

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

Good afternoon Council President Huckler, 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.