

Testimony to Montgomery County Council

2 May 2023 (submitted 27Apr2023)

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## Concerns Regarding Large Real Property Tax Increase and Expanding County Budget

We are against the Proposed Real Property Tax Rate Increase to fund rapidly increasing County budget, for four reasons:

- 1) **Housing Affordability:** A real property tax increase makes it harder for 1<sup>st</sup> time buyers to buy and maintain homes, and for older retirees to stay in their homes. Citizens are already facing increased assessments that increase their property tax bills. Incurring a 10-cent (>10.2 percent) real property tax rate increase is additional significant burden. And recent Federal change greatly reduced deductibility of property taxes and Maryland income taxes. A large property tax increase creates housing affordability concerns, especially for those living on fixed incomes.
- 2) **Fiscal Management.** The county may not be living within its means, and expenditures should not outweigh revenues. If county revenues increase 2% for FY 24 (and future years) and inflation increase is higher (setting up structural deficit in FY 25), then the county will be headed for cuts in future years. It is not responsible fiscal planning to increase base expenditures that cannot be paid for in future years without large tax increases. The Council needs to make hard choices in order to balance our budget, and we don't believe the County Executive did that in his proposed FY 24 budget (\$6.83 billion, an increase of over 7 percent from FY 23).
- 3) **Future-year Impact of Education Increases.** Maintenance of Effort is a Maryland state law that requires every local government to spend at least as much per student as it did the previous year, in order to receive additional state aid for education. If our county substantially increases education funding for FY 24 by \$264M over "maintenance of effort" formula (>10% total increase of \$296M over FY23 to \$3.2B in FY 24 for MCPS), that will lock in higher expenses per student for future years. If the number of students increases, that exacerbates future County funding requirements.
- 4) **County Government Employee Increases.** The County Executive plans to increase the county employment costs in FY 24-- after major employment authorization increases during the County Executive's last term. This will drive up County near term compensation costs as well as future retirement expenditures.

We want good schools, but we also want good stewardship of county funds, and do not want to drive homeowners away from the county (to VA, DC, or other counties in MD), and have high property taxes (with a double-digit property tax rate increase) that causes Montgomery County to be unappealing for businesses and their employees.