



THE VOICE OF MONTGOMERY COUNTY BUSINESS

**BILL 15-10 – ENERGY TAX – RATE AND
RESOLUTION TO CHANGE FUEL/ENERGY TAX RATES**

OPPOSE

On behalf of the Board of Directors and Members of the Montgomery County Chamber of Commerce, we ask for a reconsideration of the energy tax rates as proposed by the County Executive. We understand these are difficult times, and think a small rate increase would be reasonable. However, the 63.7% increase proposed by the County Executive runs contrary to this County's own economic development goals. Three points to consider:

First, whereas it seems that an increase in the energy tax will help fill the short term budget hole, it is actually bad news. This increase will actually harm our ability to attract new businesses to Montgomery County, as our energy tax costs are out of line with neighboring jurisdictions. Specifically, the tax hits hardest those industries that the County most wants to attract: specifically biotechnology and high technology companies. According to data received from Pepco, an average biotechnology company with a few hundred employees would see approximately a \$541,000 increase in their annual bill.

Second, whereas it may appear to be good news that the increase in the tax will ensure that Federal agencies also contribute to the energy tax revenues in Montgomery County, it is actually bad news.

As GSA reconsiders existing leases coming due for renewal in the next five years, Montgomery County will be at a competitive disadvantage compared to other surrounding Maryland and Virginia Counties who want these agencies located in their communities. According to federal data released yesterday, although the DC area experienced a 26% increase in federal leasing, DC made up 48% of that increase and Virginia captured 31% of the increase, leaving Maryland with only 14%. This is a concern for many of our County's small businesses that do business with the federal government. Many of our neighboring jurisdictions, who compete with us for Federal facilities, have been decreasing, not increasing, their energy taxes. For this year's budget, the Prince George's County executive has recommended an 8% decrease in the energy tax.

Finally, there is some good news: as energy costs increase, people will consume less energy. That is a positive step toward greater environmental sustainability.

Of course, the bad news is that in the end, as people consume less energy, this tax will not continue to be a reliable revenue source for the County.

The bottom line is: Increasing energy tax rates does not really solve the problem that has caused the structural imbalance in the County budget and will place Montgomery County at a disadvantage on both private sector corporate and federal agency attraction and retention. Therefore, we recommend reconsideration of this proposal. Thank you.

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