

"Federation Corner" column  
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### **Budget blues: everybody will be unhappy!**

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The county's Fiscal Year 2012 Operating Budget, which will go into effect on July 1, should leave just about everybody and every organization and special interest group not only unhappy, but very unhappy. County Executive Isiah "Ike" Leggett's proposed budget will close the projected shortfall of \$300 million. That may just be the best we can get, but it is certainly not as good as we deserve.

Montgomery County Public Schools (MCPS) would get a 3.5% increase, which is 96% of the funding requested by the Board of Education (BoE). And the Police Department is slated to get a 0.5% increase. Just about every other line item shows a decrease in funding. Some changes represent department and function reorganization with some staff cuts. Libraries will take another 9.7% decrease on top of cuts they have suffered annually beginning with the FY 2008 budget.

Taxpayers will be hit with additional taxes and fees. The most significant of these is the proposed "no tax increase" property tax increase. Because of the recession, overall property values have declined and with them the revenues brought in by real estate taxes. To make up for this, the tax rate on real property will be increased over 1%--about \$85-100 on a home valued at \$500,000. In addition, a five cent tax on plastic and paper bags is under discussion in the Council. If implemented this tax is expected to bring over a million dollars in revenue.

County employees are being asked to contribute 2% more to their retirement fund and increase their contributions to health care from 20% to 30%. These increases put them closer to the expected percentages to be paid by employees of the federal government and the private sector. But county employees will apparently keep the small or non-existent co-payments and per person deductions related to their medical coverage.

The Executive's proposed budget for teachers and school employees suggests that the BoE should impose similar payments in line with those of county employees. But actions taken by the BoE and Superintendent suggest they will pursue a lawsuit against the county seeking full funding of their MCPS budget request to meet the state's "maintenance of effort" mandated level. This legal action is really counter-productive, and a Washington Post editorial called it a "pointless civil war".

Will Council members agree to the general structure of the proposed budget? Given their comments to the press so far, my guess is "no". The Council has always put its own imprint on the budget. Will it heed the findings in the report of its own Office of Legislative Oversight that warned of the dire consequences of unaffordable and unsustainable total compensation packages going to county and school employees, and act on the report's recommendations? I hope the Council finds the intestinal fortitude to improve upon the somewhat meager start proposed by the Executive. The actions affecting total compensation and taxes/fees should be equitable and fair to public employees and taxpayers alike. The proposed budget, in my view, remains unfair to the taxpayers.

At the state level, Mr. Leggett would like to see the gasoline tax increased by ten cents a gallon, with the added revenue going to the transportation trust fund. But most of the money earmarked for that fund has ended up being lent to the general fund, where it is spent as the Governor wishes. There is little or no chance of this borrowed revenue ever being repaid to the transportation trust fund. Moreover, the amount spent on transportation by the state is a mere fraction of what it used to be. Additionally, the Executive

should know that no matter how much revenue is raised at the state level, the actual percentage returned to our county continues to decrease relative to that going to rest of the state. It's a bad bet.

Based on the budget blueprint passed by the House in Annapolis and sent to the Senate, I have no hope for any reasonable fiscal prudence in the state budget. It projects almost \$1 billion in bonds to pay for the operating budget (the capital budget is separate). You read correctly. This action is tantamount to using a credit card to pay for putting food on the table and gas in the tank every day, and agreeing to pay back the loan with interest 15 years from now. This practice began about 4 years ago and has increased every year since. This budget has hit a new high in fiscal irresponsibility.

This type of fiscal practice, coupled with the proposed reduction in state contributions to counties for teacher pensions, does not bode well for future Montgomery budgets. I don't know what our legislators are thinking, but I don't think they are looking out for our county taxpayers and citizens very well. Economics has been likened to a cruel and often vengeful mistress. It can and will inflict great pain. This recession should be ample proof! But there is much in the state budget that is neither sound nor fiscally prudent. Even the state comptroller and the Washington Post have been very critical of the size of the budget and the ways it is being funded by debt.

*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)*