business leaders, directors of non-profit organizations and other advocacy groups
- The County Charter requires the County Council to hold a public hearing not earlier than 21 days after receipt of the budget from the Executive
- Public hearings related to budgets, legislation and regulations are advertised in the local press
- Council members hold town meetings
- Letters to local press

The County Council hearings come early in the process and the council committees start their work right about that time. They also get other input through email, faxes, etc. The public can also have direct input to council committees. People can find out who the analysts are for different subjects and can send information pertaining to the budget. The content will be included in the packets and become part of the record when analysts submit packets to the council committees.

Hearings can and do raise issues that have escaped the council's attention. Council members do listen to testimony, especially testimonials about the impact of county services on people's lives. An example demonstrating that public input worked was the North Potomac Recreational Center. After public input, the Council funded North Potomac Recreational Center, which had been on the Capital budget list for years and had again not been funded in the proposed budget. The council put the funding in the budget.

WEAKNESSES OF THE BUDGET PROCESS

There is a lack of economic analysis of fiscal impact during the collective bargaining process. For example, salary and benefits are well calculated, but other provisions may not be calculated at all. To illustrate, any collective bargaining which has a fiscal impact or change in law must go to the council. In contrast, "no cost" items do not need to be reviewed. Two examples of "no cost" items that actually have a cost was the granting of 3 days of leave to all employees, a few years ago, which did not calculate the loss of productivity. Another example was allowing policemen who don't live in Montgomery County to take their county cars home. All police could have driven within a 15 mile radius circle whether they live in the county or not. This policy undermines community policing and reduces the visibility of police in Montgomery County.

A second weakness is that the OMB does not know what the state budget will be until halfway through the county budget process.

STRENGTHS OF THE BUDGET PROCESS

- It is a consolidated budget process and covers all aspects of county government.
- Time lines are reasonable and are observed; the budget is presented when it is supposed to be, and adopted by the council before the fiscal year begins.
- Funds are appropriated for departments in three broad categories, allowing them flexibility to reprogram as needed within those categories, without coming back for further council action.
- The Council has the authority to increase the County Executive's budget overall and by department, and to move funds around – as long as the budget they adopt is balanced; this is quite unique among local governments.

OMB PERFORMANCE PLAN AND MEASURES

OMB Dashboard Measures - You can view a series of OMB performance measures and their associated values on the CountyStat's Performance **Budget Formulation Process**. Performance measures need improvement and OMB seems to rely more on CountyStat.

The CountyStat Initiative is a major component of the county's results-based accountability system. CountyStat requires decisions, actions, and policies that are driven by the extensive use of data, qualitative and quantitative analysis and outcome focused performance management. CountyStat's work is highlighted on three websites and meetings are open to the public:

- <http://www.montgomerycountymd.gov/countystat>
- <http://www.montgomerycountymd.gov/results>
- <http://www.montgomerycountymd.gov/recovery>

There was a time when departments had a detailed list of performance measures, and no one paid much attention to them. Now, departments have seven or eight "headline measures" and use them. Department heads meet with County Stat analysts and make decisions based on their data. For example, a crime spike in Silver Spring and East County led to adding more police officers and now data show that crime is declining. Measures impact the capital budget as well as the operating budget: data showed average time to assign a fire company to a fire was 2 minutes; funds were appropriated for an improved computer dispatch system, which is expected to cut that time in half. County Stat analysts report to the Chief Administrative Officer, with staff from OMB present during these reports. A current goal is better linkage, so they can use each other's data.

CONSENSUS QUESTIONS

Rather than present new consensus questions, we are asking LWVMC members if they wish to retain, change or delete three of the five current positions of the League on the Budget Process, which follow:

We support continued improvement of Montgomery County budget procedures and budget documents with emphasis on increasing citizen understanding and input. Support for:

1. **The county government looking into techniques and procedures for improving the budget process and making the budget document more understandable. (1977)**
☐ Reaffirm 2012 ☐ Amend ☐ Delete

2. The county government involving citizens early in the budget process to help establish priorities. (1977)

_____ **Reaffirm 2012** _____ **Amend** _____ **Delete**

3. The County government providing information on program cost measured against results. (1977)

_____ **Reaffirm 2012** _____ **Amend** _____ **Delete**

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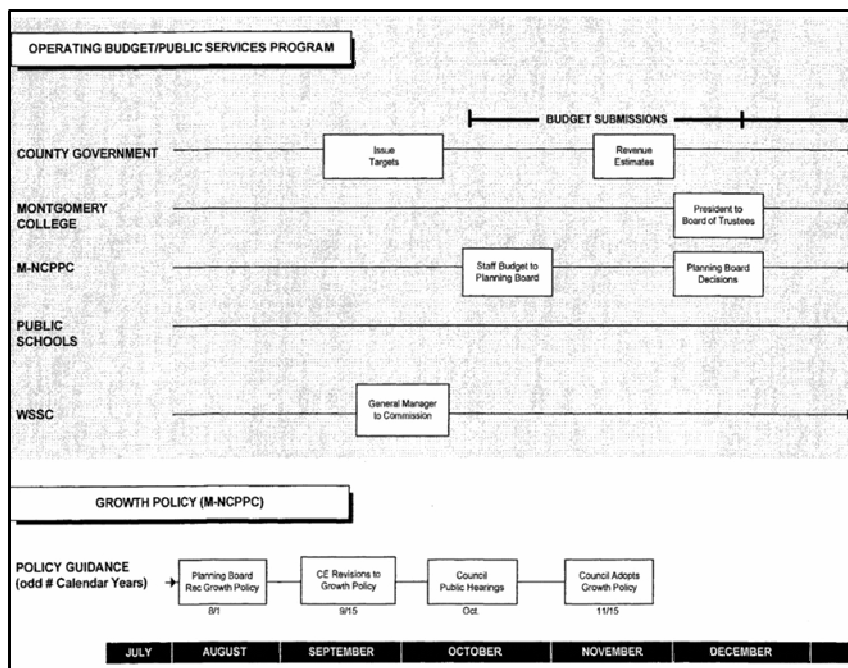
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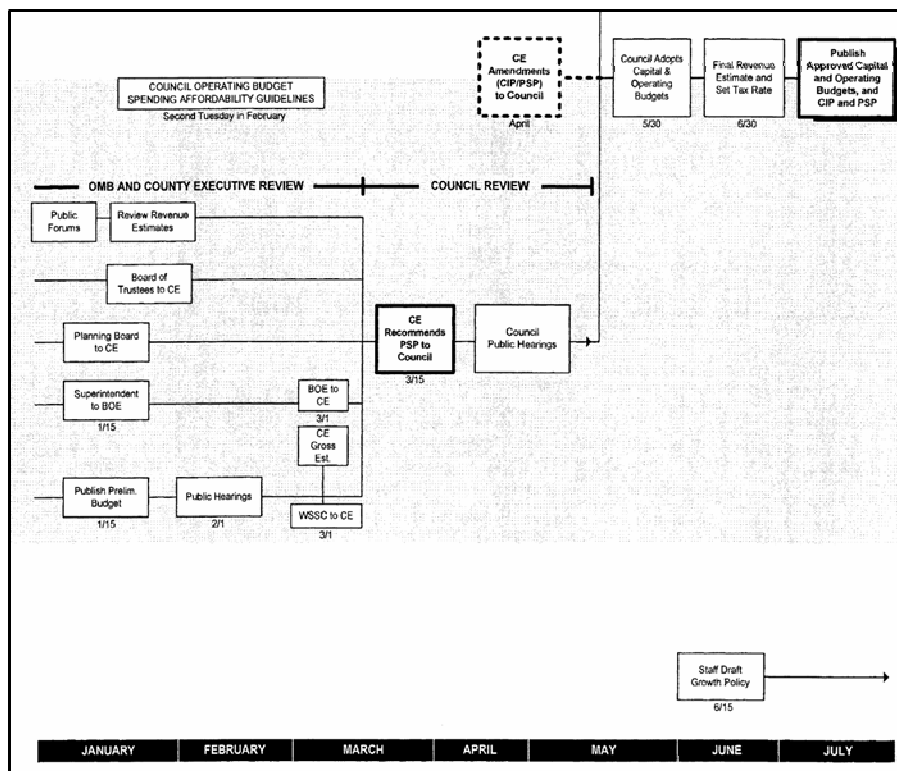
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Fact Sheet prepared by LWVMC Montgomery County Budget Process Review Committee: Adrienne McBride, Chair; Barbara Hankins, Yvonne Hudson, Fran Meyers, Judy Morenoff and Brigitta Mullican



Operating Budget Flowchart
(July 1- December 31)

Operating Budget Flowchart
(January 1 – June 30)



From: http://www6.montgomerycountymd.gov/content/omb/FY12/appr/psp_pdf/psp_howtoread.pdf.

The following positions were reaffirmed in 2013:

We support continued improvement of Montgomery County budget procedures and budget documents with emphasis on increasing citizen understanding and input. Support for: (retain and reaffirm 2013)

1. The county government looking into techniques and procedures for improving the budget process and making the budget document more understandable. (1977)
2. The county government involving citizens early in the budget process to help establish priorities. (1977)
3. The County government providing information on program cost measured against results. (1977)
4. Liaison between the Board of Education, County Executive, and County Council in the budget-making process. (Local Revenue, 1970)