

C85E00
Maryland Tax Court

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$594	\$645	\$628	-\$17	-2.6%
Adjustments	0	0	-2	-2	
Adjusted General Fund	\$594	\$645	\$626	-\$19	-2.9%
Adjusted Grand Total	\$594	\$645	\$626	-\$19	-2.9%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- Maryland Tax Court's (MTC) allowance decreased by 2.8%, or \$19,000, reflecting lower costs for shared services.
- Personnel expenditures decreased \$8,536, while the largest reduction can be found in contractual services, chiefly for shared services.

Personnel Data

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>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 12/31/16	n/a	n/a

- As of December 31, 2016, MTC had no vacant positions.

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

For further information contact: Darica S. Lawson

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Timeliness of Appeals: There was a slight increase in the median number of days between opening and closing of real property valuation appeals and all other appeals.

MTC Reduces Circuit Court Burden: While the number of cases appealed to circuit courts has increased by 45%, overall, less than 1% of MTC appeals are heard by circuit courts.

Issues

Database Management System: MTC may require a major information technology initiative if its current Paradox Software used for daily operations becomes obsolete. **MTC should comment on its current hardware system’s upgrade schedule and plans to implement a new database management system. The Department of Legislative Services recommends the adoption of committee narrative to request a report on the schedule and cost associated with an upgrade.**

Recommended Actions

1. Adopt committee narrative requesting a report on information technology needs.

C85E00
Maryland Tax Court

Operating Budget Analysis

Program Description

The Maryland Tax Court (MTC) has jurisdiction to hear appeals from taxing authorities of Maryland. Decisions of the Comptroller, the Property Tax Assessment Appeal Boards (PTAAB), and local collectors are among those appealed to the court. MTC is composed of five part-time judges appointed for six-year terms by the Governor. 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

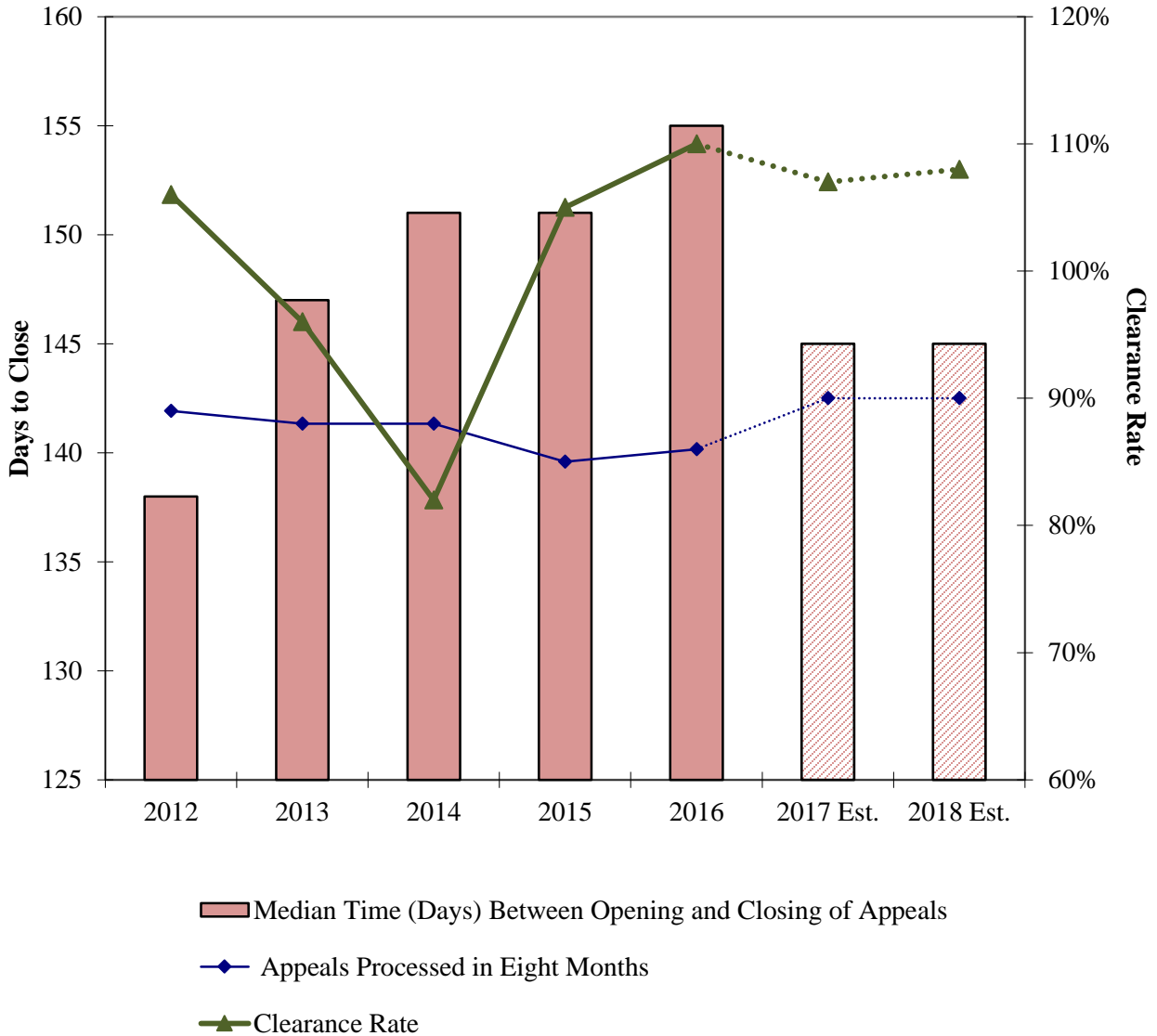
1. Timeliness of Appeals

MTC has two principle metrics: the median number of days that it takes to close an appeal and the percentage of appeals closed within 12 months. **Exhibit 1** shows that all appeals, excluding real property valuation appeals, moved the median time between open and closing appeals from 151 days to 155 days in fiscal 2015 and 2016, respectively. This slight increase has not affected MTC's clearance rate, which increased from 105% in fiscal 2015 to 110% in fiscal 2016. MTC has surpassed the benchmark for this measure that is expected to reach a minimum of 90% for fiscal 2017, and beyond.

2. MTC Reduces Circuit Court Burden

The goal of the appeals process is to reduce the burden on the courts; 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 for primary, secondary, and tertiary appeals, as well as cases that reach the circuit court. In fiscal 2015, the number of appeals that reached the circuit court had decreased from 30 to 20; 88% of the cases that were affirmed by appellate courts. While there was a 45% increase in the number of cases appealed to circuit courts in fiscal 2016, this accounts for less than 1% of MTC appeals.

Exhibit 1
Percentage of Cases Closed and the Median Number of Days to Close Appeals
Fiscal 2012-2018 Est.



Source: Maryland Tax Court

Exhibit 2
Appeals of Maryland Property Valuations
Fiscal 2012-2018 Est.

<u>Level of Appeal</u>	<u>Agency</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Est. 2017</u>	<u>Est. 2018</u>
Primary	SDAT							
	Notices Sent	737,387	678,666	749,637	750,967	689,463	n/a	n/a
	Number of Appeals	30,202	18,654	16,345	24,855	21,760	n/a	n/a
Secondary	PTAAB*	12,670	12,723	12,500	15,833	15,000	13,000	11,000
Tertiary	Maryland Tax Court	1,515	1,119	1,328	1,337	1,168	1,600	1,400
Judicial Relief	Circuit Court	22	22	30	20	29	25	24

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

* PTAAB numbers are calculated on a calendar year basis. Hence, fiscal 2016 is only an estimated number.

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

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2018 allowance decreases by \$19,000, or 2.9%. This is mainly due to adjustments for contractual services offered through the State including shared human resources and technology services. There was also a reduction in salaries and wages totaling over \$8,000. There is an across-the-board pension reduction throughout the State.

Across-the-board Reductions

The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is \$2,030 in general funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

**Exhibit 3
Proposed Budget
Maryland Tax Court
(\$ in Thousands)**

How Much It Grows:	General Fund	Total
Fiscal 2016 Actual	\$594	\$594
Fiscal 2017 Working Appropriation	645	645
Fiscal 2018 Allowance	<u>626</u>	<u>626</u>
Fiscal 2017-2018 Amount Change	-\$19	-\$19
Fiscal 2017-2018 Percent Change	-2.9%	-2.9%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	-\$7
Salary adjustments	-2
Pension.....	-1
Other	-1

Other Changes

Contractual payroll	4
Contract services.....	-13

Total	-\$19
--------------	--------------

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

Issues

1. Database Management System

MTC has a hardware agreement with the Maryland Department of Planning (MDP). During the last purchase, MDP projected that MTC's Paradox Software may not be compatible with future operating systems. The in-house software dates back to 1996 and is utilized for daily operations at MTC. **MTC should comment on its current hardware system's upgrade schedule and plans to implement a new database management system. The Department of Legislative Services recommends the adoption of committee narrative to request a report on the schedule and cost associated with an upgrade.**

Recommended Actions

1. Adopt the following narrative:

Report on Maryland Tax Court’s Current Hardware Systems Upgrade Schedule and Plan for Database Management System Implementation: Given Maryland Tax Court’s (MTC) role as the highest administrative level in the State and local tax-related appeals process and its ability to reduce the burden on the courts, the committees request that MTC report on its current hardware upgrade schedule, compatibility of current software with the next upgrade, and formal estimate for the cost of forward compatible software.

Information Request	Author	Due Date
MTC information technology upgrade plan	MTC	December 1, 2017

Appendix 1
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 2016					
Legislative Appropriation	\$604	\$0	\$0	\$0	\$604
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	8	0	0	0	8
Reversions and Cancellations	-19	0	0	0	-19
Actual Expenditures	\$594	\$0	\$0	\$0	\$594
Fiscal 2017					
Legislative Appropriation	\$643	\$0	\$0	\$0	\$643
Cost Containment	0	0	0	0	0
Budget Amendments	3	0	0	0	3
Working Appropriation	\$645	\$0	\$0	\$0	\$645

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The Maryland Tax Court (MTC) completed fiscal 2016 \$10,576 below its legislative appropriation. This was due to a vacancy for a courtroom clerk that was left vacant for six months. It should be noted that MTC relies on shared personnel services for acquiring new employees. There was a budget amendment in the amount of \$8,000 that increased the General Fund for a 2% State salary adjustment.

Fiscal 2017

There was \$642,624 appropriated in fiscal 2017. A general fund budget amendment provided an additional \$2,606 to reallocate employee increments, which had been centrally budgeted in the Department of Budget and Management.

**Appendix 2
Object/Fund Difference Report
Maryland Tax Court**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 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	\$ 549,747	\$ 581,497	\$ 572,961	-\$ 8,536	-1.5%
02 Technical and Spec. Fees	2,889	7,440	11,844	4,404	59.2%
03 Communication	6,920	7,733	7,569	-164	-2.1%
04 Travel	1,585	2,400	2,109	-291	-12.1%
08 Contractual Services	17,591	35,200	21,949	-13,251	-37.6%
09 Supplies and Materials	11,385	9,450	10,360	910	9.6%
10 Equipment – Replacement	1,701	0	0	0	0.0%
13 Fixed Charges	1,788	1,510	1,510	0	0%
Total Objects	\$ 593,606	\$ 645,230	\$ 628,302	-\$ 16,928	-2.6%
Funds					
01 General Fund	\$ 593,606	\$ 645,230	\$ 628,302	-\$ 16,928	-2.6%
Total Funds	\$ 593,606	\$ 645,230	\$ 628,302	-\$ 16,928	-2.6%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.