

Rushern L. Baker, III  
County Executive

# PRINCE GEORGE'S COUNTY GOVERNMENT

## OFFICE OF THE COUNTY EXECUTIVE

July 1, 2016

To the Citizens, Residents and Businesses of Prince George's County:

It is with great joy that I present the FY 2017 approved budget. It truly marks a new economic beginning for the County and serves to foretell the great future that lies ahead. Within this budget, we begin to witness the achievement of real returns from our focused investments that are now working to yield economic dividends. The County has 7,400 more County-based jobs, 22,400 more residents with jobs, \$1 billion more in resident wages and 11,800 fewer unemployed residents than in 2010. In fact, this year's job growth is the highest increase since 2003. Our real property assessed values have increased by \$3 billion since FY 2011 and the Economic Development Investment (EDI) Fund has leveraged over \$620 million in private investments to bolster economic efforts. These earned economic gains will wisely be re-invested in key areas to further create more County successes and improvements as we continue the transformation towards making Prince George's County the premiere County in the region and among the best in the United States.

As this economic resurgence continues and builds annually, we will be able to accelerate our journey to "Greatness". The FY 2017 approved budget represents a blueprint for it is the first fiscal plan of re-investment since I have been County Executive. This plan's foundation is premised on a proven investment strategy - growing the economy, continuing the academic improvements in K-12 education, providing for safe and environmentally sound communities, assisting our residents in achieving healthy outcomes and social well-being. However, the laudable difference, resides in our ability to take the earned returns and prudently reinvest them by proposing resource growth and expansion of critical core services and in limited ways engage in some bold new programs.

The FY 2017 approved budget maintains the long-standing commitment to grow our economy by expanding our commercial tax base and creating and retaining jobs. Supporting this ongoing effort are the budgets for the Economic Development Incentive Fund, the County's economic development agencies and the Department of Permitting, Inspections and Enforcement (DPIE). Additionally, the FY 2017 approved budget includes resources for redevelopment projects such as Glenarden apartments, the Suitland Town Center and Suitland/Naylor Road areas.

To accelerate our progress, we must continue to invest in all our education systems, as they have the greatest mission to fulfill in preparing all our students for full participation in the rapidly growing economy. The approved FY 2017 budget demonstrates this commitment by providing nearly \$2.1 billion for our three educational systems – the Board of Education, Community College and Memorial Library system.

To continue the momentum of the return on investments, we must build upon the many successes we have witnessed in making our communities safer. The approved budgets for Public Safety agencies and the Courts provide the resources necessary to meet the response time needs of an ever-growing base of residents and businesses. Taken together they represent \$661.3 million of the FY 2017 approved budget and reflect the prudent decision to reinvest by expanding our ranks of direct service safety providers.

Similarly, the FY 2017 budget continues our commitment to promote clean and environmentally sound neighborhoods as these efforts assist in the attraction and retention of new residents and businesses. Both

the Departments of Public Works and Transportation and Environment have approved resources in FY 2017 to assist in the improvement of County infrastructure.

But, at the very heart of this year's fiscal plan is the use of our investment returns to provide greater assistance to our residents most in need of access to care and preventive services. The approved FY 2017 budgets to the respective human service agencies from the County have in total increased by \$4.8 million or 20.1% above last year – the single highest discretionary percentage increase contained in the FY 2017 approved budget. The increase is aimed at not only improving core service delivery in order to build upon the improvements in our health standards and the gains seen in connecting residents to appropriate case management services but also to allow for overdue new programming. This new programming will be focused on intervention efforts for vulnerable populations to include reducing the occurrences of violence.

Lastly, it gives me great pleasure to be able to recognize those who daily help propel our progress forward through their dedication and hard work...our approximately 7,000 employees. The FY 2017 approved budget includes resources to support employee compensation adjustments that will largely be determined through the collective bargaining process.

### **FY 2017 Budget – All Funds**

The approved FY 2017 budget for all operating funds is \$3.71 billion, an increase of \$175.4 million or 5.0% over the FY 2016 budget. The General Fund accounts for 84.0% of all spending in FY 2017 and will increase by \$166.5 million or 5.6%. County source revenues increase by \$105.2 million or 6.2%. The growth is primarily driven by anticipated increases in both income tax receipts and property transaction tax receipts, as well as the expected revenue gains from the mid-year opening of MGM National Harbor.

Grant funding is estimated to total \$206.5 million in FY 2017, an increase of \$4.8 million or 2.4%. Agencies will continue to diligently seek new sources of revenues and will likely exceed the budgeted amount before year-end. Special Revenue funds account for \$164.9 million or 4.4% of all spending in FY 2017. Spending in this fund is projected to increase by 1.1%.

The County's Enterprise Funds totals \$180.0 million, representing a growth of 0.4% to fund various water quality programs and meet the State mandates. The Internal Service Funds, totaling \$44.1 million in FY 2017, comprise the remainder of the budget.

The chart below shows a summary of all operating funds in FY 2017:

	<b>FY 2016 BUDGET</b>	<b>FY 2017 APPROVED</b>	<b>\$ CHANGE FY16- FY17</b>	<b>% CHANGE FY16- FY17</b>	<b>% OF TOTAL BUDGET</b>
<b>Fund</b>					
General Fund	\$ 2,950,420,200	\$ 3,116,934,200	\$ 166,514,000	5.6%	84.0%
Internal Service Funds	42,480,000	44,121,900	1,641,900	3.9%	1.2%
Enterprise Funds	179,319,600	179,964,300	644,700	0.4%	4.8%
Special Revenue Funds	163,053,000	164,899,900	1,846,900	1.1%	4.4%
Grant Program Funds	201,729,100	206,521,600	4,792,500	2.4%	5.6%
<b>TOTAL</b>	<b>\$ 3,537,001,900</b>	<b>\$ 3,712,441,900</b>	<b>\$ 175,440,000</b>	<b>5.0%</b>	<b>100.0%</b>

### General Fund Revenues

The FY 2017 approved budget is framed by regional growing economy that is experiencing growth in both the real estate and job markets. Additionally, the General Fund revenues reflect the impact of the anticipated opening of MGM National Harbor. Overall, the FY 2017 General Fund forecast represents an increase of \$166.5 million or 5.6% over the FY 2016 Budget. The approved FY 2017 General Fund budget includes \$1.81 billion in County Sources and \$1.31 billion in Outside Aid.

### General Fund – County Sources

County Sources – taxes, fees, licenses and permits, service charges, use of money and property, etc. – represent resources used to fund the majority of government programs and services, including the County's contribution to the Board of Education, Memorial Library System and Community College. In FY 2017, County Sources are projected to be \$1.81 billion, an increase of \$105.2 million, or 6.2%, over the FY 2016 budget. These revenues account for approximately 58.1% of the total General Fund revenues for FY 2017.

Real property taxes represent the largest portion of County Source funding for government operations. In FY 2017, receipts are projected to total \$716.0 million, a modest increase of \$16.4 million or 2.3% over the FY 2016 budget. Excluding the additional revenue assigned to the school system, the County's real property tax revenues are projected to increase by \$13.1 million or 1.9% in FY 2017.

Personal property tax revenues are projected to increase by \$1.3 million or 1.8% in FY 2017. Excluding the additional revenue assigned to the school system, the County's personal property tax revenues are projected to increase by \$1.1 million or 1.7% in FY 2017.

Income tax revenues are expected to total \$591.5 million in FY 2017, including the State Income Disparity Grant. This is an increase of \$40.6 million or 7.4% over the FY 2016 budget. Income tax receipts are expected to grow by \$33.5 million to \$561.3 million due to our improving unemployment rate. Funding from the State Income Disparity Grant is expected to increase by \$7.1 million or 30.7% in FY 2017.

The County's real estate market is forecasted to continue improving over the next year. As such, the combined receipts from both the Transfer and Recordation taxes are anticipated to increase by \$27.8 million or 22.6% to \$150.8 million in FY 2017. This estimate reflects a steady improvement in the County's housing market as the median home sales price has continued to rise in 2016.

Revenue from licenses and permit fees is projected to increase 50.8% in FY 2017. This is primarily driven by the anticipated impact from the opening of MGM National Harbor and continued economic development activity.

Intergovernmental revenues are projected to decline by \$1.8 million or 4.3% below the FY 2016 budget. The decrease is due to the County foregoing an annual payment from the Revenue Authority, which will allow the Authority to continue to invest in economic development projects. Also noteworthy, is that the FY 2017 approved budget includes no reduction in support from the Maryland National Capital Park and Planning Commission.

The only other decline in the approved General Fund revenues is in the use of Fund Balance in FY 2017.

### General Fund – Outside Aid

Outside Aid to the Board of Education, Community College and Library are estimated to be \$1.31 billion in FY 2017, an increase of \$61.3 million or 4.9% from FY 2016 budget levels. Outside Aid accounts for 41.9% of total General Fund revenues in FY 2017. The primary driver for the growth is an anticipated increase of State Aid for the Board of Education and their use of Fund Balance.

### Excellent Education System

College and job readiness is becoming an increasingly important standard by which to measure school success and student achievement. As such, the FY 2017 approved budget includes \$1.92 billion in funding to the Board of Education, an increase of \$90.8 million or 5.0% over the FY 2016 budget. Funding for the Board constitutes 61.7% of all General Fund spending in the FY 2017 budget. The County's contribution represents an increase of \$29.0 million over FY 2016 and exceeds the Maintenance of Effort requirement by \$18.9 million. The approved budget supports the growing enrollment and provides for improvements at the international schools. The budget also allows for the continued expansion of the pre-kindergarten program and the expansion of career and technical academies.

The County will also make significant investments in a number of school construction projects in FY 2017, including \$106.6 million in County capital funds to support such projects as completion of the construction of the Fairmont Heights High School replacement project, and planning for the renovation or replacement of William Wirt Middle School and Suitland High school, as well as, several systemic replacement projects.

In addition, the FY 2017 approved operating budget includes \$108.0 million for the Community College. The approved budget funds employee compensation adjustments for employees and supports the core operational needs of the College. The FY 2017 budgets also include new and expanded investments that allow for greater partnering opportunities. The College will be able to add satellite locations at Oxon Hill High School and High Point High School for the dual enrollment program, and will launch a new student support program - Creating Opportunities for Academic Success and Transfer (COAST) - at ten high schools. In addition, the CIP budget includes funding for the construction of the Queen Anne Academic Center and Lanham Hall renovations.

The approved FY 2017 operating budget for the Memorial Library System is \$27.9 million, an increase of 5.3%. The approved budget provides for merit adjustments for staff and maintains the current operating hours of all branches. With the additional resources, the Library will be able to expand its on-line offerings to include a new Career High School Diploma program. The FY 2017 CIP funds will support the continued construction at the Laurel, Hyattsville and New Carrollton Branch libraries, planning for Bladensburg and various improvement projects.

### Thriving Economy

The County's continued successes will be measured in large part by our ability to grow the local economy. We have made notable progress since launching the Economic Development Incentive (EDI) fund three years ago with an investment of \$50 million in order to provide loans and grants to promote business attraction and expansion. To date, the County has awarded \$23 million in EDI funding to 33 projects. This investment is estimated to have retained 4,134 jobs and created approximately 3,300 County jobs. Moreover, EDI funding has leveraged over \$620 million in State economic development funds and private investments in the County.

The approved FY 2017 budget includes \$9 million from the EDI fund to continue investing in the economy. The Economic Development Corporation and the Financial Services Corporation will continue to use the EDI fund, along with other available financial incentives, to retain and attract businesses to Prince George's County.

We will also continue our progress in term of growing the residential, commercial and industrial economy by improving efficiencies in the permitting and inspection processes. In FY 2014, the new Department of Permitting, Inspections and Enforcement was established to streamline and improve services in this regard. The FY 2017 budget includes an investment to improve service delivery through the acquisition of a new \$5.3 million permitting system.

In addition, the Non-Departmental budget includes a \$3.65 million PAYGO transfer to the Redevelopment Authority's capital budget to support community redevelopment efforts in Glenarden and Suitland. The projects include the start of the new Suitland Town Center development with \$2.2 million for design of the public infrastructure and \$20 million in property acquisitions in the Suitland/Naylor Road area.

### **Safe Neighborhoods**

To protect the momentum and continue to build upon the many successes we have witnessed in making our communities safer, the County makes a significant re-investment in FY 2017 to expand the ranks of the direct service providers. The respective approved budgets for Public Safety agencies and Courts provide the resources necessary to meet the response time needs of an ever-growing base of residents and businesses. Taken together they represent \$661.3 million of the FY 2017 approved budget, an increase of nearly \$35.3 million or 5.6% over the FY 2016 budget level.

Specifically, the additional funds will allow for the following new personnel - 150 police recruits and 15 school crossing guards, 70 firefighters, 25 deputy sheriffs and 3 security officers for the Family Justice Center, 105 correctional officers and funding for all dispatcher and call taker positions, including those newly added for the opening of District VII police station.

The FY 2017 approved budget for the Circuit Court and the Orphans Court totals \$16.4 million, an increase of \$0.7 million or 4.2% above the FY 2016 budget. Included in the approved funds for the Circuit Court is the development of a Strategic Implementation plan to ensure deployment of best practices for operations. Similarly, the Office of the State's Attorney approved FY 2017 budget of \$16.6 million will support improved operations through the filling of three existing Assistant State's attorney vacancies.

The CIP budget includes funding for: the completion of the new Police Department Administrative Headquarters and planning for the new Forensics Lab; completion of the Hyattsville and Oxon Hill Fire/EMS stations and planning of the Training facility; renovations at the correctional center medical unit and detention housing units. Additionally, funding is allocated for the construction of the new Public Safety Driver Training and Gun Range and limited renovation of various Court facility areas to include the State's Attorney site.

### **Quality Healthcare and Effective Human Services**

The very heart of this year's fiscal plan is to provide greater assistance to our neighbors most in need of access to care and preventive services. The approved FY 2017 budgets for our human service agencies increased \$4.8 million or 20.1% above FY 2016 level. The increase is aimed at improving core service

delivery, connecting residents to appropriate case management services and investing in new programming.

The new programming (\$2.4 million) will be focused on intervention efforts for vulnerable populations to include reducing the occurrences of violence among children and adults, domestic partners, sexual assault and/or human trafficking. These additional resources are intended to be used to assist our residents and families before a crisis results in a violent act. To be most effective, the resources will be deployed collaboratively in partnership with other relevant County entities such as the Courts, State's Attorney, and other Public Safety agencies, community partners and advocates. As the success of the TNI @ School program and the six TNI communities have proven, when we marshal efforts we can make a difference and uplift those facing challenges.

The CIP budget includes the \$208 million for the new Regional Medical Center in Largo and the development of the Regional Health and Human Service Administration Building. This will improve residents' access to health and human services.

### **Clean and Sustainable Environment**

In FY 2017, the County continues its investment in various environmental programs to improve quality of life and support Federal and State mandates. The approved FY 2017 funding for the Local Watershed Protection and Restoration Enterprise Fund is \$14.8 million, a decrease of \$2.2 million or 12.9% under the FY 2016 budget to support planned activity for impervious area restoration through retrofit stormwater controls. The County's investment in the Stormwater Management Fund increases in FY 2017 by \$0.6 million or 0.8% for a total of \$67.6 million to support various water quality programs. The FY 2017 CIP budget includes \$39.3 million for the Clean Water partnership.

The approved Solid Waste Management fund budget totals \$97.6 million, an increase of \$2.3 million or 2.4% over the FY 2016 budget. This increase is largely due to a change in the accounting treatment of a revenue generating contract. The approved budget also reflects a shift from twice a week trash collection to once a week. Prince George's County is the only county in the surrounding area that maintains a twice per week schedule. County residents have recommended this change over the past few budget hearings. With this transition, the County will save approximately \$ 6 million annually. The FY 2017 CIP program continues to encompass operational and facility improvements and repairs, closure and post-closure requirements for Brown Station Road and Sandy Hill landfills, upgrade of existing Rural Convenience centers.

### **High Performance Government Operations**

The County's internal support agencies provide the foundation for operations across the government. The approved budget maintains key funding in human resources, facilities maintenance, procurement services and other vital support services.

### **Spending Affordability Committee (SAC) Guidelines**

The County's Spending Affordability Committee (SAC) is a truly dedicated citizen committee of exceptional professionals who have been invaluable assets to Prince George's County for many years. The FY 2017 SAC recommendation for the FY 2017 General Fund budget was \$3.09 billion.

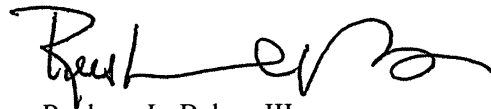
The FY 2017 approved budget is approximately \$28.1 million higher than the committee's recommendation. Several significant actions that occurred since the committee made its recommendation account for the change including:

- Decrease in Real Property Tax revenues based on State Department of Assessments and Taxation February projections on assessable base and homestead tax credit – (\$17.9) million;
- Increase in Personal Property Tax revenues based on year-to-date performance - \$4.5 million
- Increase in Income Tax Receipts based on year-to-date performance - \$18.7 million;
- Increase in the State Income Disparity Grant - \$7.1 million
- Increase in Energy Tax revenues based on year-to-date performance - \$4.8 million;
- Increase in Transfer and Recordation Taxes based on year-to-date performance - \$4.0 million
- Increase in Licenses and Permits revenues based on year-to-date performance and an adjustment on the impact of the mid-year MGM National Harbor opening - \$5.0 million
- Increase in Charges for Services revenues based on year-to-date performance - \$2.1 million; and
- Unanticipated use of Fund Balance - \$0.1 million related to unspent local impact grant funds.

I unequivocally endorse the committee's recommendation for the continuation of conservative revenue estimates and the avoidance of using fund balance for ongoing expenditures. Furthermore, the FY 2017 approved budget complies with their recommendation to preserve the County's General Fund reserves – Charter-mandated 5.0% and the financial policy-required 2.0%. I share the committee's recommendation to continue with these important efforts. These practices are essential to us in maintaining the County's AAA bond rating from the major rating agencies.

In closing, this approved budget reflects the input, diligence and the collective wisdom of many stakeholders, including staff across the government and the public. The FY 2017 approved budget maintains the critical investments to keep us on a path toward growing the economy, improving our schools, providing safe neighborhoods, maintaining high-quality health and human service levels and protecting our environment. Furthermore, it is a responsible fiscal plan that continues investment in our future and ensures that we will continue to provide a high level of services to County taxpayers.

Sincerely,



Rushern L. Baker, III  
County Executive