

**OFFICE OF MANAGEMENT AND BUDGET TESTIMONY
2024-2028 PLANNING BOARD DRAFT
GROWTH AND INFRASTRUCTURE POLICY**

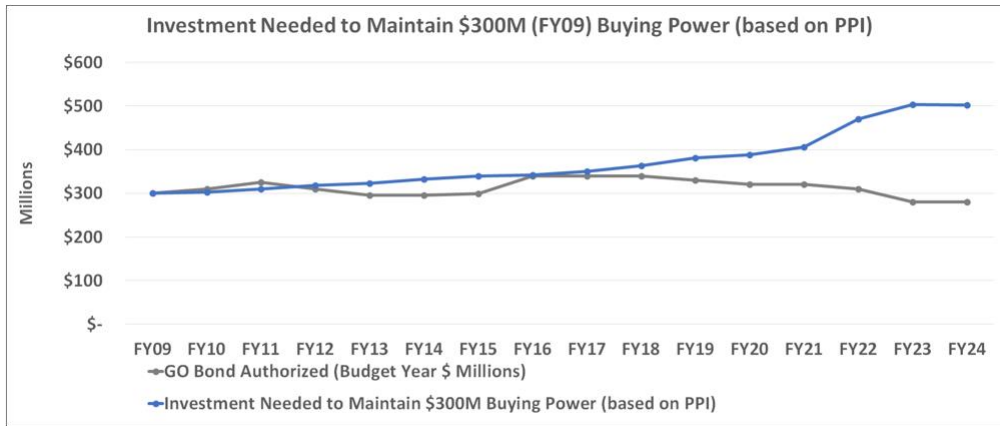
September 10, 2024

Good afternoon. My name is Rachel Silberman. I am a Budget Manager in the Office of Management and Budget and I am here today to testify on behalf of the Office of Management and Budget regarding the 2024-2028 Planning Board Draft of the Growth and Infrastructure Policy.

First, I would like to express our appreciation for the efforts made in drafting these policy revisions. However, I would like to highlight a few critical concerns related to funding transportation and school capacity infrastructure.

Our primary concern is the continued reduction in revenue from impact taxes, as reflected in the proposed changes. While we recognize that impact taxes may not be the ideal tool for funding transportation and school infrastructure, we urge you to avoid any further reductions without first identifying replacement revenues. The adjustments made in 2020 Growth and Infrastructure Policy have already reduced revenues. In the first year of implementation, the expected school impact tax collection decreased by \$4.9 million. Any additional reductions at this time would further strain resources.

Our Capital Improvements Program (CIP) is constrained by spending affordability guidelines, which limit the bonds issued to \$280 million per year. Recordation Taxes, which are tied to the housing market, have declined in recent years due to higher interest rates, and low inventory, and impact taxes have decreased due in part to the policy adjustments made in the 2020 Growth and Infrastructure Policy. At the same time, recent escalation in the construction market has eroded buying power in the Capital Improvement Program and made it challenging to support previously approved projects within available resources. The amount needed to sustain \$300 million in FY09 buying power has grown to \$500 million in FY24. Over the same period, our debt issuance has decreased from \$300 million to \$280 million today. The combination of constrained resources and growing costs limits our ability to make critical community investments in school capacity projects, provide transportation improvements, and make good on our promise to deliver Bus Rapid Transit.



Based on Producer Price Index (PPI) by Commodity for Final Demand: Construction for Government

In addition to these general concerns, I would like to address Recommendation 4.1 in the Planning Board draft, which proposes excluding the State-funded portion of school construction projects when calculating school impact tax rates. We believe this shift would place a greater financial burden on Montgomery County taxpayers, who are already contributing to State Aid for school construction through their State taxes. This change is also likely to further erode funding for school construction, only months after many painful but critical adjustments to the Montgomery County Public Schools CIP were made to build a more structurally sound and fiscally viable capital program. Additional reductions would jeopardize funding for those important project adjustments approved by the Council this May.

Moreover, with the State Built to Learn program coming to an end and its budget fully allocated, including these dollars in the State Aid calculation artificially inflates the average aid for school construction projects. If this policy moves forward, it is essential that changes to the policy are made so that only traditional State aid is considered and that State Aid adjustments programmed in the MCPS State Aid Reconciliation PDF are accurately reflected in the calculation.

In closing, we urge the Council to carefully consider the impact of these recommendations on the County's ability to provide adequate infrastructure for residents and urge you not to take action that would reduce impact tax revenues without first identifying an alternative revenue stream. We are ready to work collaboratively to find sustainable funding solutions that ensure development supports the community's needs without placing undue burdens on taxpayers.

Thank you for your time and consideration.