



Committee: GO
Committee Review: Completed
Staff: Robert H. Drummer, Senior Legislative Attorney
Purpose: Final action – vote expected
Keywords: #ConsensusRevenues #BetterForecasting

AGENDA ITEM 15B
March 16, 2021
Action

SUBJECT

Bill 6-21, Finance – Revenue Estimating Group - Established
Lead Sponsor: Councilmember Friedson
Co-Sponsors: Councilmembers Navarro and Katz

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- Action on Bill – Council vote expected

DESCRIPTION/ISSUE

Bill 6-21 would establish a Revenue Estimating Group to review and forecast County revenues and provide for membership and duties of the Group.

SUMMARY OF KEY DISCUSSION POINTS

The Committee made the following amendments:

1. change the Chair from the CAO's representative to the Finance Director or the Director's representative;
2. add OMB Director to provide staff along with Finance staff;
3. add a statement that the Executive must use the Group's revenue estimates as a basis of the Executive's recommended operating budget; and
4. remove the requirement that the Group perform studies.

The Committee recommended enactment of the Bill with these amendments

This report contains:

Bill 6-21	©1
Legislative Request Report	©4
Md. State Finance and Procurement Code Ann. § 6-105	©5
Economic Impact statement	©8
Racial Equity and Social Justice Impact Statement	©10
Testimony	
Michael Coveyou	©12
Montgomery County Chamber of Commerce	©14
Fiscal Impact statement	©15

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M E M O R A N D U M

March 11, 2021

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney

SUBJECT: Bill 6-21, Finance – Revenue Estimating Group - Established

PURPOSE: Action – Committee to make recommendations on Bill

Government Operations and Fiscal Policy Committee recommendation (3-0): enact Bill with amendments.

Bill 6-21, Finance – Revenue Estimating Group - Established, sponsored by Lead Sponsor Councilmember Friedson and Co-sponsored by Councilmembers Navarro and Katz, was introduced on February 2, 2021. A public hearing was held on February 23 at which the lone speaker, Mike Coveyou testified on behalf of the County Executive. A Government, Operations and Fiscal Policy Committee worksession was held on March 8.¹

Bill 6-21 would establish a Revenue Estimating Group to review and forecast County revenues and provide for membership and duties of the Group. The Group would consist of staff members from Finance, Office of Management and Budget, Council Central Staff, Office of Legislative Oversight, and the Office of the Chief Administrative Officer. The Group would be required to report their revenue projections to the Executive and the Council quarterly. The Bill is based on a similar group formed to provide revenue forecasts for the State, the Consensus Revenue Monitoring and Forecasting Group. See Md. State Finance and Procurement Code Ann. § 6-105 at (©5-7). The goal of the Bill is to increase the accuracy and usefulness of County revenue projections necessary for budget decision-making.

OLO concluded that Bill 6-21 would have an insignificant impact on the County's economy (©8-9). OLO also concluded that the Bill would have a minimal impact on racial equity and social justice (©10-11).

OMB submitted a fiscal impact statement after the GO Committee worksession. OMB estimated a first year cost of \$203,710 for the Bill (©15). OMB assumed \$50,000 for additional IT contract services, \$50,000 for additional financial/economic advisor services, and the addition

¹#ConsensusRevenues #BetterForecasting

of 1 new fiscal and policy analyst position at Grade 28. The Committee was unable to question OMB about these estimates due to the late submission of the fiscal impact statement. The Bill would create a multi-discipline team of existing staff members to estimate revenues. This is a task that the Executive Branch has been responsible for doing since the first Executive was elected. It appears that OMB is indicating that this function is currently understaffed and that additional resources could be used to obtain more useful revenue estimates. If that is the result of the Bill, it would be money well spent.

Public Hearing

Finance Director Michael Coveyou, speaking on behalf of the Executive, supported the Bill but suggested some amendments (©12-13). Mr. Coveyou suggested that the Finance Director be named the Chair of the Group, the task be limited to estimating tax revenue, a maximum number of members of the Group be set in the Bill, and the Group be required to make recommendations to the Executive as a basis of the Executive's recommended budget each March 15. We also received written testimony from the Montgomery County Chamber of Commerce supporting the Bill (©14).

GO Worksession

Director of Finance Mike Coveyou represented the Executive Branch and Senior Legislative Attorney Robert Drummer represented the Central Staff. The Committee discussed the purpose of the Bill and the Executive's recommended amendments. The Committee agreed to the following amendments:

1. change the Chair from the CAO's representative to the Finance Director or the Director's representative;
2. add OMB Director to provide staff along with Finance staff;
3. add a statement that the Executive must use the Group's revenue estimates as a basis of the Executive's recommended operating budget; and
4. remove the requirement that the Group perform studies.

The Committee recommended enactment of the Bill with these amendments

Issues

1. Should the Finance Director be the Chair of the Group?

The Bill would require the Chief Administrative Officer's representative to Chair the Group. The Executive requested an amendment to require the Director of Finance to Chair the Group since the Finance Department is primarily responsible for estimating tax revenue. Mr. Coveyou pointed out that the Finance Department has developed the currently used forecasting methodology and has the most relevant experience in forecasting. However, OMB is also going to be an important part of the Group. The CAO has management authority over both Finance and OMB. The CAO would be free to appoint the Director of Finance as the Chair under the Bill but would not be required to. **Committee recommendation (3-0):** the Finance Director was the most

appropriate staff member to serve as Chair and amended the Bill to require the Finance Director or the Director's representative to serve as Chair. See lines 27-28 of the Bill at ©3.

2. Should the Group be limited to forecasting tax revenue?

The Executive also requested an amendment to limit the Group's task to forecasting tax revenue. The Bill includes a list of all tax revenue received by the County along with State grants, Federal grants, permit fees, and any other funds that are reasonably expected. Mr. Coveyou pointed out that the various taxes comprise approximately 90% of the overall revenue received by the County. Mr. Coveyou also added that Finance has not historically been asked to estimate Federal and State grants and any other types of revenue. While limiting the Group's task to estimating tax revenue would still provide the Council with the overall picture of estimated County revenue, the 10% of other revenue can still be important. Although the Finance Department is not responsible for estimating State and Federal grants and permit fees, other Executive Branch Departments are responsible for this under the supervision of OMB.

Committee recommendation (3-0): recognize the different responsibilities by adding a requirement that the Group be staffed by both Finance and OMB. The Committee approved an amendment to add staffing by OMB in addition to staffing by Finance. See lines 42-44 of the Bill at ©3.

3. Should the size of the Group be limited in the Bill?

The Bill would require one or more representatives from the Office of the Chief Administrative Officer, Finance, Management and Budget, Council Central Staff, and the Office of Legislative Oversight. The Executive requested an amendment to limit the size of the Group. Mr. Coveyou explained this request by suggesting that too many members of the Group would make the operation unwieldy but does not suggest a cap. Council staff agrees that creating a large Group can make the work difficult. However, 3 of the 5 offices that must be represented are part of the Executive Branch and the number of representatives from each office is totally under the Executive's control. The Council Central staff and the Office of Legislative Oversight are unlikely to send a large number of representatives to this Group. **Committee recommendation (3-0):** no change.

4. Should the Bill be amended to require the Group to provide estimates to the Executive for the Executive's recommended budgets each March 15?

The Executive also requested an amendment to require the Group to forecast tax revenue for the Executive as a basis of the Executive's recommended budget each March 15. The Bill requires the Group to submit quarterly reports to the Executive and the Council, including a report on February 15. This report could form the basis of the Executive's recommended operating budget released on March 15. It may be unnecessary to require the Executive to use the Group's estimates as a basis of the Executive's recommended budget, but a clarification that it should be

may be helpful. **Committee recommendation (3-0):** amend the Bill to require the Executive to use the Group’s revenue forecasts as a basis of the Executive’s recommended operating budget. See lines 46-48 of the Bill at ©3.

5. Should the Group be required to perform any studies requested by the Executive or the Council President?

The Bill would require the Group to “perform any studies requested by the Executive or the Council President.” Although this is implied in almost every County employee’s job description under the phrase “other duties as assigned,” it may not need to be included as a specific duty for the Group. The Group would be primarily charged with arriving at consensus revenue estimates. Studies related to tax revenue forecasts would most likely be assigned to the Finance Director and not the Group. **Committee recommendation (3-0):** delete this duty for the Group. See lines 33-34 of the Bill at ©3.

This packet contains:	<u>Circle #</u>
Bill 6-21	1
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Bill No. 6-21
Concerning: Finance – Revenue
Estimating Group - Established
Revised: 3/8/2021 Draft No. 6
Introduced: February 2, 2021
Expires: August 2, 2022
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Friedson
Co-Sponsors: Councilmembers Navarro and Katz

AN ACT to:

- (1) establish a Revenue Estimating Group to review and forecast County revenues;
- (2) provide for membership and duties of the Group; and
- (3) generally amend the law governing the review and forecast of County revenues.

By adding

Montgomery County Code
Chapter 20, Finance
Article XVII
Section 20-84

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

1 **Sec. 1. Article XVII and Section 20-84 are added as follows:**

2 **Article XVII. Revenue Estimating Group.**

3 **20-84. Revenue Estimating Group.**

4 (a) Definitions. As used in this Section:

5 Group means the Revenue Estimating Group established in this Section.

6 Revenue means all funds received by the County, including:

- 7 (1) income tax;
- 8 (2) property tax;
- 9 (3) fuel energy tax;
- 10 (4) recordation tax;
- 11 (5) development impact tax;
- 12 (6) room rental and transient tax;
- 13 (7) telephone tax;
- 14 (8) any other tax receipts authorized under law;
- 15 (9) State grants;
- 16 (10) Federal grants;
- 17 (11) permit fees; and
- 18 (12) any other funds that are reasonably expected.

19 (b) Group established. There is a Revenue Estimating Group.

20 (c) Membership. The Group must include one or more representatives from
21 the following departments and offices:

- 22 (1) Office of the Chief Administrative Officer;
- 23 (2) Department of Finance;
- 24 (3) Office of Management and Budget;
- 25 (4) County Council Central Staff; and
- 26 (5) Office of Legislative Oversight.

- 27 (d) Chair. The ~~[[Chief Administrative Officer's]] the Director of Finance or~~
 28 the Director's representative must be the chair.
- 29 (e) Duties. The Group must:
- 30 (1) review and analyze the attainment of revenue on a quarterly basis;
 31 (2) develop revenue forecasts and any necessary revisions to those
 32 forecasts;
 33 (3) [[perform any studies or analyses requested by the Executive or the
 34 Council President;
- 35 (4)]] develop a methodology to forecast revenue; and
 36 [[5)]] (4) provide quarterly reports on revenue projections to the
 37 Executive and the Council each year on:
- 38 (A) February 15;
 39 (B) May 15;
 40 (C) September 15; and
 41 (D) December 15.
- 42 (f) Staff. The Director of the Department of Finance and the Director of the
 43 Office of Management and Budget must provide staff support for the
 44 Group.
- 45 (g) Meetings. The Group must meet at least one time each quarter.
- 46 (h) Use. The Executive must use the Group's revenue forecasts as a basis for
 47 the Executive's recommended operating budget submitted to the Council
 48 each March 15.

LEGISLATIVE REQUEST REPORT

Bill 6-21

Finance – Revenue Estimating Group – Established

DESCRIPTION:	Bill 6-21 would establish a Revenue Estimating Group to review and forecast County revenues and provide for membership and duties of the Group.
PROBLEM:	Accurate revenue projections are crucial to adopting a budget. The Council needs more input into revenue projections on a periodic basis.
GOALS AND OBJECTIVES:	Increase the accuracy and usefulness of revenue projections.
COORDINATION:	CAO, Finance, OMB, OLO
FISCAL IMPACT:	To be provided
ECONOMIC IMPACT:	To be provided
RACIAL EQUITY AND SOCIAL JUSTICE IMPACT:	To be provided
EVALUATION:	To be provided
EXPERIENCE ELSEWHERE:	Maryland has a similar group to estimate State revenues.
SOURCE OF INFORMATION:	Robert H. Drummer, Senior Legislative Attorney
APPLICATION WITHIN MUNICIPALITIES:	N/A
PENALTIES:	N/A



User Name: Drummer Bob

Date and Time: Tuesday, December 22, 2020 5:29:00 PM EST

Job Number: 132763572

Document (1)

1. [*Md. STATE FINANCE AND PROCUREMENT Code Ann. § 6-105*](#)

Client/Matter: -None-

Md. STATE FINANCE AND PROCUREMENT Code Ann. § 6-105

Statutes current through legislation effective November 6, 2020

**MD - Annotated Code of Maryland > STATE FINANCE AND PROCUREMENT > DIVISION I.
STATE FINANCE > TITLE 6. REVENUES > SUBTITLE 1. STUDIES AND ESTIMATES**

§ 6-105. Consensus Revenue Monitoring and Forecasting Group.

(a) Definitions. --

(1) In this section the following words have the meanings indicated.

(2) "Group" means the Consensus Revenue Monitoring and Forecasting Group established under this section.

(3)

(i) "State share of nonwithholding income tax revenues" means the State share of income tax quarterly estimated and final payments with returns made by individuals, as defined in [§ 10-101 of the Tax - General Article](#).

(ii) "State share of nonwithholding income tax revenues" does not include:

1. the county share of income tax quarterly estimated and final payments with returns made by individuals;
2. income tax payments made by corporations;
3. income tax refunds paid to individuals or corporations; or
4. income tax withholding.

(b) Group established. -- There is a Consensus Revenue Monitoring and Forecasting Group.

(c) Membership. -- The Group consists of:

(1) the Chief and staff of the Bureau as designated by the Chief;

(2) the Deputy Comptroller with responsibility for tax administration and staff as designated by the Deputy Comptroller with responsibility for tax administration;

(3) staff of the Office of the Treasurer as designated by the Treasurer;

(4) staff of the Department of Budget and Management as designated by the Secretary of Budget and Management;

(5) staff of the Department of Transportation as designated by the Secretary of Transportation; and

(6) staff of the Office of Policy Analysis of the Department of Legislative Services as designated by the Director of the Office.

(d) Chair. -- The Chief shall chair the Group.

(e) Duties of Group. -- The Group and its constituent units shall:

(1) review and analyze attainment of revenues on a monthly basis;

(2) advise and collaborate with the Bureau:

Md. STATE FINANCE AND PROCUREMENT Code Ann. § 6-105

- (i) in the development of revenue forecasts and any necessary revisions to those forecasts; and
 - (ii) in the performance of any pertinent studies or analyses as requested by the Chief or as directed by the Board; and
 - (3) develop and recommend to the Bureau a methodology for determining the State share of nonwithholding income tax revenues for each fiscal year.
- (f) Duties of Comptroller and Bureau.** -- To assist the Group in performing its function, the Comptroller and the Bureau shall:
- (1) within 7 calendar days after the end of each month, provide to members of the Group detailed data on revenue collections; and
 - (2) before any document relating to the work of the Bureau is published, provide a draft of the document to the members of the Group for review and comment.

History

2007 Sp. Sess., ch. 2, § 8; [2017, chs. 4](#), [550](#).

Annotations

Notes

EFFECT OF AMENDMENTS. --

Chapters 4 and 500, Acts 2017, effective July 1, 2017, are identical. Each redesignated (a) as (a)(1) and (a)(2); added (a)(3) and (e)(3) and added designations accordingly; and made minor stylistic changes.

EDITOR'S NOTE. --

Section 22, ch. 2, Acts 2007 Sp. Sess., provides that the act shall take effect January 1, 2008.

Annotated Code of Maryland

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Economic Impact Statement

Office of Legislative Oversight

BILL 6-21

Finance – Revenue Estimating Group – Established

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Bill 6-21 would have an insignificant impact on economic conditions in the County.

BACKGROUND

The goal of Bill 6-21, introduced on January 19, 2021, is to enhance the accuracy and usefulness of County revenue projections.¹ If enacted, the bill would create a Revenue Estimating Group comprised of staff from OLO, the Department of Finance, the Office of Management and Budget, Council Central Staff, and the Office of the Chief Administrative Officer. The duties of the Revenue Estimating Group would include the following:

- Review and analyze revenue attainment on a quarterly basis;
- Develop and revise revenue forecasts;
- Perform studies or analyses requested by the Executive or the Council President;
- Develop a revenue forecast methodology; and
- Provide quarterly reports on revenue projections to the Executive and the Council.

METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

While the Revenue Estimating Group would likely improve the accuracy of County revenue projections, OLO does not anticipate that more accurate projections would change the size of the County budget or budgetary priorities. For this reason, enacting Bill 6-21 is not expected to have direct economic impacts on private organizations or residents in the County.

No methodologies were used in this statement. The claims made in subsequent sections are based on the judgment of OLO analysts.

VARIABLES

Not applicable.

¹ Montgomery County Council, Bill 6-21, Finance – Revenue Estimating Group – Established, Introduced on January 19, 2021, Montgomery County, Maryland. See bill in Introduction Staff Report, https://apps.montgomerycountymd.gov/ccllms/Download/FilePage?FileName=2697_1_14196_Bill_6-2021_Introduction_20210202.pdf.

Economic Impact Statement

Office of Legislative Oversight

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organization

OLO believes that Bill 6-21 would have insignificant economic impacts on private organizations in the County in terms of the Council's priority indicators, namely business income, workforce, operating costs, capital investments, property values, taxation policy, economic development, and competitiveness.²

Residents

OLO believes that Bill 6-21 would have no economic impacts on County residents in terms of the Council's priority indicators.

QUESTIONS FOR CONSIDERATION

Not applicable.

WORKS CITED

Montgomery County Council. Bill 10-19, Legislative Branch – Economic Impact Statements – Amendments. Enacted on July 30, 2019. Montgomery County, Maryland.

Montgomery County Council. Bill 6-21, Finance – Revenue Estimating Group – Established. Introduced on January 19, 2021. Montgomery County, Maryland.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.

² For the Council's priority indicators, see Montgomery County Council, Bill 10-19 Legislative Branch – Economic Impact Statements – Amendments, Enacted on July 30, 2019, Montgomery County, Maryland, 3.

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 6-21: FINANCE- REVENUE ESTIMATING GROUP- ESTABLISHED

SUMMARY

The Office of Legislative Oversight (OLO) expects Bill 6-21 to have a minimal impact on racial equity and social justice in the County.

BACKGROUND

The County Council introduced Bill 6-21 on February 2, 2021. The bill intends to create a Revenue Estimating Group to help improve the accuracy of revenue projections for the County's budget. The group would be composed of staff from the Department of Finance, Office of Management and Budget, the Office of the Chief Administrative Officer, Council Central Staff and the Office of Legislative Oversight. If enacted, the bill would:

- Establish a Revenue Estimating Group to review and forecast County revenues;
- Provide for membership and duties of the Group; and
- Generally amend the law governing the review and forecast of County revenues.¹

ANTICIPATED RESJ IMPACTS

OLO anticipates that Bill 6-21 will have a minimal impact on racial equity or social justice in the County. Since Bill 6-21 primarily focuses on reviewing and forecasting County revenues, as opposed to changing the distribution of funding, no changes in RESJ for residents in the County should occur from the enactment of Bill 6-21.

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ statement is intended to inform the legislative process rather than determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

OLO staffer Dr. Theo Holt, Performance Management and Data Analyst, drafted this racial equity and social justice impact statement.

RESJ Impact Statement

Bill 6-21

¹ Montgomery County Council, Bill 6-21, Finance- Revenue Estimating Group- Established, Introduced on February 2, 2021, Montgomery County, Maryland.

**TESTIMONY ON BEHALF OF COUNTY EXECUTIVE MARC ELRICH ON BILL 6-21,
FINANCE – REVENUE ESTIMATING GROUP – ESTABLISHED**

Good afternoon Council President Hucker, Vice-President Albornoz and Councilmembers, for the record my name is Michael Coveyou. It is my pleasure to appear before the Council on behalf of the County Executive to provide brief testimony on Bill 6-21 (the “Bill”). The County Executive supports the intent of this bill, however some amendments are needed to make it fully workable for Montgomery County.

Consensus revenue forecasting is frequently used by State governments to develop revenue forecasts, however, it is not used as frequently by local governments. With that said, there is value for Montgomery County in creating a consensus revenue estimating group (the “Group”) in that it can provide enhanced transparency, inclusivity of thought and knowledge from members of the Group and potentially from external subject matter experts who may be invited to participate as members or to share information.

The Group’s membership as described in the Bill is appropriate in our view, however, we recommend that the Director Finance be the Chair of the Group. The Director of Finance and Department of Finance staff are currently responsible for providing and maintaining the estimates today and the Director is best positioned to Chair the Group. Finance has long been developing the forecast using methodologies appropriate to the types of taxes that the County collects. These methodologies are reviewed and updated periodically as necessary. Having the Group review the methodologies will be valuable to the transparency of the forecast. As to the size of the Group, the Bill provides that there must be one or more representatives from the identified departments/offices but does not set a maximum number of members. We recommend that a maximum size be included in the Bill to enhance the ability of the Group to work effectively.

The duties of the Group focus on Revenue as defined in the Bill. The list of Revenues includes various tax revenues including the County’s dominant tax revenues: income and property tax, but the list also includes state and federal grants, permit fees and other funds that are reasonably expected. Currently, Finance staff is responsible for forecasting tax revenue (“Taxes”), not the other types of revenue. Since Taxes account for almost 90% of the County’s revenue the focus of the Group should be on estimating Taxes only.

The other duties of the Group in addition to developing revenue forecasts and revisions include quarterly review of Revenue. To be consistent with the focus on Taxes as described in the previous paragraph, the quarterly reviews should focus on Taxes.

One duty of the Group that is not addressed in the Bill that needs to be included, is a recommendation by the Group of a forecast (of Taxes) to the County Executive as a basis for the proposed budget that is submitted by March 15 of each year.

The creation of a revenue estimating group with a comprehensive framework defining the roles and responsibilities in the manner that is consistent with this testimony would be a valuable addition to the County's budget and revenue monitoring processes.



To Lead, Advocate, and Connect as the Voice of Business

Bill 6-21 - Finance – Revenue Estimating Group – Established

Montgomery County Council

Public Hearing

February 23, 2021

SUPPORT

The Montgomery County Chamber of Commerce (MCCC), as the voice of Montgomery County business, supports Bill 6-21.

This bill would establish a Revenue Estimating Group to review and forecast County revenues. The Group would consist of staff members from Finance, Office of Management and Budget, Council Central Staff, Office of Legislative Oversight, and the Office of the Chief Administrative Officer. The Revenue Estimating Group would be required to report their revenue projections to the County Executive and the Council quarterly. This bill is based on a similar group formed to provide revenue forecasts for the State, the Consensus Revenue Monitoring and Forecasting Group.

The goal of the legislation is to increase the accuracy and usefulness of County revenue projections necessary for budget decision-making. This is essential to the future of Montgomery County's economy – our County needs better revenue data. In particular, better data is needed on recordation and transfer taxes in order to minimize the year-to-year changes in tax rates.

Through and following the COVID-19 global pandemic, accurate numbers are needed to successfully navigate the county, its businesses, and its residents out of the economic crash. For the aforementioned reasons, **the Chamber supports Bill 6-21 and respectfully urges a favorable report.**

The Montgomery County Chamber of Commerce (MCCC) accelerates the success of our nearly 400 members by advocating for increased business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and is proud to be a Montgomery County Green Certified Business.

Fiscal Impact Statement
Bill 6-21, Finance – Revenue Estimating Group - Established

1. Legislative Summary

Bill 6-21 would establish a Revenue Estimating Group (Group) to review and forecast County revenues and provide for membership and duties of the Group. The Group would consist of staff members from Finance, Office of Management and Budget, Council Central Staff, Office of Legislative Oversight, and the Office of the Chief Administrative Officer. The Group would be required to report their revenue projections to the Executive and the Council quarterly. The Bill is based on a similar group formed to provide revenue forecasts for the State, the Consensus Revenue Monitoring and Forecasting Group.

The Bill specifically requires revenue forecasts for income tax, property tax, fuel energy tax, development impact tax, room rental and transient tax, telephone tax, any other tax receipts authorized under law, State grants, Federal grants, permit fees, and any other funds that are reasonably expected. The Department of Finance must provide staff support to the Group.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

We do not believe there will be an impact on County revenues from creating a consensus revenue estimating group. There may be expenses incurred in order to get the group up and running in FY22 and FY23. For example, as part of the process of reviewing revenue forecasting methodology a consultant/financial advisor may be required to provide a survey/analysis of other similar governments’ revenue estimating models and practices and/or a review by a subject matter expert regarding the effectiveness of the County’s current methodology. A placeholder of \$50,000 for years one and two has been included for financial/economic advisor services. Additionally, there may be personnel and IT expenditures as described in #5 and #7.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

As in #2, no impact is expected on County revenues. Expenditures for the next six years could include the following:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
New Fiscal & Policy Analyst grade 28*	\$98,710	\$136,220	\$140,987	\$145,922	\$151,029	\$156,315	\$829,183
New position operating expenses	\$5,000						\$5,000
Financial/Economic Advisor Services	\$50,000	\$50,000					\$100,000
IT Contract Services/Software	\$50,000						\$50,000
Total	\$203,710	\$186,220	\$140,987	\$145,922	\$151,029	\$156,315	\$984,183
* Personnel Costs (PC) calculated at the midpoint using FY21 GSS ranges plus 30% for benefits.							
First year is 75% of the annualized PC to allow time for position creation, classification, recruitment, and onboarding.							
Years 2-6 include assumption for 3.5% compensation increases.							

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

Not applicable.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

Once forecasting methodologies are determined, Finance may need to engage with additional sources of economic forecasts and/or modeling software. A one-time placeholder of \$50,000 has been included in year one expenditures for IT consultant(s) and/or software.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Not applicable.

7. An estimate of the staff time needed to implement the bill.

It is understood that the intent is for the Department of Finance and Office of Management and Budget staff to act as staff for the Group continuing to provide the same analysis they currently provide, but to provide that analysis to the Group quarterly (at least). This is a new process and will have an unknown effect on current staff workloads. It is likely that to successfully administer the process a new staff person will be necessary. Currently, there is no staff available to take on this additional workload. To ensure that this program is successful, and because the program deals with multiple departments and agencies, it would be best to hire a person to implement and manage the program. A Fiscal and Policy Analyst III (Grade 28) would be appropriate for such a program. The quarterly frequency of meetings and reporting is greater than the current approach where Finance produces a budget recommendation in February and a Fiscal update in December. Managing the meetings, assembling the appropriate data from OMB and the other departments and agencies (regarding non-tax revenues), managing the acquisition and use of any economic data and models from external sources and producing the required reports will be the primary responsibilities of this new position.

In addition to the potential new position, two existing positions also work on revenue estimating. The new position will be supervised by an existing Manager III. Finance estimates this work would comprise of approximately 25% of the Manager III's time. The Manager III will report to the Chief, Division of Fiscal Management, who would spend approximately 20% of their time on revenue estimating. Both the Manager II and Manager III will be able to perform additional analysis under this structure.

In addition, the Office of Management and Budget (OMB) will require approximately 40 staff hours each quarter (160 hours annually) to perform non-tax revenue estimates.

The following table shows a summary of the annual hours per position:

	Annual Hours
New Grade 28 (100%)	2080
Existing Manager III (25%)	520
Existing Division Chief (20%)	416
OMB Staff	160

8. An explanation of how the addition of new staff responsibilities would affect other duties.

New responsibilities would not affect other staff duties as the new responsibilities would be assumed by the new position dedicated to these functions.

The additional OMB staff responsibilities can be absorbed with current staffing, assuming a full staffing complement.

9. An estimate of costs when an additional appropriation is needed.

See Question #7.

10. A description of any variable that could affect revenue and cost estimates.

In addition to the uncertain need for financial/economic advisors and/or IT consultant(s)/software, personnel costs will change with annual approval of any service increments, general wage adjustments, and/or MLS Pay for Performance. Since these are approved individually each year in the budget process, it is difficult to project future increases. However, 3.5% compensation increases have been assumed in this analysis for years two through six.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

See Question #10.

12. If a bill is likely to have no fiscal impact, why that is the case.

Not applicable.

13. Other fiscal impacts or comments.

Not applicable.

14. The following contributed to and concurred with this analysis:

Michael J. Coveyou, Director, Department of Finance
Nancy Feldman, Chief, Division of Fiscal Management, Department of Finance
Jedediah Millard, Administrative Services Manager, Department of Finance
Chris Mullin, Budget Manager, Office of Management and Budget



Jennifer Bryant, Director
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3/10/21

Date