

James A. Michaels
Potomac, Maryland 20854

April 8, 2021

Montgomery County Council
Council Office Building
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

Re: Budget for Consumer Protection Programs

Council Members:

I submit this letter as my own comments and testimony concerning the County's FY22 Operating Budget. My comments are limited to the budget for Consumer Protection Programs and are provided solely on my own behalf, even though I am currently serving as a member and Vice-Chair of the County's Advisory Committee on Consumer Protection.

With respect to the budget for Consumer Protection Programs, I urge the Council to approve the entire amount of funding recommended by the County Executive, which is \$2,274,032 for the FY2022 budget. The Executive's FY22 recommendation is a small increase over FY21 (a \$77,305 increase), but it is still well below the FY20 funding level of \$2,378,717.1

On February 25, 2021, the Advisory Committee on Consumer Protection submitted its 2020 Annual Report to the Executive and Council. Section A of the Advisory Committee's Annual Report discusses budget concerns in the effort to protect consumers during the pandemic.

My purpose in submitting this testimony is to bring the Advisory Committee's concerns to the Council's attention as it considers the FY22 budget. I believe the concerns previously expressed by the Committee in its Annual Report are just as relevant and important today when applied to the FY22 budget as they were in FY21. For your convenience, I have included below the relevant excerpt from the Advisory Committee's Report.

The pandemic has precipitated a decline in revenue for the County, but it also has adversely affected consumers' financial condition. The economic hardship caused by the pandemic puts consumers at greater risk of defaulting on their mortgages and other loans, and falling behind on rent payments. Economic pressure created by the pandemic has also led to scams such as fake COVID cures and harmful price-gouging.

¹ The approved budget for Consumer Protection was about \$2,196,000 in FY21, which represented a decrease of almost \$182,000 (7.65%) from the FY20 budget of \$2,378,717.

These consequences require the Office of Consumer Protection ("OCP"¹) to strengthen its efforts to educate and inform consumers and communities so they are aware about steps they can take to protect themselves from potential financial crises. This includes making people aware of their foreclosure prevention options, and their rights concerning debt collection and vehicle repossession. As the Advisory Committee indicated in its Annual Report, we should be concerned about the potential for budget cuts to lessen the effectiveness of the OCP's efforts in protecting consumers from the effects of the pandemic.

Excerpt from 2020 Annual Report of the Advisory Committee on Consumer Protection
(Dated February 24, 2021)

A. Budget Concerns in Protecting Consumers During the Pandemic

Advisory Committee members are concerned about the impact of recent budget cuts and the potential for future cuts to lessen the effectiveness of the County's Office of Consumer Protection ("OCP"¹) in protecting consumers during the pandemic.²

Advisory Committee members understand that Montgomery County is experiencing a large and unprecedented decline in revenue due to the COVID-19 pandemic and that all department and agency directors were requested to submit suggested reductions to their budgets. OCP's operating budget for fiscal year 2021 is approximately \$2.2 million, which is a decrease of \$181,990 (7.65%) from its FY2020 budget. Personnel costs represent 94% of OCP's budget which includes both full-time and part-time employees, for total count of 16.6 full-time equivalents.

OCP's budget, however, is a relatively small portion of the County's \$5.8 billion operating budget. Advisory Committee members urge the County Executive and County Council to use caution in considering further budget cuts that could compromise OCP's ability to respond to consumer protection needs resulting from the pandemic.

While the pandemic has precipitated an economic downturn and a decline in revenue for the County, it also has adversely affected consumers' financial condition. The economic hardship caused by the pandemic puts consumers at greater risk of defaulting on their mortgages and other loans, and falling behind on rent payments. The economic pressure created by the pandemic also has led some to engage in scams such as fake COVID cures and harmful price-gouging.

These consequences require OCP to strengthen its efforts to educate and inform consumers and communities so they are aware about steps they can take to protect themselves from potential financial crises. This includes making people aware of

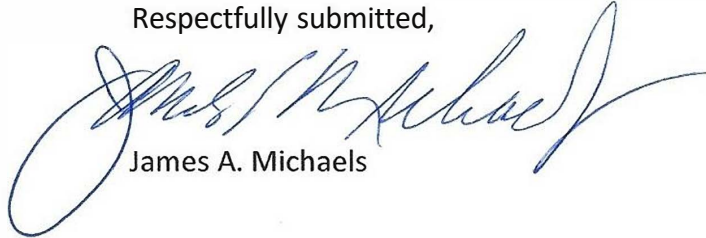
² OCP's mission is enforcing consumer protection laws that prohibit unfair, deceptive, or unconscionable business practices, to ensure a fair marketplace for consumers and businesses. OCP receives and investigates consumer complaints and initiates its own investigations of unfair or deceptive practices. OCP's activities also include consumer education, conducting public information campaigns to raise consumer awareness, and conducting outreach to vulnerable consumers and communities.

foreclosure prevention options, and consumers' rights concerning debt collection and vehicle repossession.

Across the country, state and local officials have adopted temporary emergency consumer protections to shield consumers from hardships caused by the pandemic, such as protections from overly aggressive debt collection tactics. Some states are considering whether new laws are needed to make their temporary measures permanent. Maryland officials are among those who have been studying possible changes to eviction, foreclosure and debt-collection laws. See Report of the Maryland Attorney General's COVID-19 Access to Justice Task Force (January 11, 2021) ("Maryland AG Report").³

One of the findings listed in the Maryland AG Report is that our current system "does not provide enough protections to people facing financial debts, leaving them with inadequate options for maintaining resources to meet basic needs."⁴ The OCP could participate in the legislative process as advocates for improving consumer protection, possibly by providing written testimony or comments on proposed bills. It would be unfortunate if budget cuts resulted in staffing constraints that limit OCP's ability to do so.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "James A. Michaels", is written over the typed name.

James A. Michaels

³ https://www.marylandattorneygeneral.gov/A2JC%20Documents1/AG_Covid_A2J_TF_Report.pdf.

See also Covid-19 Access to Justice Task Force: Press Conference, <https://www.youtube.com/watch?v=yaQKzEIVQfU&feature=youtu.be>.

⁴ See Maryland AG Report at 27.