January 1, 2017

The Honorable Rushern L. Baker, III, County Executive
The Honorable Derrick Leon Davis, Chair, County Council

In accordance with Subtitle 10, Division 1A of the County Code, the Spending Affordability Committee has reviewed the preliminary projections of the County's Office of Management and Budget (OMB) for General Fund revenues for FY 2016 through FY 2018. This letter summarizes the Committee's major findings and recommendations for FY 2018. A detailed discussion of OMB's assumptions on various revenues is provided in the appendix to this letter.

I. OVERVIEW

As shown in Table 1, OMB is projecting the County will face a potential General Fund budget gap of $4.0 million in FY 2018 based on preliminary revenue projections. The Committee is concerned about the County's ability to afford its planned spending given the long term fiscal challenges facing the County. The Committee recommends a spending ceiling of $3.261 billion in FY 2018 based on projected revenues. This level of spending would not include any use of fund balance and would maintain the 7% Charter-required and policy-required reserves, which is essential to the County keeping its AAA bond rating.

Table 1

General Fund Outlook
($ in millions)

	FY 2016 Unaudited	FY 2017 Budget	FY 2017 Estimate	FY 2018 Forecast
County-Source Revenues	$ 1,772.6	$ 1,809.9	$ 1,841.9	$ 1,909.1
Outside Aid Revenues	1,250.8	1,307.0	1,307.0	1,352.3
Total Revenues	**$ 3,023.4**	**$ 3,116.9**	**$ 3,148.9**	**$ 3,261.4**
County Agency & Non-D Expenditures	$ 976.6	$ 1,057.2	$ 1,088.4	$ 1,121.3
Education & Library Expenditures	1,970.2	2,059.7	2,059.7	2,144.1
Total Expenditures	**$ 2,946.8**	**$ 3,116.9**	**$ 3,148.1**	**$ 3,265.4**
Surplus/(Deficit)	**$ 76.6**	**$ -**	**$ 0.8**	**$ (4.0)**

- OMB projects that General Fund revenues will reach $3.261 billion in FY 2018, an increase of $144.5 million or 4.6% from the FY 2017 budget. The growth is primarily attributable to an increase in property tax collections, income tax receipts and the initial influx of new or net additional revenues of $37.0 million generated from the MGM Casino at the National Harbor (including the collection of real property taxes, personal property taxes, admissions and amusement taxes, hotel taxes, video lottery terminal and table game revenues) and a 3.6% increase in Outside Aid for the local school board.

- OMB projects that General Fund expenditures will reach $3.265 billion in FY 2018, an increase of 4.8% or $148.5 million from the FY 2017 budget, before any corrective actions. This projection is based on FY 2017 estimated expenditures and preliminary FY 2018 assumptions of growth in compensation per collective bargaining results, merit payments, fringe benefits, increased staffing, public safety classes, contributions to the education sector, additional debt service obligations costs related to the Purple Line and new Regional Medical Center projects, as well as other discretionary spending.

- OMB developed these projections prior to the January 2017 release of the Governor of Maryland's proposed FY 2018 budget. OMB also developed these projections prior to any final decisions of the General Assembly, which often differ from the Governor's proposal and that are not available until next spring. The projections therefore do not include the potential impact from State budget adjustments.

II. ECONOMIC OUTLOOK

The County's economic outlook has improved modestly from the prior year. The stability in the County's housing market is evidenced by the growth in assessments, sales price and volume of residential homes. However, the County continues to face risks from high foreclosure activity and rising interest rates. Potential budget actions at the Federal and State government levels, and weak employment growth could impact the local job market that has recently experienced consecutive gains.

III. REVENUES

Table 2 shows OMB's preliminary revenue projections for FY 2017 and FY 2018.

Table 2

FY 2018 General Fund Revenue
($ in millions)
Spending Affordability Committee Recommendations

	FY 2016 Unaudited	FY 2017 Budget	FY 2017 Estimate	*% Change FY 2017 Estimate v. FY 2016 Unaudited*	FY 2018 Forecast	*% Change FY 2017 Budget*	*% Change FY 2017 Estimate*
COUNTY SOURCE REVENUES							
Real Property Tax	$ 704.3	$ 716.0	739.5	5.0%	$ 761.9	6.4%	3.0%
Personal Property Tax	76.5	72.1	68.9	-9.9%	73.1	1.4%	6.1%
Income Tax Receipts	549.9	561.3	577.6	5.0%	606.7	8.1%	5.0%
Income Disparity Grant	23.1	30.2	26.6	15.2%	26.6	-11.8%	0.0%
Transfer Tax	107.8	105.5	109.9	2.0%	108.0	2.3%	-1.7%
Recordation Tax	44.5	45.3	45.3	1.9%	43.3	-4.4%	-4.4%
Energy Tax	66.4	69.2	66.6	0.3%	66.8	-3.5%	0.3%
Telecommunications Tax	31.2	32.3	33.0	5.7%	30.4	-5.9%	-7.9%
Other Local Taxes	26.1	29.6	30.6	17.3%	44.6	50.5%	45.8%
State-shared Taxes	3.5	3.7	3.4	-3.4%	3.5	-6.2%	2.9%
Licenses and Permits	37.4	44.4	45.8	22.4%	56.1	26.3%	22.5%
Use of Money and Property	6.4	5.0	6.0	-6.5%	5.9	18.6%	-1.7%
Charges for Services	43.1	41.8	39.5	-8.4%	39.0	-6.8%	-1.3%
Intergovernmental Revenue	37.3	39.2	34.2	-8.4%	30.3	-22.7%	-11.4%
Miscellaneous Revenue	15.0	14.2	14.9	-0.9%	12.9	-9.3%	-13.4%
Other Financing Sources	-	0.1	0.1	0.0%	-	-100.0%	-100.0%
Subtotal County Sources	$ 1,772.6	$ 1,809.9	$ 1,841.9	3.9%	$ 1,909.1	5.5%	3.6%
OUTSIDE AID REVENUE							
Board of Education	$ 1,172.3	$ 1,225.5	$ 1,225.5	4.5%	$ 1,270.0	3.6%	3.6%
Community College	70.5	73.1	73.1	3.7%	73.9	1.0%	1.0%
Library	8.0	8.3	8.3	3.7%	8.4	1.0%	1.0%
Subtotal Outside Aid	$ 1,250.8	$ 1,307.0	$ 1,307.0	4.5%	$ 1,352.3	3.5%	3.5%
TOTAL	**$ 3,023.4**	**$ 3,116.9**	**$ 3,148.9**	**4.1%**	**$ 3,261.4**	**4.6%**	**3.6%**

Major sources of revenue changes:

In this section, all revenue changes in FY 2018 are compared to the FY 2017 estimated level, unless noted otherwise.

- **Real Property Tax Revenues** are expected to increase in both FY 2017 and FY 2018. Real property tax revenues are estimated to increase by 5.0% in FY 2017, from the FY 2016 unaudited level, driven by year-to-date collections as a result of growth in the County's assessable base. Revenues are projected to further increase by 3.0% in FY 2018 due to strong growth in the assessable base and a full year of MGM revenues. The County is anticipating $1.9 million in revenues in FY 2017 from the opening of the MGM Casino at the National Harbor and $3.3 million in FY 2018. The FY 2017 estimate reflects a half year of anticipated MGM revenues and the FY 2018 forecast includes a full year of MGM revenues.

  Personal Property Tax Revenues are estimated to decrease by 9.9% in FY 2017, from the FY 2016 unaudited level, then to increase by 6.1% in FY 2018. The increase includes anticipated new revenues of $1.1 million from the MGM Casino at the National Harbor. The FY 2017 estimate reflects a half year of anticipated MGM revenues and the FY 2018 forecast includes a full year of MGM revenues. However, estimated FY 2018 receipts of $73.1 million would still not return to the level of FY 2017 receipts, $76.5 million.

- **Income Tax** receipts are projected to increase by 5.0% in FY 2017, from the FY 2016 unaudited level. The estimate reflects the expectation that current year receipts will mirror the improved performance observed in FY 2016. In FY 2016, actuals collections increased $22.1 million or 4.2% over the budget. Revenues are projected to increase by 8.1% in FY 2018 from the FY 2017 budget. Compared to the FY 2017 estimated level, FY 2018 revenues are projected to increase by 5.0% based on year-to-date collections and assumes a 4.0% growth rate, continued wage growth and the expansion of the labor force.

- The **State Income Disparity Grant** brings each jurisdiction's per capita income tax level to 75% of the State average. In FY 2017, the State reduced the County's disparity grant by $3.5 million to $26.6 million due to the State budget reductions approved by the Board of Public Works in October 2016. The disparity grant is projected to remain unchanged at $26.6 million in FY 2018.

- **Transfer and Recordation Tax** revenues are projected to increase by 2.0% in the FY 2017 estimate, from the FY 2016 unaudited level. The anticipated increase in FY 2017 reflects strong year-to-date collections that are $3.0 million higher than the same period in FY 2016. Revenues are projected to decrease by $4 million or 2.6% in FY 2018. The FY 2018 projection adopts the experience of price and volume observed in FY 2016. Additionally, it is conservatively adjusted downward to reflect an anticipated slowing of activity due to the rise in rates expected in the second half of the 2017 calendar year.

- **Energy Tax** revenues are expected to remain relatively flat in FY 2017 and FY 2018. FY 2017 revenues are projected to increase by $0.2 million or 0.3% from the FY 2016 unaudited level. FY 2018 revenues are projected to increase by $0.4 million or 0.3%.

- **Telecommunications Tax** revenues in FY 2017 are projected to increase by $1.8 million or 5.8% from the FY 2016 unaudited level. Revenues are projected to decrease by 7.9% in FY 2018, reflecting a return to the historical trend of declining usage of landline service and the increased usage of wireless and other communication technologies, many of which are non-taxable.

- **Admissions and Amusement Tax Revenues** in FY 2017 are projected to increase by 28.1% from the FY 2016 unaudited level. In FY 2018, revenues are projected increase by 75.6% or $13.1 million. Included in the total projected revenues of $30.4 million in FY 2018 are anticipated new collections of $12.6 million to be generated from a 3,000-seat entertainment theatre at the MGM Casino at the National Harbor.

- **Hotel Tax Revenues** are projected to increase by $0.9 million or 9.4% in FY 2017, from the FY 2016 unaudited level. Revenues are further projected to increase by $0.9 million or 9.0% in FY 2018. Included in the total projected revenues of $10.8 million in FY 2018 are anticipated new collections of $0.8 million from the hotel rooms to be sited at the MGM Casino at the National Harbor.

- **License and Permit Revenues** are projected to increase by $8.4 million or 22.4% in FY 2017 from the FY 2016 unaudited level, driven by increased collections of building and business license permit revenue. The FY 2017 estimate includes a half year of anticipated MGM gaming revenues of $11.5 million. FY 2018 revenues are further projected to increase by $10.3 million or 22.5% from the FY 2017 estimated level. The significant growth in this category is driven by anticipated new gaming license revenues of $19.2 million from gaming revenue at the MGM Casino at the National Harbor.

- **Intergovernmental Revenues** are projected to decrease by $3.6 million or 8.4% or in FY 2017 from the FY 2016 unaudited level, driven by a decrease in the local health grant from the State. FY 2018 revenues are projected to further decrease by $3.9 million or 11.4% from the FY 2017 estimated level. This decrease is primarily due to the anticipated reduction in M-NCPPC project charges of $1.7 million, the local health grant and police aid.

- **Miscellaneous Revenues** in FY 2017 are expected to decrease by $0.1 million or 0.9% from the FY 2016 unaudited level. Gross revenues are projected to further decrease by $2.1 million or 13.4% in FY 2018, from the estimated FY 2017 level. The anticipated decrease in gross revenues assumes the continuous decrease in paid fines for the Red Light Program (RLP) and the Automated Speed Enforcement (ASE) program due to commuters changing their driving habits to avoid speeding fines.

- **Outside Aid** revenues are projections for both FY 2017 and FY 2018 are projected to increase by 4.5% and 3.5%, respectively. The increase in FY 2018 is primarily driven by an anticipated growth in school enrollment for the Board of Education.

IV. SPENDING CEILINGS

The Committee recommends an overall General Fund spending ceiling of $3,261.4 billion in FY 2018, an increase of $144.5 million or 4.6% from the FY 2017 budget, based on projected revenues. Actual spending for certain items supported by designated revenue resources could change based on budgeted or actual revenues received. For example, certain revenues from the MGM Casino at the National Harbor are earmarked for funding of the school system. With a decrease in total revenues, any expenditure increases would have to be offset by reductions elsewhere in order to maintain a balance between expenditures and available revenues.

The County proposes General Fund spending allocations for the Board of Education, debt service and all other general government expenditures as shown in Table 3. Since these allocations are consistent with expected available revenues, the Committee can recommend them as defined by Section 10-112.22 of the Prince George's County Code. However, the Committee notes that many other allocations would also be consistent with expected revenues. How to allocate these revenues is the County's decision. The Committee's recommendations are solely based on consistency with expected revenues.

Table 3

FY 2018 General Fund
Spending Ceiling Recommendation
($ in millions)

	FY 2016 Budget	FY 2017 Budget	FY 2018 Recommendation	$ Change FY17-FY18	% Change FY17-FY18
Board of Education	$ 1,833.1	$ 1,923.9	$ 2,005.0	$ 81.1	4.2%
Debt Service	98.9	110.8	115.2	4.4	4.0%
Other	1,018.4	1,082.2	1,141.2	59.0	5.5%
Total	**$ 2,950.4**	**$ 3,116.9**	**$ 3,261.4**	**$ 144.5**	**4.6%**

Board of Education: $2.005 billion for the Board of Education – an increase of $81.1 million or 4.2% from the FY 2017 approved budget. This increase assumes Outside Aid of $1.270 billion from Federal aid, State aid and Board sources, an increase of $44.5 million or 3.6% from the FY 2017 approved budget. The recommended FY 2018 budget includes a projected County contribution of $735.0 million, representing an increase of $36.7 million or 5.3% from the FY 2017 approved budget. Included in the recommended County contribution is approximately $1.1 million in video-lottery terminal revenues from the MGM Casino at the National Harbor, in accordance with local legislation requiring fifty percent of local gaming revenue (up to $25 million) to be allocated for public education purposes. The County is not obligated to provide funding above the mandatory MOE contribution level.

Debt Service: $115.2 million for debt service – an increase of 4.0% or $4.4 million from the FY 2017 budget, based on existing and anticipated bond sales and favorable interest rates. The current interest rate is dependent upon the County maintaining its AAA rating, which is contingent upon maintaining the required reserves.

Other: $1.141 billion for the remaining General Fund expenditures – an increase of $59.0 million 5.5% or from the FY 2017 budget. This spending category includes all General Fund support for County services and operations except for payments to the Board of Education and the debt service listed in the preceding paragraphs. Funding to support these expenditures comes from various revenue sources, with the majority coming from County property and income taxes.

V. FUND BALANCE

Table 4 shows the projected and recommended General Fund ending fund balance with a breakdown between the County Charter-mandated 5% Restricted – Economic Stabilization Reserve, the policy-required 2.0% Committed - Operating Reserve and the Unassigned Fund Balance[1].

[1] "Restricted - Economic Stabilization" used to be called "Contingency Reserve"; "Committed – Operating Reserve" used to be called "Operating Reserve"; and "Unassigned" used to be called "Undesignated Fund Balance". The change in terminology matches the Comprehensive Annual Financial Report (CAFR) and reflects the latest Governmental Accounting Standards Board (GASB) 54 requirement. Both the Charter-mandated 5% Restricted Reserve (County Charter Section 806) and the policy-required 2.0% Operating Reserve are established to provide the County with the ability to address unexpected risks or events such as dramatic economic downturns or natural and man-made disasters.

Table 4

General Fund
Ending Fund Balance Projections

	FY 2016 Unaudited	FY 2017 Estimate	FY 2018 Recommended
Restricted - Economic Stabilization	$ 151.2	$ 157.4	$ 163.1
Committed - Operating Reserve	60.5	63.0	65.2
Unassigned	101.3	93.3	85.4
Total	**$ 313.0**	**$ 313.7**	**$ 313.7**

- As depicted in Table 1, the forecast would result in a surplus of $0.8 million in FY 2017 and a deficit of $4.0 million in FY 2018 if no actions are taken. Table 4 shows that if the County remains within the spending ceiling as depicted in Table 3, the fund balance forecast would result in an ending fund balance of $313.7 million in FY 2017 and remain at this level in FY 2018. If no actions are taken, fund balance would drop to $309.7 million in FY 2018.

- The Committee recommends County spending consistent with projected revenues of $3.261 billion, as shown in the fourth column of Table 1. This level of spending would not include any use of fund balance and would maintain the 7% Charter-required and policy-required reserves.

- The County's maintenance of the Charter-required 5.0% restricted reserve for economic stabilization and policy-required 2.0% committed operating reserve is a significant factor in maintaining the County's AAA bond ratings. If the County fails to maintain the required reserves in FY 2018, the increased exposure to financial risk during this period of economic uncertainty could adversely impact its bond ratings. In addition, the County would have less flexibility and capacity in addressing unpredicted circumstances, such as a drastic economic downturn, major Federal or State policy changes, or a natural disaster.

VI. CHALLENGES AND POTENTIAL RISKS

Prince George's County will continue to experience fiscal challenges in FY 2018, with expenditures projected to grow at a faster pace than revenues. A large portion of the issue reflects a structural imbalance that cannot be solved through one-time adjustments.

- Projected expenditures will exceed projected revenues by $4.0 million (Table 1). OMB projects that total revenues will increase by $144.5 million or 4.6% from the FY 2017 budget. However, OMB projects that the costs of delivering the same level of service as in FY 2017 will increase by $148.5 million or 4.8% from the FY 2017 budget.

They are important to the County's fiscal position considering the various revenue/tax caps and limitations on the County.

- The FY 2018 budget includes $37.0 million of projected revenues related to the MGM facility. This reflects a full year of operations and includes an additional $18.1 million of MGM revenues from the FY 2017 level. Approximately 12.5% of the County's total projected revenue growth comes from the MGM related revenues. The MGM Casino at National Harbor opened on December 8, 2016.

- On top of immediate expenditure pressures, the County also faces long-term liabilities in FY 2018 and beyond, including: greater debt service requirements; increased mandatory County contributions to Other Post-Employment Benefits (OPEB); an ongoing risk management fund deficit; and higher healthcare and pension costs.

- Further depletion of reserves for ongoing operating costs could cause Wall Street to lower the County's bond rating due to weak budget management. This may jeopardize the County's fiscal integrity and borrowing capacity in a tight credit market, and increase the cost of borrowing funds. It would also minimize the County's capacity and flexibility to deal with risks and long-term liabilities in the future.

- As noted earlier, the projections do not factor in the potential impact of any budget adjustments that may be proposed by the Governor and adopted by the Maryland General Assembly in the upcoming 2017 legislative session.

- The impending changes at the Federal level and major reductions during the Federal budget process could negatively impact both the County's revenues (e.g., loss of income tax and grant revenues) and expenditures (e.g., rising service demands related to increases in the unemployment rate).

VII. RECOMMENDATIONS AND CONCLUSION

- The Committee continues to strongly urge the County to preserve the Charter-required 5.0% contingency reserve and the policy-required 2.0% operating reserve.

- The Committee strongly urges the County to develop and implement a balanced FY 2018 budget without the use of fund balance. The Committee is concerned about the County's ability to afford its planned spending, given the recurring fiscal challenges facing the County, and to meet revenue projections, given the uncertainty of MGM source revenues in its first year of operations. A shortfall in revenues could result in the use of fund balance to balance the FY 2018 budget.

- Since the County's revenue-raising abilities are very limited due to statutory requirements, the Committee strongly urges the continuation of conservative revenue estimates. By adhering to conservative budget estimates, the County will be better able to absorb any decreases in revenues from potential State and Federal funding cuts, unrealized revenues from county sources or increases in service demands.

The Committee wishes to thank both the Executive and Legislative Branches of government for the opportunity to review the County's forecast. We believe that we have performed due diligence in reviewing revenue estimates for FY 2017 and FY 2018 and believe them to be reasonable.

Respectfully,

Tanya R. Curtis, CPA

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Barbara K. Atrostic, Ph.D.

APPENDIX: Detailed Discussion of Revenue Projections

Property Tax

- Property tax revenues total $835.0 million in FY 2018, an increase of 6.0% compared to the FY 2017 budget. This increase is due to the stability in the housing market and related upward reassessment valuations. Real property taxes are projected to increase by 5.0% in FY 2017 from the FY 2016 unaudited level and further increase by 3.0% in FY 2018, compared to the FY 2017 estimated level. Personal property taxes are expected to decrease by 9.9% in FY 2017 from the FY 2016 unaudited level, but will increase by 6.1% in FY 2018. The projected FY 2018 property tax revenues include anticipated new collections of $3.4 million of real property taxes and $1.1 million of personal property taxes to be generated from the MGM Casino at the National Harbor.

- Real property tax revenues are primarily impacted by assessment changes and the homestead tax credit. In FY 2017 and FY 2018, the County's real property tax rate is $1.00 per $100 of assessable value and includes $0.04 dedicated to the local school board.

  Table 5 shows that total real property assessments in the County are projected to increase by 5.0% in FY 2018. After factoring in homestead exemptions, real property assessments are projected to increase by 3.0%.

Table 5

Projections of Real Property Assessments
Subject to County Taxes
($ in millions)

	Estimate FY 2017	Forecast FY 2018	$ Change	% Change
Gross Assessment	$ 81,938.1	$ 86,014.9	$ 4,076.8	5.0%
Homestead Tax Credit	(3,871.9)	(5,571.6)	(1,699.7)	43.9%
Net Assessment	$ 78,066.2	$ 80,443.3	$ 2,377.1	3.0%

Source: *State Department of Assessment and Taxation*

Note: Numbers may not add due to rounding.

- By January of each year, the State Department of Assessments and Taxation (SDAT) reassesses one-third of the properties in the County. Any assessment growth is phased in over the next three fiscal years, while any decrease is immediately realized. In 2015, Group 3's reassessed values increased by 19.5%. In 2016, Group 1's reassessed values increased by 24.7%. SDAT newly released report for 2017 indicates Group 2's reassessed values increased by 13.5%. The upward trend reflects recent stability in the County's real estate market and an increase in the reassessments of Group 2 properties.

- The homestead tax credit ensures that the annual percentage growth of the taxable assessment value for principal residential homes will not surpass the growth of the Consumer Price Index

(CPI) in the County, with a maximum increase of 5.0%. In June 2016, the CPI increased by 1.0% from the same period in the prior year. The homestead tax credit cap will be set at 101% in FY 2018, a 1.0% increase from FY 2017. The upward reassessments in past years, reflects stability in the County's real estate market. Unrealized revenues attributable to the homestead tax credit have been decreasing. However, the combination of the recent recovery in the County's housing market and a maximum increase limit of 5.0% in annual assessments, has translated into significant revenue loss. Based on SDAT estimates released in November 2016, the homestead tax credit is expected to result in a revenue loss of $38.7 million in FY 2017. Preliminary SDAT estimates released in January 2017 projects revenue loss attributed to the homestead tax credit of $55.8 million in FY 2018.

- The personal property tax rate is $2.50 per $100 of assessable value and includes $0.10 dedicated to the local school board in FY 2017 and FY 2018.

Income Tax

- Income tax receipts are projected to increase by 5.0% in FY 2017 from the FY 2016 unaudited level due to improvements in the County's employment and income levels. Receipts in FY 2018 are projected to increase by 5.0% based on a 4.0% baseline growth of quarterly distributions and anticipates continues wage growth and expansion of the labor force

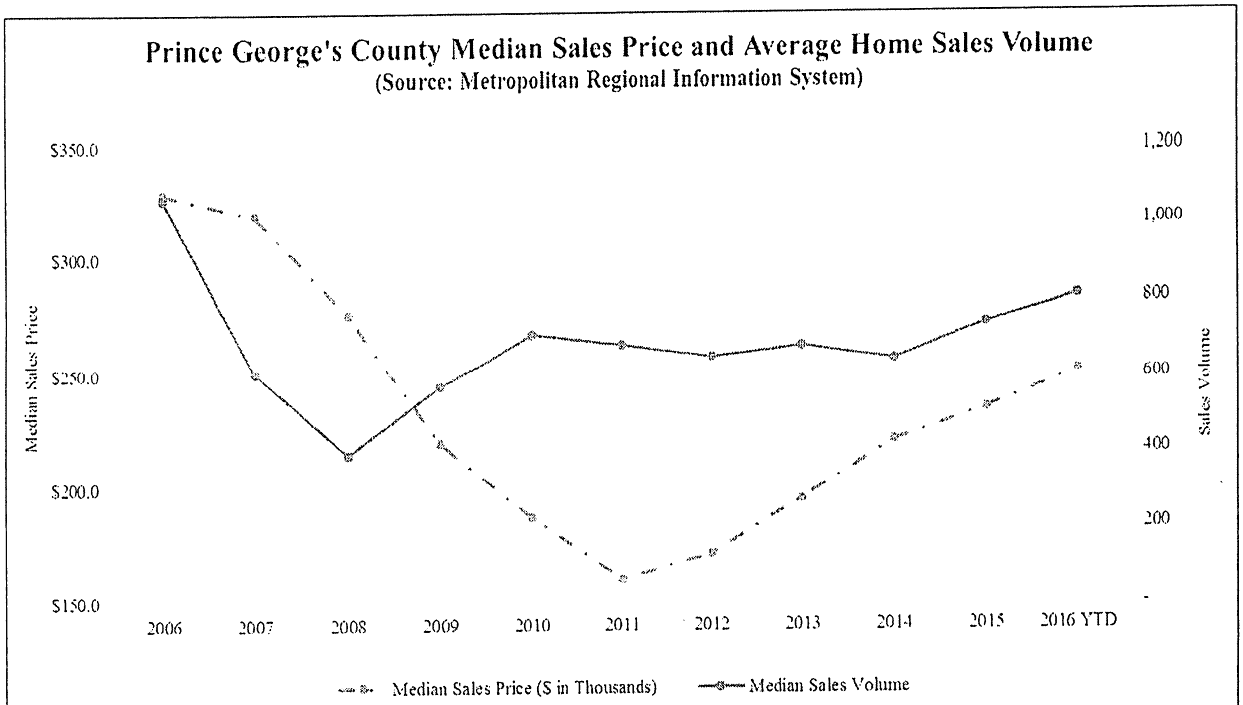
- The State Income Disparity Grant is calculated by the State based on income and population data, to bring each jurisdiction's per capita income tax level to 75% of the State average. In FY 2015, the County received a $21.7 million disparity grant and the amount increased to $23.1 million in FY 2016. In FY 2017, the County budget included $30.2 million for the disparity grant based on the State's FY 2017 budget. In October 2016, the State reduced the County's FY 2017 disparity grant by $3.5 million to $26.6 million due to the State budget reductions approved by the Board of Public Works. The State Income Disparity Grant is expected to remain unchanged at $26.6 million in FY 2018.

Transfer and Recordation Taxes

- Transfer taxes are projected to increase by 2.0% in FY 2017 from the FY 2016 unaudited level and decrease by 1.7% in FY 2018. Recordation taxes are expected to increase by 1.9% in FY 2017 from the FY 2016 unaudited level and decrease by 4.4% in FY 2018. The increases reflect strong year-to-date collections ($3.0 million higher compared to the same period in FY 2016). The FY 2018 projection adopts the experience of price and volume observed in FY 2016 and conservatively adjusts downward to reflect an anticipated slowing of activity due to the rise in interest rates expected in the second half of the 2017 calendar year.

- Table 6 below indicates that the County's real estate market continue to show signs of stabilization and will likely continue to improve over the next 12 months. In 2016, the average median home sales price from January to November increased 7.8% from $233,300 in calendar year 2015 to $251,400 in calendar year 2016. The sales volume increased by 11.7% during in the same period.

Table 6



* 2016 YTD reflects January – November 2016 data

- Foreclosures in the first three quarters of calendar year 2016 totaled 7,116, a decrease of 14.4% from the same period in 2014. The County currently has the largest number of foreclosures in the State based on quarterly reports of foreclosure activities in Maryland. However, the large number of foreclosure events in the judicial process and rising mortgage rates appears to be slowing down given the recent recovery in the County's housing market.

Energy Tax

Energy tax revenues are projected to increase by 0.3% in FY 2017, from the FY 2016 unaudited level, based on year-to-date collections partly attributable to a formula-driven increase in applied electricity tax rates. This revenue is expected to increase by $0.2 million or 0.3% in FY 2018.

Telecommunications Tax

The telecommunications tax receipts are expected to increase by 5.7% in FY 2017 from the FY 2016 unaudited level. Revenues are projected to decrease by 7.9% in FY 2018 to realign with the historical trend of declining revenue in the past several years as a result of the continued market shift from landlines to wireless and other communication services (some of which are non-taxable).

Other Local Taxes

Other local taxes - admissions and amusement tax, hotel/motel tax, and other taxes - are projected to increase by 17.3% in FY 2017 from the FY 2016 unaudited level and increase by 45.8% in FY 2018. Included in the total projected revenues of $44.6 million in FY 2018 are a full year of collections totaling $13.4 million from the 3,000-seat entertainment theatre and hotel rooms sited at the MGM Casino at the National Harbor.

State-Shared Taxes

The County's projection tentatively assumes that State-shared tax revenues will decrease by 3.4% in FY 2017, compared to the FY 2016 unaudited level. This is primarily due to reduced collections of taxes on corporate assets which are estimated to 7.0% below the FY 2016 level. In FY 2018, collections are projected to experience a minor increase of 2.9%. Highway user revenues remain flat between FY 2017 and FY 2018 totaling $2.9 million.

Licenses and Permits

License and permit revenues are projected to increase by 22.4% in FY 2017 reflecting fee increases and are expected to increase by 22.5% in FY 2018. The FY 2018 increase is primarily driven by reflecting a full year of anticipated video lottery and table games revenues totaling $19.2 million from the MGM Casino at the National Harbor.

Use of Money and Property

Receipts from the use of money and property are expected to decrease by 6.5% in FY 2017 from the FY 2016 unaudited level primarily due to lower growth forecasts for interest and rental property income. Gross interest income is offset by net unrealized appreciation (representing unrealized capital gains if an investment asset is sold) to derive net interest income. In the past several years, the low interest-rate environment has generated minimal yields on the investment of idle County cash. Additionally, rental income is decreasing as tenants leasing space in County owned buildings are vacating properties as their leases expire. Use of money and property revenues are projected to decrease by 1.7% in FY 2018.

Charges for Services

Charges for services are projected to decrease by 8.4% in FY 2017 and further decrease by 1.3% in FY 2018, due to anticipated lower collections of Local 911 fees, Emergency Transportation fees and Other Service Charges.

Intergovernmental Revenues

Intergovernmental revenues are projected to decrease by 8.4% in FY 2017, from the FY 2016 unaudited level driven by a decrease in the local health grant. In FY 2018, revenues will further decline by 11.4%. The decline is primarily due to a $1.7 million reduction in project charges revenue from the Maryland – National Capital Park and Planning Commission (M-NCPPC) and anticipated State reductions for the local health grant and police aid.

Miscellaneous Revenues

Miscellaneous revenues are projected to decrease in FY 2017 by 0.9% from the FY 2016 unaudited level and further decline by 13.4% in FY 2018 from the FY 2017 estimated level. The decrease is mainly due to reduced fines collected from the County's Automated Speed Enforcement (ASE) Programs.

Other Financing Sources

Other financing sources generally include use of fund balance and transfer-in from other funds. The FY 2017 estimated revenues include $0.1 million of in transfers for the Stadium Impact Grant program. No use of fund balance is assumed in the Committee's recommended revenue projections for FY 2018.

Board of Education (BOE) Aid

Board of Education aid is projected to remain unchanged from the FY 2017 budget and will increase by 3.6% in FY 2018. The increase in FY 2018 is primarily due to anticipated growth in school enrollment and does not include any potential impact from any State budget adjustments.

Community College Aid

Outside aid for Prince George's Community College is projected to remain unchanged in FY 2017 from the FY 2017 budget and increase by 1.0% in FY 2018.

Library Aid

Library aid is expected to remain unchanged in FY 2017 from the FY 2017 budgeted level and increase by 1.0% in FY 2018.