



Rushern L. Baker, III
County Executive

PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

July 1, 2017

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

I take great pleasure in presenting to you the highlights of the planned continued investments in our great County. The FY 2018 Approved budget reflects adherence to our economic strategy over the last seven years of building a stronger financial foundation upon which we are now able to “dream for tomorrow”. This budget provides additional resources for critical core services and targets expansion into new programming.

The County's regional stature has risen and our economy is improving. The historic level of economic development has created 16,345 new jobs in the County since 2013, and unemployment is down to 4%. Similarly, housing values have increased 61% over the past six years. The County's positive progress is not limited to the traditional financial indicators; we continue to have safe neighborhoods with the overall crime rate down by 55% since 2010. We also have seen a rise in high school graduation rates and have witnessed a decrease in the number of uninsured residents. These measurable outcomes are the result of the resource investment strategy of channeling funding where it can have the greatest impact.

The FY 2018 approved budget maintains our priority focus on growing the economy, improving academic performance in K-12 education and lifelong educational opportunities, providing safe and environmentally sustainable communities, assisting our residents in achieving healthy outcomes and social well-being, and providing high performing government operations.

As continued economic growth is key for the County, the FY 2018 budget contains continued funding for the successful Economic Development Incentive Fund to attract and retain jobs. It also provides funds for the County's Conference and Visitors Bureau to enhance marketing of the County for travel and tourism. Resources are provided to the Economic Development Corporation to assist in workforce development with special emphasis on long-term unemployed residents, veterans, and returning citizens, and to support business led generation. Additionally, the FY 2018 budget includes funding to support the first phase of infrastructure build-out for the 22-acre Suitland development project, and provides funds for the “Pathway to Purchase” Program that will provide down payment and closing costs assistance loans to first-time homebuyers.

Since a quality educational system is a prerequisite to be a recognized and competitive jurisdiction, the FY 2018 budget continues the County's commitment to providing resources to our three education partners – the Prince George's County Public School System, Community College, and Memorial Library. The FY 2018 approved budget contains a total of \$2.1 billion and provides a targeted investment to each partner. The Prince George's County Public School System receives an additional \$4.7 million to improve the graduation rates at four high schools - Bladensburg, Central, High Point and Northwestern. The Community College receives an additional \$1.7 million to provide financial assistance to approximately 500 County residents who seek attendance. The Memorial Library will launch a new “Books from Birth” program with a goal of reaching 7,200 children under the age of five in FY 2018.

To further improve the quality of life within our County, the FY 2018 budget contains \$708.4 million for Public Safety agencies and the Courts. These funds sustain and build upon our progress in keeping our

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communities safe. The approved budget allows for additional service personnel to assist with crime reduction and emergency response.

Another way to enhance the quality of life in our County is through the promotion of clean and environmentally sustainable roads and neighborhoods. The FY 2018 budget contains funds to support the core services for both the departments of Public Works and Transportation and Environment who assist in making these improvements a reality. Additionally, the FY 2018 budget includes funds to newly implement a bike-share program in the Rhode Island Avenue corridor and National Harbor, and to begin planning a new South County Road Improvement project in response to economic growth in the area.

The well-being of our residents is as critically important as their safety, therefore, for the second year in a row, the approved budget contains funds to expand access for those most in need of health and human services. The approved FY 2018 budgets for the respective human service agencies total \$35.4 million, an increase of \$6.8 million. Included in this funding is the implementation of a developmental disabilities initiative that includes a training apprenticeship program. These funds also allow the launch of a Health Alliance program to promote greater care coordination, and include funds to support the financing of the University of Maryland Capital Region Medical Center in Largo.

FY 2018 Approved Budget – All Funds

The chart below provides a summary of all operating funds in FY 2018:

ALL FUNDS SUMMARY					
	FY 2017 BUDGET	FY 2018 APPROVED	\$ CHANGE FY17 - FY18	% CHANGE FY17 - FY18	% of TOTAL BUDGET
FUND					
General Fund	\$3,116,934,200	\$3,251,537,400	\$134,603,200	4.3%	83.9%
Internal Service Funds	44,121,900	51,762,300	7,640,400	17.3%	1.3%
Enterprise Funds	179,964,300	184,412,200	4,447,900	2.5%	4.8%
Special Revenue Funds	164,899,900	190,162,400	25,262,500	15.3%	4.9%
Grant Program Funds	206,521,600	198,604,500	-7,917,100	-3.8%	5.1%
TOTAL	\$3,712,441,900	\$3,876,478,800	\$164,036,900	4.4%	100.0%

The FY 2018 budget for all operating funds is \$3.88 billion, an increase of \$164.0 million or 4.4% over the FY 2017 budget. The General Fund accounts for 83.9% of all spending in FY 2018 and will increase by \$134.6 million or 4.3%. This fund supports the majority of County government services and programs including education, public safety, general government, public works, the environment and other critical services.

The Internal Service Funds total \$51.8 million in FY 2018, an increase of \$7.6 million or 17.3% above the FY 2017 budget. The County's Enterprise Fund totals \$184.4 million, representing growth of 2.5% to fund various water quality programs and meet the State mandates.

Special Revenue Funds account for \$190.2 million or 4.9% of all spending in FY 2018. Spending in this fund is projected to increase by \$25.3 million or 15.3%. The growth is primarily due to increased required contributions to the debt service fund as well as \$5.1 million dedicated to the Housing Investment Trust Fund. This fund will support two new programs – the Workforce Housing Gap Financing Program and the Pathway to Purchase Program.

Grant funding accounts for 5.1% of all spending and is estimated to total \$198.6 million in FY 2018. This is a decline of \$7.9 million or 3.8% below the FY 2017 budget. The decrease is primarily attributed to the \$10.7 million reduction for the one-time Exelon grant awarded in FY 2017. County agencies will

continue to diligently seek new sources of revenues and will likely exceed the budgeted amount before year-end.

General Fund Revenues

The FY 2018 approved budget is framed by a growing economy that is experiencing growth in both the real estate and job markets as well as the impact of a full year of MGM National Harbor related revenues. Overall, the FY 2018 General Fund forecast represents an increase of \$134.6 million or 4.3% over the FY 2017 Budget. The approved FY 2018 General Fund budget includes \$1.93 billion in County Sources and \$1.31 billion in Outside Aid.

General Fund – County Source

County source revenues – taxes, fees, licenses and permits, service charges, use of money and property, etc. – represent resources used to fund the majority of government programs and services, including the County’s contribution to the Board of Education, Memorial Library System and Community College. In FY 2018, County sources are projected to be \$1.93 billion, an increase of \$121.7 million or 6.7% over the FY 2017 budget. These revenues account for 59.4% of the total General Fund revenues for FY 2018.

Real property taxes represent the largest portion of County source funding for government operations. In FY 2018, receipts are projected to total \$770.8 million, an increase of \$54.8 million or 7.7% over the FY 2017 budget. Excluding the revenue dedicated to the school system, the County’s real property tax revenues are projected to increase by \$51.9 million or 7.6% in FY 2018 over the FY 2017 budget.

Personal property tax revenues are projected to increase by \$4.1 million or 5.7% in FY 2018. Excluding the additional revenue assigned to the school system, the County’s personal property tax revenues are projected to increase by \$4 million or 5.7% in FY 2018.

Income tax revenues are expected to total \$632.7 million in FY 2018, including the State Income Disparity Grant. This represents an increase of \$41.2 million or 7.0% over the FY 2017 budget. Income tax receipts are expected to grow by \$40.5 million to \$601.8 million due to our improving unemployment rate and an increase in the number of jobs in the County. Funding from the State Income Disparity Grant, is expected to increase by \$0.7 million or 2.8% in FY 2018.

The County’s real estate market is forecasted to remain stable over the next year. As such, the combined receipts from both the Transfer and Recordation taxes are anticipated to increase by \$0.8 million or 0.5% to \$151.6 million in FY 2018. This estimate reflects stability in the County’s housing market as the median home sales price continued to rise in 2017.

Revenue from licenses and permit fees is projected to increase \$10.5 million or 23.6% in FY 2018. This is primarily driven by reflecting a full year of MGM National Harbor video lottery terminal and table game revenues as well as continued economic development activity.

Intergovernmental revenues are projected to decline by \$6.9 million or 17.6% below the FY 2017 budget. The decline is due to an anticipated decrease in State Aid for the police and local health grants in addition to a \$2.1 million reduction in support from the Maryland-National Capital Park and Planning Commission (M-NCPPC).

Moreover, the approved General Fund budget includes \$9.5 million use of fund balance to provide a \$5 million contribution to the Housing Investment Trust Fund to support workforce housing and first-time homebuyer programs, \$868,500 to provide a one-time technology improvement for the Library, \$1.5 million to the Department of Housing and Community Development for the Housing Rehabilitation Assistance Program, and \$2.2 million for various one-time initiatives.

General Fund – Outside Aid

Outside Aid revenues include State Aid and other revenues (e.g. federal aid, fees, charges, tuition) generated by the Board of Education, Community College and Library. In FY 2018, Outside Aid is estimated to total \$1.32 billion, an increase of \$12.9 million from the FY 2017 budget level. Outside Aid accounts for 40.6% of total General Fund revenues in FY 2018.

Excellent Education System

College and job readiness is becoming an increasingly important standard by which to measure school success and student achievement. As such, the FY 2018 budget includes \$1.98 billion in funding to the Board of Education, an increase of \$51.6 million or 2.7% over the FY 2017 budget. Funding for the Board constitutes 60.8% of all General Fund spending in the FY 2018 budget. The County's contribution totals \$739.2 million and represents an increase of \$40.9 million over FY 2017 and exceeds the Maintenance of Effort requirement by \$30.1 million. The approved budget supports the system by focusing on the strategic focus areas of academic excellence, a high performing workforce, safe and supportive environments, family and community engagement and organizational effectiveness. The budget funds targeted wrap around services to increase graduation rates and decrease dropout rates at four challenged high schools – Bladensburg, Central, High Point and Northwestern. Additional resources at these schools will support their progress and help lift the entire system. Furthermore, the increased funding to the Board of Education supports expansion of the Pathways in Technology high school program, IB/PSAT program exam fees, child protective services background checks and compensation adjustments for the system's employees.

The County will also make significant investments in a number of school construction projects in FY 2018, including \$100.6 million in County capital funds to support such projects as completion of the construction of the Fairmont Heights High School replacement project, and planning for the renovation or replacement of William Wirt Middle School, the International School at Langley Park, Suitland High school and 38 systemic replacement projects.

In addition, the FY 2018 operating budget includes \$114.9 million for the Community College. The approved budget funds employee compensation adjustments for employees and supports the core operational needs of the College. The FY 2018 budget also includes \$1.7 million for the Promise Scholarship Program. This program will provide scholarships to pay tuition and mandatory fees, not covered by federal and State aid, for approximately 500 graduates of Prince George's County Public Schools who enroll at the College. In addition, the CIP budget totals \$82.6 million and includes funding for the renovation and expansion of the Queen Anne Academic Center, the renovation of Lanham Hall, and construction of the Culinary Arts Center.

The FY 2018 operating budget for the Memorial Library System is \$30.1 million, an increase of \$2.1 million or 6.7%. The approved budget provides for salary adjustments for staff and maintains the current operating hours of all branches. With the added resources, the Library will complete technology and infrastructure upgrades throughout the system and promote lifelong learning by launching the "Books from Birth" program. Additionally, the FY 2018 CIP funds will support continued construction at the Hyattsville and New Carrollton Branch libraries, planning for Bladensburg and various improvement projects.

Thriving Economy

The County's continued successes will be measured in large part by our ability to grow the local economy. We have made notable progress since launching the Economic Development Incentive (EDI) fund five years ago with an investment of \$50 million in order to provide loans and grants to promote

business attraction and expansion. To date, the County has awarded \$32.1 million in EDI funding to 41 projects. This investment is estimated to have retained 4,900 jobs and created approximately 3,700 County jobs. Moreover, EDI funding has leveraged over \$746 million in State economic development funds and private investments in the County.

The FY 2018 budget includes \$9 million from the EDI fund to continue investing in the economy. The Economic Development Corporation and FSC First will continue to use the EDI fund, along with other available financial incentives, to retain and attract businesses to Prince George's County. These efforts will be supported by the additional funding provided to the Conference and Visitors Bureau to enhance our branding and marketing efforts.

The FY 2018 budget includes new investments to extend the residential market's recovery and expand the stock of workforce housing opportunities. The approved budget includes a \$5.1 million investment in the County's Housing Investment Trust Fund. The fund will support two new programs – the Workforce Housing Gap Financing Program and the Pathway to Purchase Program. The budget allocates \$2.6 million for the Workforce Housing Gap Financing Program and will enable the County to support the development of viable, mixed income communities by providing gap financing for the development of decent and quality workforce housing. The Pathway to Purchase program will provide assistance to approximately 150 eligible first time homebuyers to purchase owner occupied or vacant residential properties in the County. The budget includes \$2.5 million for the program.

In addition, the Non-Departmental budget includes a \$2.0 million PAYGO transfer to the Redevelopment Authority's capital budget to support the various community revitalization programs. The Commercial Revitalization program will provide matching grants to revitalize older shopping centers and the Community Impact Grant program will provide matching funds to non-profit organizations seeking support for community led projects. Additionally, the budget includes \$18 million of funding to complete infrastructure for the new Suitland Town Center development. Phase one of the Suitland Town Center project, the Town Square at Suitland Federal Center, will begin in FY 2018 with the construction of 219 urban town homes.

Progress will continue in terms of growing the economy by improving efficiencies in the permitting and inspection processes. To support these efforts, the Department of Permitting, Inspections and Enforcement budget includes funding for continued implementation and hardware for the new permitting and licensing system and funding to support previously unfunded vacant positions.

Safe Neighborhoods

To protect the momentum and continue to build upon the many successes we have witnessed in making our communities safer, the County continues to make a significant investment in FY 2018 to expand the ranks of the direct service providers. The respective approved budgets for Public Safety agencies and Courts provide the resources necessary to meet the response time needs of an ever-growing base of residents and businesses. Taken together, they represent \$708.4 million of the FY 2018 budget, an increase of nearly \$47.1 million or 7.1% over the FY 2017 budget level.

Specifically, the additional funds will allow for the following new personnel - 200 police recruits, 115 firefighters, 25 deputy sheriffs and four new positions in the warrant processing and records management units, 70 correctional officers and seven new correctional treatment coordinators to support the Work Release Center, and funding for all dispatcher and call taker positions.

The FY 2018 approved budget for the Circuit Court and the Orphans Court totals \$18.1 million, an increase of \$1.7 million or 10.5% above the FY 2017 budget. Included in the approved funds for the Circuit Court is funding for all vacant positions and enhancements for staff retention to support the

delivery of services. The Orphans' Courts budget includes funding for a new law clerk to support daily operations.

The Office of the State's Attorney FY 2018 budget total \$18.0 million, an increase of \$1.4 million or 8.6% over the FY 2017 budget. Funding will support retention pay for Assistant State's Attorneys, new positions including an information technology project coordinator and information technology manager to support the body camera technology programs implemented by the Police Department and County municipalities. Additionally, the budget includes resources for two law clerks and additional contractual funding to support various special prosecution units including the child abuse and cold case units.

The CIP budget includes funding for: the completion of the new Police Department Administrative Headquarters and construction for the new Forensics Lab; completion of the Hyattsville and Oxon Hill Fire/EMS stations, land acquisition for the Beechtree and Laurel stations, and planning of the Training and Leadership Academy and Kentland #833 station; renovations at the correctional center medical unit, detention housing units and planning for the Central Control/Administrative Expansion project. Additionally, funding is allocated to complete renovations at the combined Public Safety Training facility and limited renovation of various Court facility areas.

Quality Healthcare and Effective Human Services

This year's fiscal plan continues to provide greater assistance for supportive services to our neighbors most in need of access to care and preventive services. The approved budget to the respective human service agencies remains a priority in FY 2018. General Fund support to these agencies total \$35.4 million, an increase of \$6.8 million or 23.9% above the FY 2017 budget. The increase provides the necessary resources to improve core service delivery, build upon the improvements in our health standards and allow for new programming.

Funding in the Department of Family Services supports new initiatives and expanded services and programs in the area of disability and aging services. In FY 2018, resources are provided to support the implementation of a Disabilities Apprenticeship Training program. The program will provide 10 County residents with developmental, intellectual and physical disabilities a meaningful paid job training experience with a County agency. Additionally, the budget provides funding for expanded options counseling services to help County residents make informed choices about community based options and services that best meet their long-term support needs.

The Health Department continues to direct their efforts towards chronic disease prevention, treatment and providing expanded access to healthcare to County residents. In FY 2018, funding is provided for the new Health Alliance Program to assist healthcare stakeholders throughout the County. The program will provide a care management solution that will help community health workers and other health care professionals provide wrap around and clinical care coordination. Also, additional general fund support has been provided to maintain behavioral health services as it transitions to a fee for service program due to the elimination of the Ambulatory Funding Grant. In FY 2018, the County will support 17 new positions and continue to provide outpatient substance abuse treatment and prevention services to County residents.

Protecting our children continues to be a priority for the Department of Social Services. Resources are provided to support five positions for the Child Protection Education Unit. The unit is dedicated to training the entire community about protecting children against abuse, including sexual abuse. Additionally, the department will continue to support afterschool and family economic stability programs as well as the TNI @ School program.

Notwithstanding the new programming throughout these agencies, the County will continue focused intervention efforts for vulnerable populations to include reducing the occurrences of violence among

children and adults, domestic partners, sexual assault, and/or human trafficking. Resources are deployed to continue collaborative partnerships with County entities such as the Courts, State's Attorney, and public safety agencies, community partners, and advocates.

The CIP budget includes funding for the new University of Maryland Capital Region Medical Center in Largo which will break ground in the Fall 2017, and continued support for the Regional Health and Human Services Administration Building. This will improve residents' access to health and human services.

Clean and Sustainable Environment

In FY 2018, the County continues its investment in various environmental programs to improve quality of life and support federal and State mandates. The FY 2018 funding for the Local Watershed Protection and Restoration Enterprise Fund is \$14.8 million and remains flat with the FY 2017 budget. This fund continues to support planned activity for impervious area restoration through retrofit stormwater controls. The County's investment in the Stormwater Management Fund increases in FY 2018 by \$3.5 million or 5.2% for a total of \$71.1 million to support various water quality programs. The FY 2018 CIP budget includes \$49.8 million for the Clean Water partnership.

The approved Solid Waste Management fund budget totals \$98.5 million, an increase of \$0.9 million or 0.9% over the FY 2017 budget. This fund will continue to support the promotion of recycling which will improve the trash to recycling diversion rate. The FY 2018 CIP program continues to encompass operational and facility improvements and repairs, closure and post-closure requirements for Brown Station Road and Sandy Hill landfills and continued construction of the Organic Composting Facility.

High Performance Government Operations

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

Funding is allocated to the Office of Ethics and Accountability for a full-time ethics compliance analyst. Also, to support our public safety recruitment efforts, resources have been provided to the Office of Human Resources Management to hire eight additional contractual employees to enhance the background investigation process. Additionally, the budget provides funds to support various technology initiatives including the comprehensive electronic permitting and licensing system, upgrades to the County's time and attendance system, a comprehensive firewall security system for our information technology infrastructure, and funding for phase one of the computer refresh program for County employees.

Spending Affordability Committee (SAC) Guidelines

The County's Spending Affordability Committee (SAC) is a truly dedicated citizen committee of exceptional professionals who have been invaluable assets to Prince George's County for many years. The FY 2018 SAC recommendation for the FY 2018 General Fund budget was \$3.26 billion.

The FY 2018 approved budget is approximately \$9.8 million lower than the committee's recommendation. Several significant actions that occurred since the committee made its recommendation account for the change including:

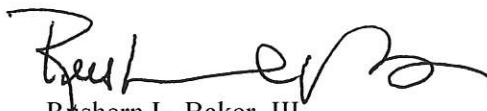
- Increase in Real Property Tax revenues based on State Department of Assessments and Taxation February projections on assessable base and homestead tax credit – \$8.9 million;
- Increase in Personal Property Tax revenues based on State Department of Assessments and Taxation February projections on assessable base - \$3.1 million;

- Decrease in Income Tax Receipts based on year-to-date performance – (\$0.6 million);
- Increase in Transfer and Recordation Taxes based on year-to-date performance - \$0.3 million;
- Increase in Energy Tax revenues based on year-to-date performance - \$3.6 million;
- Increase in Telecommunications Tax revenues based on year-to-date performance - \$0.7 million;
- Decrease in Admissions and Amusement Tax revenues based on year-to-date performance and updated estimates for collections generated by the MGM National Harbor – (\$13.9 million)
- Increase in Hotel/Motel Tax Collection based on updated estimates for collections generated by the MGM National Harbor - \$0.9 million;
- Decrease in Licenses and Permits revenues based on year-to-date performance and an adjustment on the impact of the MGM National Harbor - \$1.2 million
- Decrease in Use of Money and Property based on year-to-date performance – (\$0.6 million)
- Increase in Charges for Services revenues based on year-to-date performance in emergency transportation fees and increased Health Department fees related to behavioral health services - \$5.0 million;
- Increase in Intergovernmental revenues based on updated estimates on the Local Health Grant from the State - \$2.0 million
- Increase in Miscellaneous revenues based on year-to-date performance of red light camera and other fees - \$1.3 million
- Increase in the Use of Fund Balance - \$9.5 million related to the use of fund balance to support one time investments in the Housing Investment Trust Fund, technology improvements for the Memorial Library System, Department of Housing and Community Development and various one-time initiatives.
- Decrease in Outside Aid revenues primarily due to State Aid to the Board of Education to align with the Governor’s FY 2018 Approved Budget – (\$32.4 million)

I unequivocally endorse the Committee’s recommendation for the continuation of conservative revenue estimates and the avoidance of using fund balance for ongoing expenditures. Furthermore, the FY 2018 approved budget complies with their recommendation to preserve the County’s General Fund reserves – Charter-mandated 5.0% and the financial policy-required 2.0%. I share the Committee’s recommendation to continue with these important efforts. These practices are essential to us in maintaining the County’s AAA bond rating from the major rating agencies.

In closing, this approved budget reflects the input, diligence and the collective wisdom of many stakeholders, including staff across the government and the public. The FY 2018 budget maintains the critical investments to keep us on a path toward growing the economy, improving our schools, providing safe neighborhoods, maintaining high-quality health and human service levels and protecting our environment. Furthermore, it is a responsible fiscal plan that continues investment in our future and ensures that we will continue to provide a high level of services to County taxpayers.

Sincerely,



Rushern L. Baker, III
County Executive