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County Executive

PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

It is my pleasure to work in collaboration with the County Council on the adoption of the approved budget for FY 2024. The FY 2024 approved operating budget from all sources, totals \$5.4 billion, an increase of \$329.7 million or 6.5% over the FY 2023 budget.

This budget makes people-centered investments that meet the immediate needs of residents, improve critical government services, and help grow the local economy. The budget's overall breakdown is 62 percent to the public school system by law, 20 percent to public safety programs, and 18 percent to all other government services.

This year's budget was met with several challenges. Although new revenues were \$189 million, the current funding formula under the Blueprint for Maryland's Future dictates the County must spend nearly half of the new revenues on education. The Blueprint is a transformational program for K-12 students in Maryland, and the County fully supports its core tenets of early childhood education, high quality diverse teachers, a focus on college and career readiness, more resources for students, and greater accountability. We will continue to meet our obligations under Kirwan and make these critical investments in our school system to support our children, teachers, and staff.

To support increased revenues in future budget cycles, we are making investments to grow the commercial tax base to ease the residential tax burden on homeowners and offer more services to residents. Our Administration has focused heavily on transit-oriented development and smart growth to create new jobs and revenues while avoiding sprawl. Our Administration's anchor initiative is the Blue Line Corridor, which the County has already secured over \$1 billion in public and private investments to create walkable, bikeable, amenity-rich communities. To help current residents enjoy the coming growth, we are prioritizing affordable housing by investing \$34.25 million in the Housing Investment Trust Fund and Right of First Refusal programs.

Nationwide, communities have experienced sharp rises in crime, and Prince George's County is no different. To address this issue, we made critical investments in the Police Department, totaling \$394.7 million, which includes four new police recruit classes. The department also received \$640,000 in recruiting incentives for those who want to join the ranks of the department. With a national shortage of firefighters, we are also investing \$259.7 million in the Fire/EMS Department, which includes funding for three recruit classes and 80 new recruits.

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Prince George's County residents are proud to call the County their home and their environment should reflect that pride. That's why we have invested \$135.5 million in our Clear the Curb program to improve waste collection. The funding includes the continued rollout of the countywide curbside composting program to include all County households receiving trash and recycling services by the end of 2023. We also invested \$9.9 million in litter reduction and beautification programs, as well as \$1.2 million for 13 new hires in the Department of the Environment. Finally, to combat climate change and flooding, the Stormwater Management Fund received \$113.2 million, and the Fund's Capital Improvement Program received \$141.5 million.

I believe this budget makes strong, people-centered investments in core areas that will help our County continue to be a leader in the State and region, while also helping us grow the commercial tax base so we can offer more services to our residents in the future. I'm confident that this budget will continue to make all our residents Prince George's Proud.

FY 2024 Approved Budget - All Funds

The approved FY 2024 budget for all operating funds is \$5.4 billion, an increase of \$329.7 million or 6.5% over the FY 2023 budget. The General Fund accounts for 83.5% of all spending in FY 2024 and will increase by \$287.0 million or 6.8%. This fund supports most County government services and programs including education, public safety, general government, public works, the environment, and other critical services.

The Internal Service Funds total \$73.6 million in FY 2024, an increase of \$3.7 million or 5.2% over the FY 2023 budget.

The County's Enterprise Fund totals \$269.4 million, an increase of 10.0% above the FY 2023 budget. This fund accounts for 5.0% of total FY 2024 spending. The Enterprise Fund supports various water quality programs and meets State mandates.

Special Revenue Funds account for \$275.4 million or 5.1% of all spending in FY 2024. Spending in this fund is projected to decrease by -\$4.1 million or -1.5%. The decrease is largely due to a one-time \$10.0 million State grant to the Housing Investment Trust Fund and a one-time increase of \$5.0 million to the Economic Development Fund offset by higher debt service of \$7.2 million and an additional \$3.6 million of Recordation Tax revenue dedicated to the Housing Investment Trust Fund.

Grant funding accounts for 5.1% of all spending and is estimated to total \$276.3 million in FY 2024. This is an increase of \$18.7 million or 7.2% above the FY 2023 budget. County agencies will continue to diligently seek new sources of revenues and will likely exceed the budgeted amount before year-end.

The chart below provides a summary of all operating funds in FY 2024:

	FY 2022 ACTUAL	FY 2023 BUDGET	FY 2023 ESTIMATE	FY 2024 APPROVED	CHANGE FY23 - FY24
REVENUES					
General Fund	\$3,964,561,920	\$4,226,635,200	\$4,259,342,900	\$4,513,632,600	6.8%
Internal Service Funds	59,195,217	69,928,300	71,665,100	73,597,900	5.2%
Enterprise Funds	184,939,729	244,904,900	191,947,700	269,367,100	10.0%
Special Revenue Funds	233,732,547	279,563,000	267,123,800	275,434,800	-1.5%
Grant Program Funds	324,502,127	257,685,700	358,984,600	276,347,200	7.2%
TOTAL	\$4,766,931,540	\$5,078,717,100	\$5,149,064,100	\$5,408,379,600	6.5%
EXPENDITURES					
General Fund	\$3,835,735,831	\$4,226,635,200	\$4,271,309,100	\$4,513,632,600	6.8%
Internal Service Funds	63,574,533	69,928,300	68,980,000	73,597,900	5.2%
Enterprise Funds	202,455,564	244,904,900	223,802,600	269,367,100	10.0%
Special Revenue Funds	230,494,947	279,563,000	254,074,300	275,434,800	-1.5%
Grant Program Funds	324,502,127	257,685,700	358,984,600	276,347,200	7.2%
TOTAL	\$4,656,763,002	\$5,078,717,100	\$5,117,150,600	\$5,408,379,600	6.5%

General Fund Revenues

The County's economy remains strong, with unemployment at record low levels coupled with wage growth, particularly at lower income levels. Home values continue to appreciate, and the County's real estate market remains competitive with surrounding jurisdictions. The Board of Education is also benefiting from additional State aid under the Blueprint for Maryland's Future initiative. Overall, the FY 2024 General Fund budget represents an increase of \$287.0 million or 6.8% over the FY 2023 Budget. The FY 2024 General Fund budget includes \$2.56 billion in County Sources and \$1.95 billion in Outside Sources.

General Fund – County Sources

County-sourced revenues – taxes, fees, licenses and permits, service charges, use of money and property, etc. – represent resources used to fund most government programs and services, including the County's contribution to the Board of Education, Memorial Library System, and the Community College. In FY 2024, County Sources are projected to be \$2.56 billion, an increase of \$211.4 million or 9.0% over the FY 2023 budget. These revenues account for 56.8% of the total General Fund revenues for FY 2024.

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Real property taxes represent the largest portion of County-sourced funding for government operations. In FY 2024, receipts are projected to total \$993.4 million, an increase of \$41.7 million or 4.4% over the FY 2023 budget. Excluding the revenue dedicated to the school system, the County's real property tax revenues are projected to increase by \$40.0 million or 4.4% in FY 2024 over the FY 2023 budget.

Personal property tax revenues are projected to be \$89.2 million, an increase of \$9.3 million or 11.6% above the FY 2023 approved budget. Excluding the additional revenue assigned to the school system, the County's personal property tax revenues are projected to grow by \$8.9 million or 11.6% in FY 2024.

Income tax revenues are expected to total \$875.7 million in FY 2024, including the State Income Disparity Grant. This represents an increase of \$55.0 million or 6.7% above the FY 2023 budget. Income tax receipts total \$777.2 million and the Income Disparity grant totals \$98.5 million in FY 2024. Income tax revenue is estimated to be level funded relative to the FY 2023 budget. Although unemployment is low, the end of federal stimulus funding and reduced capital gains income are expected to constrain growth in this revenue source. Funding from the State Income Disparity Grant is expected to rise by \$54.8 million in FY 2024 based on the disparity between the County's income tax per capita and the statewide average.

Rising mortgage interest rates have caused home sales to decrease, even as the low inventory in homes for sale has resulted in steady growth in the median price per home. Combined receipts from both the Transfer and Recordation taxes are anticipated to total \$204.6 million in FY 2024. Because the prior year budget was built upon a projected decrease in home sales, the FY 2024 budget assumes a similar level of sales but grows slightly to reflect higher home values. County legislation dedicates the greater of 20% or \$10.0 million of the Recordation Tax to the Housing Investment Trust Fund.

Other Local Taxes grow by \$15.3 million, or 13.9% in FY 2024. This is due to growth of \$14.4 million in Energy Tax revenue. Tax rates are based on actual consumption, which in this case is higher because of the re-opening of the economy following the pandemic.

Revenue from licenses and permit fees is projected to increase by \$8.7 million or 12.0% in FY 2024 compared to the FY 2023 approved budget. Building & Grading Permit revenue has grown consistently since the pandemic and is estimated to rise by \$5.2 million, or 22.7% in FY 2024. Gaming revenue has also performed well, particularly following the State law change that eliminated the "hold-harmless" deductions from County revenue. Gaming revenue is expected to grow by \$3.2 million, or 10.4% in FY 2024.

Use of Money & Property is estimated to increase by \$7.8 million. The Federal Reserve Board has raised interest rates multiple times since the spring of 2022, as a means of addressing higher inflation. This has resulted in greater returns on County investments. Interest income is projected at \$8.0 million, and accounts for the change between FY 2023 and FY 2024.

Intergovernmental revenues are projected to decrease by -\$3.0 million or -7.6% below the FY 2023 budget. This is mostly due to one-time State aid enhancements to the Police Aid formula that were adopted in both FY 2023 and FY 2024. The formula changes in the prior year were principally County revenue whereas for FY 2024 it is assumed that the enhancement will be partially distributed to municipal governments.

The FY 2024 budget is balanced with the use of \$56.7 million in fund balance, though \$15.0 million of this represents the use for one-time purposes.

General Fund – Outside Sources

Outside-sourced revenues include State Aid and other revenues (e.g., federal aid, fees, charges, tuition) generated by the Board of Education, Community College and Library. In FY 2024, Outside Aid is estimated to total \$1.95 billion, an increase of \$75.6 million over the FY 2023 approved budget. Outside Aid accounts for 43.2% of total General Fund revenue in FY 2024.

Spending Affordability Committee (SAC) Guidelines

The County's Spending Affordability Committee (SAC) is a truly dedicated resident committee of exceptional professionals who have been invaluable assets to Prince George's County for many years. The recommendation for the FY 2024 General Fund budget was \$4,464.1 billion.

At \$4.5 billion, the FY 2024 approved budget is \$49.5 million, or 1.1%, above the Committee's recommendation. The Committee had recognized that there was a gap between projected revenues and spending, and it encouraged the County to reduce ongoing spending to the extent possible, but to use unassigned fund balance for one-time purposes to fill the remaining gap. The FY 2024 approved budget does make use of \$56.7 million in fund balance, of which \$15.0 million was applied to one-time purposes. The County was faced with a unique circumstance when the income tax estimate was revised downward by -\$61.4 million in May 2023. This late change necessitated the use of additional fund balance. The Committee further recommended that the County phase in an increase of its policy reserve from 2% of general fund spending to 5%, over a three-year period. The FY 2024 approved budget increased the policy reserve from 2% to 3%, representing the first year of the phase-in. When fully phased in, the County will have a total of 10% in reserve.

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