

Taxing Times for County Budgets

Chiefs of Montgomery,
Prince George's Wary
Of Fragile Economy

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The leaders of Maryland's two largest Washington suburbs, facing a sinking economy and slumping housing sales, yesterday proposed raising taxes and trimming spending to balance local budgets while protecting what they say are critical public services.

Montgomery County Executive Isiah Leggett (D) recommended the largest property tax increase in two decades, the elimination of 225 government jobs and a new ambulance fee to close a projected \$297 million shortfall. In Prince George's, County Executive Jack B. Johnson (D) proposed raising local taxes on income and real estate transactions to close an estimated \$121.6 million gap.

Local governments throughout the region, heavily dependent on property taxes and accustomed to rising revenue in recent years, are trying to cope with similar pressures. In the District, for example, financial officials have projected a \$96 million budget gap, and Mayor Adrian M. Fenty (D) is considering a change in a recent commercial property tax cut. Fairfax County's proposed budget had not even returned from the printers last month before plummeting revenue estimates had to be revised downward again. The Fairfax plan keeps school spending at current levels and cuts pay raises for public safety workers.

Leggett's \$4.3 billion spending plan, which must be approved by the County Council, would increase spending by 3.9 percent — the smallest increase in 12 years. Funding for Montgomery's public

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Counties' Budget Proposals Reflect Drops in Revenue

schools would rise by nearly 4 percent but come in \$51 million short of the school system's request. Superintendent Jerry D. West predicted "significant detrimental effects on classrooms" and layoffs.

Leggett called for closing the estimated shortfall through a combination of new revenue, \$135 million in trims to police, fire and health and human services, and changes to the way the county pays health-care costs for retired employees.

Residents would pay more for public parking lots in Wheaton and Silver Spring, leaf collection, Ride On bus passes, annual swimming pool passes and after-school programs at community centers.

To stave off deeper cuts, Leggett said, it was "absolutely necessary" to raise Montgomery's property tax rate on average 6 percent, or 7.5 cents, the largest increase since 1988.

"It's something I really did not want to do, but something we have to do," Leggett told the County Council, which would have to vote to raise the property tax above the limit allowed in the county's charter.

Leggett would provide the largest-ever credit of \$1,014 for primary residences to offset the hit to homeowners. The bill for a median-priced home of \$343,200 would increase 6.2 percent, or \$158, to \$2,342. Under the charter limit, bills are allowed to rise 3.5 percent, or \$80, for the median home.

The credit essentially shifts more of the tax burden from homeowners in commercial and residential rental properties. The bill for a commercial property assessed at \$2.8 million, the county median, would rise 20.7 percent, or \$4,725 to \$27,581.

Leggett's cuts would slow plans to expand a health insurance program

Montgomery Budget Highlights

Montgomery County Executive Ishak Leggett (D) proposed a \$4.3 billion spending plan yesterday that closes a projected \$297 million shortfall through a mix of tax and fee increases and budget cuts.

- Increases spending by 3.9 percent, compared with an 8.5 percent average annual increase in the past 10 years.
- Increases spending on schools by 4 percent, or \$74.8 million, representing about 98 percent of the school system's request.
- Exceeds the county's local limit on property tax revenue by raising the average property tax rate by 6 percent. It goes up by 7.5 cents, to 97.8 cents per \$100 of assessed value.
- Provides a \$1,014 credit for homeowners' primary residence.
- Eliminates 225 government jobs, in part through early retirement packages.
- Creates an ambulance service fee ranging from \$350 to \$790, that would be billed to an individual's insurance or provider.
- Eliminates the police department's Community Services Division.

for low-income residents and reduce subsidies for child care and in-home care for seniors and disabled residents.

At the police department, Leggett would eliminate a class of new recruits and 22 positions by getting rid of the Community Services Division, which works on crime prevention.

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The county would raise an estimated \$6 million through a new fee for emergency medical services that would range from \$350 to \$750. The fee would be similar to those collected in the District and in Fairfax and Prince George's counties and would be billed to an individual's insurance company. Uninsured residents would not be charged.

Council member Phil Andrews (D-Gaithersburg-Rockville), chairman of the Public Safety Committee, said he is concerned that the fee would deter some residents from seeking medical help.

The plan does include some relatively modest new investments. Leggett would borrow \$25 million to speed the acquisition of property for affordable housing and provide \$800,000 for pedestrian safety, \$800,000 for activities at the Youth Opportunity Center in Langley Park and funding for 56 new firefighters at stations opening in Germantown and Clarksburg.

Left untouched in Leggett's plan are salary and benefit agreements for employees. Leggett is legally required to fund contracts his administration negotiated, and most employees are scheduled to receive a 4.5 percent raise, in addition to a 3.5

Prince George's Budget Highlights

Prince George's County Executive Jack B. Johnson (D) proposed a \$2.67 billion budget, recommending tax increases and a hiring freeze for all agencies except public safety agencies to close a projected \$171.6 million budget gap.

- The proposed budget:
- Increases general fund spending by 1.3 percent, the smallest such increase in more than a decade.
- Increases spending on schools by 1.4 percent, or \$23.7 million, fully funding the Board of Education's request.
- Raises the county's income tax rate from 3.1 to 3.2 percent, resulting in an average per-household tax increase of \$40 and generating \$6.6 million in new revenue.
- Increases the tax on the recordation of housing sales from \$2.20 to \$2.50 per \$500 of transaction, increasing taxes by \$180 on the sale of a \$300,000 home and raising \$2.4 million in new revenue.
- Holds the county's property tax rate steady at 46 cents per \$100 of assessed home value, as required by the county charter.

percent increase that to years of service.

In Prince George's, Johnson recommended a \$2.67 billion budget for fiscal year 2009, an increase of 1.3 percent over this year.

Johnson said the weakened economy has caused tax revenue from housing sales to plummet, noting that sales of existing homes in the county dropped 57 percent in February from last year. The dropping revenue, he said, has come at the same time state budget cuts have resulted in a drop in state aid to Prince George's of \$33.3 million.

To close the gap and preserve services, Johnson has instituted a hiring freeze at all county agencies except public safety departments. In addition, he has proposed raising the income tax rate from 3.1 to 3.2 percent, an increase of about \$40 for the average household, which would

result in \$6.6 million in new revenue.

The higher figure represents the maximum local income tax allowed under state law. Prince George's has lowered its rate to 3.1 percent in 2006.

Johnson also proposed increasing the recordation tax, imposed when homes change hands, from \$2.20 to \$2.50 per \$500 of value. The increase would mean about \$180 in new taxes on the sale of a \$300,000 home and result in \$5.4 million in new revenue.

Despite the difficult economy, Johnson emphasized that funding commitments to education and public safety will continue. He proposed fully funding the Board of Education's \$1.68 billion budget request. He also recommended hiring 76 new police officers, part of a multiyear effort to boost the size of the force.

His budget also includes \$12 million to stabilize the struggling Prince George's hospital system, matching state funds committed as part of a deal he announced with Gov. Martin O'Malley (D) this month.

"I believe even in these trying times, we can accomplish more," Johnson said, adding that his top priority was to avoid job cuts.

But he warned that further reductions would be necessary if the economy continues to falter. "This is a budget that contemplates we're at the bottom," he said. "I'm not sure if any of us can say we're at the bottom."

Prince George's leaders face some of the nation's toughest restrictions on raising taxes. Since 1978, the county's charter has imposed a cap on property taxes of 95 cents per \$100 of assessed value. In addition, since 1996 the charter has required that other tax increases be put to a voter referendum.

Johnson said he believes the charter provision does not apply to the income or recordation taxes because they were created through state law that trumps the county's charter.

But he used the same argument last year when he proposed boosting the county's phone tax. In that instance, the County Council disagreed, voting instead to allow residents to weigh in on the proposal at the ballot box in November. Council members will probably discuss in coming months whether Johnson's new proposals must also face voter approval and will vote on the budget in May.

"Everything is on the table," said Council Chairman Samuel H. Dean (D-Mitchellville). "We will work very hard to make sure we provide services to the citizens, public safety and work very hard not to have an impact on county employees."

Staff writers David Nakamura, Miranda S. Spivack and Bill Turque contributed to this report.