



THE VOICE OF MONTGOMERY COUNTY BUSINESS

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Public Hearing on a Resolution to Amend Fuel/Energy Tax Rates
May 5, 2015 1:30 p.m.

Testimony by Ilaya Hopkins, Vice President, Public Affairs
Montgomery County Chamber of Commerce

SUPPORT

The Montgomery County Chamber of Commerce represents close to 500 members who employ over 60,000 people. It is our job to advocate on their behalf for policies that support a robust local economy because that, in turn, helps grow a successful community. While our members are focused on meeting payroll and growing their business, we are here today representing our members who are concerned about the cost of doing business in Montgomery County.

For five years, the County Council has approved a budget that relies on an increase of the energy tax in order to meet its commitments. Continuing to rely on revenue from this tax undermines the efforts to support a thriving business sector because it disproportionately impacts the very types of businesses we seek to attract and retain.

The 100% increase in the 2010 Energy Tax should be sunset as originally planned in the FY 11 approved budget.

We know that with a FY16 same services budget and very real possibilities of the pending Supreme Court case settlement, it is highly unlikely the increased energy tax will be sunset this year.

Nevertheless, it is imperative to reduce the over-reliance on revenue from this tax. We support the resolution to reduce the revenues by 10% and ask you to reduce the government's reliance on this counter-productive source of revenue.

Real costs: The Energy Tax adds to the cost of doing business in Montgomery County.

- It disproportionately impacts non-residential consumers at a rate of more than 2 to 1. The larger share of receipts is received from the non-residential sector at 68% and residential users at 32%.

- It creates a larger overhead for Montgomery County businesses making them less able to win contracts in the competitive government contracting procurement space.
- It translates into fewer reinvestments into the improvements, employees and services (in the case of non-profits especially) necessary to grow a business and contribute to the local economy.

Dangerous over reliance: The Energy Tax was intended to be a stop-gap measure in the FY11 budget. Five years later, the proposed revenue from the FY16 Fuel/Energy Tax is \$206.2 million, the third highest source of tax generated revenue.

Counterproductive: The Energy Tax harms the very industries Montgomery County is trying to attract, namely life sciences (biotech, pharmaceuticals, vaccines, therapeutics, medical devices), cyber security and information technology which, despite rigorous conservation efforts, are all heavy consumers of energy and pay hundreds of thousands of dollars in extra taxes.

Lastly, the increased Energy Tax is unsustainable as a source of revenue. As this Council continues to pursue legislation to create a more environmentally sustainable community such as Benchmarking and the recently introduced Green Bank, consumption – on which this tax is based – will decline. And, with that, so will the revenues from this energy tax.

For these reasons, we believe the energy tax is a harmful long-term policy for Montgomery County. The 100% increase in the 2010 Energy Tax, if left in place, will undermine efforts to improve our local economy at the very time when we can least afford to weaken our tax base.

We respectfully request that you approve the resolution to amend the fuel/energy tax rates and look to ways to bring the fuel/energy tax back to the 2010 level in order to remain competitive.