

C85E00
Maryland Tax Court

Operating Budget Data

(\$ in Thousands)

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>	<u>% Change Prior Year</u>
General Fund	\$568	\$609	\$631	\$22	3.6%
Deficiencies and Reductions	0	-12	-23	-11	
Adjusted General Fund	\$568	\$597	\$608	\$11	1.8%
 Adjusted Grand Total	 \$568	 \$597	 \$608	 \$11	 1.8%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The Maryland Tax Court's (MTC) 2016 allowance increases by \$10,570, or 1.8%, over the 2015 adjusted working appropriation.
- Personnel expenditures increased by \$14,731, net of contingent reductions, which was partially offset by a decrease in data processing and other contractual services of \$4,000.

Personnel Data

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>
Regular Positions	8.00	8.00	8.00	0.00
Contractual FTEs	<u>0.40</u>	<u>0.40</u>	<u>0.40</u>	<u>0.00</u>
Total Personnel	8.40	8.40	8.40	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions

0.00 0.00%

Positions and Percentage Vacant as of 12/31/14

n/a n/a

Note: Numbers may not sum to total due to rounding.

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- The fiscal 2016 allowance includes no new regular positions or contractual full-time equivalents.
- As of December 31, 2014, MTC had no vacant positions.

Analysis in Brief

Major Trends

Timeliness of Appeals Processing Lags: MTC experienced an increase in the median number of days it takes to close an appeal and a corresponding decrease in the percentage of appeals processed in the eight-month standard.

Number of Appeals to Circuit Court Increases: Although overall MTC reduces the burden on the circuit courts, there was a 36% increase in cases appealed.

Recommended Actions

1. Concur with Governor's allowance.

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Maryland Tax Court

Operating Budget Analysis

Program Description

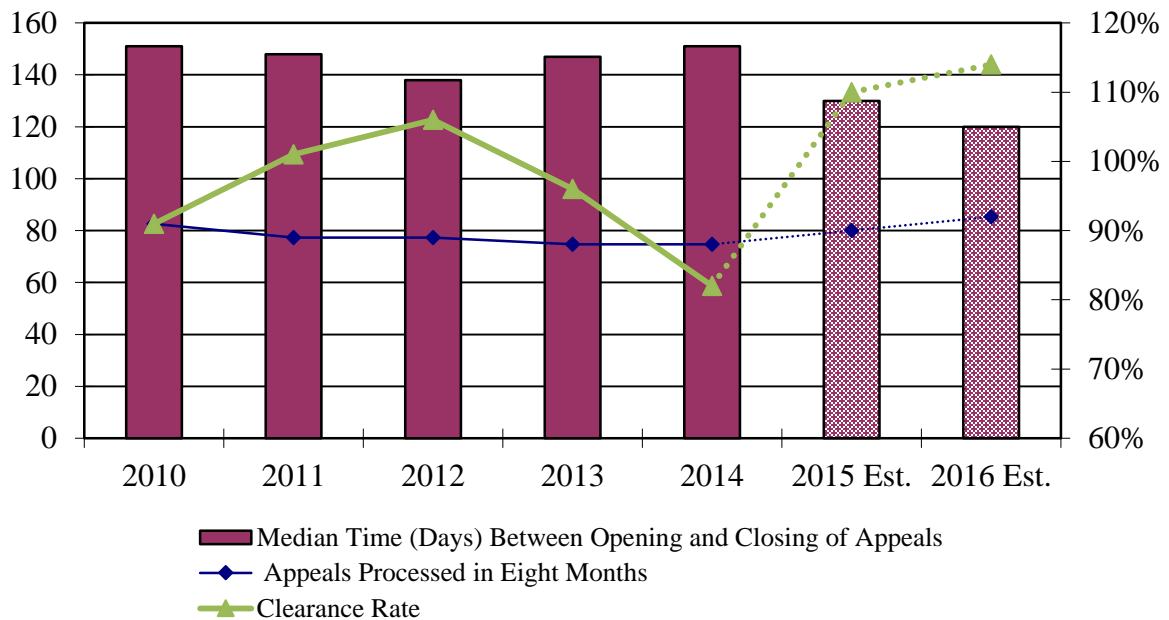
The Maryland Tax Court (MTC) has jurisdiction to hear appeals from the decision, determination, or order of any final assessing or taxing authority of the State, or of any agency, department, or political subdivision thereof, and to assess anew, abate, modify, change or alter any valuation, assessment, classification, tax, or appealed final order. Decisions of the Comptroller, Property Tax Assessment Appeals Boards (PTAAB), and local collectors are among those appealed to the court. Appeals concerning State and local taxes are heard by a single judge or a panel of judges. MTC is composed of 5 part-time judges appointed for six-year terms by the Governor. Real property tax appeals may be heard in Baltimore City or within the counties where the appeals arise. All decisions of the court are subject to appeal. MTC's goal is to provide the taxpayer and taxing authority with efficient and fair hearings regarding any tax issue.

Performance Analysis: Managing for Results

1. Timeliness of Appeals Processing Lags

MTC's Managing for Results performance measures indicate a slight lag in performance. As shown in **Exhibit 1**, the median number of days between the opening and closing of appeals cases increased from 138 in fiscal 2012 to 147 days in fiscal 2013 and remained high at 151 days in 2014. MTC experienced a 19% increase in the appeals filed from 1,119 in fiscal 2013 to 1,328 in fiscal 2014, and this increase in appeals partially explains why MTC closed only 88% of cases within the eight-month standard period, falling just short of the benchmark of 90%. It is notable that during fiscal 2013 and 2014, the percentage of cases closed within eight months remained constant despite the increase in appeals filed. MTC attributes this to a result of concentrating more resources on real property appeals, rapidly scheduling real property appeals, and achieving faster resolution of real property appeals. MTC notes that the increase in median number of days is attributable to the concentration on real property appeals. By focusing on real property appeals, the special tax cases (income, sales, admission, estate, inheritance, motor fuel, *etc.*) are not scheduled as quickly, and when they are scheduled, due to their complexity, usually require more preparation, trial, and post-trial time. Real property cases were heard and decided in an average of 137 days, whereas, income tax appeals, for example, took an average of 171 days, skewing the overall median. MTC also experienced a five-year low in clearance rate (the number of cases disposed/total cases filed), with a rate of 82% in fiscal 2014, 8 percentage points below the benchmark of 90%, likely due to the increase in appeals which limited the benefit of the above mentioned procedural changes made for improving real property appeals processing.

Exhibit 1
Percentage of Cases Closed and the Median Number of
Days to Close Appeals
Fiscal 2010-2016 Est.



Source: Maryland Tax Court

2. Number of Appeals to Circuit Court Increases

The goal of the appeals process is to reduce the burden on the courts; therefore, the effectiveness of the appeals process may be measured by the number of cases that are resolved at each level of appeals or that continue to the next level. Property valuations may first be appealed to the State Department of Assessments and Taxation (SDAT). The homeowner may subsequently appeal the SDAT decision to PTAAB, MTC, and finally the circuit courts. **Exhibit 2** shows the number of appeals over an eight-year period (fiscal 2009-2016) for primary, secondary, and tertiary appeals, as well as cases that reach appeal to the circuit court. Primary and tertiary appeals of property valuations decreased in fiscal 2013, likely attributable to improved economic conditions and the assessment process, while secondary appeals to PTAAB increased slightly. There are still a substantial number of appeals rising to the MTC level, but as Exhibit 2 demonstrates, the appeals process as a whole continues to reduce the burden on the courts by resolving a majority of cases before they reach the circuit court. There was an increase in appeals to the circuit court from 22 in fiscal 2013 to 30 in fiscal 2014, but appeals to the circuit court still only account for much less than 1 percent of all appeals of Maryland property valuations.

Exhibit 2
Appeals of Maryland Property Valuation
Fiscal 2009-2016 Est.

<u>Level of Appeal</u>	<u>Agency</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Est. 2015</u>	<u>Est. 2016</u>
Primary	SDAT	58,348	56,405	50,613	45,151	29,670	33,844	35,000	35,000
Secondary	PTAAB*	19,520	15,231	13,684	12,670	12,723	12,500	11,500	11,000
Tertiary	Maryland Tax Court	1,258	1,510	1,458	1,515	1,119	1,328	1,320	1,100
Judicial Relief	Circuit Court	31	29	21	22	22	30	30	30

PTAAB: Property Tax Assessment Appeals Boards
SDAT: State Department of Assessments and Taxation

*PTAAB numbers are calculated on a calendar year basis. Hence, 2014 is only an estimated number.

Source: State Department of Assessments and Taxation; Property Tax Assessment Appeals Boards; Maryland Tax Court

Fiscal 2015 Actions

Cost Containment

On January 7, 2015, the Board of Public Works implemented a 2% across-the-board reduction in general funds as fiscal 2015 cost containment. MTC's share of the reduction was \$12,186, as shown in **Exhibit 3**. The agency intends to implement the reduction through delaying an intended website update and recognizing the savings of purchasing equipment for a planned new courtroom audio software systems in a prior fiscal year.

The agency should comment on the impact this reduction will have on operations.

Exhibit 3
Fiscal 2015 Reconciliation
(\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Legislative Appropriation with Budget Amendments		\$609	\$0	\$0	\$0	\$609
Working Appropriation		\$609	\$0	\$0	\$0	\$609
January BPW	2% across-the-board reduction.	-12	0	0	0	-12
Across the Board						
Total Actions Since January 2015		-\$12	\$0	\$0	\$0	-\$12
Adjusted Working Appropriation		\$597	\$0	\$0	\$0	\$597

BPW: Board of Public Works

Source: Department of Legislative Services

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2016 allowance increases \$10,570, or 1.8%, when adjusted for contingent and across-the-board reductions.

Exhibit 4 Proposed Budget Maryland Tax Court (\$ in Thousands)

How Much It Grows:	General Fund	Total
Fiscal 2014 Actual	\$568	\$568
Fiscal 2015 Working Appropriation	597	597
Fiscal 2016 Allowance	<u>608</u>	<u>608</u>
Fiscal 2015-2016 Amt. Change	\$11	\$11
Fiscal 2015-2016 Percent Change	1.8%	1.8%

Where It Goes:

Personnel Expenses

Increments and other compensation (prior to cost containment)	\$4
Employee and retiree health insurance	15
Employee retirement	6
Turnover adjustments.....	-1
Section 20: abolition of prior year 2% general salary increase.....	-8
Section 21: abolition of employee increments	-2

Other Changes

Office equipment	3
Refinish courtroom tables	2
Statewide allocation for new budget system.....	1
Hardware upgrades and database replacement	-2
New courtroom audio recording software	-3
Other	-3
Section 19: difference in 2% across-the-board reduction	-1

Total	\$11
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Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Cost Containment

In fiscal 2016, the Administration has implemented several across-the-board reductions. This includes a general 2% reduction, elimination of employee increments, and a revision to the salary plan, which reflects the abolition of the 2% general salary increase provided on January 1, 2015. This agency's share of these reductions is \$23,259.

MTC should comment on how the proposed contingent reductions will be implemented and the impact these reductions will have on operations.

Personnel

The largest personnel-related increase was a net increase of \$15,365 for health insurance premiums, followed by a \$6,196 increase in contribution to the employees' retirement system. Increments and other compensation account for a \$3,826 increase, though this amount is reduced due to the cost containment actions noted above. Costs for turnover expectancy decreased by \$870.

Other

Other changes in spending include an increase of \$3,244 to replace aging desk chairs and \$1,600 to refinish courtroom tables. A total of \$1,039 was also allocated to cover the new statewide budget system. These increases were offset by \$1,866 in savings achieved with a new contract for hardware upgrades and database conversion/replacement and \$3,200 in savings due to reduced service contract costs for new courtroom audio recording software.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Tax Court (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2014					
Legislative Appropriation	\$605	\$0	\$0	\$0	\$605
Deficiency Appropriation	-21	0	0	0	-21
Budget Amendments	7	0	0	0	7
Reversions and Cancellations	-24	0	0	0	-24
Actual Expenditures	\$568	\$0	\$0	\$0	\$568
Fiscal 2015					
Legislative Appropriation	\$605	\$0	\$0	\$0	\$605
Cost Containment	0	0	0	0	0
Budget Amendments	4	0	0	0	4
Working Appropriation	\$609	\$0	\$0	\$0	\$609

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

The Maryland Tax Court finished fiscal 2014 \$37,471 below its legislative appropriation. Retirement contributions were reduced by \$7,446, and health care contributions were reduced by \$11,633 through deficiency appropriations. A total of \$2,031 was reduced for restricted contribution to the Statewide Personnel System and \$23,608 in general funds were reverted. Amendments for the cost-of-living adjustment (COLA) and salary increment increased the appropriation by \$7,247.

Fiscal 2015

To date, \$4,495 has been added through budget amendments to the legislative appropriation for fiscal 2015 to cover the cost of the fiscal 2015 COLA.

Audit Findings

Audit Period for Last Audit:	February 3, 2010 – February 19, 2013
Issue Date:	May 2013
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: MTC did not always hear and determine residential property tax assessment appeals within 90 days of receipt of the appeals, as required by State law.

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
Maryland Tax Court**

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	8.00	8.00	8.00	0.00	0%
02 Contractual	0.40	0.40	0.40	0.00	0%
Total Positions	8.40	8.40	8.40	0.00	0%
Objects					
01 Salaries and Wages	\$ 521,163	\$ 539,824	\$ 564,814	\$ 24,990	4.6%
02 Technical and Spec. Fees	2,006	7,844	7,440	-404	-5.2%
03 Communication	5,828	6,826	6,881	55	0.8%
04 Travel	1,720	2,000	2,000	0	0%
08 Contractual Services	20,025	34,096	30,324	-3,772	-11.1%
09 Supplies and Materials	9,089	9,300	9,250	-50	-0.5%
10 Equipment – Replacement	6,648	7,800	8,644	844	10.8%
13 Fixed Charges	1,536	1,640	1,620	-20	-1.2%
Total Objects	\$ 568,015	\$ 609,330	\$ 630,973	\$ 21,643	3.6%
Funds					
01 General Fund	\$ 568,015	\$ 609,330	\$ 630,973	\$ 21,643	3.6%
Total Funds	\$ 568,015	\$ 609,330	\$ 630,973	\$ 21,643	3.6%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

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