

**Testimony on FY 21 General Fund Tax Rate above the Constant Yield Tax Rate
(CYTR)**

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My name is Kathy Gugulis. I am a 40-year resident of Montgomery County with over 20 years of senior level experience in budget formulation at two large Federal agencies. I understand how hard it is to cut budgets, but I also know how important it is to stay fiscally responsible within available resources.

Montgomery County citizens are facing major financial challenges due to the closures and health issues caused by the corona virus. Many have lost their jobs while they're watching their savings and investments decline. They're making hard choices between food on the table, paying their rent or mortgage, or going to the doctor. They don't have the luxury of increasing "available resources."

Government, on the other hand, always has the option of raising taxes to increase "available resources" to spend on things elected officials think are important or even just nice to do.

Even in normal times, raising taxes is not a good idea, because it shifts resources away from the people who earned the money to people who haven't. The resources are redistributed by politicians on things they want to fund versus what the producers and earners want to buy or support. While government has an important function to provide essential services to benefit all, they also have a sacred obligation to taxpayers to do so in a fiscally prudent manner without saddling them with a high tax burden.

We've seen the impact of property tax increases over the past several years in Montgomery County. Homes have become unaffordable due to property taxes, impact taxes, and recordation fees. People and business are moving out. Tax revenues are declining. The knee-jerk reaction by our elected officials when they see revenues decline is what? To increase taxes, further exacerbating the problem, with more people and businesses moving out. It's a vicious, downward spiraling cycle.

I've listened to a lot of hearings on budget issues and it is no surprise that the overwhelming majority of speakers are advocating on behalf of their cause or organization for more money. They always are very deferential and complimentary to the council. They are supplicants. It must be hard to resist their pleas.

What I am asking you to do is act like leaders. It is easy to be the ATM when money is free flowing. But we're in a dire financial crisis. Hard decisions will have to be made. You were elected to represent ALL the people, not just those special interests who come to you with their hands out.

The 2021 budget submitted by the County Executive is unsustainable in 2021 but even more in out-years. As I said in my budget testimony, the union contracts that take effect mid-year, were not annualized and will result in huge increases in out-years that revenues just can't support. It may make county employees happy to get huge pay increases two years in a row, but it is irresponsible of you to allow that to happen, especially when county employees are already compensated higher than other neighboring jurisdictions.

The 3.1 cent supplemental tax for schools will do nothing to stop declining academic performance. The school system needs to use the COVID-19 crisis as an opportunity to rethink how they are educating students. As we've seen over the years, giving them more money has not resulted in better performance. A radical change needs to happen. Give them the challenge and see what they can do without burdening families with a higher tax burden. I've talked with lots of parents of students in both private and public schools, and those in the MCPS system are getting minimal instruction compared to private and parochial schools. MCPS is too top heavy to respond in nimble way to crisis situations. It's time for major change, not more money.

Tax revenue from all sources, except the Federal government, will decline dramatically going into FY2021. Fortunately, the county will receive \$134 million from the CARE Act to offset unexpected costs from COVID-19 and a yet unknown amount from FEMA in disaster payments. The budget that was prepared last year bears little resemblance to today's COVID-19 reality.

I urge you to go back to the Executive and ask him to reevaluate the budget that was submitted taking into account savings and costs that have changed due to COVID-19, do some belt tightening, focus on essential services, and balance the based on the new projection of revenues. Do not raise taxes of any kind. You owe that to all of Montgomery County's residents. Thank you.

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