Montgomery County Taxpayers League, FY 2024 Budget, 4/11/23 Testimony, Gordie Brenne

I. **Oral Testimony** – Residents are increasingly concerned about the cost and effectiveness of our county government. The budget request costs nearly 8% more than last year, but doesn't improve outcomes for residents, and a "mild" recession forecast underestimates likely revenue losses.

The proposed 10% property tax increase evades charter limits with an arbitrary education fig leaf (pg. 5-13) to disguise outrageous 13% county pay increases (general wage 6%, service increment 3.5%, and deferred service increment of 3.5%- pg. 8-6, on top of automatic step increases, longevity increases, and excessive previous year raises). Money is fungible. The tax increase takes another huge bite out of our incomes on top of last year's huge appraisal increase. This increase will be passed on to renters too. Some residents will lose their jobs during the coming recession, while others will be forced from their homes by the tax increase. All will be tightening their belts, and you should cut costs. (See notes below for more written testimony on revenues, spending and solutions, and other post-employment benefits, OPEB, contribution gimmicks).

Why aren't proposed pay raises based on a comparative review of worker salaries and wages last done in 2011? Why aren't you cutting the 2,000 new positions added to the various agencies over the last 4 years, and largely funded with one-time Federal money?

Examples of how residents suffer from weaker County performance include:

1. **MCPS-** the achievement gap is now a chasm but proposed across the board pay raises are not targeted at low-income schools where the gap is greatest, and don't implement Blueprint leadership improvements at the school level where more interventions are needed. MCPS steals money from low-income kids by voraciously spending 45 cents of every dollar on non-instruction activities, including a bloated bureaucracy, and compared to an overhead rate of just 37% in Fairfax (MCTL analysis). Further, a dedicated OIG would reduce fraud risks. (Limit funding to the maintenance of effort level, or tie additional funding to gap reduction targets. See note below for more written testimony and solutions).
2. **Public Safety-** crime is increasing, but patrol positions remain vacant) and 911 response time has increased by nearly a minute. (Tie the budget to crime reduction targets and adopt Fairfax's 911 model).
3. **WSSC-** the record 7% rate increase request perpetuates rates that are double those of Fairfax County, but no cost cuts are proposed, and large families pay higher rates and are forced to cut consumption to afford this luxury. Bond rater Fitch still maintains a negative outlook and the balance sheet remains perilously close to insolvent, making just a rate increase irresponsible, especially with the unresolved governance debacle.

II. **Revenues and Spending, Written Testimony Supplement**- while revenue estimates were reduced by $100 million last December, more shortfalls are expected due to lower capital gains and because the "mild" recession forecast (pg. 5-6) low balls the growing consensus of a deeper recession. Even with reserves higher than 10%, there is a high risk the budget will have to be revised in July. Recordation taxes have already dropped $168 million. The boom times for capital gains and income taxes revenues are over for now, the property tax assessment increase last year left many homeowners struggling, and programs expanded on the backs of unfortunate taxpayers who will lose their savings should be cut to ease the property tax burden. Over the longer term, economic development strategies for our stagnant commercial tax base and jobs level need to be reinvented to reduce the burden on residential property taxes. Use this opportunity to improve property tax equity for "new construction" after tear downs of affordable housing, improve assessment accuracy, lower the cap on annual increases, and reduce reliance on volatile income taxes. As promised over a decade ago, energy taxes should finally sunset because they reduce our economic competitiveness.

III. **MCPS, Written Testimony Supplement-** The achievement gap is now wider than in 2017, and math proficiency is the lowest it's ever been. Our education consultant questions how MCPS teaches low-income kids. Management has failed to answer the Board's question last fall about what happens to chronically failing schools. Management in low-income schools, not money is the problem. MCPS needs a new budget approach to recruit, retain and incentivize quality principals and teachers in low- income schools, not across the board pay increases. Rewarding better management within our low-income schools will assure teacher pay raises lead to better reading and math proficiency. Improving teacher communication with parents about their struggling kids will trigger more teacher interventions. Instead MCPS wants to be rewarded with $264 million over Maintenance of Effort levels that won't be focused on low-income schools, and has no strings attached. Stop throwing money at MCPS until it comes up with a budget tied to strategies that work, with lower non-instruction costs. MCPS should cut-back strategies that will only reach a small percentage of low-income kids and don't improve academic performance. The same goes for County HHS school programs. MCPS should use the savings to **deliver interventions for every kid that is not proficient in reading or math**. Since the central office doesn't know how many teacher interventions are done, and has no intervention targets for next year, they should reward school principals to perform more interventions and find ways to lower the gap.

Council leadership can help MCPS implement better strategies by specifying performance improvement targets for next year. The MCPS budget doesn't include performance-based strategy metrics, but the Council approved budget should be tied to outcomes. State Blueprint objectives and the **Black and Brown Coalition** recommend strategies that include placing and retaining the most qualified principals and teachers in high-needs schools. These objectives are not addressed in the budget request. We believe principals in low-income schools must have the authority and accountability to narrow the gap, and have presented an innovation fund strategy to MCPS leadership to do just that. This is supported by Wallace Foundation research, but effective principals in low-income schools are missing from the MCPS strategic plan, as are evaluation criteria for quality principals and teachers. Instead MCPS continues to rely on "experience" which is a poor proxy for quality.

Lastly, the MCPS budget isn't crosswalked to Board strategies. How well funded those strategies are is left to the imagination, not to management. Raising teacher salaries across the board won't move the needle without better principals. Effective principals will increase teacher-parent communication for struggling students which will trigger more interventions. A non-performance, input based MCPS budget results in a top-heavy organization and a wasteful 45% non-instruction overhead rate. MCPS should have its own OIG to root out fraud, waste and abuse that the County OIG misses (e.g. the recent bus contract fraud).

IV. **OPEB, Written Testimony Supplement-**. The Executive claims FY'23 spending was below the actuary determined contribution (ADC), and has no funding contribution for County Government in FY'24 (pgs. 4-10, 4-16, and 8-3). A shift from ADC contributions to a more "sustainable" amount is proposed without regard to future year impacts. The "unused" FY '23 contribution of $12.6 million will be used in the future. Also, the temporarily higher discount rate resulting from current inflation results in lower current ADC funding calculations, but that will shift once interest rates come back down, and will create a funding deficit balloon in future years.