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Government sends businesses in Montgomery mixed signals

Leggett proposes doubling energy tax; Floreen champions development group

by Erin Cunningham | Staff Writer

Montgomery County officials are touting their commitment to business while considering tax increases that some say could cripple county businesses.

Businesses in Montgomery County — and those pondering a move here — are receiving a "mixed message" right now, Georgette "Gigi" Godwin, president and CEO of the Montgomery County Chamber of Commerce, said Monday.

Godwin made the comments after County Council President Nancy M. Floreen held a news conference to announce her proposed Business Development Corp.

The private-public group would promote business development in the county and eventually raise funds to support businesses, Floreen (D-At large) said.

At the same time, the council is weighing a proposal from County Executive Isiah Leggett (D) to double the energy tax. The tax increase was 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.

The energy tax increase is expected to generate \$100 million, according to Leggett's analysis.

"This is a last resort," county spokesman Patrick K. Lacefield said of the proposal.

Businesses are charged a higher rate for energy taxes than are residential customers, and some business leaders have said that their energy taxes could increase by as much as \$500,000 if the measure passes.

"For the companies who employ many of our county residents — thousands of people — the impact is staggering," said Lisa M. Fadden, vice president of public affairs for the county Chamber of Commerce.

Leggett's analysis states that, on average, companies would pay about \$289 more per month, or about \$3,500 per year, under the increase. However, Fadden said the price tag for high-tech and biotech companies could be much higher.

"It's a huge problem. We've targeted that industry for growth, and we may impose a gigantic new tax," said Councilman George L. Leventhal (D-At large) of Takoma Park. "I'm very concerned about it."

Suburban Hospital in Bethesda spends about \$342,000 annually on energy taxes, according to Leslie Ford Weber, senior vice president of government and community relations for the hospital. If the increase passes, the hospital will pay about \$700,000.

Because hospitals have their rates set by the state, they would be unable to pass the cost on to their customers, she said. It's more likely that the hospital would abolish discretionary programs, such as the free mammograms it provides for low-income women, she said.

Leventhal said it is unlikely that the county would raise the \$100 million that Leggett believes the increased tax would bring in, and the council has asked for its own economic analysis.

"I don't think the proposal was well thought through before it was sent to us," Leventhal said. "I think some companies will just leave."

Companies might not leave the county, but they will pass on the increased cost to their customers, said Russell Lacey, president of Electric Advisors, an energy procurement firm based in Bethesda.

"It takes away from businesses' ability to hire people," Lacey said. "In the long run, it has a negative impact on business growth in Montgomery County."

In Montgomery County, the energy tax is currently about 0.5 cents per kilowatt hour used for residential customers. Nonresidential customers, such as businesses and government, pay 1.3 cents per kilowatt hour — nearly three times the residential rate.

Leggett's proposed energy tax increase includes a sunset provision in fiscal 2012. At that point, the tax would revert to the current rate. The county executive is expected to provide alternatives to his energy tax proposal to the council on Thursday.

Floreen's proposed Business Development Corp. was introduced to the County Council on Tuesday. The bill is co-sponsored by council members Roger Berliner (D-Dist. 1) of Potomac; Valerie Ervin (D-Dist. 5) of Silver Spring; Michael J. Knapp (D-Dist. 3) of Germantown; George L. Leventhal (D-At large) of Takoma Park; Nancy Navarro (D-Dist. 4) of Silver Spring; and Duchy Trachtenberg (D-At large) of North Bethesda.

The bill sets the mission of the group to "develop the vision for the county's economic future and to recommend and advocate for legislative and regulatory changes that move the culture and regulatory environment so that business success can create that vibrant and growing economy."