

E90G
Registers of Wills

Operating Budget Data

(\$ in Thousands)

	FY 06	FY 07	FY 08	FY 07-08	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	<u>\$0</u>	<u>\$25</u>	<u>\$25</u>	<u>\$0</u>	<u>0.0%</u>
Total Funds	<u>\$0</u>	<u>\$25</u>	<u>\$25</u>	<u>\$0</u>	<u>0.0%</u>

- The fiscal 2008 allowance is \$25,000 in general funds, representing no change from the fiscal 2007 working appropriation.

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

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Analysis in Brief

Issues

Revenues Decline as Expenditures Rise: As a result of legislative changes, a greater number of Registers of Wills (ROW) are experiencing deficits.

Recommended Actions

	<u>Funds</u>
1. Delete funds for Registers of Wills' deficiencies.	\$ 25,000
Total Reductions	\$ 25,000

Updates

Salary Increases for New Term: The legislature approved legislation in the 2005 session increasing the maximum salary that may be paid to ROWs from \$85,000 to \$98,500. In response, the Board of Public Works approved a new salary schedule for ROWs for the 2006 through 2010 term of office.

E90G Registers of Wills

Operating Budget Analysis

Program Description

In each jurisdiction, Registers of Wills (ROW) are responsible for the administration of estates by providing proper forms and direction, assisting, and advising any person who requests assistance in the preparation of a form for administrative probate, admitting wills to probate, issuing Letters of Administration, auditing accounts, and maintaining accurate records of all estate matters. Registers are not allowed to provide legal advice.

Registers take in revenues from inheritance taxes and processing fees. These revenues are used to pay the operating costs of the offices. Excess revenues are reverted to the general fund. Fiscal 2006 revenue and expense information for ROW offices appears in **Appendix 4**. In the event that expenditures exceed revenues, the Comptroller can provide a deficiency supplement that is appropriated by the General Assembly or authorize the retention of additional inheritance taxes.

The Comptroller verifies the bond of the registers, sets salaries, approves procurements, audits receipts, and administers the State supplement. Historically, this budget reflects the Comptroller's estimate of funding needed to cover salaries and operating expenditures at the beginning of each fiscal year. Funds not used for this purpose are reverted to the general fund.

Governor's Proposed Budget

As shown in **Exhibit 1**, the Governor's fiscal 2007 allowance is \$25,000 in general funds. This marks the third year in which funding remains at this level. Some individual ROWs experience temporary deficiencies at the beginning of each fiscal year before inheritance tax revenue is generated. The appropriation was originally designed for this purpose.

Exhibit 1
Governor’s Proposed Budget
Registers of Wills
(\$ in Thousands)

How Much It Grows:	General Fund	Total
2007 Working Appropriation	\$25	\$25
2008 Governor’s Allowance	<u>25</u>	<u>25</u>
Amount Change	\$0	\$0
Percent Change	0.0%	0.0%

Exhibit 2 shows the ROWs appropriation and expenditure history. Beginning in fiscal 2003, the Comptroller was enabled, through changes to its accounting system, to provide for ROWs deficiencies by allowing a deficit to run in its accounts. As such, the appropriation in fiscal 2004 did not need to be tapped. In fact, draws on the appropriation will likely not occur again given the new system of accounting.

Exhibit 2
Registers of Wills Expenditure History
Fiscal 2000-2006

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Actual Expenditures</u>
2006	\$25,000	\$0
2005	75,000	0
2004	75,000	0
2003	75,000	10,000
2002	75,000	59,116
2001	75,000	18,539
2000	75,000	75,000

Source: Department of Legislative Services

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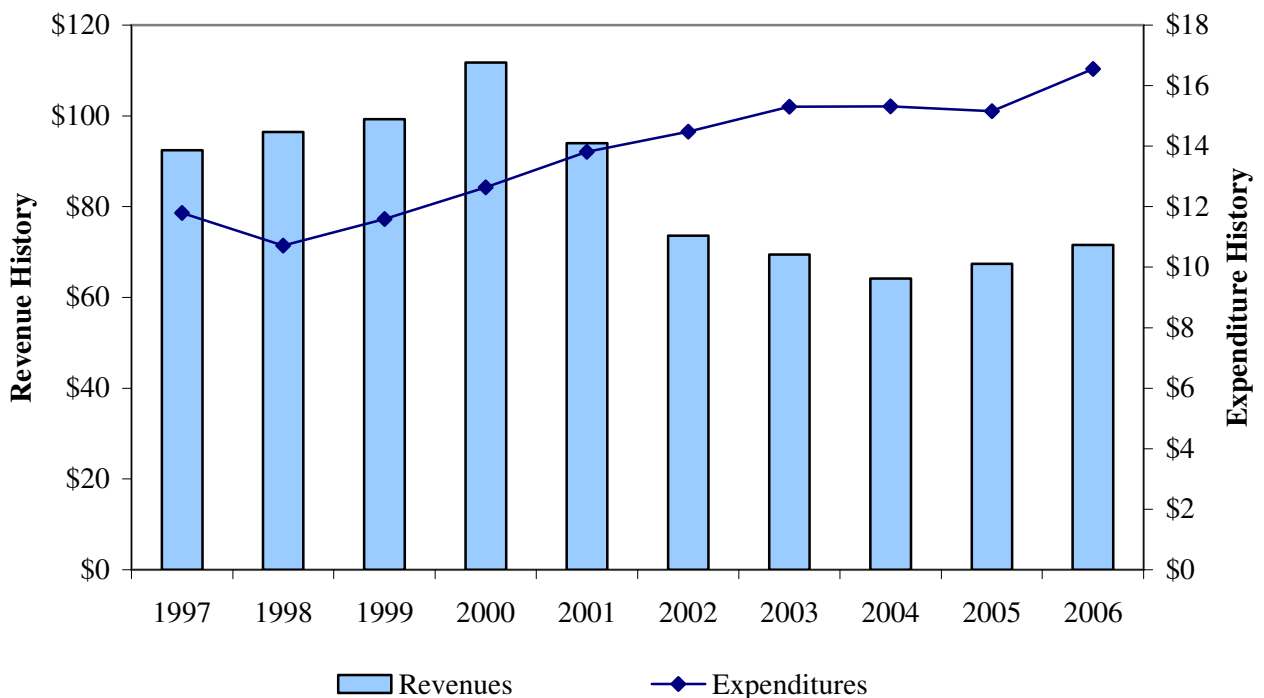
As shown in **Appendix 4**, ROWs offices in 12 local jurisdictions could not meet their operating expenses from the inheritance tax revenues retained by their offices. Section 2-205 of the Estates and Trusts Article provides that if the fees and receipts of any ROWs are insufficient in any year to pay all or any part of the authorized salaries and expenses of all ROWs, the deficiency shall be funded from the taxes remitted to the Comptroller of the Treasury by the register during that fiscal year. In the event that tax collections for the fiscal year are insufficient, the Comptroller shall make up the deficit from excess fees remitted from all other registers. The revenues from the non-deficit counties more than make up that difference. In fiscal 2006, net excess revenues were approximately \$6.8 million.

Issues

1. Revenues Decline as Expenditures Rise

Chapter 497 of 2000 exempted from the inheritance tax property that passes from a decedent to lineal relatives (*e.g.*, parents, grandparents, spouses, and children) and siblings of a decedent or to a corporation owned by these relatives. As a result, total revenues collected by ROWs fell significantly beginning in fiscal 2002. **Exhibit 3** shows that total collections from taxes and fees has declined in the last 10 years by almost 3% annually. In this time frame, expenditures of ROWs have grown about 3.4% annually. Accordingly, local ROWs are experiencing deficits at a greater rate. In fiscal 1997, 4 ROWs posted a year-end deficit compared to 12 in fiscal 2006. However, as discussed in this analysis, net revenues statewide are currently more than sufficient to mitigate deficits.

Exhibit 3
ROW Revenue and Expenditure History
Fiscal 1997-2006
(\$ in Millions)



Source: Comptroller of the Treasury

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Maryland statute allows ROWs a 25% commission on the inheritance tax collected. In light of reduced revenues, rising expenditures, and an increased number of ROWs in deficit, an evaluation of the appropriate level of commission should be considered.

A representative of ROWs should discuss the sustainability of ROWs financing structure given rising expenditures and reduced revenues.

Recommended Actions

	<u>Amount Reduction</u>	
1. Delete funds for Registers of Wills' deficiencies. The appropriation is unnecessary as any local deficiencies are funded solely through the excess fees and revenues remitted to the Comptroller of the Treasury.	\$ 25,000	GF
Total General Fund Reductions	\$ 25,000	

Updates

1. Salary Increases for New Term

In October 2006, the Board of Public Works (BPW) approved an increase in the salaries of the Registers of Wills for the 2006 through 2010 term of office. The legislature approved legislation in the 2005 session increasing the maximum salary that may be paid to the Registers of Wills (Chapter 138 of 2005) from \$85,000 to \$98,500. The Registers of Wills are “term officials,” and under the State constitution they receive the salary and compensation approved for the term of office before they assume office. While the permissible range of salaries is set by statute, BPW determines the annual salary of each register of wills. **Exhibit 4** details the previous salary schedule and the newly approved salary schedule for each jurisdiction.

In determining the salary of a register of wills, BPW considered:

- the population of the county determined by the last official U. S. census;
- the dollar volume of total fees and taxes collected and excess fees turned over to the State for each of the preceding five years by the office of the register for which the salary is being fixed; and
- other pertinent data which have relation to the reasonableness of the salary in relation to the work done and volume handled by the office.

Exhibit 4
Registers of Wills Salaries

<u>Jurisdiction</u>	<u>2002-2006</u>	<u>2006-2010</u>
Caroline	\$74,300	\$86,100
Garrett	74,300	86,100
Kent	74,300	86,100
Somerset	74,300	86,100
Allegany	78,300	90,700
Calvert	78,300	90,700
Cecil	78,300	90,700
Dorchester	78,300	90,700
Queen Anne's	78,300	90,700
St. Mary's	78,300	90,700
Talbot	78,300	90,700
Wicomico	78,300	90,700
Worcester	78,300	90,700
Carroll	81,000	93,900
Charles	81,000	93,900
Frederick	81,000	93,900
Harford	81,000	93,900
Howard	81,000	93,900
Washington	81,000	93,900
Anne Arundel	85,000	98,500
Baltimore County	85,000	98,500
Montgomery	85,000	98,500
Prince George's	85,000	98,500
Baltimore City	85,000	98,500

Source: Board of Public Works

Current and Prior Year Budgets

Current and Prior Year Budgets Registers of Wills (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2006					
Legislative Appropriation	\$25	\$0	\$0	\$0	\$25
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-25	0	0	0	-25
Actual Expenditures	\$0	\$0	\$0	\$0	\$0
Fiscal 2007					
Legislative Appropriation	\$25	\$0	\$0	\$0	\$25
Budget Amendments	0	0	0	0	0
Working Appropriation	\$25	\$0	\$0	\$0	\$25

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

Audit Findings

Audit Period for Last Audit:	May 20, 2002 – May 2, 2006
Issue Date:	September 2006
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

The Office of Legislative Audits (OLA) audits each of the jurisdictions separately. The summary presented here is for the audit of the Register of Wills in Caroline County.

Finding 1: Independent verifications were not performed to ensure that recorded collections were subsequently deposited.

In 2006, OLA also released audit reports on the Registers of Wills in Calvert County (June), Charles County (September), Dorchester County (July), Kent County (June), Montgomery County (August), and Queen Anne’s County (November) and reported no findings for any of these counties.

**Object/Fund Difference Report
Registers of Wills**

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07 - FY08 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 0	\$ 25,000	\$ 25,000	\$ 0	0%
Total Objects	\$ 0	\$ 25,000	\$ 25,000	\$ 0	0%
Funds					
01 General Fund	\$ 0	\$ 25,000	\$ 25,000	\$ 0	0%
Total Funds	\$ 0	\$ 25,000	\$ 25,000	\$ 0	0%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Registers of Wills
Revenues and Expenditures
Fiscal 2006**

<u>Register of Wills</u>	<u>FY 2006 Total Receipts</u>	<u>FY 2006 Tax Remitted to General Fund</u>	<u>Revenues Retained by Register</u>	<u>Total Operating Expenses</u>	<u>Excess Fees of Office</u>
County					
Allegany	\$643,031	\$416,624	\$226,407	\$396,210	-\$169,803
Anne Arundel	4,768,886	3,141,212	1,626,009	1,228,241	397,768
Baltimore	15,657,931	10,659,797	4,992,125	2,214,137	2,777,988
Calvert	934,644	625,755	306,210	353,920	-47,710
Caroline	284,597	147,012	137,553	297,238	-159,685
Carroll	2,261,566	1,538,671	722,718	361,224	361,494
Cecil	746,893	481,695	265,198	387,376	-122,178
Charles	811,743	515,327	296,300	478,714	-182,414
Dorchester	711,754	492,080	219,674	262,922	-43,248
Frederick	3,550,852	2,462,276	1,086,646	514,373	572,273
Garrett	255,120	163,211	91,910	266,816	-174,906
Harford	2,641,091	1,789,417	851,674	471,303	380,371
Howard	1,770,790	1,166,666	604,124	496,044	108,080
Kent	743,536	510,467	233,063	232,038	1,025
Montgomery	18,091,345	12,620,759	5,461,594	2,497,110	2,964,484
Prince George's	4,932,388	3,164,651	1,750,482	1,821,996	-71,514
Queen Anne's	817,210	558,194	258,875	356,088	-97,213
St. Mary's	650,500	403,753	246,747	360,450	-113,703
Somerset	238,477	163,233	75,244	237,318	-162,074
Talbot	1,576,735	1,084,623	491,957	365,399	126,558
Washington	2,705,062	1,847,939	857,106	424,084	433,022
Wicomico	841,175	542,647	298,523	454,571	-156,048
Worcester	948,637	639,002	309,635	304,512	5,123
Baltimore City	5,896,993	3,960,407	1,935,935	1,770,708	165,227
Total	\$72,480,956	\$49,095,418	\$23,345,709	\$16,552,792	\$6,792,917