

"Federation Corner" column
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Unions & budget crises - 1990 & 2008

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I continue to find that what happened in our county's past is very instructive in dealing with today's issues. In December 1989, one third of county property owners received their property tax assessments. By early January 1990, a group of them, alarmed at how high the assessments were, formed Fairness in Taxation (FIT). Their chairman, Robert Denny, said that FIT's goal was to persuade "the County Council to substantially reduce the 1990 property tax rate." A month later, he wrote: "We're putting a referendum on the ballot in November to cap property tax increases at three-quarters of the inflation rate. Council members can exceed [the] limit by a vote of seven of nine members." In response to this effort, County Executive Sid Kramer proposed a budget which included cutting the property tax rate by 10 cents, "its lowest point in more than 30 years." Not to be outdone, the County Council then increased the rate cut to 16.5 cents "a reduction that will mean most homeowners will pay about the same or less in taxes this year."

When FIT held a rally in March 1990, 800 people attended. By the time FIT had gathered the necessary signatures to put their measure on the ballot, a majority of the County Council was ready to negotiate with FIT. In July 1990, it was announced that the Council would introduce its own referendum to cap property tax increases to the rate of inflation. While FIT's more restrictive measure still went on the ballot, FIT's leaders campaigned to support the Council version, which was the one that passed that November.

In 1990, state legislators also responded to angry, voting taxpayers across the state, in an election year, by setting a maximum annual limit of 10% by which the taxable part of a homeowner's property tax assessment could increase, regardless of how much higher the assessment might be. Montgomery County has kept it at the 10% maximum for the past 18 years, even though other counties have set their ceilings at 5%, 2%, and even at 0%. Thanks to the miracle of compounding, even with a 10% maximum, a house occupied by the same owner that was assessed for \$100,000 in 1990 could theoretically be assessed and then be fully taxed for \$556,000 in 2008, if it actually assessed for that much.

While this ground-breaking county charter amendment was being shaped, the unions had plenty to say during the 1990 fiscal crisis. "Kramer bowed yesterday to the demands of frustrated taxpayers and stood up to the threats of teachers, unveiling a budget that would sharply reduce the request of the school system. The loser in the budget was the county's vaunted school system, which is accustomed to almost deferential treatment by a county government." "I am concerned about the taxpayers too. But I don't think you respond by hitting the schools this hard," said School Superintendent Harry Pitt of Kramer's recommendation of \$691.6 million, \$28 million less than the schools had sought. For only the second time in Montgomery history, Kramer recommended that the county pay for only part of the salary increases the school board negotiated with its teachers, this year 7 percent. Kramer suggested a raise of 4 percent—a figure he called 'fair and equitable' when combined with the raises based on experience. "What he has come in with is a virtual declaration of war," said Mark Simon, president of the Montgomery County Education Association. The union has publicly vowed to work against the election of any official who doesn't support the teachers' new contract."

Kramer wanted to limit the cost-of-living adjustments (COLAs), but not the "step" increases that most employees automatically receive until they reach the top of their particular job classification. As it turns out, his successor, Neal Potter, successfully froze the COLAs for three more years but also allowed the step increases to continue, although there were furlough days where most county employees stayed home and were not paid anything for those days. The school superintendent, in 1990, said that cutting BOE's

requested operating budget by 4% was harmful, even though that was still an increase of 7.2%, \$47 million higher than the previous year, a longstanding, disingenuous stance by county educators not much different than BOE members claiming that this year's school budget is "bare bones." Our current County Executive proposes cutting BOE's requested operating budget by 2.4% with an increase of 4%, or \$75 million, from the previous year.

Then, as now, county unions made what turned out to be empty promises of election day victory for those who supported their demands. In the 1990 election, the candidates who received most of their campaign contributions from development interests were the ones who lost. In fact, FIT spoke out as strongly for creating development impact taxes as for the property tax cap. FIT also came up with its own list of \$30 million in recommended budget cuts.

The unions outspent FIT by a 10 to 1 margin to try to defeat the ballot referendum. They failed. In 1991, the unions tried to push the Council to exceed the property tax cap in order to pay the COLAs. They failed again. 1993: "The County Council is poised for the fourth consecutive year to reject an agreement negotiated between the school board and the teachers union. On Wednesday, as the union was urging its members to refuse various tasks such as grading papers at home, at least 70 teachers called in sick at two schools in Potomac. The Montgomery school board has said it 'strongly objects' to County Executive Neal Potter's refusal to endorse its proposed \$1.6 million teacher salary supplement. The teachers union, meanwhile, is demanding an even larger pay package. Potter, echoing a sentiment often heard among civic groups and County Council members, says that neither of the proposed salary packages can be justified in today's economic climate." The unions failed yet again.

The fact that many county employees were still getting their step increases during the 1990-1993 time period did not help them make a case for imminent impoverishment. Nor did other facts such as these provided by Robert Denny: "Right now, county employees average \$51,000 a year in salary and benefits - approximately 10 percent more than in surrounding jurisdictions. The average Montgomery County teacher makes \$60,176 a year in salary and benefits - \$8,909 more than in Fairfax County's excellent school system. The top teacher's pay package in Montgomery is \$73,800 - a lofty \$12,511 more than in Fairfax. While the minority at the top of their grades haven't gotten raises, Potter's own survey reveals they're paid up to 17 percent more than people in equivalent positions in private businesses in the county."

I don't know if there has been an honest comparison in recent years of the salary and the bountiful benefits that today's county employees receive as compared to other county governments and to the private sector, but I strongly suspect that what was true in 1990 is even more true in 2008, especially when compared to the private sector. These private sector employees do not get health insurance with co-pays as low as \$10 per office visit, full coverage for everything else, and family insurance medical premiums of \$2300 per year. They surely don't get any guaranteed annual return on their retirement accounts, certainly not the 7.25% being asked for by the unions.

Is this County Council willing to exercise fiscal restraint in a time of economic crisis by asking no more of its extremely well-compensated work force in 2008 than was asked of its predecessors between 1990-1993? If this Council backs down from this challenge and piles most of the tax increase on the backs of county homeowners, who knows if Robin Ficker's latest charter amendment scheme to require a unanimous vote by the Council to exceed the charter property tax cap might pass this November? If this Council doesn't say no to extravagant demands by the unions this year, they will have to go through this all over again next year and residents reeling from rising assessments and declining sales prices won't be as polite as they've been so far.