



Rushern L. Baker, III
County Executive

PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

July 1, 2015

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

As noted in my second inaugural address, it is time for the County to accelerate our journey toward "Greatness" by taking a highway to our "Destiny". That can best be accomplished through continued key budget investments that maintain core services that yield tangible success and by embarking on bold new undertakings. The approved budget is premised on achieving three primary objectives: (1) achieving academic improvements in K-12 education across all schools, (2) maintaining the County's commitment to providing a full range of public services and (3) ensuring our long-term financial integrity. With these objectives as the foundation, this presented fiscal plan has a combination of spending increases and reductions and includes revenue provisions.

As in previous years, the approved budget for FY 2016 builds upon the many successes we have achieved that are making our communities and neighborhoods safer. The respective budgets for Public Safety agencies and Courts provide the resources necessary to protect our residents and businesses, and continue the high caliber of performance we have attained during the first term of my Administration. Similarly, the FY 2016 approved budget continues our efforts to improve the health and well-being of County residents. The respective budgets for the human services agencies provide for continued support of their delivery systems which result in better access to care and services for our residents in need. In particular, it provides additional resources to assist vulnerable populations, such as our veterans and to improve our response to domestic violence.

In addition, the FY 2016 approved budget maintains the commitment to grow our economy by expanding our commercial tax base and creating jobs. Supporting this effort are the budgets for the Economic Development Incentive Fund, the Department of Permitting, Inspections, and Enforcement and Prince George's Community College.

However, to accelerate our progress, we must fully invest into the hard task of making sure all students, in every grade, have greater access to rigorous academic programs at their neighborhood schools. The approved FY 2016 budget takes a small step towards providing the financial resources necessary to support higher educational achievement.

Therefore, I present to you the FY 2016 approved budget which provides a framework for propelling the County into new heights and structurally rebalancing our budget. I acknowledge these actions require sacrifices by our residents, visitors and businesses. However, the approved measures are necessary in order to ensure the fiscal health and future of our County. We must remain steadfast in our commitment to transforming this County into a premier and nationally recognized jurisdiction. Accordingly, the FY 2016 approved budget includes the following:

- The County will invest an additional \$37.8 million in the school system. The funding is supported through increases in the real property, personal property and telecommunications tax rates. The additional revenue generated from the rate increases will be dedicated to the Board of Education in order to boost student achievement through effective programs.
- An increase in the hotel tax from 5% to 7% - a rate that recognizes our growing travel and tourism industry and will be comparable to our neighboring jurisdictions in Maryland. We estimate this will generate approximately \$3.1 million in additional revenue.
- An increase in various building, licensing and related permitting and technology fees, to allow the County to continue its significant investments and commitments of improving customer service and support technology upgrades at the one-stop shop within the Department of Permitting, Inspections and Enforcement.

Propelling our progress forward comes with much hard work and is not without sacrifices by all, especially given the economic challenges that the County continues to face. However, these sacrifices must be seen for what they are...a momentary obstacle to overcome on our way to our destiny of being the “Place to Be”.

FY 2016 Budget – All Funds

The approved FY 2016 budget for all operating funds is \$3.54 billion, an increase of \$105.3 million or 3.1% over the FY 2015 budget. The General Fund accounts for 83.4% of all spending in FY 2016 and will increase by \$93.2 million, or 3.3%. County source revenues increase by \$95.1 million or 5.9%. The growth is primarily due to approved rate increases in the real property, personal property, telecommunications and hotel tax rates.

Grant funding is estimated to total \$201.7 million in FY 2016, a decline of \$8.6 million or 4.1% below the FY 2015 budget. Grant funds make up 5.7% of the total budget. Despite this anticipated decrease, our 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 \$163.1 million or 4.6% of all spending in FY 2016. Spending in this fund is projected to increase by 9.4%.

The County’s Enterprise Funds total \$179.3 million, representing a growth of 8.2% to fund various water quality programs and meet the State mandates. The Internal Service Funds, totaling \$42.5 million in FY 2016, comprise the remainder of the budget.

The chart below shows a summary of all operating funds in FY 2016 (amounts in millions):

Fund	FY 2015 Budget	FY 2016 Budget	% Change	% of Total Budget
General Fund	\$ 2,857,220,500	\$ 2,950,420,200	3.3%	83.4%
Internal Service Funds	49,355,000	42,480,000	-13.9%	1.2%
Enterprise Funds	165,753,100	179,319,600	8.2%	5.1%
Special Revenue Funds	149,105,600	163,053,000	9.4%	4.6%
Grant Program Funds	210,313,500	201,729,100	-4.1%	5.7%
TOTAL	\$ 3,431,747,700	\$ 3,537,001,900	3.1%	100%

General Fund Revenues

The FY 2016 approved budget includes various tax rate and fee increases in order to support the Board of Education and improve government operations. However, notwithstanding these increases, the General Fund revenue forecast continues to be framed by a national and regional economy that is experiencing sluggish growth and an improving real estate market.

Overall, the FY 2016 General Fund forecast represents an increase of \$95.1 million or 3.3% over the FY 2015 Budget. The increase is primarily driven by the approved revenue increases. The approved FY 2016 General Fund budget includes \$1.70 billion in County Sources and \$1.25 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 2016, County Sources are projected to be \$1.70 billion, an increase of \$95.1 million, or 5.9%, over the FY 2015 budget. These revenues account for approximately 57.8% of the total General Fund revenues for FY 2016.

Real property taxes represent the largest portion of County Source funding for government operations. In FY 2016, receipts are projected to total \$699.6 million, an increase of \$50.1 million or 7.7% over the FY 2015 budget. The growth is primarily due to a \$0.04 increase in the real property tax rate from \$0.96 to \$1.00 per \$100 of assessable value in FY 2016. The County is authorized to increase the real property tax rate based on Chapter 6 of the 2012 Laws of Maryland (Senate Bill 848). This law allows the County’s property tax rate to be set higher than the rate authorized under the County’s charter. The bill requires that any additional revenue generated as a result of the higher property tax rate is for the sole purpose of funding the approved budget of the local school system. The rate adjustment will generate an additional \$28.0 million for the school system. Excluding the additional revenue assigned to the system, the County’s real property tax revenues are projected to increase by \$22.1 million or 3.4% in FY 2016 from the FY 2015 budget.

Personal property tax revenues are projected to increase by \$3.0 million or 4.5% in FY 2016. The approved budget includes a \$0.10 upward adjustment in the rate from \$2.40 to \$2.50 per \$100 of assessable value. This increase aligns with the approved increase in the real property tax rate. This rate change will generate an additional \$2.8 million to support the school board.

Excluding the additional revenue, the County's personal property tax revenues are projected to increase by \$0.2 million or 0.3% in FY 2016.

The budget also contains an approved rate increase in the telecommunications tax to support the Board of Education. The FY 2016 budget includes an increase in the tax rate from the current rate of 8% to 9%. The increase is expected to generate an additional \$9.0 million to support the school system.

Income tax revenues are expected to total \$550.9 million in FY 2016, this includes income tax receipts and the State Income Disparity Grant. This is an increase of \$16.8 million or 3.2% over the FY 2015 budget. Income tax receipts are expected to grow by \$21.3 million to \$527.8 million. Funding from the State Income Disparity Grant, is expected to decrease by \$4.4 million or 16.1% in FY 2016.

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 \$7.6 million or 6.6% to \$123.0 million in FY 2016. This estimate reflects the stable and steady improvement in the County's housing market as the median home sales price has increased over 13% between 2013 and 2014.

Revenue from licenses and permit fees is projected to increase 49.3% in FY 2016. This is primarily related to the approved increases in building, grading and street use permit fees included in the FY 2016 budget. The approved fee changes include three primary components – changes to the formula used to calculate building permit fees, the introduction of a new technology surcharge, and increases to certain fixed fee permits. The changes to the formula encompass modifications to the building valuation data (BVD) factor and the permit fee multiplier (PFM). The BVD will be updated to reflect current International Code Council standard values and the PFM will be increased from .006 to .008. The new technology surcharge will be assessed as a 5% charge of a project's total permit fee. Funds generated from the technology surcharge will be reinvested to support technological upgrades that will benefit residents and the development community. Lastly, the budget includes a 50% increase in certain fixed fee permits. It is important to note that the County has not increased the majority of building and street use permit fees in over a decade. The approved increases will assist in improving customer service at our one-stop shop and allow the County to keep fees at a level commensurate with our surrounding jurisdictions.

Intergovernmental revenues are projected to decline by \$2.8 million or 6.4% below the FY 2015 budget. The approved budget reflects decreases in State Aid programs, including the Local Health Grant (\$0.2 million). In FY 2016, the County will continue to receive \$9.6 million in Teacher Retirement Supplemental Grants from the State to partially offset the estimated \$36.5 million cost shift to the County. This is the fourth year of the phased-in sharing of teachers' pension cost.

The biggest decline in General Fund revenues is from fines generated through the automated red light and speed enforcement programs. Revenue from these sources is expected to decline by \$2.4 million in FY 2016 as road commuters change their behavior. These adjustments reflect alignment with actual collection trends.

The approved budget does not include the use of Fund Balance in FY 2016. However, it includes \$5 million in transfers from other funds. This is comprised of a \$4.0 million transfer from the Economic Development Incentive fund and \$1.0 transfer from the Fleet Management fund.

General Fund – Outside Aid

Outside Aid to the Board of Education, Community College and Library are estimated to be \$1.25 billion in FY 2016, a decrease of \$1.9 million or 0.2% below the FY 2015 budget level. Outside Aid accounts for 42.2% of total General Fund revenues in FY 2016. The decrease is primarily related to a \$1.3 million reduction in State Aid to the Board of Education and the decline in tuition and fee collections for the Community College.

Excellent Education System

College and job readiness is becoming an increasingly important standard by which to measure school success and student achievement. The budget includes \$1.83 billion in funding to the Board of Education, an increase of \$37.8 million or 2.1% over the FY 2015 budget. Funding for the Board constitutes 62.1% of all General Fund spending in the FY 2016 budget. The County's contribution represents an increase of \$39.1 million over FY 2015 and exceeds the Maintenance of Effort requirement by over \$12.7 million. The approved budget supports the school system by focusing on the strategic focus areas of academic excellence, a high-performing workforce, safe and supportive environments, family and community engagement, and organizational effectiveness.

The County will also make significant investments in a number of school construction projects in FY 2016, including up to \$100 million in County capital funds to support such projects as continued construction of the Fairmont Heights High School replacement project, Tulip Grove Elementary School replacement project, and the Glenarden Woods Elementary School renovation project.

In addition, the FY 2016 approved operating budget includes \$105.5 million for the Community College. The approved budget funds a mid-year cost of living adjustment for employees and supports the core operational needs of the College. Funding is included for additional tutors in developmental math and interpreters. Additionally, resources are provided for the College's Gaming and Hospitality Training Center and Health Program. In addition, the CIP budget includes funding for the construction of the Queen Anne Academic Center, Lanham Hall renovations and construction and equipping of the new Culinary Arts Center.

The approved FY 2016 operating budget for the Memorial Library System is \$26.5 million, an increase of 0.2% primarily due to additional State Aid. The approved budget provides merit adjustments for staff and maintains Sunday hours of operation at seven branches. The FY 2016 CIP funds will support the construction of the new Laurel and Hyattsville Branch libraries, planning and design for the Surratts-Clinton Branch renovations, construction for the New Carrollton Branch renovations 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. As of February 2015, the County has awarded \$17.7 million in EDI funding to 22 projects. This investment is estimated to have retained 1,188 jobs and created approximately 1,600 County jobs. To date, EDI funding has leveraged \$298 million in State economic development funds and private investments in the County.

The approved FY 2016 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, a new Department of Permitting, Inspections and Enforcement was established to streamline and improve services in this regard. The FY 2016 budget includes funds allocated to hire six additional engineers for plan review and to support the development of an online licensing system.

In addition, the Non-Departmental budget includes a \$1.4 million PAYGO transfer to the Redevelopment Authority's capital budget to support community revitalization efforts in Glenarden, Suitland, and other targeted areas.

Safe Neighborhoods

The County makes a significant investment in FY 2016 to the public safety and court sectors to support various crime reduction initiatives with approved funding for these agencies increasing by \$29.9 million, or 5.2% from the FY 2015 budget level. Funding to the Police Department supports one new recruit classes that will add 50 new officers to not only offset attrition but also continue the increase of sworn officers on-board.

The approved budget for the Fire/EMS Department funds one class of 25 recruits to improve the number of sworn employees on-board. The Office of Homeland Security receives funding to fill vacant emergency dispatcher positions to support emergency responses. The Department of Corrections (DOC) approved budget funds allows the filling of critical vacancies.

The Office of the Sheriff's approved FY 2016 budget supports filling civilian and sworn sheriff vacancies to support court security and reduce outstanding warrants. The FY 2016 approved budget for the Circuit Court and the Orphans Court totals \$15.7 million, an increase of \$0.4 million or 2.3% above the FY 2015 budget. Increased funds are allocated to the Circuit Court for five full-time positions to support the new Juvenile Unit and various administrative positions for judges. The Office of the State's Attorney receives funding for the transfer of six positions from the Bail Reform Grant to the general fund and other operational increases.

The six-year CIP budget includes funding for: the new Police Department Training and Administrative Headquarters, renovations at the correctional center medical unit, renovations at West Lanham Hills Fire/EMS Station and implementation of a records management system to support all public safety data. Additionally, funding is allocated for the design of the new Public Safety Driver Training and Gun Range.

Quality Healthcare and Effective Human Services

The FY 2016 approved budget continues to include \$15 million for the Dimensions Healthcare System, including resources for debt service payments for the refunded bonds. Joint efforts on behalf of the State and the County will ensure financial stability of the system, and plan for the new Regional Medical Center. The six-year CIP includes \$208 million for this new state-of-the-art facility, to be constructed as a part of a strategy to transform the County's healthcare system into an efficient, effective and financially viable healthcare delivery system. This will improve the health of residents of Prince George's County and the Southern Maryland region.

Despite overall decreases in County-source funding in these areas, the health and human service agencies are restructuring their service delivery and administrative organization through correctly aligning staff with functions and utilizing grant funding. These efforts have ensured that there will be no diminution of social services, particularly to our most vulnerable and at-risk populations.

Funding continues to support the Family Crisis Center and resources are allocated to support the new Domestic Violence/Human Trafficking Division in the Department of Family Services. Funds are allocated for a full-time domestic violence coordinator, planner, emergency fund and other operational needs to support the County's comprehensive domestic violence strategy. Additionally, funds are allotted for establishing a Veteran Affairs Office. Community Resource Coordinators will continue to serve our Transforming Neighborhoods Initiative (TNI) areas. Also, the Health Department will continue to focus on consolidating mental health programs for efficiency and effectiveness of service delivery. The capital budget contains funds for construction of the two women's and men's shelters for the homeless. Through agency appropriations, the discretionary grant programs, and the CIP, the County Government will continue its services to support the elderly, at-risk youth, those with no or substandard health insurance and many others in need.

Clean and Sustainable Environment

In FY 2016, the County continues its investment in various environmental programs to improve quality of life and support Federal and State mandates. The approved FY 2016 funding for the Local Watershed Protection and Restoration Enterprise Fund is \$17.0 million, an increase of \$2.4 million or 16.5% over the FY 2015 budget to support impervious area restoration through retrofit stormwater controls and mandated rebate programs associated with meeting federal and state mandates. The County also increases its investment in the Stormwater Management Fund in FY 2016 by \$8.5 million or 14.6% for a total of \$67.0 million invested in various water quality programs.

The approved Solid Waste Management fund budget totals \$95.4 million, an increase of \$2.6 million or 2.8% over the FY 2015 budget. This increase is due to rising debt service costs and the allocation of additional funds to support general and administrative contracts to assist the County in meeting state mandates. The FY 2016 CIP program continues to encompass operational and facility improvements & repairs, closure and post-closure requirements for Brown Station Road and Sandy Hill landfills, upgrade of existing Rural Convenience centers and the construction of a new convenience center and continued construction of the Organic Composting Facility, which is an upgrade project of the County's yard waste composting.

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. As a group, general government agencies experienced a \$0.2 million or 0.4% decrease in funding primarily due the application of the 2% County Council spending control measures. The approved budget supports the following initiatives:

- Continued implementation of Wave II of the Enterprise Resource Planning (ERP) project to enhance efficiency across functional areas. This wave includes the implementation of the Human Capital Management (HCM) system which concentrates primarily on the human resources processes. The major processes addressed in Wave 2 include personnel administration, payroll, benefits and time management.
- Additional maintenance needs (positions and contracts) associated with the County's acquisition of new facilities.

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 2016 SAC recommendation for the FY 2016 General Fund budget was \$2.88 billion.

The FY 2016 approved budget is approximately \$74.8 million higher than the committee's recommendation. Several significant actions that occurred since the committee made its recommendation account for the change including:

- Increase in Real Property Tax revenues based on State Department of Assessments and Taxation February projections on assessable base - \$3.9 million;
- Increase in Real Property Tax revenues based on a tax rate adjustment to provide additional funding for the local school board - \$28.0 million;
- Increase in Personal Property Tax revenues based on a tax rate adjustment to provide additional funding for the local school board - \$2.8 million;
- Increase in Income Tax Receipts based on year-to-date performance - \$5.8 million;
- Increase in the Income Disparity Grant based on the approved 2016 State Budget - \$1.4 million;
- Increase in Energy Tax revenues based on year-to-date performance - \$5.2 million;

- Increase in Telecommunications Tax revenues based on a tax rate adjustment - \$5.6 million;
- Increase in Hotel-Motel Tax revenues based on a tax rate adjustment - \$2.9 million;
- Increase in Licenses and Permits revenues based on various fee adjustments - \$7.3 million;
- Increase in State Shared Taxes - \$0.4 million;
- Unanticipated increase in Outside Aid for the Board of Education - \$8.3 million;
- Increase in Other Finance Sources based on transfers from other funds (EDI and Fleet funds) - \$5 million; and
- Decreases in various revenue categories, including recordation, charges for services, intergovernmental and miscellaneous revenues – 1.8 million

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 2016 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. Jointly, we all engaged in a process to ensure that the strategic priorities of the government are met in the upcoming fiscal year. The FY 2016 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 reflects the difficult dynamics within which we are working. Despite the cuts in State aid and the residual effects of the economic recession, the County will continue to invest in our future, efficiently manage our resources and provide a high level of services to County taxpayers.

Sincerely,



Rushern L. Baker, III
County Executive