

## Council Budget Update from Marc Elrich

After two months of committee meetings, work sessions, public hearings and multiple revenue decreases, the County Council has finally agreed on a budget for the next fiscal year, which begins on July 1, 2010.

These are extraordinarily difficult times both nationally and locally. Montgomery County faced a nearly \$1 billion budget gap in our \$4.3 billion budget, and quite frankly, there is no easy or painless way to address a shortfall of this magnitude. The County Executive's original budget proposal included dramatic and painful cuts to current funding levels for almost all County departments, including a 24% cut to the library department, a 14% cut to park and planning, a 16% cut to the recreation department, a 33% cut to regional services centers and a 24% cut to the budget for the Department of Housing and Community Affairs. His budget proposal also called for 10 furlough days (the equivalent of a 3.8% cut in pay) for county public employees except for police, fire and rescue personnel, and our public school teachers and employees. The burden of these furloughs would have been borne by only 20% of all county agency employees. With regard to Montgomery County Public Schools, the County Executive's proposed budget did not support their request for a budget increase of \$138 million, but it did not cut MCPS spending below the current budget year. As a result, MCPS was the only County agency to have a proposed 0% cut.

Not long after we began discussing the County Executive's proposed budget as outlined above, we received word that a decline in our income tax revenue meant that the budget gap had increased by an additional \$168 million and our reserves were down to just 1.3%. Additionally, bond rating agencies on Wall Street warned the County that unless we maintained a higher level of reserves, we were at risk of losing our AAA bond rating. That rating is important because it assures us the lowest possible interest rates on capital projects, including the many new school construction projects currently planned for MCPS. A downgraded rating could mean we would be forced to delay much needed construction projects for outdated and overcrowded school facilities.

To deal with this unprecedented decline in revenue we were forced to eliminate \$35 million in contracts with outside vendors for the remainder of the current budget year which ends June 30, an enormous cut to absorb in just two months. And to meet the fiscal challenges for next year, the County is eliminating more than 450 positions; this is in addition to a 10% reduction in the work force during the past two years.

Even the deep cuts we made, including the elimination of cost of living increases and annual step increases for all employees and the painful furloughs we are reluctantly implementing, were not sufficient to balance the budget, so we had to find additional sources of revenue. In order to honor our commitment not to raise property taxes, the Council accepted the County Executive's recommendation to implement an ambulance transport reimbursement fee and to increase the cell phone tax and the energy tax, although the energy tax increase will be more evenly distributed than under the Executive's original proposal. Although the energy tax increase for residents and businesses will still be challenging, I believe that it is a more sustainable and equitable way of raising revenue since attention to energy efficiency can help mitigate the impact. We have also agreed to implement a carbon tax on the County's only coal-powered plant. The carbon tax will move us in the right direction on curbing carbon emissions while raising revenue in subsequent years to fund efforts such as mass transit to reduce greenhouse gas emissions.

In the end we reluctantly agreed that furlough days were needed, although we chose to implement them more equitably among all County government employees, including police and fire and rescue personnel. To minimize the negative impact on our employees and the County residents they serve, we agreed to fewer furlough days, with an average of five days instead of ten. I believe that furloughs

have to be graduated, with the least impact on those who make the least and the greatest impact on those making the most. And those who have already seen their hours reduced should not be hit again. My colleagues on the Council agree, so we have chosen to implement three days of furloughs on those who earn less than \$50,000 a year; five days on those earning \$50,000 to \$100,000 a year; and eight days on those earning more than \$100,000 a year.

What does all of this mean? First, we need to recognize that we are facing long-term fiscal problems. Second, as we struggle to restructure County government in a way that allows us to continue to provide critical services, the school system needs to be a partner, since its \$2.1 billion-dollar budget accounts for more than 56% of the combined budgets of the four County agencies.

I believe times like these highlight the need for a serious examination of our government's structure, an idea I have pushed for since first coming to the Council more than three years ago. In my first year I asked that the county develop measurable outcomes for all of the County's youth-based programming, all of this to find efficiencies while still providing essential, core services. More recently, I proposed looking for ways to consolidate County and Park Police, recreation programs spread between the Recreation Department and Park and Planning, and housing programs spread across three agencies. As a result, the two police agencies have been tasked with developing a merger plan which, if done correctly, could save overhead through the elimination of duplicate services like fleet management, background checks and call centers, while preserving positions that keep our parks safe and secure. We have similarly charged the Recreation and Parks departments to plan a merger of their recreation offerings so that registration and management can be combined, resulting in better customer service and cost savings.

In the years before I arrived at the Council, our county government grew at an unprecedented rate, increasing spending by as much as 14% in one year. Recessions are cyclical and predictable, and we were quite simply living beyond our means and in denial of basic laws of economics. The time for finding efficiencies is now, and we have made great strides in this budget to do so. Our excellent Department of Correction and Rehabilitation has gone from five to three divisions, eliminating middle and upper management positions in order to preserve correctional officers and maintain public safety as efficiently as possible. This is a step in the right direction, but we must do more across all departments. And we must continue to urge MCPS to be part of the solution.

When MCPS realized that their request for a \$138 million budget increase for the next budget year could not be funded, they met the challenge by eliminating step increases (\$26 million), decreasing pre-funding for retiree health benefits (\$43 million), using offsetting state aid (\$37 million), and, at the Superintendent's suggestion, making \$32 million in cuts to their operating budget, including a \$16.2 million cut that would increase class size by one student. Their cuts in employee benefits mirrored the cuts taken by all other County employees.

As our financial shortfall subsequently worsened by \$200 million, we asked MCPS for additional cuts of \$24 million, with the remaining \$175 million coming out of County government programs and services. Of that \$24 million, \$5 million came from the capital projects budget and \$19 million from the schools operating budget. That equates to a 1% cut in the MCPS tax-supported operating budget. By way of comparison, the \$12 million reduction in library funding amounted to a 24% cut. To further illustrate the relative magnitude of cuts, out of a \$1.2 billion tax-supported operating budget for County government, next year's budget cuts of \$87 million in programming and personnel amount to a 6.9% spending cut. Out of a \$1.94 billion tax-supported operating budget for the schools, the \$19 million reduction in spending for next year represents only a 1% decrease from last year's budget.

I believe it is important to remember that many of the same children we are educating so well in our schools are also receiving critical services from other branches of County government. Some get their immunizations through County programs for the uninsured. Many participate in recreation programs after school to keep them occupied in a productive way. They go to the libraries with their parents to

use the computers and check out books and movies. They play in local parks. Some depend on food from County-funded food banks. And many of their parents rely heavily on Ride-On buses for transportation. The dramatic cuts in those services will have profound and difficult impacts on their lives. That is why we need to remember that the County serves our children and all of the most vulnerable members of our community through nearly every department in County government, not just through our schools.

As a former 17-year public school teacher, I understand the challenges in our schools as well as anyone currently serving on the Council. I will do all I can to make sure that changes in the school system's budget have minimal impact on the high quality education we offer our children. It is important to keep in mind that while the Council determines the final budget numbers for MCPS, the Superintendent and the Board of Education decide how that money is distributed and how any cuts are implemented.

This has been a very difficult process that reflects the times we are in. This budget marks a recognition that business as usual in Montgomery County is over. We will have less to spend, we will have to be more prudent about how we spend it, and we will have to re-evaluate our priorities. It will require a broad community conversation about what values we want to see reflected in our budget. I will be listening carefully as that discussion unfolds.

A special thanks to each of you who took the time to write or call me with your suggestions and concerns about the budget this year.

Sincerely,

A handwritten signature in black ink that reads "Marc Elrich". The signature is written in a cursive, flowing style.

Marc Elrich  
Councilmember At-Large