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Leggett proposes deficit actions

Plan includes doubling energy tax, increasing fee for cell phone use

by Erin Cunningham | Staff Writer

Montgomery County Executive Isiah Leggett (D) is proposing two tax increases to close the county's swelling budget deficit.

Leggett is calling for a 100 percent increase in the county's energy tax and an increase in a fee charged to the county's cell phone users.

The tax increases were included among a number of cuts, layoffs and other measures that Leggett proposed Thursday to save an additional \$196 million in fiscal 2010 and fiscal 2011.

About \$168 million was to address a decrease in income tax revenue announced earlier this month, and the remainder will go into the county's reserves. Bond rating agencies recently have encouraged the county to bolster its reserves.

Thursday's announcement was Leggett's second round of proposed budget adjustments since he introduced his fiscal 2011 budget proposal March 15.

The county executive has filled a combined \$1 billion budget shortfall in his proposals.

Under Leggett's most recent proposal, the county's fuel energy tax would double — resulting in about \$8 more on average per month for residential users. The business community, which opposes the measure, says the increase could amount to hundreds of thousands of dollars annually for some businesses.

The increase will raise an additional \$21.4 million in fiscal 2010 and \$79.8 million in fiscal 2011, Leggett said.

In response to businesses' concerns, Leggett said Thursday that he would consider altering the rate structure, but that residents might have to pay more under a different plan.

Leggett's proposal also calls for an increase of the county's tax on cell phone users. The current rate is \$2 per line per month, which appears on cell phone bills of county residents.

Leggett is recommending the tax be \$3 per line per month — raising an additional \$11.8 million in fiscal 2011.

Leggett said he was considering how to balance the county's \$4.3 billion budget as late as Thursday morning. He accepted that the County Council would approve a bill sponsored by Councilman Philip M. Andrews (D-Dist. 3) of Gaithersburg to eliminate the so-called "ghost COLA" for which about 5,000 government employees are eligible.

The benefit calculates pension payments for some employees factoring in a cost-of-living pay increases in fiscal 2010 that were not given. The agreement was a compromise from employees in lieu of the pay increases.

Leggett originally opposed the bill but said Thursday that a majority of the council favored it. Therefore, he assumed it would pass and that more than \$6 million could be saved in reduced pension benefits.

Gino Renne, president of the United Food and Commercial Workers Local 1994/Municipal and County Government Employees Organization, said he had dinner with Leggett for more than two hours Tuesday, and Leggett did not indicate he was rethinking his position on the ghost COLA benefit, which is supported by the union.

MCGEO would pursue legal action if there is an attempt to violate the union's negotiated agreement, Renne said, adding that Leggett has a legal obligation to abide by the negotiated agreement.

County Council President Nancy M. Floreen (D-At large) of Garrett Park said she had not made up her mind about Andrews' bill, and that she did not know what the vote count was on the council.

Leggett said he knows more than five council members support the measure.

"You didn't see anyone up there say they weren't going to do it," Leggett said, referring to the council.

Leggett's original proposal includes as many as 232 layoffs of county employees and two weeks of unpaid leave for many employees. On Thursday, he presented a proposal to the County Council that includes cutting an additional 14 positions — 12 of which are filled.

Joseph Beach, the county's director of the Office of Management and Budget, said officials expect at least nine of those positions to be vacated through retirements rather than layoffs.

Leggett's proposal also includes an \$85,000 reduction in Ride On bus service that will reduce route frequency, and about \$1.9 million that he is asking Montgomery County Public Schools to pay for educational facilities officers who are stationed in schools but work for Montgomery County police.

Leggett also is proposing eliminating \$35,000 in contractual obligations in the fourth quarter of fiscal 2010.

Beach said a list of the liquidated contracts would be available as soon as next week.