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**A County’s Self-Inflicted Compensation Crisis**

Officials in Maryland's Montgomery County gave unionized workers — and themselves — big raises. Now they can't afford them.

BY [CHARLES CHIEPPO](http://www.governing.com/authors/Charles-Chieppo.html) | AUGUST 2, 2016

Government-workforce politics have gotten very interesting in Maryland's Montgomery County, which includes a number of affluent Washington, D.C., suburbs. Unions are unhappy because their negotiated pay raises were unilaterally trimmed by the county council and because one council member has proposed changing the county's collective-bargaining laws in ways that don't sit well with labor. Meanwhile, homeowners are unhappy because of the biggest property-tax hike in seven years.

When you sort it all out, one-party government might just be a big part of the problem.

As chronicled in the *Washington Post*, the $5.3 billion budget the council approved in May included a nearly 9 percent property-tax hike that adds $326 annually to the average residential tax bill. The budget also increased a tax on recording real estate transactions that raises the cost of buying or selling a $500,000 house by $455.

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Despite the tax increases, the council still took the unusual step of chopping back, from 8 percent to 4.5 percent, pay increases that had been negotiated by the elected county executive for teachers, police and other unionized employees. For many county employees and residents, that action and the tax hikes were especially vexing coming from a council whose 2013 vote on its own compensation has members' annual pay jumping from $106,394 to $136,258 by next year.

One reason why even a large tax increase can't cover the county's expenses is that over the last six years deals negotiated by County Executive Isiah Leggett raised the wages of police, firefighters and other county employees by between 25.4 and 31.5 percent. Leggett says one reason for the hefty raises was his desire to avoid arbitration; the county has lost 16 of 20 arbitration decisions since 1988.

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Perhaps those big raises and fear of the arbitration process are what prompted a June proposal by Council President Nancy Floreen to change county collective-bargaining laws. Some of her proposals are the kind that open-government advocates would cheer. She would make negotiations more transparent, for example, by requiring each side to make its initial bargaining position public. If the parties reach an impasse, certain aspects of arbitration would also happen in public.

Other proposals would change the arbitration process in more significant ways. To begin with, the plan would separate the roles of mediator and arbitrator. The assumption is that parties would be more likely to confide perceived strengths and weaknesses of their positions to a mediator who wasn't also the ultimate decision maker.

And rather than a final decision being made by one individual, Floreen proposes an arbitration panel made up of one person selected by the union, one chosen by the county and a mutually agreed-upon retired judge. Finally, more weight would be given to the county's ability to pay for the decision that is reached.

Though not part of Floreen's proposal, these changes could ideally be adopted in return for eliminating the council's power to unilaterally reduce negotiated pay increases in the absence of a demonstrable crisis. One important reform is beyond the council's purview, however. State law requires an arbitrator to accept one party's final offer in its entirety. It would be preferable to allow the arbitrator or panel to draw from both offers to craft a fair resolution.

County Republican Chair Michael Higgs blames the mess on the legacy of one-party rule; Leggett and all nine council members are Democrats. Higgs may be on to something. After a raucous hearing this in which labor expressed its displeasure with Floreen's proposed changes, the one other council member to co-sponsor the proposal promptly removed his name from the legislation.

It's not that an executive and council who were all Republicans would be better; they would just pose a different set of problems. But it's reasonable to speculate that even some Republican representation on the council might have provide some pushback to the generosity of the raises granted in recent years. As things stand, even if county officials rise above the political challenge posed by negotiating with the unions that are some of their biggest campaign benefactors, they are hamstrung by a forbidding arbitration process.

But as the situation in Montgomery County has played out so far, everyone loses -- except for the council members enjoying a nearly 30 percent raise over four years. Homeowners are saddled with a hefty tax increase that still wasn't enough to cover county expenses. And council members ultimately had to dial back the raises of the very people -- other than themselves, of course -- whom they most wanted to protect.

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