

"Federation Corner" column  
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### **The lowdown on the county budget**

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The first part of the informational program at the Monday, March 14 meeting of the Montgomery County Civic Federation was the Capital Improvements Program (CIP) Budget for FY12, the funding for the county's construction and infrastructure improvement projects in the upcoming fiscal year starting July 1. The program featured Joe Beach, Director of the Montgomery County Office of Management and Budget, and Glenn Orlin, the Deputy County Council Staff Director, as our guest speakers.

A projected six year budget for the CIP is approved by the County Council every other year in even-numbered years. Even though this is an "off" budget year for the Capital Budget, the process continues with a number of seemingly small, but not insignificant, changes that reflect some financial policy changes. The program speakers discussed the capital budget process and schedules from the perspectives of both the County Executive and the Council, and addressed the importance of the "off" year issues and policy changes reflected in this CIP cycle. These changes show some real and sound fiscal fortitude. They are proactive but cautionary first steps toward an improved process. What a change!

Then, on Tuesday, March 15, the County Executive transmitted his recommended FY12 county Operating Budget to the County Council, making some tough choices and presenting a balanced budget (as required by law) that closed a projected \$300 million shortfall. The FY12 Operating Budget will be the topic of the program for the April 11 meeting of the Civic Federation.

For purposes of comparison, I've been closely watching the budget and financial processes in Fairfax County and the Commonwealth of Virginia. Across the river, Fairfax County sent their budget (equivalent to our operating and capital budgets) to their Board of Supervisors on March 1. They have done some cost cutting. In addition, we now know that Fairfax County employees and teachers will not receive any step increases, or any other wage adjustments, for the third year in a row. This past fiscal year Fairfax experienced an unexpected small operating budget surplus of less than \$50 million. At the state level, the Commonwealth of Virginia had a budget surplus of nearly \$400 million.

Maryland, by comparison, is still in a state of fiscal crisis, and the counties are likely to be significantly hurt as a result. The gap between this year's projected revenues and budgeted expenditures is expected to exceed \$1.4 billion. Closing this gap will be painful and may jeopardize our future financial welfare. Governor O'Malley is making some \$949 million in cost cuts.

The proposed Maryland state budget will fund some \$5.7 billion for K-12 education, but school construction funds will be cut by some \$94 million back to a more sustainable \$250 million. The proposed budget will also reduce aid to counties by \$52 million. At a time when our schools are experiencing a significant growth spurt in new student enrollment exacerbating our need for new schools and additions to our old ones, it seems unlikely that Montgomery County will be getting the funds from the state that we so badly need.

The state-funded pension and health care plans for state employees and retirees are now underfunded by more than \$35 billion. As late as 2002, the pension portion was funded at 95%, and is now projected to be funded at only 59% for FY 2012. This change represents quite a drop in investment performance and funding levels. As I reported in a Federation Corner column in November last year, research by the

non-partisan Maryland Tax Education Foundation showed that Maryland's investment performance was more than \$5 billion less than our surrounding peer states. Our health portion funding at about 1% is in significantly worse shape.

On top of this, the Tax Institute analysis shows that Maryland taxpayers are ranked 4th as the most heavily tax burdened jurisdiction in the nation. Further, our Governor, with the approval of the President of the Senate and the Speaker of the House, has proposed significant reductions in the state's contributions to teacher pensions (the counties pay directly to the fund for all other school employees) beginning with the next budget. This is the only program where Montgomery County is treated equitably; i.e. the same as the other counties and independent jurisdictions. And, it appears that our delegation will go along with this reduction.

Over the last few years, Montgomery County has recouped less than 30 cents for every tax dollar that we paid into the state coffers. The City of Baltimore, by comparison, got back well over \$2 for every dollar they paid in, and Prince George's County received well in excess of \$1. Helping others less fortunate is admirable. But our needs must also be addressed fairly and equitably. For as long as I have lived in this county, this has not been the case.

*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 [theelms518@earthlink.net](mailto:theelms518@earthlink.net)*