

"Federation Corner" column

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## **How to balance our way out of a \$500 million budget deficit**

by Wayne Goldstein

Last May, the Montgomery County Council passed a \$4.34 billion operating budget for FY09 - July 1, 2008 to June 30, 2009. Of this cost, supposedly 80% of it is for the salaries and benefits of workers. If correct, that means that almost \$3.5 billion will be paid to county government workers this fiscal year, including those who work for state and quasi-state agencies like MCPS and MNCPPC. The current gap between expected revenues and the operating budget is about \$500 million. If we were to balance the entire budget through the paychecks of all county workers, that would equal about 14% of last year's salary and benefits. However, that \$500 million gap also includes the expected cost-of-living adjustments (COLAs) for county workers, step increases that are automatically given based on length of service, as well as increases in benefits, including contributions to various retirement funds. I'm guessing that the increases due to COLAs, steps and benefits may be anywhere between 1/3 (\$167 million) to 1/2 (\$250 million) of the total \$500 million gap. If correct, then requiring county workers to take a salary and benefit cut of 7.1% (\$250 million) to 9.5% (\$333 million) for FY10 would be the most transparent and understandable way to balance the county's operating budget AND would mean that no county workers would have to be laid off.

This past Monday night, the Board of Education approved an operating budget that did not include any COLAs for MCPS employees, which resulted in a reduction of \$89 million in an operating budget that totaled \$2.13 billion, \$60 million more than last year's \$2.07 billion budget. The 80% cost for salary and benefits would be about \$1.7 billion. As the MCPS budget is almost 1/2 of the operating budget, this means that MCPS employees would need to have a total reduction of about \$250 million to balance the total budget. Based on the \$89 million in COLAs that the school unions have been willing to agree to, we would need to require an additional \$161 million (9.5%) to balance the entire operating budget while preserving all MCPS jobs. Since there have already been MCPS job cuts, this number might need to be higher to retain those jobs.

Last week, I participated in the County Council's "Community Forum on Ways to Reduce Next Year's Budget." In providing a justification for this broad brush approach to balancing the budget, I suggested that "It is better to cause a little pain to the many than to cause a lot of pain to the few, based on the assumption that all employees are needed. It is also better to lay off managers than front line staff." Based on concerns that new employees need the current rapid series of step increases to reach the point of earning enough to live on, I pointed out that: "Those lower in the ranks will surely be glad to have a frozen paycheck than no paycheck at all." I also suggested that the Council might look at "taking back" this year's COLA.

At that point, Councilmember Knapp indicated that eliminating next year's COLAs, next year's step increases, and taking back this year's COLA would amount to about \$250 million, halfway to bridging the \$500 million. Additional temporary salary and benefit reductions could get us to the goal in a straightforward, albeit painful manner.

I also made suggestions of other ways to close the gap by focusing on current work rules for county employees related to overtime and sick leave. For example, some departments fill overtime needs by giving the most senior, highest paid employees the right of first refusal. If they decline the opportunity, it moves down the seniority chain until the newest, lowest paid employees who can do the job, have their chance. If, for the duration of our economic crisis, the County Council directed these departments to reverse this work rule so that the newest employees had the right of first refusal, this would save money and would allow such employees the opportunity to make up for what they wouldn't be getting in the COLAs and step increases that they may also need more than the most senior employees.

Some departments allow employees to report to work but to then also simultaneously report that they are sick, which gives them an excused absence while requiring the department to scramble to give overtime to other

employees to fill in the gap. Employees in many departments also use sick leave to extend their summer and holiday vacations, also creating additional overtime needs. For the duration of our economic crisis, the County Council could direct these departments to change these and related work rules to not allow sick leave for healthy employees. Together, these targeted work rule changes could save millions in overtime costs next year and perhaps lessen the salary and benefit reductions required of all employees, based on my suggestions.

The County Council could also institute a system to reward employees with additional pay if they make suggestions that are implemented and which save the County money. This compensation could be based on a percentage of the savings achieved.

Several of our Councilmembers have a background, based on past employment or other activities, that makes them very respectful of the integrity of the collective bargaining process that gives unions the legal right to negotiate in good faith for salary, benefits and work rules on behalf of their members. They are extremely uncomfortable with the fact that the law gives the County Council the authority to unilaterally reduce or eliminate some of the negotiated terms of these contracts. This respect and reluctance to make changes contributed greatly to their decision last year to vote to exceed the County Charter limit on property taxes so that all county employee unions could receive their full negotiated COLAs. The resulting tax increase for county homeowners, even as property values were dropping, likely caused a slim majority of voters to approve a change to the charter that would require a unanimous vote of all nine Councilmembers to override the Charter limit.

As a result of the recent death of Councilmember Don Praisner, there will only be eight Councilmembers able to vote on this May's budget, meaning they will be unable to exceed the Charter limit even if they wanted to. I've wondered what would happen if this or a future Council were to vote to exceed the Charter limit in tough times. If homeowners were again angered by this action, would they support a new Charter amendment change that perhaps would prohibit the Council from exceeding the Charter limit under any circumstances?

This leads me to the question: What are the right circumstances to exceed the Charter limit? It seems that it would be most needed in really tough times when revenue from income taxes, capital gains, and property transfers would have plummeted to the point that services, recognized by all as being essential, would be threatened. In other words, this year. However, when Montgomery County last suffered the worst budget crisis in its history, in the early '90s, they did not exceed the then brand new Charter limit, and instead eliminated COLAs three years in a row.

Except for last year, the Council only voted to exceed the Charter limit in good economic times, and by small amounts, rather than make modest budget cuts that would have only caused a little pain here and there. Thus, it is most ironic that circumstances now prevent the Council from using this tool in what are some of the toughest of times. However, given the generous salaries, benefits, and work rules of county employees who have been on the job for a while, we can ask them to tighten their belts every now and then without harming the most essential services and our most vulnerable populations so that county homeowners won't have to pay even more taxes on top of what they already pay so willingly to our County government.

This seems to me to be a "win-win" for all which minimizes the "lose-lose" that we are all experiencing these days.

Author's Note: While I have not been able verify the exact figures I have used, because county budget documents make it very difficult to do so and because some current numbers will also change, my approach can still be used by substituting the exact figures for those I have used.

*The views expressed in this column do not necessarily reflect formal positions adopted by the Federation. To submit an 800-1000 word column for consideration, send as an email attachment to [waynengoldstein@hotmail.com](mailto:waynengoldstein@hotmail.com)*