

Pr. George's Faces Gap of \$100 Million Next Year

By ROSALIND S. HELDERMAN
Washington Post Staff Writer

Prince George's County faces the daunting prospect of a \$100 million shortfall next year and has instituted a virtual hiring freeze in all departments except the police force, County Executive Jack B. Johnson (D) said.

Johnson revealed the projected budget figures in a letter Thursday to state lawmakers. At a closed-door breakfast meeting yesterday, he instructed every county department except the police that he must personally approve any hire, an effort to hold down spending. County officials say the police department has long been understaffed.

The grim financial news marks the first time since Johnson took office in 2002 that he has faced falling county tax revenue.

In the overheated housing market of recent years, county revenue — and spending — rose steadily. But as home sales dropped off, Prince George's has been hit hard with declining revenue from taxes on home transfers and recording deeds. In his letter, Johnson told lawmakers that the county has experienced a "substantial erosion in our property

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tax revenues primarily due to the lack of housing sales and refinancings."

He indicated the county has collected \$38.5 million less this year than expected from such taxes, contributing to a shortfall in the current year's budget that has grown to \$60 million.

The figures are far less dire than in neighboring Montgomery County, where County Executive Isiah Leggett (D) has projected a record \$401 million shortfall for fiscal year 2009 and recommended \$23.6 million in trims to the current year's spending plan to start tackling the problem.

However, Prince George's leaders have fewer options to deal with falling revenue because the county's property tax rate is capped by the county charter, and elected leaders are prohibited from raising rates or introducing new taxes without a voter referendum. If they don't want to go to the voters, they must cut spending.

County Council Chairman David Harrington (D-Cheverly) called the \$100 million figure a "preliminary number" that could easily grow.

"We should brace for something even larger," he said. "I think everything is on the table. We're going to have to make some very tough decisions."

He said the downturn will provide officials with a healthy opportunity to find ways to make government more efficient and grow the tax base through economic development.

In his letter to legislators, Johnson wrote that he will soon be unveiling further spending cuts. In the meantime, he urged them to ensure the county loses no additional state funding as a result of action during the General Assembly's legislative session, which opened this week. He also encouraged them to revisit some changes to the state's tax code enacted during November's special session, which he said will result in \$7.6 million in losses to Prince George's in the next six months.

Johnson said the county also will take a \$15.3 million hit next year from the state's decision to change the personal income tax exemption from \$2,400 to \$3,200, and lose an ad-

ditional \$4.4 million because the General Assembly agreed to phase out a program that had reimbursed counties for a state-required property tax break for power companies.

"We must preserve the critical resources we receive from the state," he wrote to legislators. He added that he hoped "we can change some of the unanticipated impacts from the Special Session."

Johnson will not propose a county budget for fiscal 2009 until March. Spokesman John Erzen said the shortfall projection is based on an assumption that tax revenue associated with home sales holds steady next year after dropping 25 percent this year. The projection assumes a "maintenance of effort" budget with limited spending growth.

In an interview before the release of the letter, Johnson said the county continues to experience "good growth."

"We're not going to be in good shape, but we're not going to be in devastating shape," he said.

Still, those who rely on the county for funding reacted sharply to news of a \$100 million shortfall.

"The number is very serious," Prince George's Schools Superintendent John E. Deasy said. "It can't be totally unexpected, given everything else that's happening in the state. But it's a number of very high magnitude."

Deasy has already presented a \$1.67 billion budget to the school board that includes a salary freeze for teachers and 345 fewer classroom and administrative positions than this year.

He said his budget assumes the county will provide the schools \$19.8 million more than is required by law to simply maintain the system — the lowest such figure in years. He said the new budget figures have him worried the county will be not able to support the increase.

"I'm very concerned about whether it will allow the county to support the request in our already dramatically reduced budget," he said.

Vince Canales, the newly elected president of the Prince George's police union, said officers have not felt the pinch of the tightening budget. But he is concerned about the coming year, given the magnitude of the projected deficit.

"I don't know how this will directly impact the police department, but I'm sure everyone will feel the impact of the shortfall," he said. "It will be interesting to see what they prioritize, what will be taken care of and what will be put on the back burner."