

**M E M O R A N D U M**

February 7, 2022

TO: Government Operations and Fiscal Policy (GO) Committee

FROM: Gene Smith, Legislative Analyst

SUBJECT: Special appropriation to the FY22 Operating Budget, Montgomery County  
Government, Payments to Municipalities Non-Departmental Account - \$5,000,000

PURPOSE: Review and make recommendation to the Council

The Council introduced the proposed resolution on December 7, 2022 (see ©1-4). The appropriation was sponsored by Councilmembers Hucker, Navarro, Friedson, Katz, and Council President Albornoz. This funding would provide municipalities additional payments for FY22 under §30A of the County Code. Councilmember Navarro recommended a path forward for the County's property tax duplication payments during the FY22 budget discussions (see ©5-6). This appropriation request reflects the additional amount requested by municipalities in Councilmember Navarro's memorandum.

**Background**

Section 30A of the County Code establishes the program to provide reimbursements to municipalities to offset property tax duplication. Property tax duplication occurs when the County and municipality both levy a property tax on a municipal taxpayer to fund a specific service, but only the municipality provides that service to its residents. There are four conditions that must be met for property tax duplication to occur. Those conditions are:

- 1) Both the County and municipality must levy a property tax; and
- 2) Both the County and municipality must provide the service; and
- 3) The County does not fund the service within the municipality; and
- 4) The municipality funds that specific service for its residents.

**Only a small portion of the County's property taxes meet the above criteria.** Most of the County's property tax revenues fund expenditures that a municipality does not provide, like public schools. The small portion of County property taxes that do not fund a specific expenditure within the municipality is the duplicated tax portion.

The County provides reimbursements to municipalities to offset the duplicated property taxes. The County negotiates with municipalities the formulas for eligible services from time-to-time. **Given the variety of municipalities and the nature of these formulas, the County periodically convenes a task force to analyze the eligible services and appropriate formulas to address property tax duplication.** The current formulas were adopted in 1996 based on recommendations by a task force convened by Mr. Duncan. The County-approved eligible services and formulas for property tax duplication payments, prior to the requested amendments in Bill 2-22, are in Resolution 13-650 (see ©9-11).

**Expedited Bill 2-22 before the committee today would change elements of the County’s property tax duplication formulas and payments beginning in FY23.** The subject special appropriation provides additional payments to municipalities in FY22 based on the proposed FY23 formulas transmitted by the Executive, excluding the addition of police services. Table 1 below details the amount of funding provided by the County in FY22 and how much additional funding each municipality would receive through the subject appropriation when the formulas in Council Resolution No. 13-650 were in effect.

**Table 1: Details for FY22 Property Tax Duplication Payments by Municipality**

<b>Municipality</b>	<b>Property tax duplication payments per Res. 13-650</b>	<b>Additional FY22 funding approved</b>	<b>Additional funding from appropriation</b>
Brookeville	\$6,639	\$2,740	\$7,407
Chevy Chase, Sec. III	\$26,717	\$9,181	\$25,001
Chevy Chase View	\$33,892	\$14,033	\$37,771
Chevy Chase Village	\$80,942	\$34,488	\$89,351
Town of Chevy Chase	\$111,119	\$39,685	\$114,054
Drummond	\$3,788	\$1,568	\$4,222
Friendship Heights	\$92,634	\$3,606	\$13,372
Gaithersburg	\$1,031,528	\$358,962	\$1,188,916
Garrett Park	\$39,803	\$16,427	\$44,406
Glen Echo	\$17,046	\$7,059	\$18,995
Kensington	\$142,191	\$37,504	\$115,333
Laytonsville	\$19,398	\$3,366	\$25,713
Martin's Additions	\$22,030	\$9,123	\$24,550
North Chevy Chase	\$20,734	\$8,557	\$23,132
Oakmont	\$2,691	\$1,114	\$2,999
Poolesville	\$202,665	\$74,972	\$233,707
Rockville	\$2,116,245	\$684,434	\$2,526,792
Somerset	\$46,664	\$18,992	\$52,293
Takoma Park	\$1,148,775	\$2,449,599	\$410,883
Washington Grove	\$36,883	\$15,273	\$41,102
<b>Total</b>	<b>5,202,384</b>	<b>3,790,683</b>	<b>\$5,000,000</b>
<b>Grand Total</b>			<b>\$13,993,067</b>

This packet contains:

Circle #

Proposed resolution	1
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Resolution No.: \_\_\_\_\_  
Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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By: Council President Hucker, Councilmembers Navarro, Friedson, Katz,  
and Council Vice President Albornoz

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**SUBJECT:** Special Appropriation to the Fiscal Year 2022 Operating Budget  
Montgomery County Government, Payments to Municipalities Non-Departmental  
Account, \$5,000,000 (Source of Funds: General Fund Reserves)

**Background**

1. Section 308 of the County Charter provides that a special appropriation is an appropriation which states that it is necessary to meet an unforeseen disaster or other emergency, or to act without delay in the public interest. Each special appropriation shall be approved by not less than six Councilmembers. The Council may approve a special appropriation at any time after public notice by news release. Each special appropriation shall specify the source of funds to finance it.
2. Chapter 30A of the Montgomery County Code creates a program that allows reimbursements to municipalities for those public services provided by municipalities that would otherwise be provided by the County.
3. The County's reimbursements under Chapter 30A are made annually to municipalities pursuant to procedures and formulas established in Council Resolution No. 13-650, dated September 10, 1996. These procedures and formulas were recommended by a task force of County and municipal representatives after reviewing the municipal property tax duplication formulas and reimbursements. Since FY13, the County has provided reimbursements to municipalities that exceed the amount required by the formulas in Council Resolution 13-650.
4. The County Executive proposed new reimbursement formulas for the FY 2022 Operating Budget, but the municipalities claimed that the proposed formulas were not amenable.
5. Councilmember Navarro, Chair of the Government Operations and Fiscal Policy Committee, recommended a path forward on property tax duplication in FY 2022 during the April 30, 2021 Government Operations and Fiscal Policy Committee. The path forward included: 1) approving the Executive's recommended \$9,122,411 appropriation for

reimbursements for property tax duplication to municipalities in FY 2022, an increase of \$824,632 from FY 2021; 2) considering an additional \$5,000,000 appropriation – the difference between the County Executive’s proposed appropriation and the estimated amount the municipalities state they are owed – if additional resources were identified in FY 2022; and 3) requesting that the County Executive work with representatives of municipalities to reach agreement on appropriate formulas for property tax duplication reimbursements and appropriate formulas for reimbursements related to the police services for certain municipalities.

- 6. The County Council anticipates receiving the revised formulas, including those for police services, from the County Executive before the recommended FY 2023 Operating Budget is released.
- 7. A FY 2022 Operating Budget special appropriation is requested for the Payments to Municipalities Non-Departmental Account:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$5,000,000	\$5,000,000	General Fund Reserves

- 8. This special appropriation will fund the reimbursements that municipalities state they are owed in FY 2022.
- 9. Notice of public hearing was given and a public hearing was held.

**Action**

The County Council for Montgomery County, Maryland approves the following resolution:

A special appropriation to the FY 2022 Operating Budget for the Payments to Municipalities Non-Departmental Account:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$5,000,000	\$5,000,000	General Fund Reserves

Schedule A details the reimbursement amount for each municipality per the base formulas in Council Resolution 13-650.

This appropriation is needed to act without delay in the public interest.

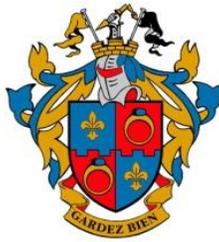
This is a correct copy of Council action.

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Selena Mendy Singleton, Esq.  
Clerk of the Council

**Schedule A**

<b>Municipality</b>	<b>Additional Grant for FY 2022</b>
Brookeville	\$7,406.53
Chevy Chase, Sec. III	\$25,001.16
Chevy Chase View	\$37,771.30
Chevy Chase Village	\$89,350.94
Town of Chevy Chase	\$114,054.29
Drummond	\$4,221.57
Friendship Heights	\$13,372.10
Gaithersburg	\$1,188,916.45
Garrett Park	\$44,405.84
Glen Echo	\$18,995.25
Kensington	\$115,332.85
Laytonsville	\$25,713.40
Martin's Additions	\$24,549.79
North Chevy Chase	\$23,131.52
Oakmont	\$2,999.40
Poolesville	\$233,706.70
Rockville	\$2,526,792.47
Somerset	\$52,293.25
Takoma Park	\$410,883.44
Washington Grove	\$41,101.75
<b>Total</b>	<b>\$5,000,000.00</b>



**MONTGOMERY COUNTY COUNCIL**

**ROCKVILLE, MARYLAND**

**COUNCILMEMBER NANCY NAVARRO  
DISTRICT 4**

**CHAIR, GOVERNMENT OPERATIONS AND  
FISCAL POLICY COMMITTEE**

**EDUCATION AND CULTURE COMMITTEE**

**MEMORANDUM**

April 23, 2021

**TO:** Members of the County Council

**FROM:** Nancy Navarro, Councilmember

**SUBJECT:** A path forward on the property tax duplication reimbursement formulas

On April 30, 2021, the Government Operations and Fiscal Policy (GO) Committee will be reviewing funding for the County's property tax duplication reimbursement agreement with the municipalities. I appreciate all the hard work that has taken place in this arena under the leadership of Councilmember Sidney Katz who is the Council's lead on property tax duplication efforts.

The good news is that there has been some progress; the County Executive's recommended FY 2022 Operating Budget includes an increase of \$824,632 for a total of \$9,122,411 in reimbursements and grants to the municipalities. The County Executive forwarded a proposed resolution that contains revised formulas that, according to him, were the negotiated agreements with the municipalities. At the April 13 meeting of the County Council and the leadership of the municipalities, the municipal leaders stated that they had not seen the County Executive's resolution and would like more time to review it and collaborate on a final solution with the County Executive. I agree that all parties need additional time and effort to reach agreement on revised formulas that address this issue.

We are close to a solution and have a unique opportunity to fix this decades long problem. The County Executive's proposed resolution is a good starting point. **I recommend that the Council consider the following approach to preserve the progress made and hopefully reach agreement before the FY23 budget:**

1. Approve the County Executive's increase of \$824,632 in the FY22 budget, for a total of \$9,122,411.
2. Add to Category 2, the sum of \$5,000,000 (in three tranches of \$2,000,000, \$1,500,000 and \$1,500,000 respectively) to represent the difference between the County Executive's proposal and the estimated amount the municipalities state they are owed.
3. Request that the County Executive work with representatives of the municipalities to reach agreement on:
  - The appropriate formulas for property tax duplication reimbursements, which may or may not include any phase-in approach as proposed by the County Executive this year; and
  - The appropriate formulas for reimbursements related to the County's and certain municipalities' police services.

The expectation is for these negotiations to conclude by August 2021, so the County Executive can transmit the agreed upon formulas via a proposed resolution and the narrowly defined amendments to the County Code for the police services. If the Council could receive these document as we return in September 2021, then the GO Committee will have ample time to review and finalize before the FY23 budget is prepared.

As chair of the GO committee, I sincerely look forward to a just and equitable solution that puts this problem behind us once and for all. Please feel free to contact me if you have any questions or ideas about this issue.

Copy to:  
Marc Elrich, County Executive  
Rich Madaleno, Chief Administrative Officer  
Marlene Michaelson, Executive Director

# **Council Sponsored Special Appropriation: Racial Equity and Social Justice**

## **Subject**

Special Appropriation to the County Government's FY22 Operating Budget, Montgomery County Government, Payments to Municipalities Non-Departmental Account, \$5,000,000 (Source of Funds: general fund reserves)

- Introduced: December 14, 2021
- Public hearing: Tentatively scheduled for January 11, 2022
- Committee review: Will be scheduled at a future date along with the Executive's proposed bill related to the same topic

## **Description and Background**

This special appropriation provides funding to certain municipalities. Chapter 30A of the County Code creates a program that allows reimbursements to municipalities for those public services provided by municipalities that would otherwise be provided by the County. This reimbursement program addresses the issue of property tax duplication since both the County and the municipality levy a property tax, but only the municipality provides that service within its jurisdiction.

The County's reimbursements under Chapter 30A are made annually to municipalities pursuant to procedures and formulas established in Council Resolution No. 13-650, dated September 10, 1996. Since FY13, the County has provided reimbursements to municipalities that exceed the amount required by the formulas in Council Resolution 13-650.

The County Executive proposed new reimbursement formulas for the FY 2022 Operating Budget, but the municipalities claimed that the proposed formulas were not amenable. The Council approved additional funding in the FY 2022 Operating Budget, as proposed by the Executive, but it did not amend the reimbursement formulas. This special appropriation would provide municipalities additional funding that municipalities state that they are owed in FY22. The source of funding is the County's general fund reserves.

## **Data**

The U.S. Census Bureau provides demographic data for most of the municipalities and the County. Table 1 below provides this information for all municipalities receiving funding through this proposed special appropriation.

**Table 1 – Black and Latinx Demographics for Certain Montgomery County Municipalities**

<b>Municipality</b>	<b>Total Population</b>	<b>% Black</b>	<b>% Latinx</b>
Brookeville	166	1.2%	3.6%
Chevy Chase, Sec. 3	802	1.5%	6.7%
Chevy Chase View	1,005	1.8%	7.4%
Chevy Chase Village	2,049	0.2%	4.8%
Town of Chevy Chase	2,904	0.9%	3.5%
Drummond*	135	5.0%	5.0%
Friendship Heights	5,360	6.9%	11.1%
Gaithersburg	69,657	16.6%	28.5%
Garrett Park	996	0.9%	6.9%
Glen Echo	279	0.7%	6.5%
Kensington	2,122	7.1%	15.3%
Laytonsville	572	14.2%	13.6%
Martin's Addition	946	1.8%	3.4%
North Chevy Chase	682	5.6%	7.8%
Oakmont*	150	3.0%	6.0%
Poolesville	5,742	5.2%	9.9%
Rockville	67,117	10.9%	16.9%
Somerset	1,187	1.6%	7.9%
Takoma Park	17,629	31.9%	15.7%
Washington Grove	505	5.7%	9.1%
<b>Municipal Total</b>	<b>180,005</b>	<b>14.2%</b>	<b>20.1%</b>
<i>Montgomery County</i>	<i>1,062,061</i>	<i>18.6%</i>	<i>20.5%</i>

Source: U.S. Census Bureau, 2020 Decennial Redistricting Census, except for \* where the census tracts were used as proxies based on the last reported population of those municipalities.

## **Council staff Comments**

The requested special appropriation of general funds will provide additional funding to certain municipalities. The implementation of this funding and its impact on racial equity and social justice will be at the discretion of the municipalities through each municipality’s budget deliberation process.

Resolution No.: 13-650  
Introduced: Sept. 10, 1996  
Adopted: Sept. 10, 1996

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

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By: County Council

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Subject: County Reimbursements under the Montgomery County Municipal Revenue Program - Task Force Report and Recommendations

Background

1. Chapter 30A of the Montgomery County Code (1994) provides for a program which reimburses municipalities and special taxing districts for those public services provided by the municipalities which would otherwise be provided by the County.
2. Reimbursements under Chapter 30A have been made pursuant to a procedure established under Resolution 8-2222, dated October 17, 1978, which was revised and supplemented by Resolution 9-1752, dated April 27, 1982.
3. In March 1995 County Executive Douglas M. Duncan appointed County and municipal representatives to serve on the Montgomery County Task Force to Study the Municipal Tax Duplication Reimbursement Program. This Task Force was charged with reviewing the procedures and formulas used to determine the amount of the reimbursements and with making recommendations to improve these procedures and formulas.
4. The Task Force submitted its Final Report and recommendations, a copy of which is attached, to County Executive Douglas M. Duncan, on June 5, 1996.
5. The goals of the Task Force were to determine:
  - a. Whether the complex formulas used to calculate the reimbursements could be simplified;
  - b. Whether reimbursements could be made in a way that would provide greater

predictability to each municipality in planning the following year's budget;

c. Whether a single reimbursement could be made.

6. The Task Force recommends that the following formulas be used to determine the reimbursements for the following services provided by the municipalities:
- a. **Transportation.** Reimbursements shall be a percentage of the County's actual, audited per mile or per item expenditure, multiplied by the number of miles or items in each municipality. The percentage reflects the percentage of the County expenditures that are paid for with property tax revenues.
  - b. **Park Maintenance.** Reimbursements will be based upon the same formula currently used.
  - c. **Code Enforcement.** Reimbursements will be based upon the net County property tax supported code enforcement expenditures per dwelling or per parcel.
  - d. **Other services.** Reimbursements will be based upon the net County property tax supported expenditures.

Action

The County Council for Montgomery County, Maryland, approves the following resolution:

- 1. The Final Report of the Task Force to Study the Municipal Tax Duplication Reimbursement Program is accepted and the recommendations, as outlined in the report, are accepted for funding within the Municipal Revenue Program
- 2. The recommendations contained in the Report will be implemented beginning in Fiscal Year 1997.
- 3. Reimbursement payments to municipalities will be made once a year, by October 1.
- 4. Reimbursements for Fiscal Year 1997 will be based upon Fiscal Year 1995 actual, audited expenditures from the County's comprehensive annual financial report. Thereafter annual reimbursements will continue to be based upon the actual audited expenditures using a similar two year interval.
- 5. Municipalities will not be required to submit their expenditures but will be required to provide annual certification of eligible services
- 6. The Task Force will meet annually to review the municipal revenue program.

7. To the extent that the County Council is required to meet annually and discuss with each municipality the rate for assessments or the tax reimbursement program, the Council delegates this duty to the County Executive or his delegate, who should then report back to the County Council.

This is a correct copy of Council action.

/s/

Mary A. Edgar, CMC  
Secretary of the Council

APPROVED:

/s/

Douglas M. Duncan  
County Executive