



PRINCE GEORGE'S COUNTY GOVERNMENT

Office of the County Executive

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County Executive

July 1, 2024

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

It was my pleasure to work in collaboration with the County Council on the adoption of the approved budget for FY 2025. The FY 2025 approved operating budget from all sources, totals \$5.5 billion, an increase of \$92.2 million or 1.7% over the FY 2024 budget.

This year, we worked to develop a budget that demonstrates fiscal discipline and allows us to maintain key programs and initiatives. The budget's overall breakdown is 61% to the public school system to cover the Maryland educational blueprint requirements, 20% to public safety programs, and 18% to fund all other government services. While our total budget grew by 1%, we were still navigating a budget deficit due to greater spending obligations. To cover our projected deficit, we had to make cuts, but we worked to make these cuts in a responsible way that protects our County. We also secured the passage of state legislation that allowed us to allocate current tax revenue in a new way to help us meet our obligation to fund public education.

Over the past few years, my Administration has made historic investments in economic development with a long-term goal in mind, to reduce the tax burden on our residents by increasing our commercial tax base. These investments also help bring new amenities and opportunities for residents to more fully enjoy where they live. This year, we have taken additional steps to protect our investment in economic development and along the Blue Line Corridor by investing \$75.4 million. This includes funding for our core economic development agencies, as well as grants for local business assistance, Art in Public Places, and the once-in-a-generation opportunity we have along the Blue Line Corridor. Last fall, we secured the future site of the FBI headquarters in Greenbelt, and we are investing \$131 million in infrastructure investments at the new headquarters.

Communities throughout our nation have continued to experience an increase in crime, which is why we have invested \$397.6 million in our Police Department. This includes funding for 100 new recruits. We invested \$279.6 million in our Fire/EMS Department, including funding for 150 new recruits and the Paramedic Program. In addition, we invested \$232.7 million to our other Public Safety agencies including the States Attorney's Office, Department of Corrections, Office of Homeland Security, and Office of the Sheriff.

In order to improve service delivery and continue building a high-quality local vendor ecosystem, we have established the new Office of Procurement. We are also making investments in the health of our community, including \$50.4 million in funding for emergency and transitional shelters and \$20.7 million to support addiction and substance abuse as well as and mental and behavioral health programs. We also invested \$273,600 in funding to our Department of Family Services to support services for our veterans.

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We want to continue to improve the environment in Prince George’s County, which is why we invested \$2.7 million in our Clean Lots programs across the Department of Permitting, Inspections, and Enforcement as well as related work at the Department of Public Works and Transportation. We invested \$1.7 million in street sweeping and \$54.5 million to Clear the Curb programs, which support waste collection, bulky trash, and composting efforts.

We invested \$174.8 million in our stormwater management fund, which is an important part of our work to make our community more climate resilient. This includes storm drainage maintenance and repairs across the County. In addition to these programs, we are investing \$55.1 million in our Climate Action Plan, which includes investments in zero emissions busses, bike share programs, beautification programs, LED bulb conversions, tree planting, and several other initiatives that improve our environment.

In our FY 2025 budget, we took steps to overcome a large deficit. In taking this challenge head-on, we fought to protect our discretionary funds so that we could provide services that we all depend on every day. We have created greater access to education, greater access to healthcare, and greater access to new amenities that improve quality of life for all. We have seen billions of dollars of new investments in our community in a short time, and those investments will continue to pay off over the long-term.

This budget prioritizes programs that make the biggest difference in our lives, both now and in the future. We have put residents’ needs first, exercised fiscal responsibility, and protected the economic viability of working families. With this budget, we will continue to help our County grow and thrive because we know that Prince George’s County has a bright future.

FY 2025 Approved Budget - All Funds

The approved FY 2025 budget for all operating funds is \$5.5 billion, an increase of \$92.2 million or 1.7% over the FY 2024 budget. The General Fund accounts for 83.4% of all spending in FY 2025 and will increase by \$75.0 million or 1.7%. This fund supports most County government services and programs including education, public safety, general government, public works, the environment and other critical services.

The Internal Service Funds total \$76.6 million in FY 2025, an increase of \$3.0 million or 4.0% over the FY 2024 budget.

The County’s Enterprise Fund totals \$262.1 million, a decrease of -2.7% below the FY 2024 budget. This fund accounts for 4.8% of total FY 2025 spending. The Enterprise Fund supports various water quality programs and addresses State mandates.

Special Revenue Funds account for \$293.5 million or 5.3% of all spending in FY 2025. Spending in this fund is projected to increase by \$18.1 million or 6.6%. The growth is largely due to use of fund balance in the Housing Investment Trust Fund, new State revenue dedicated to the Cannabis Reinvestment and Restoration Fund and increased revenue credited to the Transportation Services Improvement Fund.

Grant funding accounts for 5.1% of all spending and is estimated to total \$279.8 million in FY 2025. This is an increase of \$3.5 million or 1.3% above the FY 2024 budget. County agencies will continue to diligently seek new sources of revenues and will likely exceed the budgeted amount before year-end.

The chart below provides a summary of all operating funds in FY 2025:

	FY 2023 ACTUAL	FY 2024 BUDGET	FY 2024 ESTIMATE	FY 2025 APPROVED	CHANGE FY24 - FY25
REVENUES					
General Fund	\$4,174,680,345	\$4,513,632,600	\$4,519,903,200	\$4,588,593,200	1.7%
Internal Service Funds	68,688,143	73,597,900	73,205,400	76,573,200	4.0%
Enterprise Funds	203,514,886	269,367,100	204,650,300	262,062,700	-2.7%
Special Revenue Funds	266,954,291	275,434,800	265,107,500	293,539,100	6.6%
Grant Program Funds	304,855,877	276,347,200	270,274,800	279,837,100	1.3%
TOTAL	\$5,018,693,542	\$5,408,379,600	\$5,333,141,200	\$5,500,605,300	1.7%
EXPENDITURES					
General Fund	\$4,129,477,186	\$4,513,632,600	\$4,525,885,300	\$4,588,593,200	1.7%
Internal Service Funds	66,413,819	73,597,900	73,866,400	76,573,200	4.0%
Enterprise Funds	200,507,107	269,367,100	266,456,400	262,062,700	-2.7%
Special Revenue Funds	246,160,601	275,434,800	258,094,800	293,539,100	6.6%
Grant Program Funds	306,373,260	276,347,200	270,754,100	279,837,100	1.3%
TOTAL	\$4,948,931,973	\$5,408,379,600	\$5,395,057,600	\$5,500,605,300	1.7%

General Fund Revenues

The County's economy remains strong, with unemployment at low levels and continued wage growth. Although home values continue to appreciate, higher mortgage interest rates have reduced the volume of home sales which in turn has decreased revenue from Transfer & Recordation taxes. State aid from the Disparity Grant also falls in FY 2025 due to a reduced disparity in the County income tax per capita. In FY 2024 that formula increased due to the influence of one-time federal stimulus funds and capital gains income during the pandemic. The Board of Education continues to benefit from additional State aid under the Blueprint for Maryland's Future initiative. The FY 2025 General Fund budget includes \$2.6 billion in revenue from County Sources and \$1.99 billion from Outside Sources.

General Fund – County Sources

County-sourced revenues – taxes, fees, licenses and permits, service charges, use of money and property, etc. – represent resources used to fund most government programs and services, including the County's contribution to the Board of Education, Memorial Library System and the Community College. In FY 2025, County Sources are projected to be \$2.6 billion, an increase of \$38.3 million or 1.5% over the FY 2024 budget. These revenues account for 56.7% of the total General Fund revenues for FY 2025.

Real property taxes represent the largest portion of County-sourced funding for government operations. In FY 2025, receipts are projected to total \$1.0 billion, an increase of \$55.8 million or 5.6% over the FY 2024 budget. Excluding the revenue dedicated to the school system, the County's real property tax revenues are projected to increase by \$53.6 million or 5.6% in FY 2025 over the FY 2024 budget.

Personal property tax revenues are projected to be \$92.4 million, an increase of \$3.2 million or 3.6% above the FY 2024 approved budget. Excluding the additional revenue assigned to the school system, the County's personal property tax revenues are projected to grow by \$3.1 million or 3.6% in FY 2025.

Income tax revenues are expected to total \$859.5 million in FY 2025, including the State Income Disparity Grant. This represents a decrease of -\$16.2 million or -1.8% below the FY 2024 budget. Income tax receipts total \$790.2 million and the Income Disparity grant totals \$69.3 million in FY 2025. Income tax revenue is estimated to increase by \$13.0 million, or 1.7% relative to the FY 2024 approved budget. Revenues were artificially higher during the pandemic, boosted in FY 2021 and 2022 by federal stimulus funding and capital gains income. Actual FY 2023 attainment saw a large decrease relative to FY 2022. Excluding the pandemic years, the FY 2025 approved budget is based on the average rate of growth during the five-year period before FY 2020. Funding from the State Income Disparity Grant decreased by -\$29.2 million. Aid in FY 2024 was also abnormally high due to the effects of the pandemic on the disparity between the County's income tax per capita and the statewide average.

Rising mortgage interest rates have continued to cause home sales to decrease. Combined receipts from both the Transfer and Recordation taxes are anticipated to total \$164.5 million in FY 2025. The prior year budget was overstated because it could not be anticipated that the Federal Reserve Board would raise interest rates 11 times to address high inflation. County legislation dedicates the greater of 20% or \$10.0 million of the Recordation Tax to the Housing Investment Trust Fund.

Other Local Taxes grow by \$9.3 million, or 7.4% in FY 2025. This is due to growth of \$3.3 million from Admissions & Amusement taxes based on year-to-date attainment, higher hotel/motel tax revenues of \$2.8 million and higher telecommunications tax revenue collections.

Revenue from licenses and permit fees is projected to increase by \$1.0 million or 2.2% in FY 2025 compared to the FY 2024 approved budget. Building & Grading Permit revenue has grown consistently since the pandemic and is estimated to rise by \$2.1 million, or 7.4% in FY 2025. Business license revenue rises \$0.6 million based on actual attainment. Gaming revenue decreases by -\$2.7 million or -7.5% due to the substitution effect of sports wagering.

Use of Money & Property is estimated to increase by \$26.3 million. The Federal Reserve Board raised interest rates multiple times since the spring of 2022, as a means of addressing higher inflation. This resulted in greater returns on County investments. Interest income is projected at \$35.0 million, and accounts for the change between FY 2024 and FY 2025.

Intergovernmental revenues are projected to increase by \$16.0 million or 44.1% above the FY 2024 budget. This is mostly due to the appropriation of \$10.2 million in one-time federal American Rescue Plan Act funds in FY 2025. State aid enhancements to the Police Aid formula that were adopted in both FY 2023 and FY 2024 were also unexpectedly continued in FY 2025. This added \$3.9 million in aid to the County, though it is not expected that this discretionary enhancement will be continued after this year.

The FY 2025 budget is balanced with the use of \$40.0 million in fund balance, though \$7.8 million of this represents the use for one-time purposes.

General Fund – Outside Sources

Outside-sourced revenues include State Aid and other revenues (e.g., federal aid, fees, charges, tuition) generated by the Board of Education, Community College and Library. In FY 2025, Outside Aid is estimated to total \$1.99 billion, an increase of \$36.7 million over the FY 2024 approved budget. Outside Aid accounts for 43.3% of total General Fund revenue in FY 2025.

Spending Affordability Committee (SAC) Guidelines

The County's Spending Affordability Committee (SAC) is a truly dedicated resident committee of exceptional professionals who have been invaluable assets to Prince George's County for many years. The recommendation for the FY 2025 General Fund budget was \$4,550.6 billion.

At \$4.6 billion, the FY 2025 approved budget is \$38.0 million, or 0.8%, above the Committee's recommendation. The Committee recognized that there was a large gap between projected revenues and spending, and it recommended that the budget be balanced to match the revenue estimate through ongoing spending reductions.

Latitude was granted to recognize new revenues and to use a limited amount of unassigned balance for one-time purposes. The FY 2025 approved budget uses \$40.0 million in fund balance, of which \$7.8 million was applied to one-time purposes. Changes to State law also gave the County additional flexibility by allowing the proceeds of the energy and telecommunications taxes to be applied to the County share of State-mandated education spending. Previously, these revenues were dedicated above the required local share.

The Committee further recommended the County continue the planned phase-in of an increase of its policy reserve from 2% of general fund spending to 5%, over a three-year period. The FY 2025 approved budget increased the policy reserve from 3% to 4%, representing the second year of the phase-in. In FY 2026, the County will have a total of 10% in reserve.

