"Federation Corner" column
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Time to take a closer look at the county budget
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So what finally happened with the County budget for the current fiscal year? The FY 2010-2011 Operating Budget started out last fall with an eye popping $100-200 million deficit. By the time the budget went to press in March, the deficit had grown to about $779 million. This was followed by many memo revisions from the County Executive to the Council based on multiple revised revenue projections from the state and gut wrenching warnings from the bond rating agencies.

The following is my simplified interpretation of what I read in Rockville. I note that most of the rating assessments are copyrighted and are not available for open distribution

Moody's was the most devastating as it "placed the County's AAA general obligation rating on review for downgrade" then threw salt into the wound by outlining three stipulations that should be addressed/corrected in the budget process if we want to maintain our very desirable AAA bond rating in the future. Fitch and Standard & Poors had similar concerns, but seemed a little more practical in expressing that we should revise the budget consistent with their somewhat more "flexible" wording.

Nobody knows where these rating agencies were two years ago, nor when they suddenly got fiscal religion. But the points in the three rating assessments were not arguable. The total projected budget deficit had suddenly grown from the original $100 million to almost $1 billion! The deficit solutions--the messy making of the "sausage," as it were--really affect every person and entity in the county.

The Executive and Council were confronted with some really tough choices which, to their credit, they did address. But the solution(s) may only be good for the next fiscal year. They combine a two-pronged approach: raising some taxes/fees and lowering some costs, although there's nothing good about the former.

The combined increase in excise taxes on energy and communications was originally supposed to hit commercial users harder than residential consumers. Thanks to some really aggressive lobbying (bullying?) by the Chamber of Commerce and related groups, this has now been reversed so that residential users will be paying about 75% and businesses 25% more on their energy and communications "fees." The fact that these significantly increased fees will not be deductible on tax returns will further impact our monthly energy and communications bills, and may come back to haunt our elected officials in the future. Costs were lowered by furloughing government workers and clawing back contractually obligated cost-of-living increases--both anathema to the various public employee unions.

For the first time since I've been analyzing and assessing the budgets, I think there is an individual and collective Executive and Council realization that we have a really serious structural budget/revenue problem; a problem that is not likely to go away easily, nor soon. Also to its credit, the Council closed the fiscal year by finally developing and adopting its first balanced Montgomery County Six-Year Fiscal Plan, based on some almost realistic revenue projections in the 1.4% to 2.9% growth range.

The Six-Year Fiscal Plan is a simple model, but one that will help to show the impact of all budget cuts and takes on the current year and ripple effects on future fiscal years. This could help keep us from "kicking the can down the street" again and again! The first time I saw this technique discussed and recommended was when I was a member of the first Commission on the Future of Montgomery County and its Fiscal Affairs

Committee, during the 1985-1987 timeframe. I believe our present woes would have been significantly less if this recommendation had been taken up and enacted 25 years ago.

In the meantime, what does preserving our AAA bond rating buy us? On the last $325 million bond issue, it will save us approximately $8 million over its 20 year life. Since the mid-seventies it has meant over a half a billion dollars saved according to County's Office of Management and Budget. And that is NOT "chopped meat." More importantly, we continue to have nearly immediate access to the bond markets at very favorable rates.

So what is on the horizon? County Council Staff Director Steve Farber reported to the Council on Tuesday, Sept. 28 that the economic news will not get better any time soon. Is it time to finally establish some equitable and cogent economic principles and tough discipline? This will be difficult to accomplish, but I think it is possible to do it better and do it right. Do we collectively have the intestinal fortitude? That remains to be seen.

Simply put, our county government and its budget is unaffordable, and the extent of its unaffordability was covered up by the ever increasing revenues provided in the boom years from 2003 through 2007. The situation at the state level is no better; and I am concerned, because the state has punted on its budget responsibility for the last two to three years. To its credit, the state legislature did more to correct the imbalance presented in the original budget. But it is too easy for the state to push its burdens onto the counties and independent jurisdictions as a quick solution. And there is unlikely to be anymore "manna" from Washington to help cover over the real depth and breadth of our fiscal problems, as has been done for many years.

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