



Committee: GO
Committee Review: Completed
Staff: Christine Wellons, Legislative Attorney
Purpose: Final action – vote expected
Keywords: #TaxRevenue

AGENDA ITEM #10B
March 1, 2022
Action

SUBJECT

Expedited Bill 2-22, Montgomery County Municipal Revenue Program – Amendments

Lead Sponsor: Council President at the request of the County Executive

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- Roll call vote on whether to enact Expedited Bill 2-22 as introduced, as recommended by the Government Operations and Fiscal Policy (GO) Committee.

DESCRIPTION/ISSUE

Expedited Bill 2-22 would:

- (1) alter the calculation of reimbursements to municipalities for eligible costs;
- (2) alter the requirements for municipalities to participate in the municipal revenue program;
- (3) provide for a timeline of when certain reimbursement activities must be accomplished;
- (4) amend reimbursements for the City of Takoma Park police services;
- (5) provide for a phased-in implementation period; and
- (6) generally amend the law related to the Montgomery County Municipal Revenue Program.

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M E M O R A N D U M

February 24, 2022

TO: County Council

FROM: Christine Wellons, Legislative Attorney

SUBJECT: Expedited Bill 2-22, Montgomery County Municipal Revenue Program – Amendments

PURPOSE: Action – roll call vote expected

The Government Operation and Fiscal Policy (GO) Committee voted (2-0; Councilmember Katz absent) to recommend the enactment of Bill 2-22 as introduced.

Expedited Bill 2-22, Montgomery County Municipal Revenue Program – Amendments, sponsored by the Council President at the request of the County Executive, was introduced on January 11, 2022. A public hearing occurred on February 1, 2022. A Health and Human Services Committee worksession was held on February 17, 2022.¹

Expedited Bill 2-22 would:

- (1) alter the calculation of reimbursements to municipalities for eligible costs;
- (2) alter the requirements for municipalities to participate in the municipal revenue program;
- (3) provide for a timeline of when certain reimbursement activities must be accomplished;
- (4) amend reimbursements for the City of Takoma Park police services;
- (5) provide for a phased-in implementation period; and
- (6) generally amend the law related to the Montgomery County Municipal Revenue Program.

PURPOSE

Councilmember Navarro, Chair of the Government Operations and Fiscal Policy Committee, recommended a path forward on property tax duplication in FY 2022 during the April 30, 2021 Government Operations and Fiscal Policy Committee. The path forward included, among specific increases in appropriations, requesting that the County Executive work with representatives of municipalities to reach agreement on appropriate formulas for property tax

¹#TaxRevenue

duplication reimbursements and appropriate formulas for reimbursements related to the police services for certain municipalities.

Subsequently, the Council Executive proposed Expedited Bill 2-22, which resulted from negotiations with the municipalities. The County Executive's office has explained the goals of Expedited Bill 2-22 as follows: "The codification of municipal tax duplication formulas is a long overdue request from our municipalities. Chapter 30A of the County Code creates a program that allows reimbursements to municipalities for those public services provided by municipalities that would otherwise be provided by the County. This reimbursement program addresses the issue of property tax duplication since both the County and the municipality levy a property tax, but only the municipality provides that service within its jurisdiction. The County Executive is proposing revised formulas after negotiations with municipal leaders."

BILL DESCRIPTION

Under Expedited Bill 2-22, a municipality would be reimbursed by the County based upon the County Executive's approximation of the costs that the County would incur if it were to provide the municipality with transportation, police, crossing guards, and park maintenance services.

For transportation expenses, the reimbursements would be equal to the County's average per mile or per item expenditures for the three most recent fiscal years multiplied by the number of miles or items in each municipality.

For park maintenance expenses, reimbursements for FY23 would be as follows:

- for Section 3 of the Village of Chevy Chase: \$4,800
- for the Town of Chevy Chase: \$11,453
- for the Village of Friendship Heights: \$89,813
- for the Town of Kensington: \$46,242; and
- for the City of Takoma Park: \$93,942.

These park maintenance reimbursements would increase on an annual basis based upon the Consumer Price Index.

Police expenses generally would be based upon "the costs the County would incur to provide police services in the municipality if the municipality did not provide police services, as determined by a quadrennial utilization assessment performed by the County, except that in no event [would] the reimbursement to any municipality providing such services be less than an amount equivalent to the cost to the County of one full-time officer." Specifically, regarding the City of Tacoma Park, the annual reimbursement amount would be required to be at least \$4,020,521.

For Crossing Guards, reimbursements would be based upon "the costs the County would incur to provide crossing guard services in the municipality as determined by a quadrennial utilization assessment performed by the County."

All reimbursements would be subject to appropriation by the County Council.

The bill also would specify the following annual timeline for municipal reimbursements:

- By September 15, the County would notify the municipalities of required documentation for the upcoming fiscal year;
- By November 15, the municipality would provide to the County a certification with the required supporting documentation;
- By February 15, the County would notify the municipalities of the anticipated reimbursement amount for the upcoming fiscal year; and
- By October 1, reimbursement payments for the relevant fiscal year would be paid.

SUMMARY OF THE PUBLIC HEARING

Multiple municipal executives and representatives testified in support of Expedited Bill 2-22.

- On behalf of the City of Rockville, Mayor Newton stated that the bill was long overdue and will help to address shortfalls to municipalities in the past.
- Mayor Slavin, on behalf of the Town of Somerset, stated that the bill will result in a more equitable division of tax revenues.
- Mayor Ashman of the City of Gaithersburg stated that the bill will ensure that the County reimburses municipalities for services that the County otherwise would provide.
- Mayor Steward of the City of Takoma Park, and Mayor Furman of the Town of Kensington, echoed these sentiments and stated that municipalities need the predictability provided by the bill. Mayor Furman also noted that municipal infrastructure is used, not only by municipal residents, but by the County at large.
- Ms. Cook, on behalf of the Town of Poolesville, and Councilmember Ashton, on behalf of Rockville and MML, supported the bill. Councilmember Ashton, as the President of the Montgomery County Chapter of MML, stated that the bill will solve a decades' long problem by codifying formulas to reimburse municipalities for the services they provide.

SUMMARY OF THE COMMITTEE WORKSESSION

Participating in the worksession were Mr. Hartman-Espada, Office of the County Executive; Councilmember Ashton, City of Rockville; Councilmember Harris, City of Gaithersburg; and Deputy City Manager Clarke, City of Takoma Park. The Committee discussed the following issues in connection with Expedited Bill 2-22, and the Committee voted (2-0; with Councilmember Katz absent) to recommend the enactment of the bill as introduced.

1. Background and Legal Framework

The County enacted Chapter 30A, regarding reimbursements to municipalities, in 1973. The purpose of the Chapter is to address property tax duplication at the municipal and County levels by reimbursing municipal governments for services that the County *otherwise* would provide. The County has not amended Chapter 30A since 1973. Rather, it has implemented the Chapter via a series of Resolutions that specified reimbursement formula based upon task force findings; the most recent Resolution was adopted in 1996. (©25).

The existing Chapter 30A is consistent with State Code, Tax-Property Section 6-305, which requires the County to provide a “tax setoff” to municipalities “if it can be demonstrated that a municipal corporation performs services or programs instead of similar county service or programs”. (Emphasis added). The tax setoff may take either of two forms:

(1) the difference between the general county property tax rate and the property tax rate that is set for assessments of property in a municipal corporation; or

(2) a payment to a municipal corporation to aid the municipal corporation in funding services or programs that are similar to county services or programs.

(Emphasis added). Bill 2-22 would amend the County’s approach to the second of these methods: payments to municipalities to aid in the funding of services of programs similar to County services or programs.

As explained by an opinion (©43) of the Office of the County Attorney in 2002, “State law does not set forth any formula for computing either the tax differential or payment but leaves it to each county to determine the tax rate or payment based upon the concept that municipalities are entitled to some aid or assistance from the county to compensate them for the additional amounts they collect from their citizens. The amount of the payment is not required to be measured by either the municipalities’ costs or the county’s costs.” As mentioned above, the formulas used by the County have been set forth in resolutions, the most recent of which was adopted in 1996 (Resolution 13-650).

For a more extensive discussion of the history of Tax-Property Section 6-305 and County Code Chapter 30A, see the enclosed opinions (©33) of the Office of the County Attorney.

2. Whether the County Should Codify the Formulas for Tax Setoff Payments

A threshold issue related to Expedited Bill 2-22 is whether the tax setoff formulas should be codified – as proposed under Bill 2-22 – or whether the County should continue to set forth the formulas by resolution, as it has done since 1973.

Retaining the resolution has the advantage of providing more flexibility for altering the formulas due to changing circumstances. For example, if the County wanted to alter the bill’s requirement that the Takoma Park Police must receive at least \$4,020,521 (which is a very specific number to place in the Code), doing so would require a new Council bill.

With that said, municipalities have testified that the codification of the formulas will offer greater predictability and planning.

3. Whether to Expand Reimbursements Beyond Property Tax Duplication

Bill 2-22 would significantly alter the County’s reimbursement formula for municipalities. Instead of limiting reimbursements to property tax (which is the only tax that is actually “duplicated”) – as provided for in Resolution 13-650 – Bill 2-22 would not link reimbursements

to amounts derived from the property tax. Reimbursements for services would be available under the bill, regardless of how the services are funded.

This new approach would result in a fiscal impact to the County. As explained by the Office of Management and Budget in the Fiscal Impact Statement, FY22 Approved Payments to Municipalities were \$10,119,832, and those same payments under the bill at full implementation will equal \$20,534,146.

In addition to the fiscal impact of this approach, *arguably* the approach would be inequitable to non-municipal residents, who would subsidize municipal services beyond what would be required by property tax duplication. The County explored the issue of inequity for non-municipal residents in detail in the [Office of Legislative Oversight's \(OLO\) 2013 Report](#). The OLO Report notes that “while some municipal residents are being subject to double taxation, some municipal residents are receiving double benefit from the allocation of non-property tax revenues. In such instances the residents outside of municipal corporations are paying a higher property tax rate than they should be paying.” (Emphasis added)

Executive staff have explained, however, “Regarding municipal funding source, this was a topic of discussion with the Municipalities. We were looking at service duplication regardless of the source of funds. The municipalities’ argument, which we agreed to, was that - no matter the source of funds - the services otherwise would be the County's responsibility. These services are also used broadly by any County resident. We would pay for them if the municipalities did not.”

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4. **Comparison of the Specific Reimbursement Formulas under Resolution to the New Reimbursement Formula under the Bill**

The following chart compares the reimbursement formula, per type of service, under Resolution 13-650 versus Bill 2-22.

	Transportation	Police	Crossing Guards	Park Maintenance	Code Enforcement	Other Services
Resolution 13-560	Reimbursements shall be a percentage of the County's actual, audited per mile or per item expenditure, multiplied by the number of miles or items in each municipality. The percentage reflects the percentage of the County expenditures that are paid for with property tax revenues.	N/A. However, under Code Section 35-5, the City of Takoma Park receives a rebate for its police services that otherwise would be provided by the County. The amount of the rebate is a certain proportion of the property tax paid by City residents.	N/A	Reimbursements are determined by a cost accounting system that M-NCPPC stopped using in FY88, plus inflation.	Reimbursements are based upon the net County property tax supported code enforcement expenditures per dwelling or per parcel.	Reimbursements are based upon the net County property tax supported expenditures.
Bill 2-22	reimbursements must be equal to the County's average per mile or per item expenditures for the three most recent fiscal years multiplied by the	the greater of an amount equal to: (1) the costs the County would incur to provide police services in the municipality if the municipality did not provide police	reimbursements must be based on the costs the County would incur to provide crossing guard services in the municipality as determined by a quadrennial	(1) reimbursements for fiscal year 2023 must be: (A) for Section 3 of the Village of Chevy Chase: \$4,800; (B) for the Town of Chevy Chase: \$11,453;	N/A	N/A; However, the bill would not alter an existing rebate to Takoma Park for library services under Section 2-53.

	Transportation	Police	Crossing Guards	Park Maintenance	Code Enforcement	Other Services
	number of miles or items in each municipality.	services, as determined by a quadrennial utilization assessment performed by the County; or (2) the cost to the County of one full-time officer.	utilization assessment performed by the County	(C) for the Village of Friendship Heights: \$89,813; (D) for the Town of Kensington: \$46,242; and (E) for the City of Takoma Park: \$93,942; and (2) reimbursements for subsequent fiscal years must be increased above the amounts specified under paragraph (1) by the annual CPI.		

5. Bill Provisions Specific to the City of Takoma Park

The Committee noted that, under current law, County payments to the City of Takoma Park for police services are addressed in a separate section of the Code, Section 35-5, instead of Chapter 30A. Similarly, existing Section 2-53 of the County Code provides for payments to Takoma Park for library services. Expedited Bill 2-22 would make amendments to Section 35-5, but it does not include Section 2-53.

Next step: Roll call vote on the GO Committee's recommendation to enact Bill 2-22 as introduced.

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Expedited Bill No. 2-22
Concerning: Montgomery County
Municipal Revenue Program -
Amendments
Revised: January 5, 2022 Draft No. 1
Introduced: January 11, 2022
Expires: _____
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Council President at the request of the County Executive

AN EXPEDITED ACT to:

- (1) alter the calculation of reimbursements to municipalities for eligible costs;
- (2) alter the requirements for municipalities to participate in the municipal revenue program;
- (3) provide for a timeline of when certain reimbursement activities must be accomplished;
- (4) amend reimbursements for the City of Takoma Park police services;
- (5) provide for a phased-in implementation period; and
- (6) generally amend the law related to the Montgomery County Municipal Revenue Program.

By amending

Montgomery County Code
Chapter 30A, Montgomery County Municipal Revenue Program
Sections 30A-1, 30A-2, 30A-3, 30A-4, 30A-5, and 30A-6

Chapter 35, Police
Section 35-5

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

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

Sec. 1. Sections 30A-1, 30A-2, 30A-3, 30A-4, 30A-5, and 30A-6, and Section 35-5 are amended as follows:

30A-1. Established.

There is hereby established a program to reimburse municipalities within the [county] County for those public services provided by the municipalities which would otherwise be provided by the [county] County government.

30A-2. Qualification of municipal public services for county reimbursement.

Municipal public services shall qualify for county reimbursement if the following conditions are met:

- (1) [The] the municipality provides the service to its residents and taxpayers[,];
- (2) the service would be provided by the [county] County if it were not provided by the municipality[,];
- (3) except for police services, the service is not actually provided by the [county] County within the municipality; [and]
- (4) the comparable [county] County service is funded from tax revenues derived partially from taxpayers in the participating municipality; and
- (5) the municipality actually funds the service.

30A-3. Determination of amount of reimbursement.

(a) In general. Subject to the provisions of section 30A-4 and subsections (b) through (e) of this section, each participating municipality shall be reimbursed by an amount determined by the [county executive] County Executive to approximate the amount [of municipal tax revenues required to fund the eligible services. The amount of reimbursement shall be limited to the amount the county executive estimates the county

would expend if it were providing the services] the County would incur to provide transportation, police, crossing guards, and park maintenance services in the municipality.

(b) Transportation. For transportation-related expenses, reimbursements must be equal to the County's average per mile or per item expenditures for the three most recent fiscal years multiplied by the number of miles or items in each municipality.

(c) Park maintenance. For park maintenance related expenses:

(1) reimbursements for fiscal year 2023 must be:

(A) for Section 3 of the Village of Chevy Chase: \$4,800;

(B) for the Town of Chevy Chase: \$11,453;

(C) for the Village of Friendship Heights: \$89,813;

(D) for the Town of Kensington: \$46,242; and

(E) for the City of Takoma Park: \$93,942; and

(2) reimbursements for subsequent fiscal years must be increased above the amounts specified under paragraph (1) by the annual percentage change to the Consumer Price Index for the Washington, D.C. Metropolitan Area, as determined by the United States Department of Labor, Bureau of Labor Statistics.

(d) Police. Subject to Section 35-5, reimbursements for police expenses must be the greater of an amount equal to:

(1) the costs the County would incur to provide police services in the municipality if the municipality did not provide police services, as determined by a quadrennial utilization assessment performed by the County; or

(2) the cost to the County of one full-time officer.

(e) Crossing guards. For Crossing Guards, reimbursements must be based on the costs the County would incur to provide crossing guard services in the municipality as determined by a quadrennial utilization assessment performed by the County.

30A-4. Limitations on expenditures.

All expenditures by the [county] County under the authority of this chapter shall be subject to the limits of the funds appropriated by the [county council] County Council.

30A-5. [Application to participate in program] Timeline of annual certifications, notifications, and payments.

(a) No later than September 15 of the preceding fiscal year, in accordance with Section 6-305(f) of the Tax-Property Article of the Maryland Code, the County will advise all municipalities within the County of any reasonable supporting documentation required to provide sufficient detail for the County to calculate the reimbursement.

(b) Any municipality within the [county] County which desires to participate in the [county] County municipal revenue program [shall] will submit not later than November 15 of [each] the preceding fiscal year to the [county] County [an application which shall be in such form and contain such information as may be required by the county executive] a certification of eligible services and the documentation required under subsection (a).

(c) The County will notify each municipality of the reimbursement amounts it will receive in each fiscal year no later than February 15 of the preceding fiscal year.

(d) Reimbursement payments to municipalities will be made once per year, no later than October 1 of that fiscal year.

(e) The County will provide each municipality participating in the municipal revenue program with the calculations supporting the reimbursement payment.

30A-6. County tax rate in certain municipalities.

(a) *Reduced tax rate.* Pursuant to [section] Section 6-305 of the Tax-Property Article[, Annotated Code of] the Maryland Code, before June 30 the [county council] County Council may set for the coming taxable year a general [county] County property tax rate on assessments of properties in any municipality at a rate that is less than the general [county] County tax rate on assessments of properties in parts of the [county] County outside of the municipality if the municipality:

- (1) [Lies] lies partly in Montgomery County and partly in another county;
- (2) [Performs] performs fire and rescue services in whole or in part in lieu of the county performing those services; and
- (3) [The] the conditions in subsection (d) are met.

(b) *Performance of services.* The municipality may perform fire and rescue services by actually providing the services or by paying for all or part of the costs and expenses of fire and rescue services.

(c) *Amount of tax rate.* The general County property tax rate on assessments of properties in the municipality must be less than the general County property tax rate on assessments outside of the municipality by the amount of the tax rate established for the Fire Tax District for the same taxable year.

(d) *Conditions for reduced rate.* The municipality, on or before June 15, must present satisfactory written evidence to the County Council demonstrating that the municipality for the coming taxable year:

(1) [Has] has levied a general municipal property tax on all assessments of properties in the municipality equal to the tax rate proposed to be set for the Fire Tax District for the coming taxable year; and

(2) [Will] will collect and remit to Montgomery County the full amount of taxes imposed on assessments of properties in the municipality under paragraph (d)(1) in partial payment of the costs and expenses of providing fire and rescue services in the municipality.

(e) *Allocation of funds.* Taxes received from the municipality must be allocated by the County as follows:

(1) [Taxes] taxes on assessments of properties in the Montgomery County section of the municipality will be placed in the General Fund.

(2) [Taxes] taxes on assessments of properties in the other county's section of the municipality will be placed in the Fire Tax District Fund.

35-5. Takoma Park [Rebate] reimbursement.

(a) If the County [and the City of Takoma Park agree that the substation located in the City is abolished, the County] does not provide police protection in the City of Takoma Park, and the City provides its own citywide police protection, [the Director of Finance must, during each fiscal year that this agreement is in effect, pay to the City treasurer, in

quarterly installments, that portion of the revenue from the County tax levied on each \$100.00 of assessable:

- (1) personal property in the City which is produced by 12 cents of the tax rate levied on personal property; and
- (2) real property in the City which is produced by 4.8 cents of the tax rate levied on real property] reimbursements to the City for police services must be the greater of the amount calculated under Section 30A-3 or \$4,020,521.

(b) If [any agreement referred to in subsection (a) is terminated or modified] the County resumes police services in the City of Takoma Park after a fiscal year begins, the amount paid under [it] subsection (a) must be prorated according to the number of days in that fiscal year that the [agreement has been in effect] County provides the services.

(c) Nothing in this Section limits the jurisdiction of the County police in the City of Takoma Park.

Sec. 2. Expedited Effective Date. The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date on which it becomes law.

Sec. 3. Transition. The County Executive may phase in the implementation of Section 1 of this Act over a three-year period after the effective date. In fiscal year 2023, subject to Section 30A-4, the County must fund the reimbursements at no less than 80% of the amounts specified under Section 1. In fiscal year 2024, subject to Section 30A-4, the County must fund the reimbursements at no less than 90% of the amounts specified under Section 1. Beginning in fiscal year 2025, the County must fully fund the reimbursements specified under Section 1, subject to Section 30A-4.

LEGISLATIVE REQUEST REPORT

Bill No. 2-22

Municipal Tax Duplication Bill

DESCRIPTION: Bill 2-22 will codify the calculation of property tax reimbursements to municipalities for eligible costs; alter the requirements for municipalities to participate in the program; provide for a timeline of when certain reimbursement activities must be accomplished; eliminate the duplicative rebate program for the City of Takoma Park police services; and provide a phased implementation for reimbursement by FY 2025.

PROBLEM: The codification of municipal tax duplication formulas is a long overdue request from our municipalities. Chapter 30A of the County Code creates a program that allows reimbursements to municipalities for those public services provided by municipalities that would otherwise be provided by the County. This reimbursement program addresses the issue of property tax duplication since both the County and the municipality levy a property tax, but only the municipality provides that service within its jurisdiction. The County Executive is proposing revised formulas after negotiations with municipal leaders.

GOALS AND

OBJECTIVES: Implement a negotiated agreement with Municipal leaders on municipal tax duplication reimbursement. Municipalities will be reimbursed on expenditures on transportation maintenance, police and crossing guard services, and parks maintenance.

COORDINATION: Montgomery County Chapter of the Maryland Municipal League
The Office of the County Executive

FISCAL IMPACT: Office of Management and Budget

ECONOMIC: Office of Legislative Oversight
IMPACT

RACIAL EQUITY AND SOCIAL

JUSTICE IMPACT: Office of Legislative Oversight

EVALUATION: N/A

EXPERIENCE: N/A
ELSEWHERE

SOURCE OF
INFORMATION: Ken Hartman, Director of Strategic Partnership

APPLICATION
WITHIN
MUNICIPALITIES: YES

PENALTIES:




OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

M E M O R A N D U M

December 23, 2021

TO: Gabe Albornoz, President
County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Bill XX-22, Municipal Tax Duplication

I am transmitting the attached Bill XX-22, Municipal Tax Duplication for the Council's consideration.

The codification of municipal tax duplication formulas is a long overdue need for our municipalities. Since June, Executive Branch representatives have met bi-weekly with the Montgomery County Chapter of the Maryland Municipal League to develop the formulas and draft Bill. I thank our municipal leaders for a constructive partnership throughout the process. The attached Bill represents our shared consensus on the best path forward. It builds upon my efforts to improve the process as introduced in my FY 2021 recommended budget and includes funding for all municipal police activities for the first time.

Under this Bill, municipal expenditures on transportation maintenance, police and crossing guard services, and parks maintenance will be reimbursed by the County. These services benefit all County residents and would be provided by the County if the municipality did not provide them. Municipalities noted that previous reimbursements included animal control, elderly services, and human rights services and have compromised on not including them if there is a commitment to the full implementation strategy proposed in this Bill.

In addition to codifying the calculation of property tax reimbursements to municipalities for eligible costs, the Bill also alters the requirements for municipalities to participate in the program and provides for a timeline of certain reimbursement activities. It eliminates the duplicative rebate program for the City of Takoma Park police services and provides a phased implementation for reimbursement by FY 2025.

I look forward to the Council's favorable consideration and am committed to fund the property tax duplication reimbursement as set forth in the Bill in my recommended FY 2023 budget. I thank Councilmember Katz for his leadership on this matter and fully support Councilmember Navarro's introduction of a \$5 million special appropriation to the County Government's FY 2022 Operating Budget for reimbursements for property tax duplication to municipalities.

Please feel free to contact me if you have any questions.

Bill No. XX – 22, Municipal
Tax Duplication Bill
 Concerning: _____
 Revised: _____ Draft No. _____
 Introduced: _____
 Expires: _____
 Enacted: _____
 Executive: _____
 Effective: _____
 Sunset Date: _____
 Ch.____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Council President at the Request of the County Executive

AN ACT to:

- (1) codify the calculation of reimbursements to municipalities for eligible costs;
- (2) alter the requirements for municipalities to participate in the program;
- (3) provide for a timeline of when certain reimbursement activities must be accomplished;
- (4) eliminate the duplicative rebate program for the City of Takoma Park police services; and
- (5) provide a phased implementation for reimbursement by FY 2025.

By amending

Montgomery County Code
 Chapter 30A, Montgomery County Municipal Revenue Program
 Sections 30A-1 through 30A-6

Chapter 35, Police
 Section 35-5

<p>Boldface</p> <p><u>Underlining</u></p> <p>[Single boldface brackets]</p> <p><u>Double underlining</u></p> <p>[[Double boldface brackets]]</p> <p>* * *</p>	<p><i>Heading or a defined term.</i></p> <p><i>Added to existing law by original bill.</i></p> <p><i>Deleted from existing law by original bill.</i></p> <p><i>Added by amendment.</i></p> <p><i>Deleted from existing law or the bill by amendment.</i></p> <p><i>Existing law unaffected by bill.</i></p>
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The County Council for Montgomery County, Maryland, approves the following act:

Sec 1. Sections 30A-1 through 30A-6 and 35-5 are amended as follows:

Sec. 30A-1. Established.

There is hereby established a program to reimburse municipalities within the [county] County for those public services provided by the municipalities which would otherwise be provided by the [county] County government.

Sec. 30A-2. Qualification of municipal public services for [county] County reimbursement.

Municipal public services shall qualify for [county] County reimbursement if the following conditions are met:

[(1)](a) [The] the municipality provides the service to its residents and taxpayers,

[(2)](b) the service would be provided by the [county] County if it were not provided by the municipality,

[(3)](c) except for police services, the service is not actually provided by the [county] County within the municipality, [and]

[(4)](d) the comparable [county] County service is funded from tax revenues derived partially from taxpayers in the participating municipality, and

(e) the municipality actually funds the services.

Sec. 30A-3. Determination of amount of reimbursement.

(a) Subject to the provisions of section 30A-4, each participating municipality shall be reimbursed by an amount determined by the [county executive] County Executive to approximate the amount [of municipal tax revenues required to fund the eligible services. The amount of reimbursement shall be limited to the amount the county

executive estimates the county would expend if it were providing the services] the County would incur to provide transportation, police, crossing guards, and park maintenance services in that municipality.

(b) For transportation-related expenses, reimbursements must be equal to the County's average per mile or per item expenditures for the three most recent fiscal years multiplied by the number of miles or items in each municipality.

(c) For park maintenance related expenses:

(1) reimbursements for Fiscal Year 2023 must be as follows:

(A) for Section 3 of the Village of Chevy Chase: \$4,800

(B) for the Town of Chevy Chase: \$11,453

(C) for the Village of Friendship Heights: \$89,813

(D) for the Town of Kensington: \$46,242

(E) for the City of Takoma Park: \$93,942

(2) for all subsequent fiscal years, the amounts set forth above must be increased in an amount equal to the amount of the annual percentage change to the Consumer Price Index (CPI) for the preceding 12-month period using the CPI issued for the Washington, D.C. Metropolitan Area by the United States Department of Labor, Bureau of Labor Statistics.

(d) Subject to Section 35-5, for Police, reimbursements must be based on the costs the County would incur to provide police services in the municipality if the municipality did not provide police services, as determined by a quadrennial utilization assessment performed by the County, except that in no event may the reimbursement to any

municipality providing such services be less than an amount equivalent to the cost to the County of one full-time officer.

(e) For Crossing Guards, reimbursements must be based on the costs the County would incur to provide crossing guard services in the municipality as determined by a quadrennial utilization assessment performed by the County.

Sec. 30A-4. Limitations on expenditures.

All expenditures by the [county] County under the authority of this chapter shall be subject to the limits of the funds appropriated by the [county council] County Council.

Sec. 30A-5. [Application to participate in program] Timeline of annual certification, notification, and payment.

(a) No later than September 15 of the preceding fiscal year, in accordance with Maryland Code Section 6-305(f), the County shall advise all municipalities within the County of any reasonable supporting documentation required to provide sufficient detail for the County to calculate the reimbursement.

(b) Any municipality within the [county] County which desires to participate in the [county] County municipal revenue program shall submit not later than November 15 of the preceding fiscal year [of each year] to the [county an application which shall be in such form and contain such information as may be required by the county executive] County a certification of eligible services and the supporting documentation requested by the County in Section 30A-5(a) to calculate the reimbursement.

(c) The County must notify each municipality of the reimbursement amounts it will receive in each fiscal year no later than February 15 of the preceding fiscal year.

(d) Reimbursement payments to municipalities must be made once per year, no later than October 1 of that fiscal year.

(e) The County will provide each municipality participating in the municipal revenue program with the calculations supporting the reimbursement payment.

Sec. 30A-6. County tax rate in certain municipalities.

(a) *Reduced tax rate.* Pursuant to section 6-305 of the Tax-Property Article, Annotated Code of Maryland, before June 30 the [county council] County Council may set for the coming taxable year a general [county] County property tax rate on assessments of properties in any municipality at a rate that is less than the general [county] County tax rate on assessments of properties in parts of the [county] County outside of the municipality if the municipality:

(1) [Lies] lies partly in Montgomery County and partly in another county;

(2) [Performs] performs fire and rescue services in whole or in part in lieu of the [county] County performing those services; and

(3) [The] the conditions in subsection (d) are met.

(b) *Performance of services.* The municipality may perform fire and rescue services by actually providing the services or by paying for all or part of the costs and expenses of fire and rescue services.

(c) *Amount of tax rate.* The general County property tax rate on

assessments of properties in the municipality must be less than the general County property tax rate on assessments outside of the municipality by the county of tax rate established for the Fire Tax District for the same taxable year.

(d) *Conditions for reduced rate.* The municipality, on or before June 15, must present satisfactory written evidence to the County Council demonstrating that the municipality for the coming taxable year:

(1) [Has] has levied a general municipal property tax on all assessments of properties in the municipality equal to the tax rate proposed to be set for the Fire Tax District for the coming taxable year; and

(2) [Will] will collect and remit to Montgomery County the full amount of taxes imposed on assessments of properties in the municipality under paragraph (d)(1) in partial payment of the costs and expenses of providing fire and rescue services in the municipality.

(e) *Allocation of funds.* Taxes received from the municipality must be allocated by the County as follows:

(1) [Taxes] taxes on assessments of properties in the Montgomery County section of the municipality will be placed in the General Fund[.], and

(2) [Taxes] taxes on assessments of properties in the other county's section of the municipality will be placed in the Fire Tax District Fund.

Sec. 35-5. Takoma Park [Rebate] Reimbursement.

- (a) If [the County and the City of Takoma Park agree that the substation located in the City is abolished,] the County does not provide police protection in the City of Takoma Park, and the City provides its own citywide police protection, reimbursements to the City of Takoma Park for such police services must be the greater of the calculation set forth in Section 30A-3 or \$4,020,521. [the Director of Finance must, during each fiscal year that this agreement is in effect, pay to the City treasurer, in quarterly installments, that portion of the revenue from the County tax levied on each \$100.00 of assessable:
- (1) personal property in the City which is produced by 12 cents of the tax rate levied on personal property; and
 - (2) real property in the City which is produced by 4.8 cents of the tax rate levied on real property.]
- (b) If [any agreement referred to in subsection (a) is terminated or modified] the County resumes police protection in the City of Takoma Park after a fiscal year begins, the amount paid under [it] Section 30A-3 must be prorated according to the number of days in that fiscal year during which the County provides police protection [that the agreement has been in effect].
- (c) Nothing in this Section limits the jurisdiction of the County police in the City of Takoma Park.

Sec. 2. Phased Implementation Period.

The County Executive may phase in the full implementation of the requirements of Section 1 over a three-year period. In Fiscal Year 2023, subject to Section 30A-4, the County must fund the reimbursements set forth herein at no less

151 than 80%. In Fiscal Year 2024, subject to Section 30A-4, the County must fund the
152 reimbursements set forth herein at no less than 90%. For all subsequent years, the
153 County must fully fund the reimbursements set forth herein, subject to Section 30A-
154 4.

155 **Sec. 3. Effective Date.**

156 This Act takes effect on the date on which it becomes law.

157157

Fiscal Impact Statement
Bill XX-22, Chapter 30A—Montgomery County Municipal Revenue Program—
Amendments

1. Legislative Summary.

Bill XX-22 changes the reimbursement calculation for those public services provided by the municipalities which would otherwise be provided by the County Government.

The bill (1) codifies the calculation of reimbursement to municipalities for eligible cost; (2) alters the requirements for municipalities to participate in the program; (3) provides for a timeline of when certain reimbursement activities must be accomplished; (4) eliminates the duplicative rebate program for the city of Takoma Park police services, and (5) provides a phased implementation for reimbursement by FY25.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

According to Bill XX-22 the formulas for the Municipal Tax Duplication shall be as follow:

For transportation related expenses, reimbursement must be equal to the County's average actual per mile or per item expenditures for the three most recent fiscal years multiplied by the number of miles or items in each municipality. For the FY22 Approved Budget, the Transportation reimbursement represented sixty percent of the County's per mile or per item expenditures, multiplied by the number of miles or items in each municipality.

For park maintenance related expenses, the reimbursement will be the amounts specified in the Bill adjusted for the Consumer Price Index (CPI) in all subsequent fiscal years.

For police, reimbursements must be based on the cost the County would incur to provide those services. To determine this amount, the County must perform a quadrennial utilization assessment of each municipality providing police services to determine the cost the County would have incurred to perform those eligible services.

For Crossing Guards, reimbursement must be based on the cost the County would incur to provide those services. To determine this amount, the County must perform a quadrennial utilization assessment of each municipality providing crossing guard services to determine the cost the County would have incurred to perform those eligible services.

Table 1 compares the FY22 Approved Payments to Municipalities (\$10,119,832), including the Takoma Park Police Payment NDA, with the calculation proposed by Bill XX-22 at full implementation (\$20,534,146). The total shown reflects a three-year average for transportation related expenses, as specified in the bill. It also includes preliminary FY21 actual expenditures. To the extent that final audited FY21 expenditures differ than what is shown below, the total will change accordingly.

Table 1
Payments to Municipalities FY22 Approved vs. Bill XX-22 at Full Implementation

Municipality	TOTAL FY22 Current Calculation *	Police	Crossing Guard	Park	Transportation	New Bill Calculation- 100% **	Police	Crossing Guard	Park	Transportation
Brookeville	9,792				9,792	18,983				18,983
Chevy Chase, Sec. III	36,899			4,488	32,411	68,361			4,800	63,561
Chevy Chase View	49,990				49,990	96,909				96,909
Chevy Chase Village	119,389				119,389	358,618	127,177			231,441
Town of Chevy Chase	155,664			10,708	144,956	294,199			11,453	282,746
Drummond	5,587				5,587	10,831				10,831
Friendship Heights	89,067			84,072	4,995	113,285			89,913	23,372
Gaithersburg	1,442,171				1,442,171	4,373,723	1,586,573			2,787,150
Garrett Park	58,709				58,709	113,811				113,811
Glen Echo	25,142				25,142	48,739				48,739
Kensington	185,566			43,229	142,337	322,064			46,232	275,832
Laytonsville	28,612				28,612	55,466				55,466
Martin's Additions	32,494				32,494	62,991				62,991
North Chevy Chase	30,582				30,582	59,285				59,285
Oakmont	3,970				3,970	7,696				7,696
Poolesville	298,927				298,927	662,286				662,286
Rockville	2,923,531				2,923,531	8,241,450	2,653,655			5,587,795
Somerset	68,829				68,829	132,000				132,000
Takoma Park	3,373,744	2,757,266	269,856	87,840	258,782	5,387,991	4,020,521	267,521	93,942	1,006,007
Washington Grove	54,401				54,401	105,460				105,460
TOTAL ***	8,993,067	2,757,266	269,856	230,337	5,735,608	20,534,146	8,387,926	267,521	246,341	11,632,359
Takoma Park NDA Sec 35-5	1,126,765									
Total FY22 Current Calculation included TP Police NDA	10,119,832									
* FY22 Approved Budget represents 60% of transportation expenditures calculation, 100% of police and crossing guard calculation (including the Takoma Park Police NDA), and 95% of parks calculation										
** Bill XX-21 represents the cost of the bill at full implementation and does not take into account the phasing in of implementation as specified in the bill.										

The bill further allows the County Executive to phase-in the implementation period of the bill provided that the phased in amount is at least 80 percent in FY23, 90 percent in FY24, and 100 percent in FY25 and beyond.

Table 2 represents payments by Municipality under each level of funding.

Table 2
Phased-in Implementation of Bill XX-22

Municipality	FY22 Approved	FY23 80% Phase-in	FY24 90% Phase-in	FY25 100% Phase-in	Full Phase-in vs. FY22 Approved
Brookeville	9,792	15,186	17,084	18,983	9,190
Chevy Chase, Sec. III	36,899	54,688	61,525	68,361	31,462
Chevy Chase View	49,990	77,527	87,218	96,909	46,918
Chevy Chase Village	119,389	286,894	322,756	358,618	239,229
Town of Chevy Chase	155,664	235,359	264,779	294,199	138,535
Drummond	5,587	8,665	9,748	10,831	5,244
Friendship Heights	89,067	90,628	101,957	113,285	24,218
Gaithersburg	1,442,171	3,498,978	3,936,351	4,373,723	2,931,552
Garrett Park	58,709	91,049	102,430	113,811	55,102
Glen Echo	25,142	38,992	43,865	48,739	23,597
Kensington	185,566	257,651	289,858	322,064	136,497
Laytonsville	28,612	44,373	49,919	55,466	26,854
Martin's Additions	32,494	50,393	56,692	62,991	30,497
North Chevy Chase	30,582	47,428	53,357	59,285	28,703
Oakmont	3,970	6,157	6,926	7,696	3,726
Poolesville	298,927	529,829	596,057	662,286	363,359
Rockville	2,923,531	6,593,160	7,417,305	8,241,450	5,317,920
Somerset	68,829	105,600	118,800	132,000	63,171
Takoma Park	4,500,509	4,310,393	4,849,192	5,387,991	887,482
Washington Grove	54,401	84,368	94,914	105,460	51,058
TOTAL	10,119,832	16,427,317	18,480,732	20,534,146	10,414,314

Note: For illustrative purposes only. Table 2 assumes constant expenditures for category calculations at the FY23 preliminary calculation level. To the extent that the actual expenditures for each of these categories change in future years, the computation would change accordingly.

Table 3 shows the annual increase in the Payment to Municipalities.

Table 3
Annual Increase in Payments to Municipalities Under Phased Implementation

	Total Payment to Municipalities	Increased Payment Compared to FY22 Approved	Budget Year
Total FY22 Approved (including Takoma Park Police NDA)	\$ 10,119,832		
80% Phase-in	\$ 16,427,317	\$ 6,307,485	FY23
90% Phase-in	\$ 18,480,732	\$ 8,360,900	FY24
100% Phase-in	\$ 20,534,146	\$ 10,414,314	FY25

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

Bill XX-22 will not impact County revenues. Table 4 shows the expenditures by fiscal year for the next six fiscal years starting in FY23.

Table 4
Estimated Expenditures Under Bill XX-22

Annual Payments Increase with Proposed Bill XX-22 Compared to FY22 Appropriation	
FY23	\$ 16,427,317
FY24	\$ 18,480,732
FY25	\$ 20,534,146
FY26	\$ 20,534,146
FY27	\$ 20,534,146
FY28	\$ 20,534,146
6 Year Total	\$ 117,044,635

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

The bill is not expected to impact retiree pension or group insurance costs.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

The bill is not expected to impact the County's IT or ERP systems.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

The bill does not authorize future spending but requires the inclusion of the municipal payment calculation in the Executive's Recommended Budget each year.

7. An estimate of the staff time needed to implement the bill.

The bill is not expected to materially impact staff duties.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

The bill is not expected to materially impact staff duties.

9. An estimate of costs when an additional appropriation is needed.

See the answer to Number 3.

10. A description of any variable that could affect revenue and cost estimates.

The bill is not expected to impact County revenues. The cost estimates in this Fiscal Impact Statement use preliminary FY21 actual expenditures. To the extent that final audited FY21 expenditures differ from this amount, the calculated payments would adjust accordingly. Furthermore, for illustrative purposes this estimate assumes that the calculated amount for FY23 (at full implementation) would remain constant for the next six fiscal years. To the extent that future calculations differ from the FY23 calculation because actual County expenditures used in the computation of the payment change, or to the extent that the next quadrennial assessment of police and crossing guard needs differ from current assumptions, the actual payments to municipalities would adjust concomitantly.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

Not applicable.

12. If a bill is likely to have no fiscal impact, why that is the case.

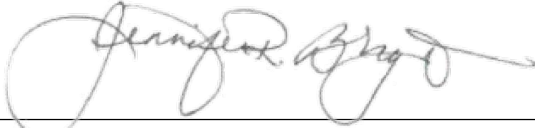
Not applicable.

13. Other fiscal impacts or comments.

None.

14. The following contributed to and concurred with this analysis:

Estela Boronat de Gomes, Office of Management and Budget

A handwritten signature in cursive script, appearing to read "Jennifer R. Bryant", written in black ink.

**Jennifer R. Bryant, Director
Office of Management and Budget**

12/23/21

Date

Resolution No.: 13-650

Introduced: Sept. 10, 1996

Adopted: Sept. 10, 1996

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

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

Background

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

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

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

Action

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

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

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

This is a correct copy of Council action.

/s/

Mary A. Edgar, CMC
Secretary of the Council

APPROVED:

/s/

Douglas M. Duncan
County Executive

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

EXPEDITED MONTGOMERY COUNTY MUNICIPAL REVENUE PROGRAM BILL 2-22: — AMENDMENTS

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Expedited Bill 2-22 will have little to no impact on racial equity or social justice in the County.

PURPOSE OF RESJ IMPACT STATEMENTS

The purpose of racial equity and social justice (RESJ) impact statements is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.¹ Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.²

PURPOSE OF EXPEDITED BILL 2-22

The purpose of Expedited Bill 2-22 is to codify a negotiated agreement between the Executive Branch and municipal leaders that reimburse them for their costs to deliver transportation, police, crossing guard, and park maintenance services that the County provides to other residents.³ The municipal revenue program created by Bill 2-22 addresses the challenge of property tax duplication since the County and the following municipalities each levy a property tax, but only the municipality provides these services within its jurisdiction:⁴

- | | | |
|-------------------------|---------------------|--------------------|
| • Brookeville | • Gaithersburg | • Oakmont |
| • Chevy Chase Section 3 | • Garrett Park | • Poolesville |
| • Chevy Chase View | • Glen Echo | • Rockville |
| • Chevy Chase Village | • Kensington | • Somerset |
| • Town of Chevy Chase | • Laytonsville | • Takoma Park |
| • Drummond | • Martin's Addition | • Washington Grove |
| • Friendship Heights | • North Chevy Chase | |

When fully implemented, Bill 2-22 will double the County's reimbursement for municipally delivered services from \$10.1 million for FY22 to \$20.5 million.⁵ The bill requires an 80 percent phase in for FY23, a 90 percent phase-in for FY24, and a complete phase in for FY25.⁶ Expedited Bill 2-22 was introduced to the Council on January 11, 2022.⁷

ANTICIPATED RESJ IMPACTS

While Expedited Bill 2-22 will transfer \$10.4 million in annual operating funds from the County to 20 municipalities, OLO does not anticipate this bill will impact racial equity and social justice as the demographics of County residents who are losing revenue are comparable to the demographics of the municipalities receiving additional revenue.

RESJ Impact Statement

Expedited Bill 2-22

More specifically, about 60 percent of County residents are White, regardless of Hispanic origin, compared to 57 percent of residents in the County's 20 municipalities.⁸ Since people of color account for similar shares of residents losing County revenue (non-municipal residents) and receiving County revenue (municipal residents), OLO finds that Expedited Bill 2-22 will yield little to no impact on racial equity and social justice in the County.

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CAVEATS

OLO staffer Elaine Bonner-Tompkins, Senior Legislative Analyst, drafted this RESJ impact statement.

¹ Definition of racial equity and social justice adopted from "Applying a Racial Equity Lens into Federal Nutrition Programs" by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools <https://www.racialequitytools.org/glossary>

² Ibid

³ Montgomery County Council, Bill 2-22, Montgomery County Municipal Revenue Program – Amendments, Introduced January 11, 2022

⁴ Office of Management and Budget. Montgomery County, Fiscal Impact Statement for Chapter 30-A-Montgomery County Municipal Revenue Program – Amendments, included in packet for Expedited Bill 2-22 (Christine Wellons memorandum to County Council, Expedited Bill 2-22, Montgomery County Municipal Revenue Program – Amendments, January 11, 2022)

⁵ Ibid

⁶ Montgomery County Council, Bill 2-22

⁷ Christine Wellons memorandum to County Council, Expedited Bill 2-22, Montgomery County Municipal Revenue Program – Amendments, January 11, 2022

⁸ OLO staff analysis of available Census and American Community Survey data by jurisdiction

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 2-22

Montgomery County Municipal Revenue Program – Amendments

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 2-22 would have an insignificant impact on economic conditions in the County. By changing the Montgomery County Municipal Revenue Program, the Bill would increase County reimbursements to municipalities for public services provided by the municipalities that otherwise would be provided by the County. Because the increase in reimbursements would be an intra-County transfer of revenues from the County to municipal governments, OLO believes that the changes in law would not affect private organizations and residents in terms of the Council's priority economic indicators.

BACKGROUND

If enacted, Expedited Bill 2-22 would change the Montgomery County Municipal Revenue Program. As stated in the Bill, these changes would include:

- (1) alter the calculation of reimbursements to municipalities for eligible costs;
- (2) alter the requirements for municipalities to participate in the municipal revenue program;
- (3) provide for a timeline of when certain reimbursement activities must be accomplished;
- (4) amend reimbursements for the City of Takoma Park police services; [and]
- (5) provide for a phased-in implementation period.¹

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess Expedited Bill 2-22's impacts on County-based private organizations and residents in terms of the Council's priority economic indicators.² The Fiscal Impact Statement for the Bill found that the changes to the Montgomery County Municipal Revenue Program would increase County reimbursements to municipalities for public services provided by the municipalities that otherwise would be provided by the County.³ Because the increase in reimbursements would be an intra-County transfer

¹ Montgomery County Council, Expedited Bill 2-22 in [Introduction Staff Report](#).

² Montgomery County Code, [Sec. 2-81B](#).

³ The Fiscal Impact Statement is included in the [Introduction Staff Report](#).

Economic Impact Statement

Office of Legislative Oversight

of revenues from the County to municipal governments, OLO believes that the Bill would have insignificant impacts on private organizations and residents.

VARIABLES

Not applicable

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

Not applicable

Residents

Not applicable

DISCUSSION ITEMS

Not applicable

WORKS CITED

Montgomery County Code. [Sec. 2-81B, Economic Impact Statements.](#)

Montgomery County Council. [Expedited Bill 2-22, Montgomery County Municipal Revenue Program – Amendments.](#)

Introduced on January 11, 2022.

Office of Management and Budget. [Fiscal Impact Statement](#) for Expedited Bill 2-22.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes,

Economic Impact Statement

Office of Legislative Oversight

economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.

[Home](#) [Table of Contents](#)**§ 6-305. County rate, certain municipal corporations**

West's Annotated Code of Maryland

Tax-Property

Effective: October 1, 2015

West's Annotated Code of Maryland

Tax-Property

Title 6. Taxable Property; Imposition of Tax; Setting Tax Rates

Subtitle 3. Setting Property Tax Rates

Effective: October 1, 2015

MD Code, Tax - Property, § 6-305

§ 6-305. County rate, certain municipal corporations[Currentness](#)**“Tax setoff” defined**

(a) In this section, “tax setoff” means:

- (1) the difference between the general county property tax rate and the property tax rate that is set for assessments of property in a municipal corporation; or
- (2) a payment to a municipal corporation to aid the municipal corporation in funding services or programs that are similar to county services or programs.

Applicability

(b) This section applies only in:

- (1) Allegany County;
- (2) Anne Arundel County;
- (3) Baltimore County;
- (4) Garrett County;
- (5) Harford County;
- (6) Howard County;
- (7) Montgomery County; and
- (8) Prince George's County.

Meeting between governing body of the county and municipal corporation; determination of tax setoff

(c) The governing body of the county shall meet and discuss with the governing body of any municipal corporation in the county the county property tax rate to be set for assessments of property in the municipal corporation as provided in this section. After the meeting if it can be demonstrated that a municipal corporation performs services or programs instead of similar county services or programs, the governing body of the county shall grant a tax setoff to the municipal corporation.

Considerations in determining county property tax rate for assessments of property in a municipal corporation

(d) In determining the county property tax rate to be set for assessments of property in a municipal corporation, the governing body of the county shall consider:

- (1) the services and programs that are performed by the municipal corporation instead of similar county services and programs; and
- (2) the extent that the similar services and programs are funded by property tax revenues.

Tax rate unique to each county; prior year's rate

(e) The county property tax rate for assessments of property located in a municipal corporation is not required to be:

- (1) the same as the rate for property located in other municipal corporations in the county; or
- (2) the same as the rate set in a prior year.

Submission of proposal for desired level of property tax setoff

(f)(1) At least 180 days before the date that the annual county budget is required to be approved, any municipal corporation in the county that desires that a tax setoff be provided shall submit to the county a proposal that states the desired level of property tax setoff for the next fiscal year.

(2)(i) A request submitted under paragraph (1) of this subsection shall be accompanied by:

1. a description of the scope and nature of the services or programs provided by the municipal corporation instead of similar services or programs provided by the county; and
2. financial records and other documentation regarding municipal revenues and expenditures.

(ii) The materials submitted under subparagraph (i) of this paragraph shall provide sufficient detail for an assessment of the similar services or programs.

(3) After receiving a proposal from a municipal corporation requesting a tax setoff under this subsection, the governing body of the county shall promptly submit to the municipal corporation financial records and other documentation regarding county revenues and expenditures.

Meeting between policy and fiscal officers or representatives for the county and municipal corporation

(g)(1) At least 90 days before the date that the annual county budget is required to be approved, the county and any municipal corporation submitting a tax setoff request under subsection (f) of this section shall designate appropriate policy and fiscal officers or representatives to meet and discuss the nature of the tax setoff request, relevant financial information of the county and municipal corporation, and the scope and nature of services provided by both entities.

(2) A meeting held under paragraph (1) of this subsection may be held by the county representatives jointly with representatives from more than one municipal corporation.

(3)(i) The county officers or representatives may request from the municipal corporation officers or representatives additional information that may reasonably be needed to assess the tax setoff.

(ii) The municipal corporation officers or representatives shall provide the additional information expeditiously.

Statement of intent

(h)(1) At or before the time the proposed county budget is released to the public, the county commissioners, the county executive of a charter county, or the county council of a charter county without a county executive shall submit a statement of intent to each municipal corporation that has requested a tax setoff.

(2) The statement of intent shall contain:

- (i) an explanation of the level of the proposed tax setoff;
- (ii) a description of the information or process used to determine the level of the proposed tax setoff; and
- (iii) an indication that, before the budget is enacted, appropriate officials or representatives of the municipal corporation are entitled to appear before the county governing body to discuss or contest the level of the proposed tax setoff.

Testimony during hearing

(i) Representatives of each municipal corporation in the county requesting a tax setoff shall be afforded an opportunity to testify before the county governing body during normally scheduled hearings on the county's proposed budget.

Agreement setting different terms for a tax setoff

(j) Notwithstanding the provisions of subsections (d), (f), and (g) of this section:

- (1) a county and one or more municipal corporations may enter into an agreement setting different terms or timing for negotiations, calculations, or approval of a tax setoff; and
- (2) a county may grant a tax setoff to a municipal corporation that does not make a request in the fashion described in this section.

Prince George's County

(k)(1) On or before January 31 each year, the governing body of Prince George's County shall complete a report that includes:

- (i) the amount of the tax setoff granted to each municipal corporation in the current fiscal year;
- (ii) in the form provided by each municipal corporation, a detailed description of the scope and nature of the individual services or programs provided by each municipal corporation instead of similar services or programs provided by the county; and

(iii) a detailed description of the methodology used by the county to determine the amount of the tax setoffs, including any formulas.

(2) Notwithstanding any other provision of law, the report required under this subsection shall be:

(i) available to municipal corporations in Prince George's County on request; and

(ii) submitted to the Prince George's County House Delegation and the Prince George's County Senators.

Credits

Added by Acts 1985, c. 8, § 2, eff. Feb. 1, 1986. Amended by Acts 1986, c. 171; Acts 1998, c. 680, § 1, eff. July 1, 1998; Acts 1999, c. 504, § 1, eff. July 1, 1999; Acts 2010, c. 415, § 1, eff. May 4, 2010; Acts 2011, c. 542, § 1, eff. July 1, 2011; Acts 2015, c. 55, § 1, eff. Oct. 1, 2015; Acts 2015, c. 267, § 1, eff. July 1, 2015.

Formerly Art. 81, § 32A.

MD Code, Tax - Property, § 6-305, MD TAX PROPERTY § 6-305

Current with all legislation from the 2021 Regular Session and 2021 First Special Session of the General Assembly. Some statute sections may be more current, see credits for details.

END OF DOCUMENT



OFFICE OF THE COUNTY ATTORNEY


Isiah Leggett
County Executive

Leon Rodriguez
County Attorney

AMENDED MEMORANDUM

TO: Kathleen Boucher
Assistant Chief Administrative Officer
Offices of the County Executive

VIA: Karen Federman-Henry, Chief
Division of Finance and Procurement

FROM: Scott R. Foncannon 
Associate County Attorney

DATE: July 1, 2008

RE: County's obligation for municipal revenue reimbursement for municipal police
department services within Montgomery County

This memorandum amends the previous memorandum dated June 6, 2008, on this issue. I was asked to add a reference to Chevy Chase Village to the memorandum.

Issue

You have asked this office to give you a written opinion on whether Montgomery County is required to reimburse municipalities that have a municipal police force under County law or grant a tax setoff to those municipalities under state law.

Answer

For the reasons stated below, Montgomery County is not required to reimburse a municipality that has a municipal police force or to grant a tax setoff where Montgomery County also provides police department services in the municipality.

Facts

In January of 2007, the Montgomery County Executive, Isiah Leggett, requested the formation of a municipal revenue sharing task force (Task Force). As a result of this request, the Task Force, consisting of both County and municipal representatives, was formed to discuss tax duplication and revenue sharing issues between the County and the municipalities located within the County. During the course of discussions among the County representatives on the Task Force on the issue of revenue sharing with municipalities that had a municipal police force, the question arose as to whether the County was legally obligated to make a tax duplication payment or to grant a tax setoff to the City of Rockville, the City of Gaithersburg, or Chevy Chase Village under existing County or State law for the cost of their municipal police services. I was advised that the County provides police services and coverage in all three districts where these municipalities are located, as if the municipal police departments did not exist and that County Police Officers are dispatched to calls in all three municipalities. In addition, the County provides other law enforcement services to all of these municipalities including, but not limited to, police recruit training at the County training academy, computerized dispatch, emergency response team coverage, 911 center operations, crime scene and forensic specialist, crime lab services and special investigation divisions. In light of the fact that the County provides police services in these municipalities, the question was asked whether, based on the language of the County Code and the State Code, the County is legally required to make any reimbursement to the municipalities for the police department services provided by these municipalities.

Legislative History of Tax Duplication Payments

Since the 1950's there have been statewide discussions about State and local legislation to create tax duplication payments by Counties to municipalities. In 1972 the County Council commissioned a study to determine the service areas where tax duplication might exist, calculate the estimated overlap, develop alternatives to overcome duplication and to determine the fiscal impact on both the County and the municipalities. This report concluded, among other things, that tax duplication was limited primarily to street maintenance. In 1973 Montgomery County enacted Chapter 30A of the Montgomery County Code that established a "program to reimburse municipalities ...for those public services provided by municipalities which would otherwise be provided by the County government." This code section has remained unchanged since 1973.

In 1977 the County Council established a joint Task Force on County-Municipal Financial Relationships to examine the formula used to provide payments to the municipalities. The Task Force report revised the formula for municipal rebates and the County Council established a new procedure for reimbursement to the municipalities by resolution dated October 17, 1978. A similar task force was appointed by the County Council in 1981 and again in 1995 to study and review tax duplication issues and to report their findings to the Council. One of the findings of the 1995 Task Force concluded that "Municipal police services provided were

determined to be supplemental warranting no reimbursement.”

Meanwhile in 1975 the State passed tax duplication legislation that is now codified in Section 6-305 of the Tax-Property Article, Annotated Code of Maryland. The original text of the law applied to Montgomery County and was permissive. In 1985 the State revised the law and made it mandatory that the County grant a “Tax Setoff” to municipalities to “aid the municipal corporation in funding services or programs that are similar to county services or programs.” TP§6-305(a)(2). Under State law the County is required to consider “the services and programs that are performed by the municipal corporation instead of similar county services and programs;...” TP§6-305(d)(1).

Further details of the legislative history appear in a memorandum dated August 30, 2002, from this Office to the Director, Office of Management and Budget. The memorandum is attached for your reference.

Statutory Instruction and Interpretation

The Appellate courts in the State of Maryland have repeatedly explained that the goal of statutory construction is to discern and effectuate the legislature’s intent. The Maryland Court of Special Appeals summarized these rules in *Maryland-National Capital Park and Planning Commission v. State Dept.*, 110 Md. App. 677, 688, 678 A.2d 602, 607 (1996):

Ever mindful of our desire to discern and effectuate the General Assembly’s intent, *Oaks. v. Connors*, 339 Md. 24, 35, 660 A.2d 423 (1965), we examine the language of the enactment and give to the language its natural and ordinary import, *Montgomery County v. Buckman*, 333 Md. 516, 523, 636 A.2d 228 (1994). If the language is plain and free from ambiguity and expresses a definite and sensible meaning, we will, ordinarily, end our inquiry. *Id.* We are not, however, rigidly bound to the precepts of the “plain meaning” rule. *Department of Gen. Servs. v. Harmans Assocs. Ltd. Partnership*, 98 Md. App. 535, 545, 633 A.2d 939 (1993). Where the General Assembly has chosen not to define a term used in a statute, we will give that term its ordinary and natural meaning and will not resort to the subtle or forced interpretations for the purpose of extending or limiting the operation of the statute. *Brown v. State*, 285 Md. 469, 474, 403 A.2d 788 (1979). Furthermore, we examine the entire statutory scheme and consider the purpose behind the particular statute before us. *Department of Public Safety v. Howard*, 339 Md. 357, 369, 663 A.2d 74 (1995). Cognizant that the language of the statute is the foundation from which our inquiry commences, we also review legislative history

and the prior state of law, and contemplate the particular evil, abuse, or defect that the General Assembly wished to remedy with the enactment of the statute at issue. *Lemley v. Lemley*, 102 Md. App. 266, 290, 649 A.2d 1119 (1994). Moreover, the examination of related statutes is not beyond our reach. *GEICO v. Insurance Comm'r*, 332 Md. 124, 132, 630 A.2d 713 (1993).

To ascertain the legislative intent, the Court examines “the language of the enactment and gives that language its natural and ordinary meaning.” *Montgomery County v. Buckman*, 333 Md. 516, 523, 636 A.2d 448, 452 (1994). Where no ambiguity exists, no further review is needed. And where a specific definition does not appear in the statute, the court will apply the ordinary and natural meaning of the word. *Brown v. State*, 285 Md. 469, 474, 403 A.2d 788, 791 (1979). In applying statutory construction principles, the appellate court may refer to dictionary definitions and common usage. *Id.* See also *Benson v. State*, 389 Md. 615, 634-635, 887 A.2d 525, 536 (2005); *Board of License Commissioners for Prince George’s County v. Global Express*, 168 Md. App. 339, 348, 896 A.2d 432, 437 (2006). Often the entire statutory scheme becomes relevant to consider the purpose behind the statute. *Comptroller v. Phillips*, 384 Md. 583, 591, (2005).

In this case both the State and the County have enacted laws relating to the same topic—reimbursement of funds to municipalities for duplication of services. When interpreting similar statutes adopted by State and local governments it is important to consider whether a conflict between the two laws exists and, if so, the effect of that conflict. The Maryland Courts have recognized the concurrent power of the State and a political subdivision to enact laws regulating the same topic, providing there is no irreconcilable conflict between the two and the State has not chosen to preempt the entire field. *Baltimore v. Sitnick*, 254 Md. 303 (1969). Generally, a local law is “preempted by conflict when it prohibits an activity which is intended to be permitted by State law, or permits an activity which is intended to be prohibited by State law.” *Coalition for Open Doors v. Annapolis Lodge No. 622 Benevolent and Protective Orders of Elks*, 333 Md. 359 (1964).

When the State legislature passes a law, it is presumed to have knowledge of its prior enactments, *State v. Briker*, 321 Md. 86 (1990), as well as all other relevant enactments, *Cicoria v. State*, 332 Md. 2 (1993), and to have knowledge of appellate Court interpretations. *State v. Sowell*, 353 Md. 719 (1999).

Principles of statutory construction also require that when construing statutes that relate to the same topic “those statutes must be read together, interpreted with reference to one another, and harmonized, to the extent possible, both with each other and with other provisions of the statutory scheme; neither statute should be read to render the other, or any portion of it, meaningless, surplusage, superfluous, or nugatory.” *Geico v. Insurance Commissioner*, 332 Md.

124 (1993). In the event there is a conflict and the conflict cannot be harmonized or reconciled, the superior authority, in this case the State law, will prevail. *City of Baltimore v. Sitnick, supra.*

Discussion

A. To qualify for tax duplication payments under County Law, the service must not actually be provided by the County in the municipality.

Section 30A-2 of the Montgomery County Code lists four conditions that must be met to qualify for tax duplication payments:

1. The municipality provides the services to its residents and taxpayers;
2. The service would be provided by the County if it were not provided by the municipality;
3. The service is not actually provided by the County within the municipality; and
4. The comparable County services funded from tax revenues derived partially from taxpayers in the participating municipality.

Condition 3 requires that the service provided by the municipality is "not actually provided by the County within the municipality." Section 30A-2, Montgomery County Code. The word "actually" is not otherwise defined in this Section or elsewhere in the Code, so the ordinary and natural meaning of the word will be applied. The word "actually" is defined in Webster's New Collegiate Dictionary, 150th Anniversary Edition, 1981 as "in act and in fact, really, at the present moment, in point of fact, in truth." (p.12) The ordinary and natural meaning of the word "actually" in the context of Section 30A-2(3), plainly and clearly states that in order to qualify for reimbursement, the County does not really or in point of fact provide the services. As described above, the County does in point of fact and actually provide police services in both Rockville and Gaithersburg. This interpretation is supported by the plain language of Section 30A-2(2) as well, which states the service "would be provided by the County if it were not provided by the municipality," again suggesting that only under those circumstances where the County does not provide the service is the County required to reimburse the municipality. The plain language of this section and the natural and ordinary meaning of the word "actually" clearly indicate that, if the County is providing police services within the municipality, then the County is not required to reimburse the municipality.

B. To qualify for a tax setoff under TP§6-305, the municipality must perform services and programs in place of similar services and programs performed by the County.

In order to qualify for a tax setoff or payment to a municipality, TP§6-305(c) requires a municipality to demonstrate that the municipality "performs services or programs instead of similar County services or programs." The words "instead" or "instead of" are not otherwise defined in this section or elsewhere in the Code, so the ordinary and natural meaning of the words will be applied. The word "instead" is defined as "1. as a substitute or equivalent; 2. as an alternative to something expressed or implied." And the phrase "instead of" is also defined as "a substitute for or alternative to." Webster's New Collegiate Dictionary, 150th Anniversary Edition, 1981. (p. 593)

The ordinary and natural definition of these words in the context of the statute states that, unless the municipal service or programs are in place of or a substitute for similar County services or programs, the municipality does not qualify for a tax setoff or other payment. In this case, because the County continues to provide a variety of police services within these municipalities, the County is not required to provide a tax setoff. The plain language of the section, together with the ordinary and natural definitions of the words, limits the payment by the County to only those situations where no County services are provided within the municipality. Because the language is not ambiguous, further review or analysis is not required.

C. The State law and County law concerning tax duplication payments are not in conflict regarding the requirement to make payment.

After review of the requirement of the County law that the County not "actually" provides service and the requirement of State law that the municipality provide the service "instead of" the County, it is my opinion that these provisions are similar and harmonious with each other and do not present a conflict that requires one to have priority over the other. Both requirements plainly state that the reimbursement or tax setoff is only required if the County does not provide the service within the municipalities. The facts indicate that the County is providing police services to Gaithersburg, Rockville and Chevy Chase Village.

Conclusion

Consistent with the statutory construction principles that require the State and County laws to be read in harmony whenever possible, both of these laws require that the reimbursement or tax setoff is appropriate only where the County does not provide any police services within the municipality. The facts indicate that the County provides police services to all three of these municipalities. Therefore, under both the County law and the State law, the County is not legally obligated to reimburse the municipalities for those police services.

Kathleen Boucher

July 1, 2008

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A07-02216 – Memorandum to Kathleen Boucher
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OFFICE OF THE COUNTY ATTORNEY

Douglas M. Duncan
County Executive

Charles W. Thompson, Jr.
County Attorney

MEMORANDUM

TO: Robert K. Kendal, Director
Office of Management and Budget

VIA: Marc P. Hansen, Chief *Marc Hansen*
General Counsel Division

FROM: Betty N. Ferber *Betty n Ferber*
Associate County Attorney

DATE: August 30, 2002

RE: Municipal Tax Duplication Payments

You have asked us to review the State (Property Tax Duplication) and County (Municipal Revenue Sharing) laws that govern certain payments by the County granted to municipal corporations in Montgomery County. You indicate that the current appropriation for municipal tax duplication/revenue sharing payments is nearly \$5 million and that a reduction in payments, to exclude the County income tax revenue in calculating the amount due to the municipalities, would save the County approximately \$2.5 million.

You ask whether payments made under the County Municipal Revenue Program, Chapter 30A of the Montgomery County Code, may be reduced by the portion of the County income tax revenue that is currently distributed to municipalities under Tax-General Article, Section 2-607, and whether Chapter 30A limits County payments to the portion of County general revenue derived from property taxes.

You also ask whether Tax Property Article, Section 6-305, Annotated Code of Maryland, contemplated that the tax set-off required to be granted by the County to municipalities may be limited to that portion of County general revenue fund derived from property taxes.¹

¹ Property tax includes tax imposed on both real and personal property

RESPONSE

1. The legislative history of Chapter 30A suggests that the drafters assumed that the increase in municipal property taxes that would have to be raised from a municipality's residents to pay for a service performed by the municipality in lieu of the service being provided by the County --, i.e., the amount that the municipality sought to have reimbursed -- was already reduced by the income tax distributed to the municipality under the State income tax distribution law.

2. State law would not prevent the County from limiting the payment made to a municipality to the portion of the County's general revenue fund derived from property taxes collected from the municipalities and used to fund County services. However, State law only sets a baseline payment to a municipality and does not preclude a county from providing a more generous payment to its municipalities if the payments serve a public purpose.

3. Chapter 30A does not limit tax duplication payments to the portion of the County's general revenue fund derived from property taxes collected from the municipalities and used to fund County services. In fact, Chapter 30A and its legislative history indicate that the payment to each municipality is intended to return to each municipality "an amount equal to the estimated duplicated taxes paid by its residents for eligible services," i.e. an amount measured by the additional taxes required to be raised by a municipality to fund the service.

4. Resolution 13-650, which is currently used to implement Chapter 30A, provides that the amount due a municipality is determined by calculating the County's cost for performing an eligible service. The resolution ignores one prong of the calculation envisioned under Chapter 30A -- the amount a municipality pays for an eligible service with municipal tax revenues (generally the municipal real property tax). Therefore, Resolution 13-650 may result in a payment that exceeds that called for under Chapter 30A. We note however, that the Council may appropriate funds for the use of municipalities in excess of the amounts contemplated by either the County revenue sharing or state tax duplication laws if the Council finds that the appropriation is in the public interest.

BACKGROUND

A. State Income Tax Distribution Law

A provision distributing a percentage of County income tax to municipalities within its boundaries has been part of State law since 1937. The Report of the Maryland Tax Revision Commission of 1939, in discussing the history of this provision, indicates that before 1937 there existed an "intangibles tax." Two-thirds of this tax was retained locally and the remainder paid to the State. The Report states that "when the intangibles tax was abolished, it was necessary to compensate the localities for the revenue loss. The method adopted was to allocate one-fourth of the collections from the individual income tax to the localities in which the taxpayers

respectively reside, this including a share of the tax on ordinary income as well as on investment income."

The local distribution provision in the 1939 law provided in relevant part:

258 (Distribution of Tax.) *** one -fourth (1/4) of the taxes collected under this sub-title from individual residents of the various counties of the State shall be paid over and distributed by the Comptroller to the County Commissioners of the respective counties in which such taxpayers reside; but in the case of a taxpayer residing in an incorporated city, town or village of any county, one-fourth (1/4) of the tax collected from such taxpayer shall be equally divided between the incorporated city, town or village, and the county in which such taxpayer resides.

Under Section 2-607, Tax-General Article, the Comptroller is required to distribute to each municipal corporation, (with some limitations) the greater of "17% of the county income tax liability of [its] *** residents, or 0.37% of the Maryland taxable income of those residents, ***."

B. Tax Duplication Law - General

In accordance with Tax-Property Article, Section 6-305, and Chapter 30A of the Montgomery County Code, the County reimburses municipalities within the County for services the municipalities provide to their residents, which would otherwise be provided by the County. The principle underlying the reimbursement is that County residents who are also residents of a municipality pay not only County property taxes, but additional municipal property taxes. However, they receive certain services only from the municipality. A tax inequity or double taxation occurs, when the resident is taxed twice – once by the County for a service the property owner does not receive from the County and once by the municipality which does provide the service. In some counties in the State this inequity is rectified by a tax differential under which the county property tax for municipal residents is set at a lower rate than the county property tax for property owners in unincorporated areas. In other counties, such as Montgomery County, a payment is made to the municipality rather than to the individual taxpayer to reimburse the municipality for the property tax collected from its residents to pay for the municipal services.

In Maryland there have been efforts since at least the early 1950s, spearheaded by the Maryland Municipal League (and at various times opposed by the Maryland Association of Counties), to enact legislation on both the State and at the local levels to create a property tax differential or payment in lieu of a tax differential by the counties to the municipalities. These efforts resulted in legislation that was enacted in Montgomery County in 1973 and at the State level in 1975.

C. County Tax Duplication Law

Chapter 30A, Section 30A-1, of the Montgomery County Code, which has been unchanged since passage in 1973, establishes a "program to reimburse municipalities * * * for

those public services provided by the municipalities which would otherwise be provided by the County government." Section 30A-2 provides that municipal public services qualify for the reimbursement if 1) the municipality provides the service, 2) the service would be provided by the County if not provided by the municipality, 3) the service is not provided by the County in the municipality, and 4) "the comparable County service is funded from tax revenues derived partially from taxpayers in the participating municipality." Section 30A-3 provides that subject to appropriation of funds by the County Council, "each participating municipality shall be reimbursed by an amount determined by the County Executive to approximate the amount of municipal tax revenues required to fund the eligible service." (Emphasis supplied.) Section 30A further provides that the cap on the amount of the reimbursement is "the amount the County Executive estimates the County would expend if it were providing the services." Chapter 30A provides a tax differential for Takoma Park only.²

The legislative history for Chapter 30A reveals that a "Municipal Revenue Program" was proposed by County Executive James P. Gleason in May 1973. In September of 1972 Mr. Gleason had the County Budget and Research Section undertake a study to determine the service areas where tax duplication might exist, calculate the estimated overlaps or duplication, develop alternatives to overcome duplications, and determine the fiscal impact on both the County and the municipalities of the various alternatives.

The Final Report on the Montgomery County Municipal Revenue Program, dated May 24, 1973 (Final Report), concluded that tax duplication was limited primarily to street maintenance work. In determining the service areas where tax duplication existed, certain activities were excluded. For example, municipal government activities were excluded because they were considered a basic requirement for citizens wanting their own local government. Also only municipal services which correspond to tax-supported County services were eligible since municipal residents' property taxes were not used to pay for certain self-supporting County activities, such as garbage collection and animal control. The services which were eligible for reimbursement thus were only municipal services which correspond to County General Fund-financed services.

In calculating the estimated tax duplication or overlap, the Final Report defined "tax duplication" to mean "that amount of local funds that municipalities must raise from their own resources to provide the County level of services within their boundaries." The Final Report explains that to reach this figure, total municipal expenditures for the eligible services were compiled and then certain deductions were made. These deductions included certain "shared revenues" that municipalities were entitled to receive which, if the municipalities were not in existence, would otherwise go to the County. One group of these revenues included State-shared gasoline tax and motor vehicle registration revenue, which the Report noted were ear-marked for use on street-related services. The other group of these shared revenues included "a portion of the County-shared income taxes, traders' permit fees" and other taxes, "all of which may be used as municipalities choose,[and] are distributed to municipalities instead of to the County."

² The section in Chapter 30A providing a tax differential for Takoma Park was added in 1986 and revised in 1998.

(Emphasis added.) The Final Report noted that the "sharing of these revenues with municipalities reduces the funds that must be raised from local sources for street-related services, and in effect represents a return to municipalities of all or a portion of the County taxes their residents pay for the County level of those same services. Therefore, to derive the net expenditures for the services in question, applicable portions of ear-marked and other shared revenues were subtracted from total expenditures for those services." (Emphasis supplied.)³

Another calculation that the Final Report concluded must be made to determine the tax duplication is one that takes into account the diseconomies resulting from the municipalities smaller size and any supplementary levels of service. The Final Report recognized that the availability of accurate data from the County and the municipalities to enable them to make these calculations would be very difficult to come by. Therefore the Final Report recommended, as an alternative to overcoming the duplication, that after determining the municipality's net expenditures (i.e., after reducing its expenditures by the deductions for shared revenues), the net expenditures should be further reduced by one-third, an amount which is "assumed to represent the portion of net expenditures related to the diseconomies of scale or supplemental levels of service." As a further alternative the Final Report recommended that "these calculations notwithstanding, a minimum grant of \$1,000 be proposed.

The initial version of the proposed new law made clear that the amount that was to be reimbursed to the municipality is "the amount which a municipality must raise from its own taxes to provide the eligible services."

In the cover memorandum which accompanied the Final Report, Mr. Gleason states that the goal of the program is for the County to "return annually to each municipality an amount equal to the estimated duplicated taxes paid by its residents for eligible services."

D. State Tax Duplication Law

Two years later, in 1975, the State tax duplication law was first enacted as Article 81, Section 32A.⁴ That first version of the law, which was applicable to Montgomery County, was not mandatory, but permissive, allowing counties to levy a tax on property within a municipal corporation at a rate less than the general county property tax rate, "if the municipal corporation performs governmental services or programs in lieu of similar county governmental services or programs." State law provided that in establishing the tax rate, "the county may take into account the governmental services and programs which the municipal corporations perform in lieu of similar county governmental services and programs and the extent that the similar

³ To illustrate, if the cost to the municipality of providing street maintenance is \$17,000 and the municipality received \$14,000 in State-shared gas tax and \$2,000 in shared income tax, then the municipality's net expenditure for the service is \$1,000 and it must only raise enough property tax to cover the \$1,000 expense. That \$1,000 expenditure constitutes the tax duplication and is the amount which the County Municipal Revenue Program was designed to reimburse. See Final Report.

⁴ Before 1975 State law required two counties, Harford and Anne Arundel, to provide a tax differential to their municipalities. Section 6-307, Tax-Property Article.

services and programs are funded through property tax revenues." (Emphasis supplied.) The law further provided that "in lieu of a lesser rate of county property tax, the "county may make a payment to the municipal corporations to assist the municipal corporations in funding governmental services or programs which the municipal corporations perform in lieu of similar county services or programs." (Emphasis supplied.)

In 1977 only four counties provided any tax setoff to their municipalities. Harford and Anne Arundel provided a tax rate differential and Montgomery and Prince George's provided a rebate program. By 1984 four counties (Anne Arundel, Charles, Harford, and Prince George's) provided a tax differential and seven counties (Calvert, Caroline, Carroll, Dorchester, Frederick, Montgomery and Queen Anne's) provided rebates.

In 1985 when the Tax-Property Article was enacted, Article 81, Section 32A was divided into two sections - Section 6-305, which was mandatory, and Section 6-306, which remained permissive. Section 6-305, which specifically applied to Montgomery County and seven other counties (Allegheny, Anne Arundel, Baltimore County, Garrett, Harford, Howard, and Prince George's),⁵ required these counties to provide a tax setoff if a municipal corporation demonstrated that it performs certain services in lieu of similar county services or programs, whereas all other counties, covered under Section 6-306, were given the option of providing such a setoff but were not required to do so. In all other respects the language of both provisions remained nearly identical to the original language of the 1975 law.

A change to Section 6-305 occurred in 1998 when House Bill 216 added the term "Tax Setoff" which was defined to mean either a tax differential or "a payment to a municipal corporation to aid the municipal corporation in funding services or programs that are similar to county services or programs." House Bill 216 also added a formalized process for county/municipal tax setoff deliberations, under which any municipality that submits a timely request for a tax setoff will be entitled to a structured and timely discussion with appropriate county officials about the nature of the requested tax setoff.⁶ A county and municipality may use an alternative process to address tax setoffs, if one is mutually agreed upon. However, the basic language regarding the setting of the tax rate has not changed in any significant way. The operative provision still reads:

In determining the county property tax rate to be set for assessments of property in a municipal corporation, the governing body of the county may consider:

- (1) the services and programs that are performed by the municipal corporation instead of similar county services and programs; and

⁵ In 1999 Frederick County was added to this list.

⁶ The process detailed in the legislation provides that any municipality may submit to the county a request for a property tax setoff, which must include a justification for the request and supporting financial data, and the county must provide financial and other information to the municipality, hold a meeting to discuss tax setoff issues, and submit a statement of intent to the municipality regarding the setoff request; the municipality may discuss or contest the setoff as part of the county's budget process.

(2) the extent that the similar services and programs are funded by property tax revenues.
(Emphasis supplied.)⁷

As was the case for the original law, Section 6-305(j)(1) provides that counties and municipalities "may enter into an agreement setting different terms or timing for negotiations, calculations or approval of a tax set-off."

State law does not set forth any formula for computing either the tax differential or payment but leaves it to each county to determine the tax rate or payment based upon the concept that municipalities are entitled to some aid or assistance from the county to compensate them for the additional amounts they collect from their citizens. The amount of the payment is not required to be measured by either the municipalities' costs or the county's costs.

In 1998 15 of the 22 counties with municipalities provided some type of setoff. Five provided only a differential, nine provided only a rebate, and two (Montgomery and Prince George's) provided both a differential and a rebate.

E. Procedures for Determining which Expenditures of Montgomery County Municipalities are Reimbursable and the Amount of the Reimbursement for Each Municipality.

Since enactment of Chapter 30A, the County practice for determining what municipal expenditures will be reimbursed and the procedures for reimbursing each municipality has been established in a series of Resolutions. The Municipal Revenue Program began providing what initially were characterized as "rebates" to the municipalities in 1974.

In 1977 the County Council established a joint Task Force on County-Municipal Financial Relationships to examine the formula used to provide the rebates. The Report that the Task Force issued in September of 1978 revised the formula for the municipal rebate program. By Resolution 8-2222, dated October 17, 1978, the County Council established a new procedure for reimbursing each municipality for street-related expenditures, beginning in fiscal year 1979. The revised formula provided each municipality with a grant per street mile based on the cost to the County for street maintenance in unincorporated areas.

It was soon apparent that adjustments again needed to be made to the formula for street-related expenditures, and that municipalities should also receive reimbursement for certain police services and for code enforcement services. The County Council, by Resolution 9-1492, adopted October 13, 1981, and Resolution 9-1514, adopted October 20, 1981, reestablished and appointed a Task Force on County Municipality Financial Relationships.⁸

⁷ Section 6-305(d).

⁸

The 1982 Task Force stated that its guiding principles were the following:

1. The service provided by a municipality had to be one that was provided in lieu of being provided by the County.
2. The reimbursement was to be limited to the amount the County would expend if it were providing the service.

This Task Force issued a Report recommending certain revisions to the County's Municipal Revenue Program, which recommendations were accepted by Resolution 9-1752, adopted April 27, 1982. These revisions included changing the formula for reimbursement of street-related expenditures, adding reimbursement for police services, and including a county reimbursement program for code expenditures such as zoning, housing, animal control, and construction code enforcement. The County also agreed to reimburse two cities for consumer affairs and human relations services. The Report established that the payments should be the lower of the amount the County would expend or the actual expenditure by the municipality for the service. It also made clear that the calculations for each year should be based upon the County's and each municipality's actual audited expenditures for the prior fiscal year.

In March 1995 the County Executive appointed County and municipal representatives to serve on the Montgomery County Task Force to Study the Municipal Tax Duplication Reimbursement Program. The Task Force was directed to review and make recommendations to improve procedures and formulas used to determine the amount of the reimbursements. The municipalities felt that the calculations they had to make to obtain a reimbursement were extremely complex. The goals of the Task Force included simplifying the calculations necessary to determine the amount of a reimbursement, and providing greater predictability to the municipalities regarding what they could expect to receive from the County.

The Task Force made the following recommendations, which were approved by the County Council in Resolution 13-650, adopted September 10, 1996:

1. Payments should be made once per year based on the prior fiscal year expenditures.
2. Municipalities would no longer be required to submit expenditures. Reimbursement amounts would in future be based on what the County would have spent had the County performed the service in the municipality.
3. Transportation payments in future would be based on the following formula:
 - a. Determine the cost of County road maintenance per mile.
 - b. Determine the percentage of the County expenditures that could be, and theoretically are, paid for with property tax revenues, subtracting out any off-setting non-tax revenues.⁹
4. Municipal police services provided were determined to be supplemental warranting no reimbursement.

3. The reimbursement was to be for property tax duplication, and therefore, is limited to expenses financed with property tax revenues paid by all County taxpayers.

⁹ To demonstrate how this operates, the Task Force looked at fiscal year 1995 expenditures and determined the amount of the applicable off-setting non-tax revenues, i.e. Highway User Revenues and Miscellaneous sources, which accounted for about 38.3 % of the total eligible expenditures. Therefore, the Task Force explained, " the net County property tax funded cost is 61.7% of the total expenditures in fiscal year 1995." The Task Force further explained that it recognized that this percentage will change annually depending upon the Highway User Revenues received, the amount of other miscellaneous fees and charges and the size of the County road maintenance budget.

5. The code enforcement reimbursement formula should be based on the net County property tax supported code enforcement expenditures per dwelling or parcel.
6. Park maintenance should be reimbursed under the same formula previously used.
7. Reimbursement of all other services should continue to be based on the net County property tax supported expenditures. Municipalities will not be required to submit their expenditures, but will be required to provide annual certification of eligible service and workload data necessary for reimbursement for selected services such as elderly shopping service, senior transportation and crossing guards.

The 1996 Report repeatedly refers to the "net County property tax supported expenditures." What did the term mean to the Task Force? When using that term the Task Force appeared to mean the County's actual cost of providing the service, less any "applicable, off-setting non-tax revenues," such as Highway User Revenues, but subtracting out nothing more. (See the discussion regarding the transportation expense in the Task Force report.)

It is evident that the intent of the Task Force and the County Council in adopting the Task Force's Report, was no longer to adhere to any specific technical formula, but to reimburse the municipalities for their costs generally. The 1996 Resolution and the Task Force recommendations which it adopted, changed the formula from the previous system, where payments to the municipalities were the lesser of what the County would have spent or what the municipalities actually did spend to a more simplified, "theoretical" formula, based entirely on what the County was spending throughout the County and therefore would have spent had it performed the service within the boundaries of the municipality. Under the system adopted in 1996 the municipalities are no longer required to submit their actual expenditures.

DISCUSSION AND CONCLUSIONS

Municipalities assess taxpayers within their jurisdictions an additional amount over the amount which they are assessed as County residents. This additional amount is used to fund the service provided by the municipality which otherwise would be provided by the County. Chapter 30A proposes to reimburse the municipalities for this amount.

Although Section 6-305, Tax-Property Article, requires certain counties to either adjust an eligible municipality's tax rate or make a payment to the municipality, the law gives broad discretion to the counties to determine whether to provide a tax differential or make a payment as well as broad discretion to determine how to calculate the differential or the payment. It has not set forth any formula for computing the tax differential or payment, but has left that calculation to each county. It is within the discretion of each county whether to make a precise calculation or provide a payment which approximates the cost of the duplicated service or to be more generous.

Two years before the State enacted its law, Montgomery County chose to provide a reimbursement to its municipalities for the services they provide that would otherwise be provided by the County government. While Chapter 30A was enacted to provide relief from perceived property tax inequities, it makes no specific reference to property taxes. The

legislative history of Chapter 30A suggests that the County Executive who proposed the legislation and the County Council that enacted it had in mind a program that would reimburse the municipalities the amount they had to raise from their citizens to provide the County level of services within their boundaries. The County Executive's Final Report recognized how theoretically the tax duplication could be calculated, but also recognized the difficulty of implementing a system that applied that complex calculation to come up with the precise tax duplication every year. The legislation as passed provides that each municipality "shall be reimbursed by an amount determined by the County Executive to approximate the amount of municipal tax revenues required to fund the eligible services. The amount of the reimbursement shall be limited to the amount the County Executive estimates the County would expend if it were providing the services." (Emphasis supplied.) This language suggests that the County Council did not anticipate that it was even possible to arrive at anything other than an imprecise amount for the reimbursement.

The actual formulas and procedures for making payments to municipalities in Montgomery County were not contained in Chapter 30A, but in the Resolutions that the County Council approved since enactment of Chapter 30A, in 1978, 1982, and 1996. In each of these years the County Council has had an opportunity to revisit the legislation, and the formulas and procedures used to justify the payments to municipalities. By approving each Task Force's Report in these Resolutions, the County Council has in effect approved the methods used over the years for calculating the payments, and determined that those methods were consistent with Chapter 30A and its legislative intent.

During the first twenty years after the County legislation was enacted, the County Council Resolutions indicate that the goal was to develop calculations that would result in a figure that represented the actual costs borne by the municipalities. However, over time, it became apparent that this goal was far too complicated to achieve, and in 1996 it was essentially abandoned when the County Council adopted Resolution 13-650, and the measure of the cost to the municipalities was the cost to the County.

County law and the Resolutions passed by the County Council implementing County law authorize a County rebate or reimbursement program in which County payments will roughly equal the amount of local funds that municipalities must raise to provide the County level of service within the municipalities' boundaries, capped only by the amount the County would spend if it were providing the service.

It can not be disputed that the goal of the legislation was to "return annually to each municipality an amount equal to the estimated duplicated taxes paid by its residents for eligible services," and the legislation as enacted provides that "each participating municipality shall be reimbursed by an amount determined by the county executive to approximate the amount of municipal tax revenues required to fund the eligible services." In other words, the measure of the reimbursement is the additional property taxes that must be raised by the municipality to cover the cost of the service. See footnote 3, *supra*.

Robert K. Kendal
August 30, 2002
Page 11

Technically we do not believe that the amount of the County's cost for an eligible service may be limited to the portion attributed to the property tax because certain other County taxes are imposed on municipal taxpayers such as the real property transfer tax and the fuel energy tax.

We hope this is responsive to your request. If you have any questions or concerns, please do not hesitate to contact us.



January 26, 2022

Honorable Gabe Albornoz
Council President
Montgomery County Council
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

RE: Expedited Bill 2-22, Montgomery County Municipal Revenue Program – Amendments

Dear Council President Albornoz:

I write on behalf of the City of Gaithersburg in support of Expedited Bill 2-22, Montgomery County Municipal Revenue Program – Amendments.

Chapter 30A of the County Code establishes a program that allows reimbursements to municipalities for those public services provided by municipalities that would otherwise be provided by the County. Here in Gaithersburg, these services include transportation maintenance and “primary agency” police services- both of which benefit our residents but would be delivered by the County if the municipality did not provide them. The reimbursement program was intended to address the issue of property tax duplication since both the County and the municipality levy a property tax, but it is actually the municipality that provides that service within its jurisdiction. Because the amounts received by municipalities for reimbursement of provided services have been frozen since FY2012, while costs for these services have continued to increase, and the reimbursement formula, in its current form, inadequately supports these reimbursements, Gaithersburg has been insufficiently compensated for far too long. The time to remedy this problem is now.

The City of Gaithersburg, like its municipal partners across Montgomery County, takes pride in providing dependable and high-quality services to its residents and businesses. This legislation, as drafted, provides us with the funding required to maintain the levels of service that our communities have come to depend upon, is long-overdue, and equitably addresses this critical issue. Amending the law to provide more equitable reimbursement calculations, providing requirements for municipalities to participate in the municipal revenue program, providing a timeline when reimbursement activities must be accomplished, and codifying a consistent process method the County’s municipal partners are finally being fairly compensated. The amendments to update the formulas also allow for appropriate rebates to municipalities in the future. Not sure just a quick division.

City of Gaithersburg • 31 South Summit Avenue, Gaithersburg, Maryland 20877-2038
301-258-6300 • FAX 301-948-6149 • cityhall@gaithersburgmd.gov • gaithersburgmd.gov

MAYOR
Jud Ashman

COUNCIL MEMBERS
Neil Harris
Lisa Henderson
Jim McNulty
Ryan Spiegel
Robert T. Wu

CITY MANAGER
Tanisha R. Briley

I would like to thank and recognize the Montgomery County Chapter of the Maryland Municipal League (MML), who has worked tirelessly on our behalf on this issue. In addition, I'd like to express my gratitude to the staff in the County Executive's Office, our municipal partners, and to all of you on the County Council for your support throughout this process. I hope that this bill will receive the favorable consideration it deserves, and bring to a close this long-standing issue.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jud Ashman", with a long horizontal flourish extending to the right.

Jud Ashman
Mayor
City of Gaithersburg



City of Rockville
111 Maryland Avenue
Rockville, Maryland
20850-2364
www.rockvillemd.gov

240-314-5000
TTY 240-314-8137

January 31, 2021

The Honorable Gabe Alborno, President
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Dear Council President Alborno,

The Mayor and Council of Rockville thank you and the members of the County Council for the opportunity to provide the City's comments on Expedited Bill 2-22. This legislation is a tremendous step forward for Rockville and all of Montgomery County's municipalities.

We are extremely pleased with the collaborative negotiation process undertaken by the Office of the County Executive, led by Chief Administrative Officer Rich Madaleno, Ken Hartman, Director of Strategic Partnerships, Rockville Councilmember Monique Ashton, President of the Maryland Municipal League (MML) Montgomery Chapter and brings equity to those who pay municipal taxes on top of County. Expedited Bill 2-22, and the FY 22 \$5 million Special Appropriation to the Operating Budget for payments to municipalities, are the results of this successful process. We strongly support both measures.

Expedited Bill 2-22 codifies the municipal tax duplication formulas; alters the County Code to allow for reimbursement for Policing services; and sets forth an annual timeline for certifications, notifications and payments - all of which are key priorities of Rockville and the MML Montgomery Chapter. Through a phased-in approach, Expedited Bill 2-22 achieves full funding in FY25. This solution is long overdue and will help us to address shortfalls created in previously underfunded years. Additionally, this priority legislation fosters a well-maintained transportation infrastructure network and superior police services, which support our residents and businesses. Please vote to approve Expedited Bill 2-22 as soon as possible, so that the revised formulas take effect in FY23, as proposed by the County Executive.

In closing, we thank Council President Alborno for sponsoring Expedited Bill 2-22, Councilmember Hucker, as a former sponsor in his role as Council President, Councilmember Navarro and the GO Committee for crafting a path forward, and Councilmember Katz and the County Council for your ongoing support.

MAYOR
Bridget Donnell Newton

COUNCIL
Monique Ashton
Beryl L. Feinberg
David Myles
Mark Pierzchala

CITY MANAGER
Robert DiSpirito

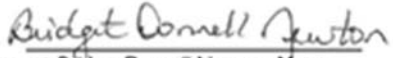

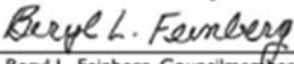
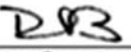
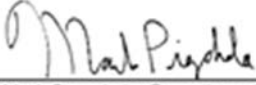
CITY CLERK/DIRECTOR OF
COUNCIL OPERATIONS
Sara Taylor-Ferrell

CORPORATE COUNSEL
Robert E. Dawson

The Honorable Gabe Alborno, County Council President
January 31, 2022
Page Two

Through an unprecedented level of partnership between the County and municipalities, we have finally achieved a resolution to this longstanding issue.

Sincerely,

 Bridget Donnell Newton, Mayor	
 Monique Ashton, Councilmember	 Beryl L. Feinberg, Councilmember
 David Myles, Councilmember	 Mark Pierzchala, Councilmember

Rockville Mayor and Council

cc: Montgomery County Councilmembers

VILLAGE OF FRIENDSHIP HEIGHTS

VILLAGE COUNCIL

MELANIE ROSE WHITE, *Mayor*
MICHAEL MEZEY, *Chairman*
BRUCE R. PIRNIE, *Vice Chairman*
ALFRED MULLER, M.D., *Secretary*
PAULA DURBIN, *Treasurer*
MICHAEL J. DORSEY, *Parliamentarian*
CAROLINA ZUMARAN-JONES, *Historian*
JULIAN P. MANSFIELD, *Village Manager*

4433 SOUTH PARK AVENUE
CHEVY CHASE, MARYLAND 20815

Phone: 301-656-2797
Fax: 301-907-3922
Email: info@friendshipheightsmd.gov
Website: www.friendshipheightsmd.gov



January 27, 2022

The Honorable Gabe Albornoz
Montgomery County Council
101 Monroe Street
Rockville, MD 20850

Dear President Albornoz and County Council Members:

On behalf of the Friendship Heights Village Council, the governing body of the Village of Friendship Heights, I am writing to express our enthusiastic support for Expedited Bill 2-22, Montgomery County Municipal Revenue Program—Amendments.

This bill is the culmination of decades of effort and collaboration between municipal and County officials. It has been a longstanding goal of the parties involved to codify the formulas used to calculate reimbursements to municipalities for eligible costs. In addition to achieving this goal, the bill also specifies requirements for municipalities to participate in the tax duplication program, delineates a timeline for reimbursement, and provides long-awaited reimbursement for police services.

Our sincere thanks to the County Council for putting forth this legislation. It truly reflects the shared aspiration of the many individuals who worked on this issue over the years and is a testament to the County's partnership with the municipalities.

Sincerely,

FOR THE COUNCIL

Melanie Rose White
Mayor



TOWN OF
Poolesville
MARYLAND

January 24, 2022

Re: Bill 2-22, Municipal Tax Duplication

Dear Council President Albornoz and Honorable Councilmembers:

The Town Commissioners of Poolesville fully support Bill 2-22, Municipal Tax Duplication, which County Executive Marc Elrich, has recommended for the FY23 budget. This bill, which codifies the calculation of tax reimbursements and provides a phased implementation for reimbursement by FY 2025, has been many years in the making. We thank the County Executive's staff and the Montgomery Chapter of the Maryland Municipal League for their hard work during this process, partnership and time well-spent to come to a positive resolution for our Poolesville residents and for residents throughout the county.

Additionally, we thank the Council itself and the Council's GO (Government Operations) Committee for recommending Councilmember Navarro's introduction of the \$5 million special appropriation to the County Government's FY22 Operating Budget for reimbursements for property tax duplication to municipalities in FY2022.

We appreciate your commitment to righting this decade-long issue which has unfairly affected municipalities since 2012. We look forward to the Council's support on this bill and its efforts to come to a resolution which will affect our own municipal budget and all of our residents.

In partnership and on behalf of the Commissioners of Poolesville,

James Brown, President
Poolesville Town Commission

cc: Marc Elrich, County Executive
Ken Hartman, Director, Strategic Partnerships, Montgomery County
Monique Ashton, Rockville City Councilmember, President, Montgomery Chapter, MD
Municipal League

2022 FEB 2 AM 9:15:02
RECEIVED

The Town of
GLEN ECHO
Chartered 1904

Town Hall • 6106 Harvard Avenue • P.O. Box 598 • Glen Echo • MD 20812 • (301) 320-4041

January 28, 2022

The Honorable Gabe Albornoz
Montgomery County Council
101 Monroe Street
Rockville, MD 20850

Dear President Albornoz and County Council Members,

On behalf of the Town of Glen Echo Town Council, the governing body of the Town of Glen Echo, we absolutely support the Expedited Bill 2-22, Montgomery County Municipal Revenue Program Amendments.

We appreciate and understand that this bill is truly a decades-long culmination between county and municipal officials. Both calculating reimbursements to municipalities, participation in the tax duplication program, and reimbursement timelines are just and fair.

We are grateful for the unrelenting work between the County Council and the municipalities. All parties have persevered to create this most important bill for our community and our county.

Sincerely,



Dia Costello
Mayor of Glen Echo

CC: Mr. Marc Elrich, Executive, Montgomery County
Mr. Richard Madaleno, Chief Administrative Officer, Montgomery County
Montgomery Chapter of the Maryland Municipal League

SECTION 3 OF THE VILLAGE OF CHEVY CHASE

P.O. Box 15070

Chevy Chase, Maryland 20815

301 656-0117

www.chevychasesection3.org

January 31, 2022

Montgomery County Councilmembers
Stella Werner Council Office
100 Maryland Ave.
Rockville, MD 20850

Re: Expedited Bill 2-22, Montgomery County Municipal Revenue Program—Amendments

Dear Members of the County Council,

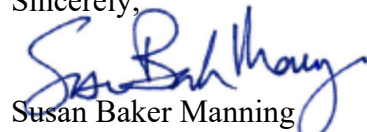
On behalf of Section 3 of the Village of Chevy Chase, I urge you to adopt Expedited Bill 2-22. The level at which the County reimburses municipalities for certain expenses pursuant to the Montgomery County Tax Duplication Program has been a long-standing subject of discussion and debate. Our Village Manager tells me that the program was being debated when she took her position in 1993. It is long past time to fix this broken system.

Simply put, we are asking to be reimbursed fairly for those services we, rather than the County, provide to our citizens, but for which the County nevertheless receives tax revenue. Under the current system, municipalities such as ours are consistently underpaid and unable predict how much we will receive under the program. Section 3 has worked hard with the County Executive's Office and members of the Council to come to an equitable agreement that would improve the program.

Expedited Bill 2-22 will set tax duplication reimbursement formulas, define a timeline for the exchange of information necessary to those formulas, and enable both the Council and municipalities to plan their budgets. The bill also takes the decision away from the executive branch and puts it in the hands of the County Council. Most importantly, it will codify the manner in which the County Council appropriates funds for the Tax Duplication Program. Expedited Bill 2-22 creates a path toward a more equitable and reliable system, and one that—importantly—will allow both the County and municipalities to budget appropriately.

The County and municipalities work in partnership to make living in Montgomery County a rewarding experience for all our residents. We urge that you pass Expedited Bill 2-22, and look forward to working cooperatively with the County Council as we approach many of the challenges of governance.

Sincerely,



Susan Baker Manning
Council Chair



Barney Rush, *Mayor*
Irene Lane, *Vice Mayor*
Joy White, *Treasurer*
Joel Rubin, *Secretary*
Ellen Cornelius Ericson, *Community Liaison*

VIA EMAIL

January 28, 2022

Montgomery County Council
100 Maryland Avenue
Rockville, MD 2080

Dear County Councilmembers:

On behalf of the Town Council, I am writing in support of the proposed special appropriation and Bill 2-22 related to municipal tax duplication. We appreciate the substantial work that has been put into this matter by the County Executive's office and the Montgomery County Chapter of the Maryland Municipal League. We are pleased that a consensus has been reached, and we look forward to the codification of municipal tax duplication formulas.

Sincerely,

Barney Rush
Mayor