

Appendix B

Appendix B includes the following reference information relating to the Fiscal Year 2023 Approved Operating Budget:

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January 1, 2022

The Honorable Angela D. Alsobrooks, III, County Executive
 The Honorable Calvin S. Hawkins, II, Chair, County Council

In accordance with Subtitle 10, Division 1A of the County Code, the Spending Affordability Committee has reviewed the preliminary projections of the County's Office of Management and Budget (OMB) for General Fund revenues for FY 2022 and FY 2023. This letter summarizes the Committee's major findings and recommendations for FY 2023. A detailed discussion of OMB's assumptions on various revenues is provided in the appendix to this letter.

Overview

Exhibit 1 shows that OMB is projecting that the General Fund will be in a positive fiscal position in the current and projected fiscal years. The coronavirus (COVID-19) pandemic continues to stress global healthcare and caused supply chain problems and wage and inflationary spending pressures. Federal stimulus programs helped support the County's tax base and allowed it to forego the planned use of fund balance in FY 2021 and FY 2022. However, outyear projections show an imbalance between revenues and spending in FY 2024, growing to -\$57.9 million by FY 2028. Continued diligence in limiting growth in ongoing spending is warranted. **The Committee recommends a spending ceiling of \$3.955 billion in FY 2023, which it finds is affordable and allows the County to provide vital services while maintaining required reserves.**

Exhibit 1

**Prince George's County
 General Fund Outlook
 (\$ in Millions)**

	FY 2021	FY 2022	FY 2023
	Unaudited	Estimate	Forecast
County-Sourced Revenue	\$ 2,226.4	\$ 2,212.0	\$ 2,279.2
Outside Aid Revenue	\$ 1,464.9	\$ 1,617.1	\$ 1,684.2
Total Revenue	\$ 3,691.3	\$ 3,829.0	\$ 3,963.5
County Agency & Non-D Expenditures	\$ 1,253.8	\$1,304.0	\$ 1,338.9
Education & Library Expenditures	2,349.4	2,499.8	2,615.7
Total Expenditures	\$ 3,603.2	\$3,803.8	\$ 3,954.6
Surplus/(Deficit)	\$ 88.1	\$ 25.3	\$ 8.8

Source: Prince George's County Office of Management and Budget

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- General Fund revenues are estimated to reach \$3.964 billion by FY 2023; an increase of \$134.4 million, or 3.5% over the FY 2022 estimated budget. Growth is expected from additional real property and income tax revenue, and outside education aid. The County has continued to lead the State in growth in its assessable property base and the Homestead Tax Credit has been set at the maximum 5% growth for FY 2023. Income tax revenues are being driven by wage growth in the near term, as employers continue to compete for workers and offer salaries that maintain purchasing power. FY 2023 is also the first year of phased aid increases under the State's Blueprint for Maryland's Future initiative. A -\$9.4 million decrease in recordation tax revenue reflects a recent change in County law to dedicate 20% of revenue to housing programs.
- OMB projects that General Fund expenditures will reach \$3.955 billion in FY 2023, an increase of \$150.9 million or 4.0% over the FY 2022 budget. This projection is based on FY 2022 estimated expenditures and preliminary FY 2023 assumptions of compensation per collective bargaining results, fringe benefits, public safety classes, contributions to public education spending, additional debt service obligations, costs related to the Capital Improvement Program, and other discretionary spending.
- These projections were developed prior to the January 2022 release of the Governor of Maryland's proposed FY 2023 budget, which will be modified by legislative action. The projections therefore do not include the potential impact from State budget cuts, modifications to statutory aid programs, or budgetary enhancements. Final action on the State budget will not be known until late March or early April.

Economic Outlook

Although much of the U.S. population has been vaccinated, new COVID-19 variants have continued to impact the economy due to supply chain problems, inflation, and a reduction in the labor force. Government imposed closures, which occurred during calendar year 2020, are not being reconsidered. Consumer spending fell in the third quarter of 2021 as inflation exceeded 6% in November, and Gross Domestic Product fell from 6.7% in the second quarter to 2.3% in the third quarter. The County unemployment rate has improved, standing at 6.4% in October 2021. Federal stimulus has maintained income levels, and the competition for employees as well as inflation has resulted in wage growth that is also boosting income tax attainment.

Real estate activity has been strong. Home prices are attractive in the County relative to surrounding jurisdictions. The median home price rose 11.2% in FY 2021 to \$358,100 and through the first 5 months of FY 2022 has grown to \$389,100. Sales have exceeded 1,000 units per month since April 2021. The volume of sales and the median price have both started declining, suggesting that FY 2022 transfer and recordation tax income may decrease to FY 2020 levels.

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Revenue

In this section, all revenue changes in FY 2023 are compared to the FY 2022 December estimate, unless noted otherwise. In addition, the FY 2022 estimate is compared to the FY 2021 unaudited level. **Exhibit 2** shows OMB’s preliminary revenue projections for FY 2022 and FY 2023.

Exhibit 2

**Prince George’s County
 FY 2023 General Fund Revenue
 (\$ in Millions)**

	FY 2021 Unaudited	FY 2022 Approved	FY 2022 Dec. Est.	FY 2021 - FY 2022E % Change	FY 2023 Forecast	FY 22 Est. - FY 2023 % Change
County Sourced Revenues						
Real Property Tax	886.0	912.6	910.5	2.8%	953.3	4.7%
Personal Property Tax	95.6	73.1	81.2	-15.1%	81.2	0.0%
Income Tax	738.3	633.5	730.0	-1.1%	760.0	4.1%
Disparity Grant	35.9	36.3	36.3	0.9%	37.0	2.0%
Transfer Tax	143.6	123.4	123.4	-14.1%	125.9	2.0%
Recordation Tax	60.3	51.0	51.0	-15.4%	41.6	-18.4%
Energy Tax	73.3	72.4	72.4	-1.2%	73.9	2.0%
Telecommunications Tax	14.8	13.5	13.5	-9.1%	10.9	-19.0%
Other Local Taxes	13.4	18.7	20.3	51.4%	20.6	1.7%
State-Shared Taxes	7.6	7.3	7.7	0.4%	7.8	2.4%
Licenses and Permits	59.3	70.5	71.7	20.9%	73.2	2.2%
Use of Money and Property	3.9	8.5	5.5	40.8%	5.6	1.3%
Charges for Services	44.4	59.9	46.2	4.1%	47.0	1.8%
Intergovernmental Revenue	39.9	40.4	33.9	-15.0%	33.1	-2.4%
Miscellaneous Revenue	9.9	13.2	8.4	-15.7%	8.0	-4.4%
Other Financing Sources	0.0	43.3	0.0	NA	0.0	NA
Subtotal County Sources	2,226.4	2,177.5	2,212.0	-0.6%	2,279.2	3.0%
Subtotal Outside Aid	1,464.9	1,617.1	1,617.1	10.4%	1,684.2	4.2%
Grand Total General Fund	3,691.3	3,794.6	3,829.0	3.7%	3,963.5	3.5%

Source: Prince George’s County Office of Management and Budget

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Major sources of revenue changes:

- **Real Property Tax** revenues are expected to increase in both FY 2022 and FY 2023, by 2.8% and 4.7% respectively. In January 2021 the State Department of Assessments & Taxation reported that the County's assessable base grew by 13.4%. Home sales continued to surpass 1,000 units sold through November 2021, and the median price through the first 5 months of FY 2022 is \$389,100. FY 2023 is forecasted to grow at a higher rate because the Homestead Tax Credit was set at the maximum 5.0% due to inflation.
- **Personal Property Tax** revenue is estimated to decrease in FY 2022 because of large prior year payments in FY 2021. Attainment is estimated at \$81.2 million in FY 2022 and FY 2023.
- **Income Tax** receipts increased to \$738.3 million in FY 2021, buoyed by federal stimulus programs and unexpected wage growth. State legislation passed at the 2020 session also resulted in higher ongoing levels of estimated payments by Pass-Through Entities. In the near term a shortage of employees and higher than expected inflation are expected to continue to drive wage growth. FY 2022 income tax revenue is estimated at \$730.0 million, slightly lower than the FY 2021 level because State legislation at the 2021 session exempted unemployment compensation from the income tax, but the expected revenue loss did not appear in the FY 2021 totals due to the timing of implementation. Some revenue loss is thus expected in the current fiscal year. FY 2023 revenue is projected at \$760.0 million, on the expectation that the unemployment rate continues to fall, and wages continue rising.
- The **State Income Disparity Grant** increases each jurisdiction's per capita income tax level to 75% of the statewide average, though statutory caps limit the total amount provided by the State. The forecast assumes \$36.3 million in FY 2022 based on the amount funded in the State budget, and nominal growth to \$37.0 million in FY 2023. The actual growth rate will not be known until the State releases local income tax data for Tax Year 2020.
- **Transfer and Recordation Tax** revenues eclipsed \$200 million in FY 2021 based on a nationwide trend of high sales and increased home prices, fueled in part by low interest rates. In the current year the number of homes sold, and the median price have decreased slightly for 3 months. This suggests that transfer and recordation tax revenue may decline nearer to FY 2020 levels. The forecast assumes \$174.4 million in FY 2022. County legislation modified the distribution of recordation tax revenue so that 20% is dedicated to housing programs. Accounting for that change results in FY 2023 revenue of \$167.5 million.
- **Energy Tax** revenue reached a high point of \$83.9 million in FY 2019 and declined to \$71.7 million in FY 2020 as pandemic-related business closures resulted in lower utility usage. Revenue remained suppressed as the FY 2021 unaudited revenue level is estimated at \$73.3 million. COVID-19 variants may continue to affect business operations. The forecast assumes \$72.4 million in the current year and \$73.9 million in FY 2023.

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- **Telecommunications Tax** revenues are projected to decrease to \$13.5 million in FY 2022; 9.1% below the FY 2021 unaudited level. Consumers have been abandoning land lines in favor of mobile phones for a number of years. Revenues are projected to further decrease in FY 2023 to \$10.9 million, reflecting the historical trend of declining collections.
- **Admissions and Amusement Tax** revenues decreased during the pandemic, falling from \$15.0 million in FY 2019 to a low of \$3.6 million in FY 2021 unaudited revenues. Many entertainment venues were shut down during the last half of fiscal 2020 and most of fiscal 2021. Concerts and events have reopened, leading to the expectation of \$8.3 million in admission and amusement tax revenue in FY 2022. Since it may take multiple years to generate revenue at pre-pandemic levels, the FY 2023 forecast assumes growth to \$8.4 million.
- **Hotel/Motel Tax** revenues were also negatively affected by the pandemic's impact on business and personal travel. Revenue decreased from a high of \$10.0 million in FY 2019 to \$7.8 million in FY 2020 and \$6.0 million in FY 2021 unaudited revenues. The hospitality industry has begun to rebound and based on year-to-date trends the FY 2022 estimate assumes \$8.3 million in hotel/motel tax revenue. For FY 2023, \$8.8 million is estimated.
- **License and Permit** revenues are expected grow significantly in FY 2022 due to legislation passed at the 2021 session that eliminated the "hold harmless" provision that led to the annual redistribution of a portion of the County's gaming revenue to other jurisdictions. Starting in FY 2022 the County is able to retain all of its gaming revenue and the hold harmless payments will be made from State resources. Building permit revenue also increased since FY 2021. As a result, license and permit revenue is projected to reach \$71.7 million in FY 2022, increasing to \$73.2 million by FY 2023.
- Revenue from **Charges for Services** is estimated at \$46.2 million, an increase of \$1.8 million above the FY 2021 unaudited level. This is largely an accounting issue as FY 2021 revenues do not reflect the final distribution of 9-1-1 revenues from the State. For FY 2023, \$47.0 million is assumed. Both the FY 2022 and FY 2023 estimates are predicated on a return of Sheriff Charges to pre-pandemic levels. These charges come largely from eviction revenues. There had been a moratorium on foreclosures until summer 2021 and renters have been receiving federal assistance, which has reduced evictions to protect public health.
- **Intergovernmental Revenues** are projected to decrease by -\$6.0 million due to one-time State aid that was received in FY 2021 through pandemic relief legislation. The FY 2023 estimate is level funded at \$33.1 million.
- **Miscellaneous Revenues** are expected to decrease slightly to \$8.4 million in FY 2022, then \$8.0 million in FY 2023. The bulk of this source comes from the Automated Speed Enforcement and Red-Light Camera programs, both of which have been declining as drivers modify their behavior.

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- **Other Financing Sources** consist of transfers and use of fund balance. Based on better-than-expected performance in FY 2021, and upward revenue revisions, no use of fund balance is projected for either FY 2022 or FY 2023.
- **Outside Aid** revenues are projected to increase in FY 2022 and FY 2023 as State aid to the Board of Education grows following passage of the Blueprint for Maryland's Future initiative. Community college revenue also grows in both years as the State phases-in final enhancements to the Cade formula. By FY 2023 the community college will receive an amount equal to 29% of State aid per full-time equivalent student at public colleges and universities. Outside aid is estimated at \$1.62 billion in FY 2022 and \$1.68 billion in FY 2023.

Spending Ceilings

The Committee recommends an overall General Fund spending ceiling of \$3.955 billion in FY 2023, an increase of \$150.0 million or 4.0% above the FY 2022 budget. Actual spending for certain items supported by designated revenue resources could change based on budgeted or actual revenues received. The County proposes General Fund spending allocations for the Board of Education, debt service and all other general government expenditures as shown in **Exhibit 3**.

Board of Education: \$2.452 billion for the Board of Education – an increase of \$109.2 million or 4.7% over the FY 2022 approved budget. This increase assumes outside aid of \$1.587 billion from Federal and State aid and Board sources; an increase of \$61.0 million, or 4.0% over the FY 2022 approved budget. The FY 2023 forecast includes a projected County contribution of \$865.1 million, representing an increase of \$48.2 million or 5.9% above the FY 2022 approved budget. FY 2023 represents the first year of higher County contributions under the multi-year Blueprint for Maryland's Future initiative.

Debt Service: \$174.3 million for debt service – an increase of \$3.4 million or 2.0% above the FY 2022 budget, based on existing and anticipated bond sales and favorable interest rates. The current interest rate is dependent upon the County maintaining its AAA rating.

Other: \$1.328 billion for the remaining General Fund expenditures – an increase of \$38.2 million or 3.0% above the FY 2022 budget. This spending category includes all General Fund support for County services and operations except for payments to the Board of Education and the debt service listed in the preceding paragraphs. Funding to support these expenditures are generated from various revenue sources, with the majority coming from County property and income taxes.

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Exhibit 3

**Prince George’s County
 Spending Ceiling Recommendation
 (\$ in Millions)**

	FY 2021 Unaudited	FY 2022 Budget	FY 2023 Projected	FY 2023 Recommended v. FY 2022 Budget
Debt Service Obligations	\$ 150.1	\$ 170.9	\$ 174.3	2.0%
Board of Education	2,202.3	2,343.2	2,452.4	4.7%
Other	1,250.8	1,289.7	1,327.9	3.0%
TOTAL	\$ 3,603.2	\$ 3,803.8	\$ 3,954.6	4.0%
% Change		10.4%	4.0%	
		FY 2022 Budget	FY 2023 Projected	FY 2023 Recommended v. FY 2022 Budget
<u>Board of Education</u>				
County Contribution	\$ 815.8	\$ 816.9	\$ 865.1	5.9%
Outside Aid	1,386.5	1,526.3	1,587.3	4.0%
TOTAL	\$ 2,202.3	\$ 2,343.2	\$ 2,452.4	4.7%
% Change		11.9%	4.7%	

Notes:

1. Debt service amounts do not include Certificates of Participation (COP) payments shown under “Other”.
2. The Board of Education FY 2023 amount is based on OMB’s 6-year projection.

Source: Prince George’s County Office of Management and Budget

Fund Balance

Exhibit 4 shows the projected County Charter-mandated 5% Reserve, the policy-required 2.0% and the Unassigned Fund Balance.

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Exhibit 4

**Prince George's County
 General Fund
 Projected Ending Fund Balance
 (\$ in Millions)**

	FY 2021 Unaudited	FY 2022 Approved	FY 2022 Estimated	FY 2023 Forecast
Fund Balance				
Restricted (5%)	\$184.6	\$189.7	\$191.5	\$198.2
Committed (2%)	73.8	75.9	76.6	79.3
Unassigned	260.8	253.6	276.5	275.9
Total	\$519.2	\$519.2	\$544.5	\$553.3
Fund Balance as % of General Fund Revenues	14.1%	13.7%	14.2%	14.0%

Source: Prince George's County Office of Management and Budget

Notes:

¹ Per Governmental Accounting Standards Board (GASB) Statement No. 54 the Contingency Reserve was renamed "Restricted - Economic Stabilization".

² Per GASB 54 the Operating Reserve was renamed the "Committed – Operating Reserve".

³ Per GASB 54 Undesignated Fund Balance was renamed "Unassigned Fund Balance".

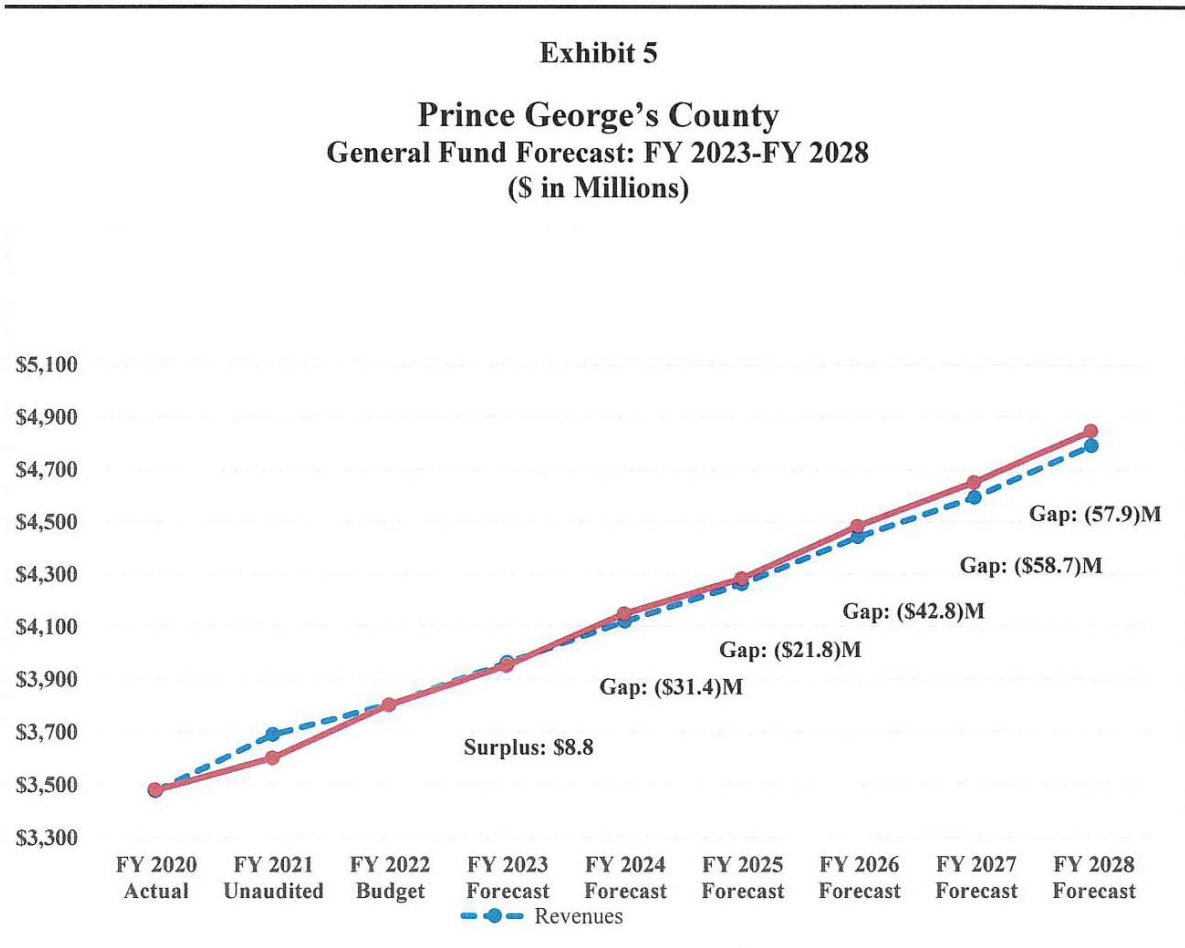
^{1, 2} Both the Charter-mandated 5% Restricted Reserve (County Charter Section 806) and the policy-required 2.0% Operating Reserve are established to provide the County with the ability to address unexpected risks or events such as dramatic economic downturns or natural and man-made disasters. They are important to the County's fiscal position considering the various revenue/tax caps and limitations on the County.

As seen in Exhibit 4, the receipt of federal and State aid programs assisted the County by providing needed resources for direct services but also through income support to County residents. As a result, the County was able to maintain its tax base and forgo the planned use of fund balance in the FY 2021-2023 period. In its January 2021 letter the Committee expressed concern that the fund balance was estimated to decrease below 10.0%, but at this time the County is projected to maintain balances of at least 14.0%. **The Committee recommends that the County maintain the 5% reserve required in the Charter, the 2% administrative reserve, and an unassigned balance estimated at 7.0%.**

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Forecast of Revenues and Expenditures

Exhibit 5 illustrates the long-term forecast of General Fund revenues and spending. As noted, the County is in a positive fiscal position at present. A small surplus is projected for FY 2023. However, spending is estimated to outpace revenue growth for the remainder of the forecast period, starting in FY 2024 and widening by FY 2028 to -\$57.9 million.



Source: Prince George’s County Office of Management and Budget

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Challenges and Potential Risks

Prince George's County will continue to experience fiscal challenges and risks during the forecast period, including the following.

- While the operating budget is balanced in FY 2022 and FY 2023, the outyear forecast projects an imbalance between revenues and spending beginning in FY 2024. As noted in Exhibit 5, this shortfall grows to --\$57.9 million by FY 2028. In order to maintain balanced budgets in the future, the County will need to consider a combination of revenue enhancements and spending reductions without unduly burdening County taxpayers or curtailing vital services to its residents.
- Although the forecast is assuming that the ongoing COVID-19 pandemic does not result in business closures and resident quarantines, the level of vaccination of the population and the likely rise of additional variants leads to the possibility of significant disruptions to society. Moreover, while economists are predicting that the current rate of inflation will return to normal levels by calendar year 2023, it is possible that higher rates of inflation persist beyond that timeframe. In the case of the former there could be an unexpected loss of estimated County revenue, and in the latter case wage growth and operating spending could exceed the levels that are estimated in the forecast.
- The County also continues to face large unfunded liabilities including a pension system that is 58.3% funded, Other Post-Employment Benefits; and \$183.1 million to address an identified risk management fund deficit.
- Most economists are predicting cost inflation growing over 4% a year on an annualized basis in calendar years 2021 and 2022, before returning to a more modest 2% level in calendar year 2023. In the short-term the County will be challenged to continue providing competitive salaries to attract and retain employees, address higher costs to maintain operating services, and pay for its capital program. The County must be careful to not allow the operating budget to grow too expansively, given that a shortfall is already predicted starting in FY 2024.
- Finally, the pace and magnitude of the post-pandemic economic recovery remains unknown as additional variants of COVID-19 cause surges of infections that may affect County revenues or spending needs. More than ever, the County should be conservative in its approach to revenue forecasting and prudently manage the operating budget.

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Conclusion and Recommendations

The country continues to deal with variants of the COVID-19 pandemic, supply chain problems, and inflationary pressures. Federal stimulus programs and additional State aid helped to maintain County revenues, along with careful oversight of the operating budget. Although use of unassigned fund balance was planned in FY 2021 and FY 2022, the improved revenue outlook allowed the County to forego using its surplus cash or reserves. Balances above 14% are estimated through FY 2023. However, the outyears of the forecast project an imbalance between general fund revenues and spending. The County will need to be diligent in ensuring balanced budgets in the face of near-term wage and spending pressures.

The Committee's recommendations include the following:

- **General Fund operating spending should be limited to 3.955 billion in FY 2023.**
- **The current forecast projects no use of fund balance in FY 2023, and every effort should be made to balance future budgets without drawing down cash balances to support ongoing operations. The Committee does support the limited use of unassigned balance for one-time purposes such as PAYGO capital.**
- **The County should maintain the Charter-required 5.0% contingency reserve and the policy-required 2.0% operating reserve.**
- **The County should develop a long-term plan to address its unfunded liabilities.**
- **Conservative revenue estimating should be continued. By adhering to conservative budget estimates, the County will be better able to absorb any decreases in revenues, inflation-driven spending growth or increases in service demands.**

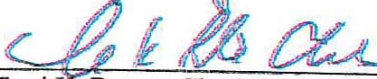
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The Committee wishes to thank both the Executive and Legislative Branches of government for the opportunity to review the County's forecast. We believe that we have performed due diligence in reviewing revenue estimates for FY 2022 and FY 2023 and believe them to be reasonable.

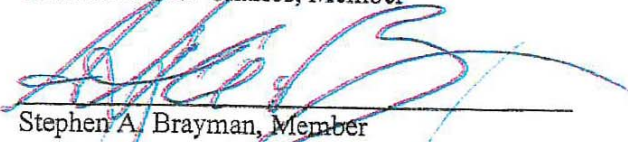
Respectfully,



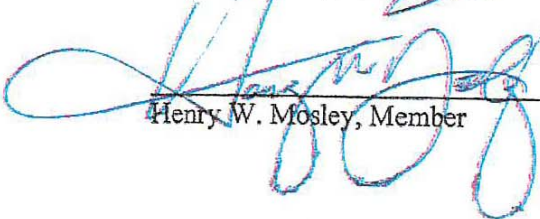
Robert R. Hagans Jr., Chairman



Terri K. Bacote-Charles, Member



Stephen A. Brayman, Member



Henry W. Mosley, Member

Appendix 1

Detailed Discussion of Revenue Projections

Property Tax

- The County has experienced double digit growth in assessments since 2015. Based on payments to-date real property taxes are projected to increase by 2.8% in FY 2022 and by 4.7% in FY 2023. Higher growth is expected in FY 2023 based on the tax cap, which rises by the maximum 5.0% based on inflation over the past year. Personal property taxes are expected to decrease by -15.1% in FY 2022, primarily due to large one-time payments from prior years as well as the closure of coal-fired generating units at the Chalk Point Generating Station. For FY 2023 the personal property tax is estimated to remain at the same level as in FY 2022.
- Real property tax revenues are primarily impacted by assessment changes and the homestead tax credit. In FY 2022 and FY 2023, the County’s real property tax rate remains at \$1.00 per \$100 of assessable value and includes \$0.04 dedicated to the local school board.

Exhibit 6 shows that gross real property assessments in the County are projected to increase by 4.9% in FY 2023. After factoring in homestead exemptions, real property assessments are projected to increase by 5.3%.

Exhibit 6

Prince George’s County
 Projections of Real Property Assessments Subject to County Taxes
 (\$ in Millions)

	Estimate FY 2022	Forecast FY 2023	\$ Change	% Change
Gross Assessment	\$1,079.4	\$ 1,132.4	\$ 53.1	4.9%
Homestead Tax Credit	-92.1	-92.7	-0.6	0.6%
Net Assessment	\$987.3	\$1,039.8	\$ 52.5	5.3%

Source: State Department of Assessments and Taxation

- Each January the State Department of Assessments and Taxation (SDAT) reassesses one-third of the properties in the County. Any assessment growth is phased in over the next three fiscal years, while any decrease is immediately realized. In 2019 Group 1's reassessed values increased by 16.8%. Group 2's reassessed values increased by 13.3% in 2020, and Group 3's reassessed values increased 13.4% in January 2021.
- The homestead tax credit ensures that the annual percentage growth of the taxable assessment value for principal residential homes will not surpass the growth of the Consumer Price Index (CPI) in the County, with a maximum increase of 5.0%. In June 2021, the CPI increased by 5.4%. The homestead tax credit cap will be set at 105% in FY 2023. The upward reassessment in past years reflects strong growth in the County's real estate market, particularly since the pandemic when interest rates were reduced to record low levels. Unrealized revenues attributable to the homestead tax credit continue to increase. Based on SDAT estimates released in September 2021, the homestead tax credit is expected to result in a revenue loss of \$92.7 million in FY 2023.
- The personal property tax rate is \$2.50 per \$100 of assessable value and includes \$0.10 dedicated to the local school board in FY 2022 and FY 2023.

Income Tax

- Following the onset of the COVID-19 pandemic in March 2020, the County's unemployment rate peaked at 10.9% in August 2020 but has since declined to 6.4% in October 2021. An expected drop in income tax revenue did not occur however, as multiple federal stimulus programs to support businesses and provide expanded unemployment compensation served to maintain the tax base. As businesses began to reopen, competition for workers as well as supply chain problems led to rising costs and wage growth. FY 2021 revenue grew to \$738.3 million, which was substantially higher than the \$644.9 million received in FY 2020. Receipts of \$730.0 million are forecasted for the current fiscal year, which is slightly lower than the prior year level. This is due in part because legislation passed at the 2021 session exempts unemployment compensation from the income tax, and the timing of the measure's implementation did not affect revenue levels in FY 2021. Wage growth is expected to continue in the short-term as businesses continue to compete for workers and pay more to offset rising costs. As such, the FY 2023 forecast assumes that income tax receipts rise to \$760.0 million.
- The Income Disparity Grant is calculated by the State based on income and population data, to bring each jurisdiction's per capita income tax level to 75% of the statewide average, although there are certain caps in statute that limit jurisdictions from receiving the full amount of the formula. In FY 2021, the County received a \$35.9 million grant, which increases slightly to \$36.3 million in FY 2022 due to minor changes in population and income tax receipts. The FY 2023 forecast assumes that the formula will increase by 2%, but the actual amount will not be known until the Comptroller's Office releases Tax Year 2020 local income tax data.

TABLE OF SUPPLEMENTALS AND TRANSFERS FISCAL YEAR 2022

This section explains changes made to the FY 2022 operating budget during the fiscal year. As indicated in the Budget Guide, supplemental appropriations and transfers of appropriations from one agency to another can occur only if recommended by the County Executive and approved by the County Council.

In FY 2022, the County Council approved three bills and three resolutions changing appropriation levels during the fiscal year. The first supplemental bill (CB-110-2021) provided supplementary appropriations in the General Fund to cover unanticipated and vital costs needed to meet year end operational requirements. The additional resources will support the following: (1) \$6.1 million for the Hispanic National Law Enforcement Association (HNLEA) settlement payment in the Police Department; (2) \$2 million for promotional testing in the Police Department; (3) \$946,800 to support maintenance costs at the Public Safety Campus/Gun Range site under the Office of Homeland Security; and (4) \$43,200 for critical accounts payable document review software in the Office of Finance. This legislation also provides for \$1.2 million in additional appropriated fund balance from within the Information Technology Internal Service Fund complete the COVID Scheduling Software project. This legislation also makes two technical adjustments to CB-35-2021 to align total current expense revenues to total expenditures and to correct the description of an adjustment to other financing sources. The legislation includes the use of fund balance in the amount of \$4,115,000.

The second supplemental bill (CB-004-2022) supported the Prince George's Community College. The County must provide at least the same level of contribution as they provided the previous year (FY 2021) for the Community College to receive increases in State aid under the funding formula in FY 2022. If the maintenance of effort (MOE) is not met, then the College receives the same level of State aid as prior year (no increase in State aid). The legislation declares additional use of fund balance in the amount of \$2,200,000 to meet the MOE requirement. This legislation would increase the County's contribution to the Community College from \$41,726,200 to \$43,926,200 and the overall appropriation from \$123,194,800 to \$125,394,800.

The third supplemental (CB-030-2022) provides supplementary appropriations in the General Fund to cover unanticipated and vital costs needed to meet year end operational requirements. The largest component of this legislation CB-030-2022 incorporates the FY 2022 budget reconciliation transfer request from the Board of Education (previously passed by the County Council in October 2021). It primarily driven by increase in outside sources revenue comes from restricted federal Covid-19 relief funding sources which is partially offset by final adjustments in State aid. The remaining portion of the legislation supports the following: (1) Office of the County Executive - \$300,000 for anticipated fringe benefits and operating expenses; (2) Office of Ethics and Accountability - \$23,400 for anticipated fringe benefits and merit pay; (3) Citizen Complaint Oversight Panel - \$12,200 for projected legal expenses, anticipated fringe benefits and merit pay; (4) Board of License Commissioners - \$35,300 for merit pay and payment of a prior year contract; (5) Office of Human Resources Management - \$200,000 for support collective bargaining costing contracts; (6) Board of Elections - \$4,163,800 for expenditures related to changes to the Maryland Election Law Code and the District 8 special election; (7) Office of Central Services - \$3,855,200 for merit pay, anticipated overtime, temporary positions and utility costs at the former Cheverly Health Center site; (8) Circuit Court - \$1,309,600 for merit pay and anticipated fringe benefits costs; (9) Office of the State's Attorney - \$355,400 for anticipated fringe benefit costs and merit pay; (10) Fire/EMS Department - \$13,196,500 for anticipated overtime expenditures, merit pay, anticipated fringe benefits costs and supplemental ambulance billing administrative costs; (11) Office of the Sheriff - \$3,334,200 for merit pay and anticipated fringe benefits costs; (12) Department of Corrections - \$1,032,400 for projected additional expenses in the food and medical contracts; (13) Health Department - \$11,515,700 to support continued COVID-19 mitigation activities including the purchase of COVID test kits and cleaning services in various County government sites; (14) Department of Public Works and Transportation - \$1,616,100 for costs associated with snow events and additional support for onboarding various trades helper/laborer positions; (15) Department of Permitting, Inspections and Enforcement - \$900,000 for additional costs related to the online permitting system; and (16) Non-Departmental - \$18,200,000 to reflect the transfer of \$16 million each to the Risk Management and Other post-employment benefits (OPEB) funds which is partially offset by reallocating \$13.8 million from Contingency to various County budgets to cover the cost of the merit pay. This legislation also provides for the remaining \$844,800 in additional appropriated fund balance from within the Information Technology Internal Service Fund to cover the

remaining costs of the COVID Scheduling Software project and \$1,318,200 in additional appropriated fund balance from the Fleet Management Internal Service Fund to support an anticipated OPEB adjustment.

Grant Fund adjustments reflect additional Federal, State or other funds received by County agencies that were not included in the approved budget.

GENERAL FUND SUPPLEMENTALS AND TRANSFERS OF APPROPRIATION

CB-035-2021 \$3,794,635,800

Adopted Fiscal Year 2022 General Fund Budget
(Effective 7/1/2021)

CB-110-2021 \$9,115,500

An act concerning supplementary appropriations for the purpose of declaring additional revenue and appropriating to the General Fund to provide for costs that were not anticipated and included in the Approved Fiscal Year 2022 Budget and to make technical corrections to CB-035-2021.

CB-004-2022 \$2,200,0000

An act concerning supplementary appropriations for the purpose of declaring additional revenue and appropriating to the General Fund to provide for costs that were not anticipated and included in the Approved Fiscal Year 2022 Budget for the Prince George’s Community College.

CB-030-2022 \$491,994,200

An act concerning supplementary appropriations for the purpose of declaring additional revenue and appropriating to the General Fund and provide for costs that were not anticipated and included in the Approved Fiscal Year 2022 Budget.

TOTAL REVISED FY 2022 GENERAL FUND BUDGET \$4,297,945,000

INTERNAL SERVICE FUND SUPPLEMENTAL

CB-035-2021	\$64,344,400
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Adopted Fiscal Year 2022 General Fund Budget (Effective 7/1/2021)

CB-110-2021	\$1,200,000
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An act concerning supplementary appropriations for the purpose of declaring additional revenue and appropriating to the Information Technology Internal Service Fund to provide for costs that were not anticipated and included in the Approved Fiscal Year 2022 Budget and to make technical corrections to CB-035-2021.

CB-030-2022	\$2,163,000
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An act concerning supplementary appropriations for the purpose of declaring additional revenue and appropriating to the Information Technology and Fleet Management Internal Service Funds and provide for costs that were not anticipated and included in the Approved Fiscal Year 2022 Budget.

TOTAL REVISED FY 2022 INTERNAL SERVICE FUND BUDGET	\$67,707,400
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GRANT FUNDS SUPPLEMENTALS

CB-035-2021	\$230,476,200
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Adopted Fiscal Year 2022 Grant Funds Budget (Effective 7/1/2021)

CR-132-2021	\$43,180,241
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A resolution concerning supplementary appropriation of federal, state and other funds for the purpose of appropriating funding from grants in the amount of \$43,180,241 to the Judicial Branch/Circuit Court,

Department of Corrections, Fire/EMS Department, Police Department, Department of Housing and Community Development, Department of Family Services, Health Department and Department of Social Services

CR-037-2022

\$73,079,902

A resolution concerning supplementary appropriation of federal, state and other Funds for the purpose of appropriating funding from grants in the amount of \$73,079,902 for the Circuit Court, Office of the State’s Attorney, Police Department, Department of Corrections, Fire/EMS Department, Department of Family Services, Department of Public Works and Transportation, Health Department, Social Services and Department of Housing and Community Development.

CR-113-2022 (Pending Council Approval)

\$7,538,525

A resolution concerning supplementary appropriation of Federal, State and other funds for the purpose of appropriating funding from grants in the amount of \$7,538,525 for the Circuit Court, Office of the State’s Attorney, Fire/EMS Department, Police Department, Office of Homeland Security, Department of Housing and Community Development, Department of Family Services, Department of Public Works and Transportation, Health Department and Department of Social Services.

TOTAL REVISED FY 2022 GRANT FUNDS BUDGET

\$354,274,868