

Donna Baron's article titled "Election season reality check on growth and transit" of August 5 in the "Federal Corner" of The Sentinel is worth digesting for elected officials and challenging candidates.

If one takes a moment to observe Montgomery County and Maryland with an objective view, one will quickly find it to be schizophrenic with single-issue based legislation that does not consider the whole, legislated by unimaginative law-makers, very often designed to pacify activists. I call it the Maryland syndrome. [It is at least better than the New Jersey syndrome that legislates based on single occurrence – like when they legislated ban of self-service in gas stations.]

County residents need to understand economic growth that creates new jobs is not compatible with environmentally concerned issues and social concerns of Democratic activists, without regimentation of a police state. They are strange bedfellows in a free country where people can choose where they want to live and where they want to work. With growth, inability to expand roads and transportation infrastructure, and inability to modify people's driving behavior, there will be traffic congestion and increases in costs that makes everything more expensive. The concept of job centers around specific places like Silver Spring or White Flint or Germantown and such other places don't include the requirement that those who work there must live there. Many of them would prefer to live in Boyds or Poolesville, Potomac or Olney and commute. The county should consider a congestion tax on employers on a per employee basis that is based on distance of home of employee from work and the number of days a person is not allowed to work from home.

Another important thing to digest is that right now politicians are promoting economic growth as a way to expand the tax base of the county during times when miscalculations of past years and high inefficiency in the government has led to a fiscal crisis which will haunt them for years to come. They will all say that the county has not been business friendly and that is the reason for our problems. That is a bold faced lie.

The reality is that politicians have been uncomfortable in being honest with the residents in telling them what things cost, and everything needs to be paid for from one of three sources of income – real estate taxes, income taxes and state-federal funding. Inability to face reality, to cover-up for some inefficiencies and to engage in funding activities promoted by activists who think the county is a country and world of its own, it has been most effective to add new taxes like the most recent energy tax, carbon emission tax and ambulance fees, and over the years the gradual unfolding of taxes on utilities and fees of every kind we can dream up, and the government has become so dependent on this "drug-like" fourth source of revenue that when people start driving slower and the revenue from speeding camera fines fall, it affects them like the withdrawal syndrome of a drug addict. Both businesses and households have been hit with these 'sneak' taxes. But businesses have been hit by slow processing, zoning and regulation issues as well, and unfavorable infrastructure that has allowed businesses to find a friendlier climate across the Potomac in Virginia. The few exceptions relate to big subsidies given to rejuvenate Silver Spring and develop certain specific areas. For a while this served the county well, until mistakes from the windfall increases in real-estate tax revenue by increases in property value at the rate of about 20% annually between 2001 and 2005, led to increase in the county work force by about a thousand and giving generous raises to all and agreeing to union bargains for more in the future. With

all of these having increased the cost structure, the fall in real estate values back to reasonable levels has created another withdrawal syndrome. They are looking for more things to tax.

Unfortunately, there is only one long term solution for this problem:

- We have to be honest and keep the county operations dependent on only real estate taxes, income taxes and state/federal funds. The fourth source of revenue has to be eliminated in the long term, except for exceptional cases where a very small group is a beneficiary of some program where it may be justifiable to transfer the cost only to that group.
- Taxes should not be a business disincentive, but rather zoning regulations should serve to limit growth of businesses to a degree that is sustainable.
- County should avoid the Maryland and New Jersey syndrome and must resist the urge to legislate everything. It should not behave like it is a world of its own, with a dome that prevents the air from blowing across the Potomac, Atlantic or even from China. It should not seek to fund global environmental issues from the County budget, but rather work with the Federal and State governments to take care of it.

While all these are long term goals, there are no easy answers to the current fiscal crisis. Unfortunately the only viable answer is something many people will resist.

- First, the county needs to begin efforts at cost reduction without reducing services. Recent furloughs and paid vacations clearly indicate that there is overstaffing. In the range of 10% to 15% of the county expenses should be able to be reduced by realignment of processes – process re-engineering. This will take about three years to fully complete, but gains should begin once the process begins from around the sixth month. The biggest roadblocks to accomplish this effort will be the elected officials and those in managerial capacity in county funded offices, who will need to execute this. Therefore some bitter medicine is needed to give them a kickstart.
 - The voters should seek a promise from all voted officials that they will take a voluntary reduction in their salaries until the savings goal has been achieved, and once the savings goal have been achieved, not only should the salaries be reinstated, but also up to six months of lost salary components could be made up. The County Council must pass a maximum salary of \$60,000 for all elected officials until re-engineering savings are realized, immediately after the new Council takes office after the November elections.
 - After careful study after the elections, the Council must determine the right amount of temporary salary reductions for non-elected managers in the payroll of county funded offices to ensure that both the budget will be manageable and there will be incentive to complete re-engineering quickly and realize the savings for the taxpayers, and have their salaries reinstated.
- Second, the county needs to revisit the long term strategy of whether to promote businesses and congestion or whether to keep Montgomery County environmentally friendly.
 - In this regard, there must be a ballot question for voters to ask
(a) if they want less economic growth with fewer businesses to eliminate congestion, and it will also lead to further revenue shortfalls and possible cuts in service even after savings from government efficiency measures (process re-engineering);

(b) keep at current levels without much dislocation but with increased government efficiency;
(c) expand economic growth effort that will eventually result in greater congestion and more loss of greenery

- Most likely, since nobody likes dislocation, the county residents will most likely favor not engaging in further economic growth. Scaling back and promoting further growth are unlikely to be palatable options. In that case, the county must consider a congestion tax based on how far from work people live and how frequently they must commute to work.

- Environmentally friendly and Agricultural Preserve are not one and the same. Hidden in the county's past act of protecting Agricultural Preserve is a treasure trove. The less I say here the better, since politicians have a way of gravitating to the easiest way to deal with the fiscal crisis.

Considering all the facts and wholesome thinking instead of piece meal thinking, the following conclusions appear reasonable:

1. Claiming lack of business and job growth, and consequent expansion of tax base as the reason for the fiscal crisis is baloney. It is more accurate to say that the county officials were as drugged as the Wall Street jokers who expected real estate values to go up by 20% each year.
2. Process re-engineering is immediately needed to bring in cost reductions without reducing services over the next three years.
3. The county government and officials will resist the bitter medicine of process re-engineering and frighten the county residents with service cuts. It is absolutely essential for them to commit to process re-engineering as part of the election season and pledge to take specific cuts in their salaries until the savings are realized.
4. A long term restructuring is required beyond process re-engineering where priorities, business relationships, and state-federal relationships are re-examined and more cost reductions are needed to fund the capital reserves which appear underfunded. This is looming threat for future pressure on tax increases. Elimination of 'sneak taxes' -- revenue sources that are not real estate taxes, income taxes and federal, state or private charity funds -- should be a serious objective in the long term restructuring.

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