

## MCTL Testimony- Recordation Tax Increase, Bill 17-23, 4/11/23, Gordie Brenne

1. **Introduction-** This is a historic moment for the Taxpayers League because we support raising the recordation tax with restrictions. We ask that the recordation tax increase be done in lieu of a property tax increase, and used solely to bolster the MCPS operating budget- specifically to narrow the achievement gap and improve oversight with a dedicated MCPS OIG reporting to the School Board. We ask you to put aside ideology and political obligations and put our kids ahead of adults by incentivizing MCPS to target pay raises at low-income school teachers and effective principals who know best how to manage school performance. You will still have to cut spending to balance the budget without harmful property tax increases. Also, recordation taxes are damaging to economic growth, but will hurt fewer residents than a property tax increase, and you can mitigate the negative impact on affordable housing by minimizing proposed rent controls.
2. **Benefits-** Relying on a recordation not a property tax increase best meets racial justice and social equity objectives, and avoids more property tax inequities. The achievement gap is the largest ever and increased funding should be accompanied by better management to assure **every kid who isn't proficient in reading or math gets intervention help next year**. We support the **Black and Brown Coalition's recommendation** for more effective principals and teachers in low-income schools to get this done.
3. **Allocations-** Proposed allocations for the MCPS capital budget or Housing Initiative Fund (HIF) are not as important as lowering the achievement gap for racial equity and social justice objectives, or as cost effective. Debt service displaces operating budget priorities for families and students as interest rates rise. HIF subsidies in the form of rental assistance will not offset the cost of a future generation of poorly educated kids. (Also, HIF subsidies as project loans will not grow affordable housing as fast as demand because poor job creation by our weak economic development program increases developer project risks, and puts taxpayers at greater risk for loan defaults).
4. **MCPS Budget Strategies-** MCPS strategies are ineffective and need better Council incentives. Tutoring and ad hoc teacher interventions reach only a small percentage of kids who aren't proficient in math and reading. Management has not yet answered the Board's question last fall about what happens to chronically failing schools. But, the Council has made a habit of boosting the MCPS operating budget above the Maintenance of Effort (MoE) level without specifying performance targets to lower the achievement gap, and without regard to high non-instruction spending (45 cents of every dollar, vs. 37 cents in Fairfax County). **Increases above MoE spending tied to corresponding annual gap reduction performance improvement targets will improve performance and cost controls.** (For example, the central office doesn't know if approved intervention strategies are adequately funded because they admit to not knowing how many teacher interventions are done, or how many are needed, and haven't specified the additional teacher time and compensation required in low-income schools. Effective principals know how to do this).

### Additional Written Testimony

5. **Property Tax Burdens and Inequities-** Funding above MoE should be tied to recordation tax revenue increases to avoid increasing the burden and inequity of property tax increases. Property tax increases fall hardest on low income and fixed income residents. Any increase would be on top of last year's huge appraisal increase driven property tax increase. Property taxes are inequitable. For example, tear downs and replacement of affordable housing often reduce the affordable housing inventory, and are exempt from immediate reappraisal because they are not treated as "new construction." Many are initially appraised at land values only (for permits finalized after razing). Property tax increases raise the costs of owned and rented affordable housing. Recordation taxes are a one-time transaction cost and should have a lower impact.
6. **Effective Principals-** Raising teacher salaries across the board subverts racial equity and social justice objectives and will not narrow the gap without better low-income school principals. Standard strategies like increased interventions, and parent communications need to be supplemented with innovations led by school principals and additional assistant principals, not the central office. Only schools have the data and ability to lead gap reduction efforts tailored to their specific student and family needs.
7. **MCPS OIG-** A dedicated MCPS OIG is needed because the seven-year state audit cycle is not timely and misses fraud, waste, and abuse. The same is true for the County's OIG. Both missed the bus revenue fraud made public last year. A dedicated OIG would report to the Board, would strengthen their focus on overhead and instruction costs, and asset and liability management. A more robust risk management program led by the OIG should include self-assessments to strengthen internal controls.