GO AGENDA #1
February 28, 2011
Worksession

MEMORANDUM

TO: Government Operations and Fiscal Policy Committee

FROM: Michael Faden, Senior Legislative Attorney
Amanda Mihill, Legislative Analyst AMihill

SUBJECT: **Worksession:** Expedited Bill 51-10, Administration – Council Budget Office

Expedited Bill 51-10, Administration – Council Budget Office, sponsored by Councilmember Knapp, Council Vice President Ervin, and Council President Floreen, was introduced on October 12, 2010. Bill 51-10 would create a Council Budget Office, authorize the appointment of a Director and staff of the Office, and specify the functions and duties of the Office. Under Bill 51-10 as introduced, the Council Budget Office would have the following functions:

- assess the fiscal impact of proposed policy changes, including revisions to laws and regulations;
- review the County budget to assure that Council priorities are adequately reflected;
- coordinate with Council staff, the Office of Management and Budget, and the Department of Finance to track the County's overall fiscal status;
- analyze the cost-effectiveness of County programs and recommend ways to increase their productivity and efficiency;
- review short- and long-term fiscal implications of grants the County has applied or may apply for;
- monitor the use of special use funds;
- monitor County-funded agency budgets;
- prepare or review fiscal indicators for the County Public Schools; and
- monitor the capital budget and track the relationship between the capital and operating budgets.

A public hearing was held on October 26 at which the only speaker, Judith Koenick, opposed the Bill. The Council also received a letter from former Councilmember Esther Gelman opposed to Bill 51-10 (©23).

Background

How is legislative branch budget staff currently structured? For a detailed description of the budget analysis performed by existing legislative branch staff, see the memo from Council Staff Director Steve Farber and Office of Legislative Oversight (OLO) Director Karen Orlansky on ©9. In summary, both the Council Office staff and the analysts in OLO do budget analysis. ©9 provides a helpful summary of the budget-related analysis performed in the Council Office year-round, including review of spending affordability guidelines, the 6-year Fiscal Plan, cross-department or cross-agency measures, as well as the annual budget work that analysts perform.

©10-11 detail the budget-related analysis that OLO performs. The most recent example is OLO's comprehensive report on the County's structural deficit. During the first half of Fiscal Year 2011, the entire OLO staff was engaged in budget-oriented research and analysis, and for the balance of the fiscal year, more than half of OLO's staff will continue that work. Other examples of OLO budget analysis include its work on fiscal impact statements, furlough and buyout proposals, and the fiscal impact of compensatory leave awards.

As Mr. Farber and Ms. Orlansky noted, analysis by Council staff and OLO often results in modification of Executive proposals to address Council concerns and priorities. For example, each year the Council makes significant changes to the Executive's proposed operating and capital budgets. Other examples in 2010 include establishing a progressive furlough for County government employees and eliminating the imputed general wage adjustment for calculating pensions (see ©10 for additional examples). Mr. Farber and Ms. Orlansky will be available to review the current 5th floor staffing structure at the Committee worksession.

Issues for Committee discussion

1) What is the fiscal impact of Bill 51-10? OMB's fiscal impact statement on ©7 correctly notes that the fiscal impact of Bill 51-10 depends on how the Council would staff the Office. Estimates range from $0 (if the Council does not hire additional staff or reassign current staff) to $1,146,175 (for a 7-person office) or more.

2) What is the primary goal of Bill 51-10? Put another way, what perceived need does this Bill fill, or to what question is it the answer? After reviewing the current legislative branch budget staffing structure, we think Committee members should use this first worksession to assess the goals of and need for this Bill. To guide today's discussion, Council staff has identified some relevant questions:

- Is there a gap in service to the Council that needs to be filled? What additional budget-related work needs to be performed? What additional information does the Council need that it isn't receiving?
- Does any added service require an additional legislative branch office? Can the needed service be provided by more staff in either the Council Office or OLO? Can this service be provided by reassigning existing staff to do more budget-related work?
- How would the added office created by Bill 51-10 fit in the current fiscal climate calling for consolidation and efficiency of government operations (e.g., recommendations of the Organization Reform Commission)?

3) What options could the Committee consider? Council staff identified the following broad options for legislative branch budget staffing, many of which are presented in the Farber/Orlansky memo on ©12-13. After the Committee's discussion, Council staff will develop more specific options to consider at a future worksession.

a) Direct existing staff, or hire new staff, to do additional budget analysis. The Council could direct its central staff to perform more budget analysis on issues Councilmembers deem necessary. The Council also, or alternatively, could assign OLO additional budget-related work when the Council adopts the OLO work program. Or the Council could hire additional staff, in either the Council Office or OLO, to perform additional budget work.

b) Retain private sources to perform in-depth budget analysis as needed. If the Committee is not interested in hiring additional staff and does not want to reassign existing staff, the Council could hire an outside expert or consulting firm to perform budget work as needed. The Farber/Orlansky memo noted that the Council occasionally retains expert consultants, such as for actuarial analysis of alternative funding options for OPEB and fiscal analysis of some specific projects (see ©13).

c) Increase Council involvement in revenue projections. The Farber/Orlansky memo noted that Councilmembers have raised questions about the best way to improve the Council's capacity to independently assess County revenue projections. If this is a primary Committee concern, members could discuss the options listed on ©12, including adding an economist trained in this area to Council staff, hiring an outside economist or financial advisory firm, or creating a joint Executive branch/legislative branch body (similar to the state Board of Revenue Estimates shown on ©24-26) to develop or review revenue projections.

d) Create a separate legislative branch office, as Bill 51-10 proposes. If the Committee is interested in pursuing this option, the Committee should carefully review Bill 51-10, including the method of staffing the Office as well as the proposed Office's duties. Some duties of the proposed Council Budget Office may overlap with OLO's duties (see ©22 for a comparison chart). The County Attorney also suggested several clarifying amendments to Bill 51-10 (see ©20) that the Committee should review at a future worksession if the Committee is interested in creating a Council Budget Office.

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Expedited Bill No. 51-10
Concerning: Administration – Council Budget Office
Revised: 10-18-10 Draft No. 4
Introduced: October 12, 2010
Expires: April 12, 2012
Enacted: ____
Executive: ____
Effective: ____
Sunset Date: None
Ch. ____, Laws of Mont. Co. ____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmember Knapp, Council Vice-President Ervin, Council President Floreen, and Councilmember Navarro

AN EXPEDITED ACT to:

(1) create a Council Budget Office;
(2) authorize the appointment of a Director and staff of the Office;
(3) specify the functions and duties of the Office; and
(4) generally amend County law related to structure of County Government and administration.

By amending
Montgomery County Code
Chapter 1A, Structure of County Government
Sections 1A-203 and 1A-204

By adding
Chapter 2, Administration
Article IV, Subdivision III, Council Budget Office

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

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

Sec. 1. Sections 1A-203 and 1A-204 are amended and Article IX of Chapter 2 is added as follows:

1A-203. Establishing other offices.

* * *

(b) *Legislative Branch.* These are the offices of the Legislative Branch:

Council Budget Office

Office of the County Council [[Charter section 101 et seq.]]

Office of the Inspector General

Office of Legislative Oversight [[section 29A-5]]

Office of the People's Counsel

Office of Zoning and Administrative Hearings

* * *

1A-204. Supervision of offices and appointment of heads.

* * *

(b) *Legislative Branch.*

* * *

(5) Council Budget Office.

(A) A majority of Councilmembers in office may appoint the Director of the Council Budget Office.

(B) The Director is not a merit system employee.

(C) The term of the Director is 4 years. There is no limit to the number of terms that a Director may serve. If the County Council has not appointed a successor when a Director's term expires, the Director continues to serve until a successor is appointed and takes office. The successor serves for the unexpired part of the term.

(D) The County Council may dismiss the Director for good cause before the end of the Director's term. Before doing so, the Council must tell the Director the Council's reasons for the dismissal. If the Director requests a hearing, the Council must hold a hearing and issue a written decision to the Director.

(E) The Director must appoint and supervise all employees of the Office.

(F) The Office and its employees may operate independently of, but should coordinate its activities with, the Council staff and the Office of Legislative Oversight.

Chapter 2. Administration.

* * *

Article IV. Legislative Branch.

* * *

Division 2. County Council.

* * *

Subdivision III. *Council Budget Office.*

2-83. Powers and duties.

(a) *Findings.* The Council finds a need for increased capacity to monitor the County's fiscal situation, effectively evaluate the fiscal and budget impact of proposed legislation and regulations, and examine structural issues and inefficiencies in County government and County-funded agencies.

(b) *Functions.* In addition to any other power or duty specified by law, the Council Budget Office must:

(1) assess the fiscal impact of proposed policy changes, including revisions to laws and regulations;

(2) review the County budget to assure that Council priorities are adequately reflected;

(3) coordinate with Council staff, the Office of Management and Budget, and the Department of Finance to track the County's overall fiscal status;

(4) analyze the cost-effectiveness of County programs and recommend ways to increase their productivity and efficiency;

(5) review short- and long-term fiscal implications of grants the County has applied or may apply for;

(6) monitor the use of special use funds;

(7) monitor County-funded agency budgets;

(8) prepare or review fiscal indicators for the County Public Schools; and

(9) monitor the capital budget and track the relationship between the capital and operating budgets.

(c) *Access to records and information; retaliation.*

(1) The Office is legally entitled to, and each department or office in County government and each agency that receives County funds must promptly give the Office, any document or other information concerning its operations, budget, or programs that the Office Director requests. The Office must comply with any restrictions on public disclosure of the document or information that are required by federal or state law.

(2) The Office Director must immediately notify the Chief Administrative Officer and the President of the Council if any

department, office, or agency does not provide any document or information within a reasonable time after the Office requests it.

(3) An employee of the County, any instrumentality of the County, or any County-funded agency, must not be retaliated against or penalized, or threatened with retaliation or penalty, for providing information to, cooperating with, or assisting the Office in connection with any activity of the Office under this Section.

(d) *Contracts authorized.* The Director may, subject to appropriation, retain project staff or consultants by contract. The Director may, with the agreement of the head of any other government department or agency, temporarily detail an employee of that department or agency to the Office.

Division 3. Advisory Boards and Committees.

Subdivision I. *Reserved.*

[2-83] 2-84-2-87. Reserved.

Sec. 2. Expedited Effective Date. The Council declares that this Act is necessary for the immediate protection of the public interest. This Act takes effect on the date when it becomes law.

Approved:

Nancy Floreen, President, County Council Date

Approved:

Isiah Leggett, County Executive Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 51-10
Administration – Council Budget Office

DESCRIPTION:	Expedited Bill 51-10 would create a Council Budget Office, authorize the appointment of a Director and staff of the Office, and specify the functions and duties of the Office.
PROBLEM:	The Council has a need for increased capacity to monitor the County's fiscal situation, effectively evaluate the fiscal and budget impact of proposed legislation and regulations, and examine structural issues and inefficiencies in County government and County-funded agencies.
GOALS AND OBJECTIVES:	To create a Council Budget Office to increase the Council's fiscal oversight capabilities.
COORDINATION:	County Council
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Michael Faden, Senior Legislative Attorney (240) 777-7905 Amanda Mihill, Legislative Analyst (240) 777-7815
APPLICATION WITHIN MUNICIPALITIES:	N/A
PENALTIES:	N/A

BILL 51-10

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OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

MEMORANDUM

Joseph F. Beach
Director

2010 OCT 27 AM 11: 27

RECEIVED
MONTGOMERY COUNTY
COUNCIL

October 26, 2010

TO: Nancy Floreen, President, County Council

FROM: Joseph F. Beach, Director

SUBJECT: Expedited Bill 51-10, Administration – Council Budget Office

The purpose of this memorandum is to transmit a fiscal and economic impact statement to the Council on the subject legislation.

LEGISLATION SUMMARY

The Bill would create a Council Budget Office, authorize the appointment of a Director and staff of the Office, and specify the functions and duties of the Office.

FISCAL SUMMARY

The fiscal impact of the legislation is dependent upon actions the Council takes in establishing the Budget Office. The number of staff created for the Office, the level of expertise and compensation, and scope of responsibilities will affect the estimated personnel costs of the operation. In addition to personnel costs, other operating costs will be necessary for the Office to function, including furniture, office space, personal computers, telecommunications, training, contract services, and other miscellaneous expenses and supplies.

Below is a range of possible multi-year costs of the proposed Council Budget Office. Under the assumptions listed below the potential fiscal impact could range from $4.2 million to $6.4 million over six years.

Council Budget Office	***Estimates: three Analysts, grade 27, mid-point salary***						Total
Item	year 1	year 2	year 3	year 4	year 5	year 6	Six Year
Personnel Costs:							
Director (M1)	195,000	195,000	195,000	195,000	195,000	195,000	1,170,000
Office Sercives Coord. - one (gr 16 mid point)	64,350	64,350	64,350	64,350	64,350	64,350	386,100
Analysts - three (gr 27 mid point)	322,530	322,530	322,530	322,530	322,530	322,530	1,935,180
Subtotal Personnel Costs	**581,880**	**581,880**	**581,880**	**581,880**	**581,880**	**581,880**	**3,491,280**
Personal Computers (5 @1,425)	7,125	-	-	-	-	7,125	14,250
Furniture (one-time)	5,000	-	-	-	-	-	5,000
Leased Space	127,500	52,500	52,500	52,500	52,500	52,500	390,000
Communications Services	5,000	5,000	5,000	5,000	5,000	5,000	30,000
Contract Services	15,000	15,000	15,000	15,000	15,000	15,000	90,000
Training	2,000	2,000	2,000	2,000	2,000	2,000	12,000
Other Misc. Operating expenses	24,300	24,300	24,300	24,300	24,300	24,300	145,800
Total Office Costs	**767,805**	**680,680**	**680,680**	**680,680**	**680,580**	**687,805**	**4,178,330**

(Personnel Costs: M1 150,000 base, OSC 49,500 base, Analyst 82,700 base, plus 30% benefits estimate)

Council Budget Office	Estimates: five Analysts, grade 27, maximun salary						Total
Item	year 1	year 2	year 3	year 4	year 5	year 6	Six Year
Personnel Costs:							
Director (M1)	195,000	195,000	195,000	195,000	195,000	195,000	1,170,000
Office Sercives Coord. - one (gr 16 max)	79,950	79,950	79,950	79,950	79,950	79,950	479,700
Analysts - five (gr 27 max)	671,450	671,450	671,450	671,450	671,450	671,450	4,028,700
Subtotal Personnel Costs	**946,400**	**946,400**	**946,400**	**946,400**	**946,400**	**946,400**	**5,678,400**
Personal Computers (7@1,425)	9,975	-	-	-	-	9,975	19,950
Furniture (one-time)	7,000	-	-	-	-	-	7,000
Leased Space	136,500	61,500	61,500	61,500	61,500	61,500	444,000
Communications Services	5,000	5,000	5,000	5,000	5,000	5,000	30,000
Contract Services	15,000	15,000	15,000	15,000	15,000	15,000	90,000
Training	2,000	2,000	2,000	2,000	2,000	2,000	12,000
Other Misc. Operating expenses	24,300	24,300	24,300	24,300	24,300	24,300	145,800
Total Office Costs	**1,146,175**	**1,054,200**	**1,054,200**	**1,054,200**	**1,054,200**	**1,064,175**	**6,427,150**

(Personnel Costs: M1 150,000 base, OSC 61,500 base, Analyst 103,300 base, plus 30% benefits estimate)

Salary Assumptions:	Midpoint	Maximum
M1 (assumed flat)	150,000	150,000
Office Services Coordinator (sal grade 16)	49,500	61,500
Analysts (sal grade 27)	82,700	103,300

Benefits assumed at 30% of base salary

Operating Cost Assumptions:

Personal Computer costs = FY12 per seat cost of $1,425 each, assume 5 year replacement.

Furniture = assumed $1,000 start up per person (chairs, file cabinets, desk work space)

Leased Space = first year incl. buildout $25,000, communications set up $50,000. Annual rent is $30/sf.

Communications Services = assumed $5,000 per year for telephone, other comm. devices (OLO FY11 approved)

Contract Services = assumed $15,000 contractor support per year, 120 hours @ $125 per hour (outside studies, research, etc)

Training = assumed $2,000 per year (OLO FY11 approved)

Other Misc Oper. = assumed $24,300 per year for equip rental, repairs, printing (OLO FY11 approved)

The legislation will have no economic impact on the County, as it is internally focused on the fiscal management and oversight of County finance and administration.

The following contributed to and concurred with this analysis: Alex Espinosa and John Cuff, Office of Management and Budget; Mike Coveyou, Department of Finance; and Cynthia Brenneman, Department of General Services.

JFB:jc

c: Kathleen Boucher, Assistant Chief Administrative Officer
Dee Gonzalez, Office of the County Executive
Jennifer Barrett, Director, Department of Finance
Mike Coveyou, Department of Finance
Cynthia Brenneman, Department of General Services
Alex Espinosa, Office of Management and Budget
John Cuff, Office of Management and Budget

MEMORANDUM

February 24, 2011

TO: Government Operations and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director SBF
Karen Orlansky, KO Director, Office of Legislative Oversight

SUBJECT: Bill 51-10 – Administration, Council Budget Office

Bill 51-10 would create a new Council Budget Office for the stated purpose of "increasing the Council's capacity to monitor the County's fiscal situation, effectively evaluate the fiscal and budget impact of proposed legislation and regulations, and examine structural issues and inefficiencies in County Government and County-funded agencies." As currently organized in the Legislative Branch, fiscal, policy, and legal analysis of County budget issues is conducted collaboratively by 5th floor staff – the Council Office's legislative analysts and attorneys and the Office of Legislative Oversight's analysts.

We recommend that the Committee's consideration of Bill 51-10 begin with a review of the budget-related work currently performed by Legislative Branch staff, followed by a discussion of the additional budget information and analysis the Council feels it needs and a review of options on how best to provide it. This memo is intended to support the Committee's work on these important issues.

Council Office's Budget Work

The budget work of the Council Office's legislative analysts and attorneys, in conjunction with the Council's six Committees and the full Council, takes place year-round. It includes staff work associated with the following Council actions and related products:

- Spending affordability guidelines for both the capital and the operating budget;
- The balanced six-year Fiscal Plan and updates to it, including economic indicators;
- Overview of the operating budget, including issues of priority concern and budget options;
- Analysis of individual department and agency budgets and compensation issues;
- Analysis of cross-cutting measures (e.g., Smart Growth Initiative, Park/Rec, police merger);
- Analysis of revenue issues and proposals;
- Analysis of supplemental appropriations;
- Analysis of mid-year budget savings plans;
- Capital and operating budget tracking throughout the budget process;
- Preparation of Intensive Budget Review and Base Budget Review projects on request;
- Fiscal analysis of Councilmember initiatives (e.g., importation of prescription drugs from Canada); and
- Fiscal analysis of master plans, other land use issues, labor agreements, IG reports, regulations, and task force reports (e.g., Organizational Reform Commission, Agricultural Policy Working Group).

This work, often performed in collaboration with OLO, results in both the modification of Executive proposals and the adoption of Council proposals. Examples from 2010 – apart from the Council's significant changes to the proposed capital and operating budgets for schools, transportation, public safety, HHS, and other functions – include a progressive furlough for MCG employees, the County's first approved balanced six-year fiscal plan, elimination of the imputed COLA for calculating pensions (saving $7 million in FY11 and $280 million over 40 years), restructured increases for energy and cell phone taxes, and initiation of OLO's structurally balanced budget project.

Office of Legislative Oversight's Budget Work

The Council adopts the Office of Legislative Oversight's work program by resolution, a practice that affords the Council the opportunity to decide the topics and scope of OLO's assignments on a regular basis. Over the years the projects assigned to OLO have reflected Councilmembers' wide range of public policy interests and related requests for research, evaluation, and analysis.

OLO's enabling legislation identifies the conduct of "special program or budget analyses on selected operational units, programs, functions, and activities" as one of the Office's "powers and duties." In recent years the Council has called on OLO to do more budget work in two ways:

- The Council has assigned OLO an increasing number of projects that include a budget focus; and

- The Council has explicitly allocated OLO staff time to working collaboratively with central Council staff to conduct analysis related to the Council's decision-making on the operating budget.

FY11 assignment on the County's structural budget deficit. During the first half of FY11 the entire OLO staff was engaged in budget-oriented research and analysis related to the Council's two-part assignment on achieving a structurally balanced budget in Montgomery County. For the balance of FY11, more than half of OLO's staff resources remain assigned to the "Budget Team."

In addition to completing follow-up assignments from OLO Report 2011-2, the work of OLO's Budget Team will expand in March to include assisting with central Council staff's review and analysis of the FY12 operating budget. As in past budget seasons, the Council Staff Director and OLO Director will work collaboratively to identify the specific budget reviews/analyses to be undertaken by OLO staff.

Examples of OLO's budget-related work. The table on the next page lists examples of the OLO reports since FY07 that have focused on budget/fiscal issues and examples of the memos produced during the past several years that related directly to the Council's operating budget worksessions.

Examples of Budget-Related OLO Reports (FY07- FY11)	
2011-2	Achieving a Structurally Balanced Budget in Montgomery County Part I, Revenue and Expenditure Trends Part II, Options for Long-term Fiscal Balance
2010-10	Fiscal Impact Statements for Legislation
2009-9	Research Brief on Furloughs and Buyouts
2009-8	Department of Economic Development: A Review of Budget and Strategies
2009-7	Organization of Recreation Programs across the Department of Parks and Department of Recreation
2009-4	Cost and Performance of Montgomery County Public School High School Consortia
2008-1	Base Budget Review of the Division of School Plant Operations, Montgomery County Public Schools
2008-4	Study of County Road Project Cost and Schedule Estimates
2008-5	Overview of Revenues, Expenditures, & Other Financial Data for Municipalities & Special Taxing Districts in Montgomery County
2007-3	The Presentation of Workforce Information in Budget Documents
2007-5	Key Fiscal Indicators for Montgomery County Public Schools
2007-6	Base Budget Review of the Montgomery County Fire and Rescue Service, Phase I
2007-8	Base Budget Review of the Montgomery County Fire and Rescue Service, Phase II, Net Annual Work Hour Analysis of First Responders
2007-10	Inventory of Internal Service Functions Performed by Five County Government Departments

Examples of Operating Budget Memos (FY10 and FY11)
• Fiscal Impact of Compensatory Leave Awards (7/26/10)
• Examples of state/local actions to close budget gaps (4/9/10)
• Review and fiscal analysis of the Executive's proposed FY11 furlough, FY11 reduction-in-force, and 2010 Retirement Incentive Program (4/15/10)
• Comparative examples of reductions to local park and recreation budgets (4/15/10)
• Characteristics of local school system furlough structures (4/27/10)
• Response to Committee Request for FY11 Alternative Furlough Scenarios (5/2/10)
• Fiscal analysis of Expedited Bill 15-10, Taxation – Fuel-Energy Tax – Rate Resolution to change fuel/energy tax rates (April-May 2010)
• Series of memos containing fiscal analysis of Executive's FY10 Proposed Retirement Incentive Program (April-May 2009)
• Analysis of library staffing to identify savings from reducing library hours (4/24/09 & 5/4/09)
• Fiscal analysis of the Department of Recreation's FY10 fee structure (4/27/09)

Options for Additional Budget Information

As noted above, we recommend that the Council decide what additional budget information and analysis it needs and then consider options on how best to provide it. We have suggestions in two areas:

• **Add capacity for independent review of revenue projections and fiscal and economic impact statements prepared by the Executive Branch.** The revenue projections in the Executive's recommended operating budget are a critical building block of the budget. In the course of conducting the structurally balanced budget report, OLO staff reviewed the Department of Finance's revenue projections over the past 30 years. As summarized in the memo attached at ©1, OLO found that:

- Since FY81, actual tax revenues have exceeded the projections in two out of three years and have fallen below the projections in one out of three years;
- Over the 30 years, the average annual variation (either positive or negative) between projected and actual revenues was 3.9%; and
- The variations in projected and actual revenues differed by tax type, with a higher annual variation associated with projections for income tax vs. property tax revenue.

The question some Councilmembers have raised – given the importance of revenue projections in the budget process – is how best to enhance the Council's capacity to independently assess them. Options include the following:

- Add an economist trained in this area to the Council staff with the responsibility to routinely assess Finance's methodology and conclusions on revenue projections; or
- Contract with an economist or a financial advisory firm for this purpose.

Another approach, building on one of these options, is to have the Council and the Executive **jointly** issue revenue projections. Under this approach, we would establish for the County a version of the State's Board of Revenue Estimates, or alternatively the State's Consensus Revenue Monitoring and Forecasting Group.[1] One advantage of this approach is that it would yield one set of projections rather than, potentially, two competing sets.

As for **fiscal and economic impact statements**, last year the Council enacted legislation to strengthen and standardize such statements prepared by the Executive Branch for proposed legislation. An economist added to the Council staff (suggested as one option above) could complement the work of our analysts to independently assess these statements.

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[1] The Board of Revenue Estimates consists of the independently elected Comptroller, the Treasurer (appointed by the Legislature), and the Secretary of Budget and Management (appointed by the Governor). The Board projects revenues three times a year. In September it issues preliminary estimates for the Governor's use in budget planning. In December it issues the estimates the Governor uses in the budget he releases in January. In March, before the Legislature completes action on the budget, it updates its estimates. If the County were to establish a Board of Revenue Estimates, the members could be, as one example, the Finance Director, the Council Staff Director, and a County resident with expertise in revenue projections.

The Board's staff support comes from the Bureau of Revenue Estimates in the Comptroller's Office. The Bureau's Chief chairs the Consensus Revenue Monitoring and Forecasting Group. Other members are the Deputy Comptroller for tax administration and staff from the Treasurer's Office, the Department of Budget and Management, the Department of Transportation, and the Office of Policy Analysis in the Department of Legislative Services. The Bureau must provide the Group with monthly updates on revenue collections and advance drafts, for review and comment, of any work product that the Bureau is to publish.

• **Consider retaining a financial advisory firm for targeted fiscal analysis as needed.** Over the years the Council has made productive use of expert consultants as short-term advisers on specialized legal, actuarial, fiscal, engineering, transportation, and technology issues. Examples include actuarial analysis of alternative funding options for retiree health insurance (OPEB) and fiscal analysis of such projects as the SoccerPlex, the Music Center at Strathmore, Silver Spring redevelopment, and MCDC reuse.

We will continue to retain such specialized advisers on future issues. We could also retain, on a standby basis, a financial advisory firm to advise the Council as needed on issues like reserves policy and credit ratings. Last year the firm Public Financial Management (PFM), retained by the Finance Department, provided expert assistance on these issues when the County's AAA bond rating was under scrutiny. If the Council considers it necessary at any time to obtain an independent view on such issues, having such a firm on retainer would be useful.

We welcome the opportunity to work through these issues with the Committee.

Attachment:

Memo (2/21/11) from OLO staff on review of Department of Finance's revenue projections

13

MEMORANDUM

February 22, 2011

TO: Karen Orlansky

FROM: Sue Richards SR & Aron Trombka AT

SUBJECT: Summary of OLO's Review of the Department of Finance's Revenue Projections

This memo responds to your request for a written summary of our review of the Department of Finance's revenue projections. As part of our background work related to OLO Report 2011-2 (Achieving a Structurally Balanced Budget in Montgomery County), we reviewed annual revenue projections prepared by the Department of Finance. This memo summarizes the findings of our review.

Department of Finance Revenue Projections: The County's Department of Finance prepares projections of future County tax revenues. The County Executive and the County Council rely on these projections for a variety of purposes, including their annual budget decision making.

Staff in the Department of Finance have developed several models that estimate future year tax revenue based on economic forecasts prepared by outside entities including the Federal Bureau of Economic Analysis, the State Board of Revenue Estimates, and Moody's Analytics. The Department of Finance uses data from these economic forecasts, along with historic County tax generation data, to estimate future tax generation.

Comparison of Estimated and Actual Revenue: Last Fall, we reviewed the Department of Finance's revenue projections for Fiscal Years 1981 through 2010; specifically, we looked at the projections that were incorporated into the approved operating budget for each year. We compared those projections to the actual tax revenue collected as reported after the end of each fiscal year. For our review of revenue projections, we examined 30 years of data (as opposed to the ten-year history we used for most other budget trends in the report) in order to capture the upturns and downturns in revenue generation from multiple economic cycles.

For each fiscal year, we tracked the percent difference between projected and actual tax revenues. Next, we calculated the average variation over the 30-year time period. In calculating the average, we used the absolute value (difference from zero, whether positive or negative) of the annual variations for each fiscal year. We used absolute values in our average variation calculations to avoid the "canceling out" effect of positive and negative variations.[1]

[1] As an example, assume a case where in one year actual revenue exceeded projected revenue by four percent (+4%) and in a second year actual revenue fell short of the projection by four percent (-4%). The mean average of these two variations equals zero ([4-4]/2). This calculation implies that actual revenue met the projection in both years. In contrast, the mean average of the absolute value of the two variations equals four ([4+4]/2), reflective of the actual average difference between projected and actual revenue.

Summary of Findings: OLO's comparison of projected and actual revenues over the 30-year period (FY1981 through FY2010) yielded the following findings:

- Actual tax revenues exceeded the projections in two out of three years since FY81; actual tax revenues fell below projections in one out of three years.
- Over the 30-year period, the average annual variation (either positive or negative) between projected and actual revenues was 3.9%.
- The variations in projected and actual revenues differed by tax type. The average annual variation for property tax revenue was 1.6% while the average annual variation for income tax revenue was 6.6%.

Department of Finance Assessment: In 2007, then Councilmember Marilyn Praisner requested that the Department of Finance summarize their revenue forecasting methodology and describe the accuracy of past revenue projections. The response from the Finance Director is attached.

Similar to OLO's finding, the Finance Department concluded that projections underestimated revenue in two out of three years and overestimated revenue in one out of three years. Unlike OLO, the Department of Finance used the average of both positive and negative annual variations in their calculation to measure the accuracy of their revenue forecasts. As a result of the different methodologies, the mean variations computed by Finance were smaller than those computed by OLO. To be specific:

- The Department of Finance concluded that the average annual variation between actual and projected revenue was 1.8% (for Fiscal Years 1981 through 2006).
- OLO concluded that the average annual variation between actual and projected revenue was 3.9% (for Fiscal Years 1981 through 2010).

Attachment

DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

MEMORANDUM

Jennifer E. Barrett
Director

April 26, 2007

TO: Marilyn Praisner, President
County Council

FROM: Jennifer E. Barrett, Director
Department of Finance

J Barrett

SUBJECT: County Revenue Issues

Pursuant to your request, I am hereby providing additional information to the Montgomery County Council, based on various questions from Councilmembers, and pertaining to the County's revenue structure and revenue forecasting methodology.

Revenue Structure

Montgomery County has a broad portfolio of revenue sources, including taxes, charges for services, fines and fees, prior-year reserves, and intergovernmental aid. A current breakdown shows that taxes make up roughly 75% of tax-supported funds, with governmental aid – at 15% - the next largest category. In fact, intergovernmental aid is the third largest revenue source for the County, after the income (34%) and property (32%) taxes.

Within the broader tax group, there are the income tax, property tax, real estate transfer & recordation taxes, telephone tax, fuel/energy taxes, hotel/motel tax, and admissions tax. The State of Maryland administers the income and admissions taxes, while the County handles all other taxes.

Since these diverse revenue sources are affected by different economic trends and/or State & County laws, they create a diversified revenue portfolio that ensures growth with long-term stability. For example, a dramatic shift in the real estate market will have an immediate impact on the real estate transfer & recordation tax revenues, but, because of the tri-annual reassessment cycle and the homestead tax credit, the impact on the property tax will be minimal in the short-term. Similarly, changes in employment conditions and capital gains recognition from the stock market will have a lagged impact on the County's income tax revenue collections due to a distribution formula used by the State Comptroller that is based on prior year receipts. On the other hand, changes in activity pertaining to, for example, excise taxes, building permits, and other charges for services impact the collection stream immediately.

Office of the Director

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As such, the revenue portfolio for Montgomery County is not unlike an investment portfolio that aims to take advantage of growth in the technology sector while ensuring stability through value stocks and bond funds. This diversification is also found in our revenue portfolio with property taxes representing bonds, and income and real estate transfer/recordation taxes representing more aggressive growth stock funds. Over reliance on any one sector, jeopardizes the budget forecast and triple-A bond rating we have come to rely on.

Accuracy of Revenue Estimates

One way to look at the stability of the revenue sources is to review the predictability of those revenues. A smaller variance between estimate (projected in March and adopted in June) and actual (not finalized until after June of the subsequent year) would suggest such stability. For example, one would assume that the multi-year phase-in of property assessments results in high predictability – and therefore low variance. On the other hand, the real estate market is sensitive to overall economic conditions and the interest rate environment, and would be more volatile and therefore have a high variance. The numbers support such assumptions. Based on a comparison for the period 1981 through 2006 (fiscal years), the average variability between budget estimate and actual is only 1.8% and broken down as follows: property tax (0.7%), income tax (4.0%), transfer & recordation taxes (16.3%), other taxes (3.2%), licenses & permits (4.8%), charges for services (-2.6%), intergovernmental aid (0.7%), and fines & miscellaneous revenues (6.6%).

These numbers indicate that, over the long-term, the forecast for the total revenue base is more than 98% accurate and that actual revenues come in just 1.8% higher than estimated some 15 months earlier. Specifically, between 1981 and 2006, total revenues were overestimated 1/3rd of the years and underestimated the remaining 2/3rd. Moreover, total revenues were overestimated (i.e., indicating a shortfall in budget resources) by as much as 6.0% and underestimated as much 5.9%. This indicates that, while the mean variance is only 1.8%, in any one year, the variance can be much higher. One way to check how much our outcomes differ from the mean is to compute the standard deviation. A smaller standard deviation indicates that the mean is a reasonable indicator. Such is the case with the total revenue which has a standard deviation of just 3.2%. Measured for individual revenue sources, the same story holds true as before. The property tax has a standard deviation of only 2.3% (indicating very little volatility), income tax 6.8%, and a number that jumps to 24.0% for the transfer & recordation taxes.

Methodology

The next issue is how Finance estimates revenues. In all cases, revenues are estimated using the underlying economic/financial basis. For the property tax, that is a projection of changes in the real property assessable base, adjusted for the homestead tax credit, other tax credits, prior year activity, and changes in the personal property base. The respective bases are adjusted for changes in both commercial and residential real estate activity pertaining to market valuation and new construction. For the income tax, the County uses a sophisticated tax simulation model that incorporates actual historical aggregated data for all residents in Montgomery County. These data provide a detailed breakdown of the taxable income for such components as: wages & salaries, interest & dividends, capital gains, itemized and standard deductions. Using estimates for such variables as employment, wages, interest, and capital gains, the County projects changes in taxable income (i.e., Maryland Adjusted Gross Income) by these components. Applying the appropriate County tax rate provides an estimate of tax liability by calendar year. A subsequent distribution of these revenues, using historical shares by monthly and quarterly distributions, provides a revenue estimate by fiscal year. Similarly, the underlying number and price of residential and commercial real estate sales provides the basis for the forecast of transfer & recordation taxes, while the number of telephone lines (land and wireless), incorporating information on future household expansion, provides the basis for the telephone tax. The forecast for the hotel/motel taxes uses variables obtained from that specific industry such as number of available hotel rooms, average price of a room, and occupancy rates. Other information, such as special events (national golf events and national elections), and inflation are incorporated into the forecast. In these aforementioned revenue sources, as well as all others, Finance always forecasts the underlying basis for taxation – never revenues based on recent collections.

Policy Issues

Since, at times, actual revenues exceed the estimate, some observers have expressed concern that Finance may intentionally underestimate revenues. Despite the variances described above, which in aggregate and over a longer period of time amount to less than 2%, there is no explicit or implicit policy to reduce estimates. What does happen, however, is that some economic variables that create the analytical framework for the respective forecasts, are adjusted at a later stage. Important variables, such as employment, personal income, population, and new household formation, are frequently adjusted at both the national and regional level. Moreover, while some indicators, for example stock market returns, can appropriately be used for the average household, considering the highly concentrated wealth in Montgomery County, there are years when total capital gains recognition diverge significantly from the average stock market returns. A recent article in BusinessWeek (April 23, 2007) illustrated the same problem for the federal Government with income tax revenues exceeding the underlying economic growth for the third consecutive year.

Another question raised by Council was related to capital gains and how many times this was the basis for a revised income tax forecast. Unfortunately, there are no recent historical data on capital gains that would appropriately address this question. The latest data

(Statistics of Income) from the State Comptroller that provides information on capital gains in Montgomery County is 1997. Hence, any changes in forecasts for subsequent years are, at times, believed to be partially contributed to capital gains, in addition to changes in such variables as employment, interest, dividends, and personal income. In short, Finance cannot confirm the actual impact that income from capital gains has on recent revenue revisions.

A final issue that was raised, and partially addressed at the Council hearing on SAG, relates to the frequency of revenue estimates. The practice in Montgomery County is to prepare and publish forecasts semi-annually: in March for the Budget and in November for SAG. As explained above, these estimates are based on an analytical framework using annual economic and financial data that are revised, at most, once a year. Therefore, remaining with the semi-annual forecasting schedule is preferable. Moreover, requests for greater frequency would only result in greater volatility of forecasts – not necessarily greater accuracy. The following example can be used to illustrate this point: several years ago, it was determined that an income tax distribution in May was $10 million greater than projected. A subsequent request by one Councilmember to add this amount to the available resources was rejected by the full Council. This was a prudent action in terms of not adjusting revenue estimates based on collections, which was confirmed the next month when the distribution of income taxes was $10 million short of the estimate.

It also illustrates the perils of using collections as a basis for forecasting revenues – especially in the income tax. First of all, quarterly distributions are based on the share of income taxes due to the County in the prior year. Therefore, collections this year could be either higher or lower than what is distributed. Secondly, the County would not even know what we are forecasting since even the most basic breakdown of withholdings and estimated payments are not available at the County level. While for some jurisdictions – especially those that rely exclusively on employment growth – revenue estimators can rely on personal income growth and the latest collections to forecast revenues, in jurisdictions such as Montgomery County with a large and diverse economy and concentrated wealth, revenue estimation requires detailed analyses. It is this high-level analysis that illustrated a few years ago that roughly 50% of Maryland's capital gain comes from this County, as well as over 1% of the nation as a whole. It also provided a basis for the 40% estimated drop in capital gains following the steep declines in the stock market in the early part of this decade – a projection that proved to be prudent that year.

As a final note, revenue estimation is highly technical and challenging. By definition, projecting into the future is a perilous exercise. However, given the many unknowns and data limitations, it should give Councilmembers great comfort that, using a 25 year time period, estimated resources to fund the County budget are underestimated by less than 2%. While that may not result in a life-time membership in the revenue forecaster's hall of fame, it, at minimum, should make Finance a permanent nominee.

cc: Timothy Firestine, CAO
Joseph Beach, OMB

OFFICE OF THE COUNTY ATTORNEY

Isiah Leggett
County Executive

Marc P. Hansen
Acting County Attorney

MEMORANDUM

TO: Joseph Beach, Director
Office of Management and Budget

FROM: Marc P. Hansen *Marc Hansen*
Acting County Attorney

DATE: October 22, 2010

RE: Expedited Bill 51-10, Administration – Council Budget Office

At the request of the Office of the County Executive, I have reviewed Expedited Bill 51-10, Administration – Council Budge Office, for legal sufficiency. Although I find Bill 51-10 generally legally sufficient, there are three legal issues that should be addressed by the Council:

1. Bill 51-10 (lines 27-32) provides that the Council may dismiss the Director of the Council Budget Office fot "good cause." In the event of dismissal, the Director is entitled to request a hearing before the full Council, and the Council must issue a written decision to the Director. In the context of this type of hearing, the Council will be sitting in a quasi-judicial capacity. The Director will be entitled to call witnesses, be represented by counsel, present evidence, and engage in cross-examination.

The Council should consider adding to this provision that the Administrative Procedures Act (*see* Article I, Chap. 2A, Montgomery County Code) would apply to the dismissal hearing. The Administrative Procedures Act would address such issues as notice, rules of procedure for the hearing, and provide for judicial review.

2. Bill 51-10 (lines 71-77) provides that the Council Budget Office is entitled to obtain records from County departments and "each agency that receives County funds." The Council Budget Office "must comply with any restrictions on public disclosure of the document or information that are required by federal or state law." This provision raises two sub-issues:

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A. Some of the agencies that receive County funds are state agencies, like Montgomery College and the Montgomery County Public Schools. Access to records of these state agencies is governed by state law. The County cannot force a state agency to provide information to the Council Budget Office records or information beyond that which is provided for under state law.

B. The Maryland Public Information Act (MPIA) provides that acustodian of records must decline disclosure of certain types of records and may decline to disclose other types of records (e.g., records protected under the Executive/Legislative privilege, attorney-client privilege, certain investigative records, etc.). Thus, under the MPIA, there is both a mandatory denial of disclosure of records and a permissive denial of disclosure. The Council should consider amending this provision to provide that the Council Budget Office must comply with restrictions on information that are both "required" and "permitted" under federal or state law.

The Inspector General law (§ 2-151) contains a similar provision. The Office of the County Attorney has concluded that the Inspector General is legally entitled to review material protected from disclosure under the MPIA, because the Inspector General has a need to have access to the records in order to perform the Inspector General's statutory mission. The same rationale would apply to the Council Budget Office. However, the Council should understand that this is an area of the law that has not been fully settled.

3. Bill 51-10 (lines 82-86) provides that an employee of the County or "any County-funded agency" must not be retaliated against for providing information or cooperating with the Council Budget Office. As previously discussed, some County-funded agencies, like Montgomery College and Montgomery County Public Schools, are state agencies. The County lacks the legislative authority to affect the conditions of employment for employees of state agencies.

If you have any questions regarding this advice, please let me know.

cc: Kathleen Boucher, Assistant Chief Administrative Officer
Michael Faden, Senior Legislative Attorney
Amanda Mihill, Legislative Analyst

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	Council Budget Office (Bill 51-10)	Office of Legislative Oversight (Code §§1A-204(b)(2), 29A-1 to 29A-10) 22
Functions	1. Assess the fiscal impact of proposed policy changes, including revisions to laws and regulations 2. Review the County budget to assure that Council priorities are adequately reflected 3. Coordinate with Council staff, the Office of Management and Budget, and the Department of Finance to track the County's overall fiscal status 4. Analyze the cost-effectiveness of County programs and recommend ways to increase their productivity and efficiency 5. Review short- and long-term fiscal implications of grants the County has applied or may apply for 6. Monitor the use of special use funds 7. Monitor County-funded agency budgets 8. Prepare or review fiscal indicators for the County Public Schools 9. Monitor the capital budget and track the relationship between the capital and operating budgets.	Powers and Duties 1. Review and evaluate financial controls and accountability, efficiency of management and utilization of resources, internal controls, and effectiveness of program results of the various departments, agencies and entities using funds appropriated or approved by the county council. 2. Report on conditions found, identify weaknesses, and suggest ways and means for improvement of financial and operating management, including prescribed principles and standards of accountability and internal controls. 3. Evaluate new legislative proposals and requests for appropriations in terms of availability and effectiveness of existing resources to meet the needs and to fulfill the purposes of the new proposals. 4. Conduct special audits, surveys and investigations at the Council's request. 5. Conduct special program or budget analyses on selected operational units, programs, functions, and activities. 6. Structure the review and evaluation program of the office so as to avoid duplication of effort and to make maximum use of all available resources. 7. Allocate resources to those areas known or considered to be of direct interest to the Council in accordance with the Council-approved work program. 8. Report to the Council and to the general public its findings and recommendations in the manner provided in §29A-9. 9. Administer contracts with the certified public accountant employed by the council to conduct the annual audit of county transactions pursuant to the county charter. 10. Develop uniform review and evaluation procedures, guidelines and regulations for the conduct and explanation of audits, surveys and investigations under this chapter. Regulations that may be issued pursuant to this chapter shall be adopted under method (2) of section 2A-15 of this Code. 11. Employ consultants and technical advisors as might be necessary to carry out the purposes of this chapter in accordance with funds appropriated by the county council. 12. Review all post audit reports by certified public accountants hired by other public county and bi-county agencies and request comments from agency directors on the certified public accountant's findings. 13. Review all executive branch internal audit and program evaluation reports and request comments from agency directors. 14. Report to the Council on contract administration and performance, using a random sample of county contracts.

Delgado, Annette

From: Floreen's Office, Councilmember
Sent: Thursday, October 14, 2010 1:02 PM
To: Montgomery County Council
Subject: FW: New bill on budget office

059074

-----Original Message-----
From: Esther Gelman [mailto:esthergelman@verizon.net]
Sent: Thursday, October 14, 2010 12:45 PM
To: Floreen's Office, Councilmember
Subject: New bill on budget office

PLEASE DISTRIBUTE TO ALL COUNCILMEMBERS. THANK YOU.

I read that a bill has been introduced to create a Council Budget Office. What a terrible idea! It goes counter to our Charter and to any hope of running a smooth gov't.

Why have 2 offices? Expensive, unnecessary and certain to create a constant battle.

The Council can question any appropriation, add or subtract; so why duplicate efforts?

Thank you for NOT passing this bill.
Esther Gelman
EstherGelman@verizon.net

LexisNexis®

*** Current through all Chapters of the 2010 Regular Session ***
*** with updates for sections effective through January 1, 2011 ***
*** Annotations through December 29, 2010 ***

STATE FINANCE AND PROCUREMENT
DIVISION I. STATE FINANCE
TITLE 6. REVENUES
SUBTITLE 1. STUDIES AND ESTIMATES

§ 6-101. Definitions

(a) In general. -- In this subtitle the following words have the meanings indicated.

(b) Board. -- "Board" means the Board of Revenue Estimates.

(c) Bureau. -- "Bureau" means the Bureau of Revenue Estimates.

(d) Chief. -- "Chief" means the Chief of the Bureau.

§ 6-102. Board of Revenue Estimates

(a) Established. -- There is a Board of Revenue Estimates.

(b) Composition. -- The Board consists of the following 3 ex officio members:

(1) the Comptroller;

(2) the Treasurer; and

(3) the Secretary of Budget and Management.

(c) Treasurer's designee. -- The Treasurer may appoint, as the Treasurer's designee, a deputy treasurer to serve on the Board.

(d) Executive secretary. -- The Chief is the executive secretary of the Board.

§ 6-103. Bureau of Revenue Estimates

(a) Established. -- There is a Bureau of Revenue Estimates in the Office of the Comptroller.

(b) Chief. --

(1) The head of the Bureau is the Chief.

(2) Subject to the supervision of the Comptroller, the Chief has administrative control of the Bureau.

(3) Unless the Comptroller, with the approval of the Board, determines that an alternative structure is appropriate, the Chief shall be subject to the supervision of the Deputy Comptroller with responsibility for tax administration.

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(c) Removal of Chief; appointments. --

(1) Except as otherwise provided by law, subject to the approval of the Board, the Comptroller shall appoint the Chief.

(2) The Chief may be removed only by a majority of the Board for incompetence or other good cause.

(3) The Chief shall appoint other employees of the Bureau in accordance with the provisions of the State Personnel and Pensions Article.

§ 6-104. Duties of Bureau

(a) Reports and information. --

(1) After the end of each fiscal year, the Bureau shall submit to the Board a report that:

(i) contains an itemized statement of the State revenues from all sources for that fiscal year; and

(ii) includes any recommendations of the Bureau.

(2) In December, March, and September of each year, the Bureau shall submit to the Board a report that contains an itemized statement of the estimated State revenues from all sources for the fiscal year following the fiscal year in which the report is made.

(3) The Bureau shall provide to the Board any other information that the Board requests.

(4) Notwithstanding any other provision of law, the reports required under paragraphs (1) and (2) of this subsection shall include an itemized statement of:

(i) revenues or estimated revenues distributed to the Transportation Trust Fund, including the motor fuel taxes imposed under Title 9, Subtitle 3 of the Tax - General Article and motor vehicle titling taxes imposed under Title 13, Subtitle 8 of the Transportation Article; and

(ii) revenues from the State transfer tax imposed under Title 13, Subtitle 2 of the Tax - Property Article.

(b) Studies. -- In addition to these reports, the Bureau shall continually conduct studies of State revenue sources to:

(1) determine the amount of revenue produced; and

(2) devise and recommend new methods and sources for improved efficiency, equity, and economy in production, collection, and estimation of revenue.

(c) Tax incidence study reports. --

(1) On or before December 1, 2008, and December 1 of every third year thereafter, the Bureau shall submit to the Governor and, in accordance with *§ 2-1246 of the State Government Article*, to the General Assembly a tax incidence study measuring the burden of all the major taxes imposed by the State and how that burden is shared among taxpayers of different income levels.

(2) The Bureau shall prepare and submit the statistics of income report required under *§ 10-223 of the Tax - General Article.*

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

(a) "Group" defined. -- In this section, "Group" means the Consensus Revenue Monitoring and Forecasting Group established under this section.

(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; and

(2) advise and collaborate with the Bureau:

(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.

(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.

§ 6-106. Board

(a) Studies. -- The Board shall:

(1) study the information that the Bureau provides; and

(2) consider the recommendations of the Bureau.

(b) Report. --

(1) In December, March, and September of each year, the Board shall submit to the Governor and, in accordance with *§ 2-1246 of the State Government Article*, to the General Assembly, a report that:

(i) contains an itemized statement of the estimated State revenues from all sources for the fiscal year following the fiscal year in which the report is made; and

(ii) includes any recommendations of the Board.

(2) (i) Subject to subparagraph (ii) of this paragraph, the Governor shall state the most recent estimates of revenues reported by the Board in the proposed budget and any supplemental budget submitted to the General Assembly.

(ii) If the Governor uses different estimates of revenues in the formulation of the proposed budget and any supplemental budget submitted to the General Assembly than those reported by the Board, a statement providing an explanation as to the differences shall be included together with those submissions.

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