

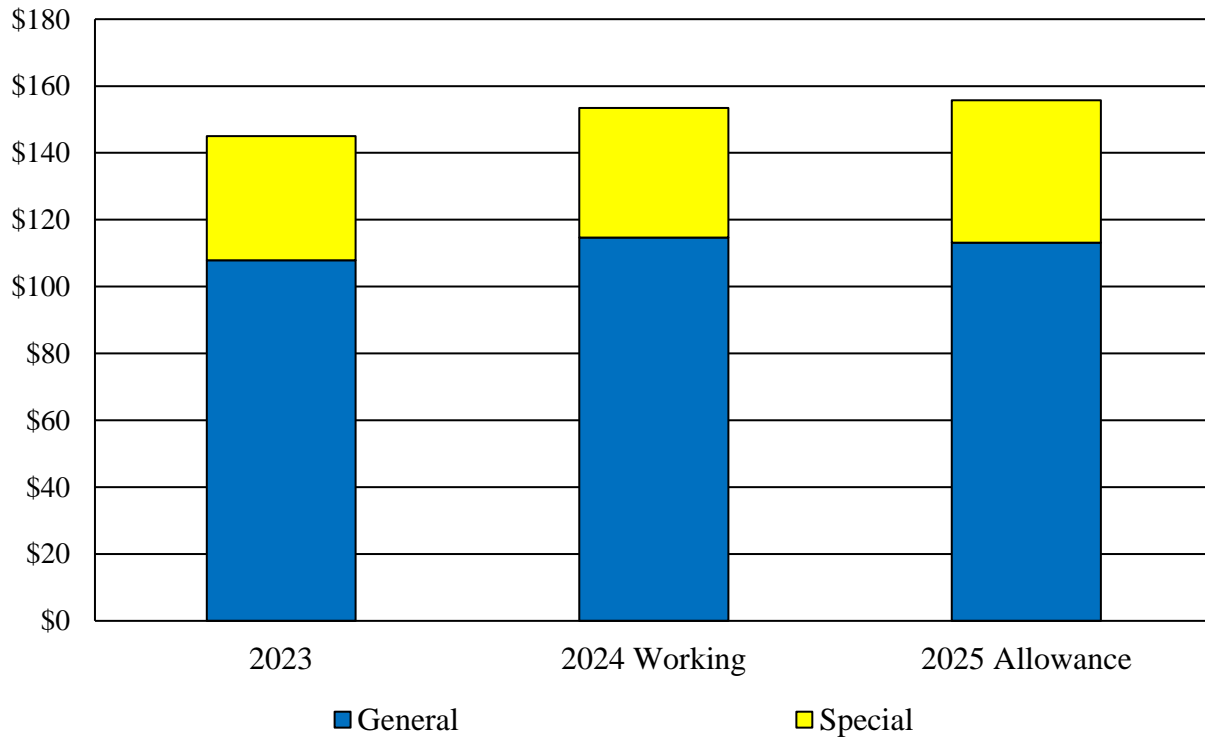
E50C
State Department of Assessments and Taxation

Executive Summary

The State Department of Assessments and Taxation (SDAT) is responsible for conducting property assessments statewide, administering property tax credit programs, and processing business filings in the State.

Operating Budget Summary

**Fiscal 2025 Budget Increases \$2.4 Million, or 1.5%, to \$155.8 Million
(\$ in Millions)**



Note: The fiscal 2024 working appropriation includes deficiencies and planned reversions. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

For further information contact: Samantha M. Tapia

Samantha.Tapia@mlis.state.md.us

- The fiscal 2025 budget net increase of approximately \$2.4 million compared to the fiscal 2024 working appropriation is driven by an increase of \$3 million for Homeowners' Tax Credits (HTC), approximately \$3.4 million for new and existing information technology (IT) projects and services, and approximately \$1.4 million in salary and benefit increases. This spending growth is partially offset by a decrease of \$5.1 million due to one-time costs in fiscal 2024 for an audit of the Homestead Tax Credit (HST).

Key Observations

- ***Certain Assessment Timeliness and Accuracy Measures Worsen in Fiscal 2023:*** The percentage of personal property returns assessed by October 31 improved by 8 percentage points in fiscal 2023 while the percentage of local assessable base assessed by the same date decreased by six percentage points. Assessment accuracy also fell from 90.7% in fiscal 2022 to 90.2% in fiscal 2023 as the assessable base increased by \$43 billion over the same period.
- ***Real Property Assessor Vacancies Remain High:*** SDAT has made progress in filling vacancies in the Real Property Valuation program, reducing the vacancy rate to 8.4% in December 2023. However, SDAT reports that training costs and remaining vacancies have ongoing negative impacts on operations.
- ***Number of Eligible HTC and Renters' Tax Credit (RTC) Recipients Remain Flat or Decrease:*** While HTC and RTC applications saw a marginal decrease and increase, respectively, the percent of eligible homeowners was nearly equal, while the percent of eligible renters decreased 13.2 percentage points.

Operating Budget Recommended Actions

1. Add language restricting funds pending quarterly reports on staffing in the Real Property Valuation program.
2. Add language restricting funds pending a report on the status of the Cloud Revenue Integrated System development project and cybersecurity needs.

E50C
State Department of Assessments and Taxation

Operating Budget Analysis

Program Description

SDAT supervises the assessment of all property in the State. The department performs assessments on one-third of all real property and personal property in the State every year and certifies to the local taxing authorities the assessment of every piece of property. The department also administers four tax credit programs:

- HST;
- HTC;
- RTC; and
- Enterprise Zone Tax Credit Program.

HST assists homeowners with large assessment increases on their principal residence to limit the increase in annual taxable assessments to a fixed percentage. The homeowners' and renters' programs provide property tax relief to all eligible homeowners and renters. The Enterprise Zone Tax Credit Program reimburses local governments for property tax credits given to businesses that are in or expand into enterprise zones.

In addition, SDAT operates the Tax Sale Ombudsman's Office, which aims to provide homeowners across the State with information, assistance, and resources to assist with the tax sale system. The Tax Sale Ombudsman's Office administers the Homeowner Protection Program, which provides loans to enrolled homeowners to avoid tax sale. SDAT also operates the Ground Rent Department, which assists in the registry and redemption of ground rent.

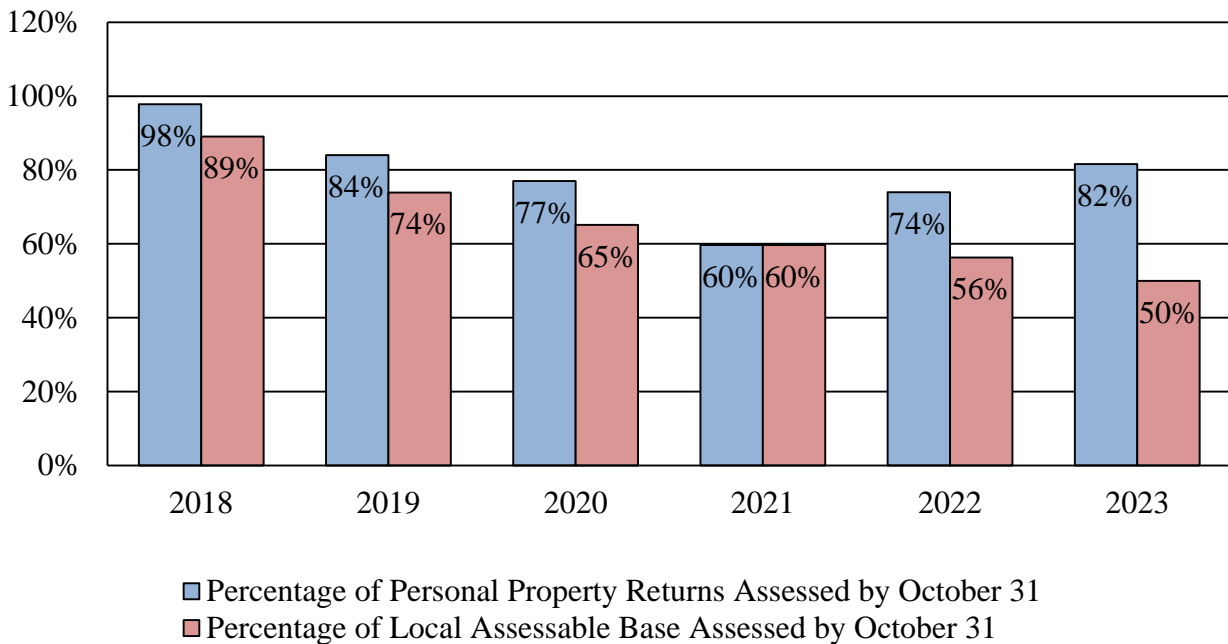
SDAT also collects public service company franchise taxes and assesses all public utility companies in the State. It serves as the filing place for businesses operating in the State and registers companies, corporations, and partnerships in Maryland and generates certificates and certified documents. The various forms that businesses must file with the department are available to the public for inspection. The goals of the department are to provide a consistently accurate property valuation system, run efficient and effective programs for property tax relief and business services, and operate convenient and professional facilities.

Performance Analysis: Managing for Results

1. Timeliness of Assessments Improves for Personal Property Returns but Not for Local Assessable Base

SDAT administers a property valuation system that assesses taxable properties across the State and processes property tax returns. The department has the stated objective of assessing tax returns accurately and promptly. **Exhibit 1** shows the percentage of personal property tax returns assessed by October 31 of each year. Personal property includes items such as computers, vehicles, and other personal objects. Low timeliness rates during the COVID-19 pandemic can be attributed to the Annual Report and Personal Property filing deadlines being pushed back from April 15 to July 15 in those years. In fiscal 2023, SDAT assessed 82% of personal property returns by the goal of October 31, compared to 74% in fiscal 2022. Although this is an improvement, this level of timely assessment remains slightly below the prepandemic rate of 84% in fiscal 2019.

Exhibit 1
Personal Property Returns and Local Assessable Base Assessed Timely
Fiscal 2018-2023



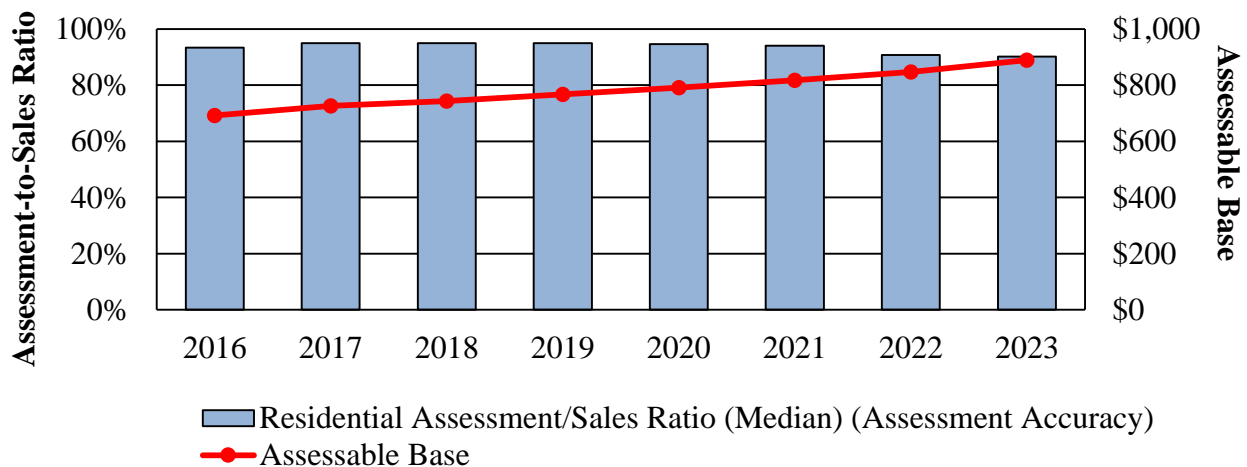
Source: Department of Budget and Management; State Department of Assessments and Taxation; Department of Legislative Services

While the percentage of personal property returns assessed in a timely manner has gradually improved since fiscal 2021, the percentage of local assessable base assessed by October 31 has consistently decreased each year over the period shown. In fiscal 2023, only half of the local assessable base was assessed in a timely manner, down from 56% in fiscal 2022. **SDAT should discuss the reasons for the decrease in the percentage of the local assessable base assessed by October 31 in recent years and describe the efforts it is taking to improve the timeliness of these assessments.**

2. Assessment Accuracy of Real Property Continues to Worsen

The accuracy of market valuation is measured as the ratio of assessed value to the sales price of the property, or the assessment-to-sales ratio. The closer the ratio is to 100%, the closer assessments are to sales prices. A ratio higher than 100% would signal assessments were higher than market value and vice versa. The recognized standard objective adopted by SDAT is a median assessment-to-sales ratio between 90% and 110%. As shown in **Exhibit 2**, from fiscal 2016 to 2021, SDAT maintained an assessment accuracy rate between 93.4% and 95%. After two years of modest decreases to 94.6% in fiscal 2020 and 94.1% in fiscal 2021, there was a larger decrease in fiscal 2022 to 90.7%. SDAT attributed the decline in fiscal 2022 to the high turnover of real property assessors in the department, as newer assessors are generally less accurate in their assessments. High turnover continued to impact operations through fiscal 2023, and assessment accuracy further decreased to 90.2%. At the same time, the assessable base has increased between 2.4% and 5.4% each year from 2016 to 2023.

Exhibit 2
Assessment Accuracy of Real Property
Fiscal 2016-2023
(\$ in Billions)



Source: Department of Budget and Management; State Department of Assessments and Taxation

Given that the department’s assessment accuracy rate is approaching the lower boundary of its 90% to 110% goal range, SDAT should provide reasons for the trend of a 95% or lower accuracy level, describe the impacts of reaching an accuracy level below 90%, and discuss efforts it is taking to improve assessment accuracy moving forward.

Fiscal 2024

Proposed Deficiency Appropriations

The Governor’s fiscal 2025 budget includes two deficiency appropriations totaling \$953,582 in general funds:

- \$638,765 in Homeowner Protection Program funding carried over from fiscal 2023 to 2024; and
- \$314,817 for increased costs in parking and rent at the new headquarters location.

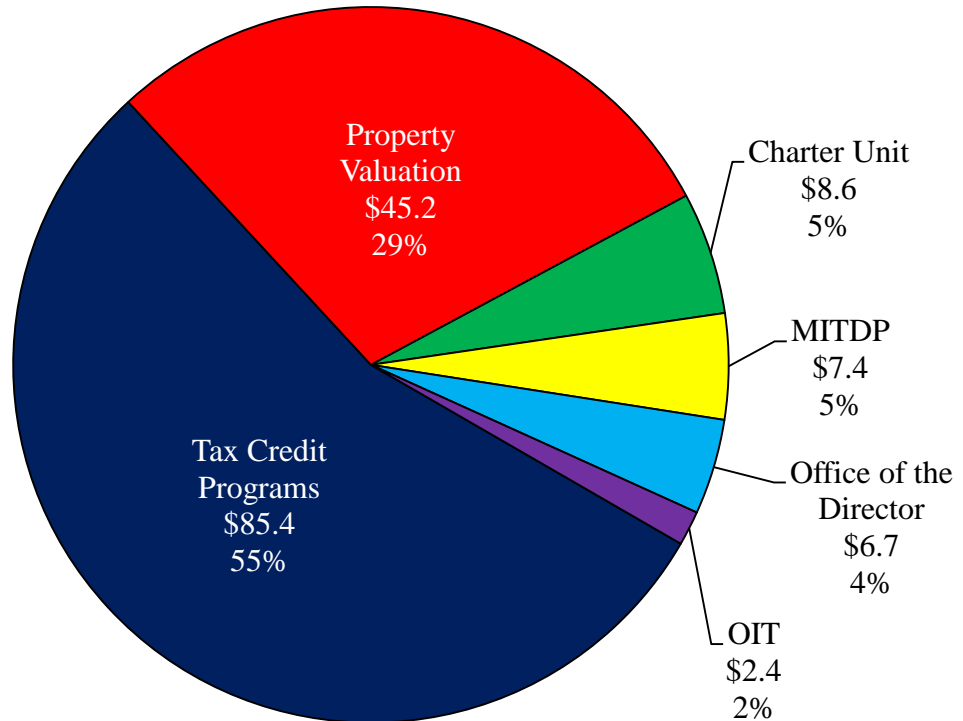
Planned Reversion

There is a planned reversion of \$11 million in general funds for the HTC program. The reversion will bring the expenditures for the agency more in line with historical spending. See Issue 2 of this analysis for additional discussion of HTC.

Fiscal 2025 Overview of Agency Spending

The fiscal 2025 allowance for SDAT totals \$155.8 million. As shown in **Exhibit 3**, the tax credit programs, which include HTC, RTC, and Enterprise Zone tax credits, account for 55% of total spending, or \$85.4 million. The two Property Valuation programs comprise the second largest share of the budget at \$45.2 million, or 29%. The four programs of the Charter Unit, Office of the Director, and IT projects and services account for the remaining 16%, or \$25.2 million, of the budget.

Exhibit 3
Overview of Agency Spending
Fiscal 2025 Allowance
(\$ in Millions)



MITDP: Major Information Technology Development Projects
OIT: Office of Information Technology

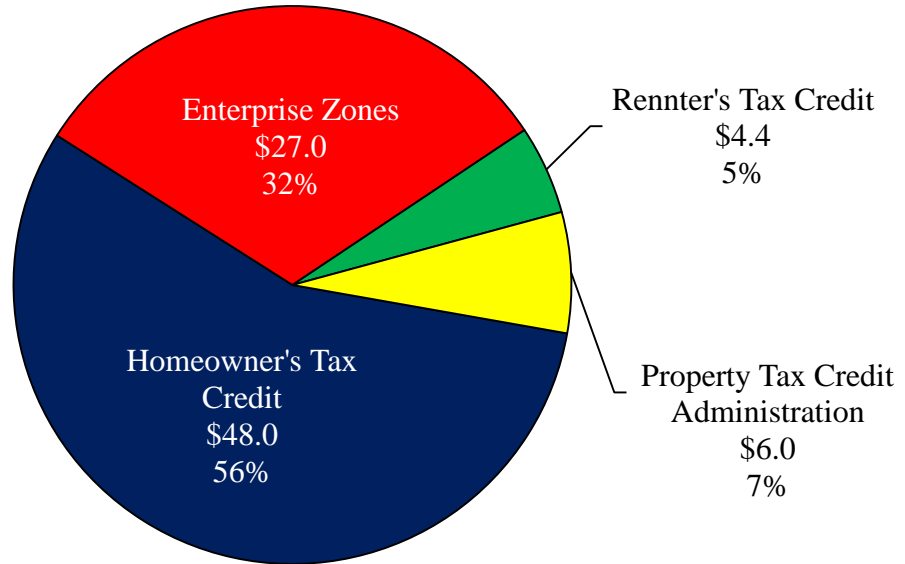
Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Department of Budget and Management

Tax Credit Breakdown

As shown in **Exhibit 4**, out of the \$85.4 million in the allowance allocated to tax credit payments and their administration, HTC accounts for over half of the total funding. Enterprise Zone credits account for 32% of spending in these programs at \$27 million. Finally, RTC is funded at \$4.4 million, or 5%, of the fiscal 2025 allowance.

Exhibit 4
Tax Credit Program Spending
Fiscal 2025 Allowance
(\$ in Millions)



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Department of Budget and Management

Proposed Budget Change

As shown in **Exhibit 5**, the fiscal 2025 allowance increases by \$2.4 million, or 1.5%, compared to the fiscal 2024 working appropriation after accounting for proposed deficiency appropriations and a planned reversion. The largest net increase in the fiscal 2025 budget is \$3.0 million added for HTC's, after accounting for a targeted reversion in fiscal 2024 of \$11 million. Additional spending increases include a net \$1.9 million in support services from the Department of Information Technology (DoIT), \$1.5 million in contractual services for the two major information technology development projects (MITDP) (more detail is provided in **Appendix 2** and **Appendix 3**), and \$1.4 million in salary increases across the agency. This is partially offset by a decrease of \$5.1 million due to a one-time cost in fiscal 2024 for an audit of HST.

Exhibit 5
Proposed Budget
State Department of Assessments and Taxation
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Total</u>
Fiscal 2023 Actual	\$107,872	\$37,193	\$145,065
Fiscal 2024 Working Appropriation	114,645	38,782	153,427
Fiscal 2025 Allowance	<u>113,156</u>	<u>42,621</u>	<u>155,777</u>
Fiscal 2024-2025 Amount Change	-\$1,489	\$3,839	\$2,350
Fiscal 2024-2025 Percent Change	-1.3%	9.9%	1.5%
 Where It Goes:			 <u>Change</u>
Personnel Expenses			
Salary increases and associated fringe benefits including fiscal 2024 cost-of-living adjustment and increments			\$2,763
Salaries and fringe benefits for 4 new regular positions			170
Other fringe benefits for personnel in the Montgomery County Real Property Valuation office			28
Workers' compensation			-66
Fiscal 2024 retirement accrued leave payouts			-288
Change in the turnover rate from 5.13% to 6.96%			-862
Other Changes			
Adjusted Homeowners' Tax Credits offset by fiscal 2024 targeted reversion			3,000
Contracts for continuation of CRIS project development.....			1,539
MAAVS Major Information Technology Development Program			1,500
Rent for headquarters move			458
Net increase in Department of Information Technology Services allocation			401
Rent increases for local county offices in the Real Property Valuation program....			56
Charter Unit contractual position conversions			-81
Change in ADC in-state computer usage allocation due to migration of data out of ADC			-402
Homeowner Protection Program funding carried over from fiscal 2023 to 2024 ...			-639
One time Homestead Tax Credit audit in Property Tax Credit Programs			-5,139
Other.....			-89
Total			\$2,350

ADC: Annapolis Data Center

MAAVS: Maryland Assessment Administration and Valuation System

CRIS: Cloud Revenue Integrated System

Note: Numbers may not sum to total due to rounding. The fiscal 2024 working appropriation includes deficiencies and planned reversions. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

Personnel Data

	<u>FY 23</u> <u>Actual</u>	<u>FY 24</u> <u>Working</u>	<u>FY 25</u> <u>Allowance</u>	<u>FY 24-25</u> <u>Change</u>
Regular Positions	570.30	570.30	574.30	4.00
Contractual FTEs	<u>17.75</u>	<u>14.20</u>	<u>9.20</u>	<u>-5.00</u>
Total Personnel	588.05	584.50	583.50	-1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	39.69	6.96%
Positions and Percentage Vacant as of 1/10/24	37.00	6.49%
Vacancies Below Turnover	2.69	

- The fiscal 2025 allowance includes 4 contractual conversions for positions providing office support services in the Business Property Valuation and Charter Unit programs.
- The agencywide vacancy rate has improved from 10.17% (58 positions) as of December 31, 2022, to 6.49% (37 positions) as of December 31, 2023, a net increase of 21 new hires. While the distribution of vacancies across SDAT programs varied over calendar 2023, the distribution was roughly proportional to the number of budgeted positions across programs by the end of the year. Further detail about vacancies among real property assessor positions in particular can be found in Issue 1.
- Of the 37 vacancies as of January 10, 2024, there were 21, or 56.8%, that had been vacated within the last two months. Other positions were vacated throughout the year and 6 positions, or 16.2%, were vacant for more than one year.

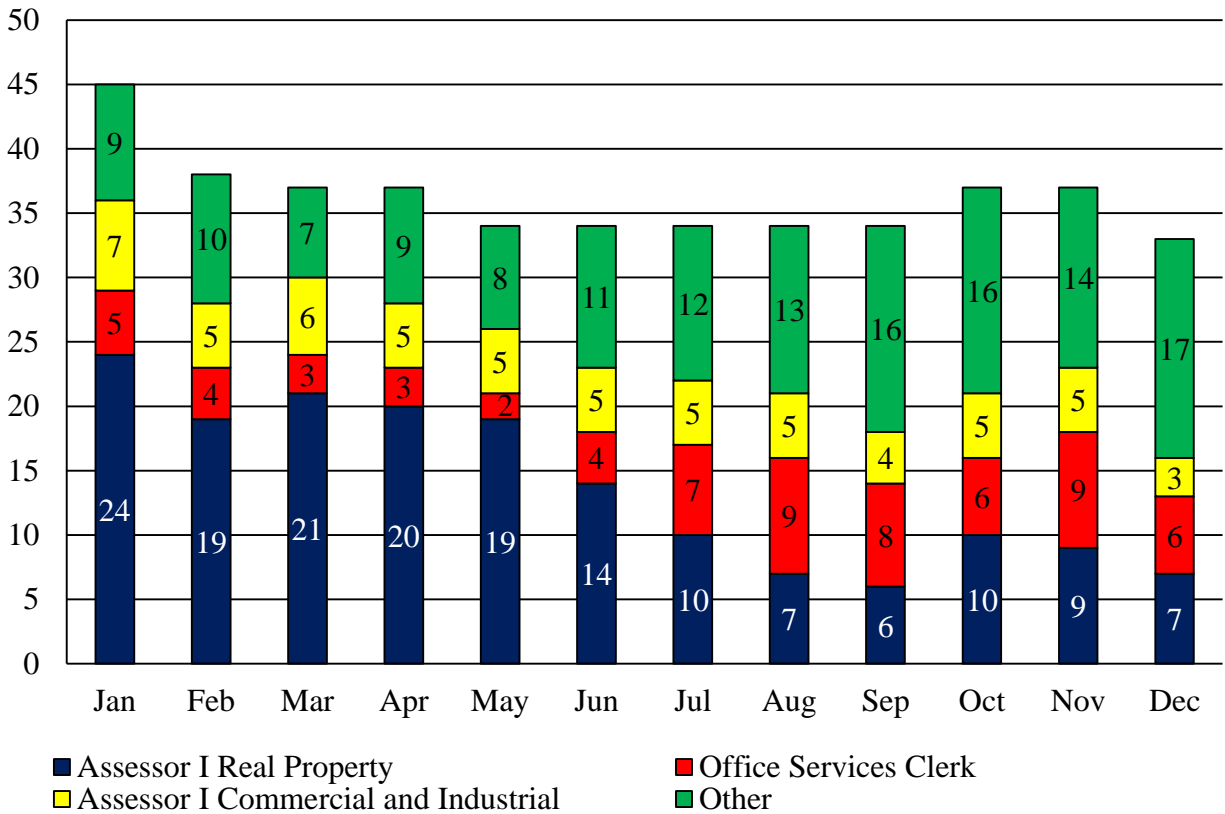
Issues

1. Real Property Vacancies

High turnover for real property assessor positions has troubled SDAT for many years, primarily due to competitive salaries for similar positions in other jurisdictions. Calendar 2023 saw notable improvement in the vacancy rate, but a cycle of high turnover and employee training continues to negatively impact operations at SDAT as well as other agencies. The lack of assessors has impacted the timeliness of property assessment appeal hearings held by the Property Tax Assessment Appeals Boards, which has contributed to a backlog of cases due to a need for property assessors at appeals hearings. As of January 2023, SDAT had employed a retired supervisor to assist in addressing the backlog. However, as of January 2024, SDAT reported ongoing impacts to operations due to understaffing and the need to train newly acquired staff.

Exhibit 6 shows monthly vacancies in the Real Property Valuation program, in total and by position type among the 3 assessor positions comprising 67.3% of all vacancies. The vacancy rate in the Real Property Valuation program decreased over calendar 2023 from 11.4% in January 2023 to 8.4% in December 2023. The assessor I Real Property position was of particular concern at a vacancy rate of 43.6% in January 2023, with 24 vacancies among 55 budgeted positions. There was a significant improvement in this position over calendar 2023, down to 7 vacancies as of December 1. However, vacancies tended to increase each month in the office services clerk position, reaching a high of 9 (a vacancy rate of 12.9%) in August and November 2023 due to new vacancies in Baltimore City and Anne Arundel County.

**Exhibit 6
Real Property Valuation Vacancies
Calendar 2023**

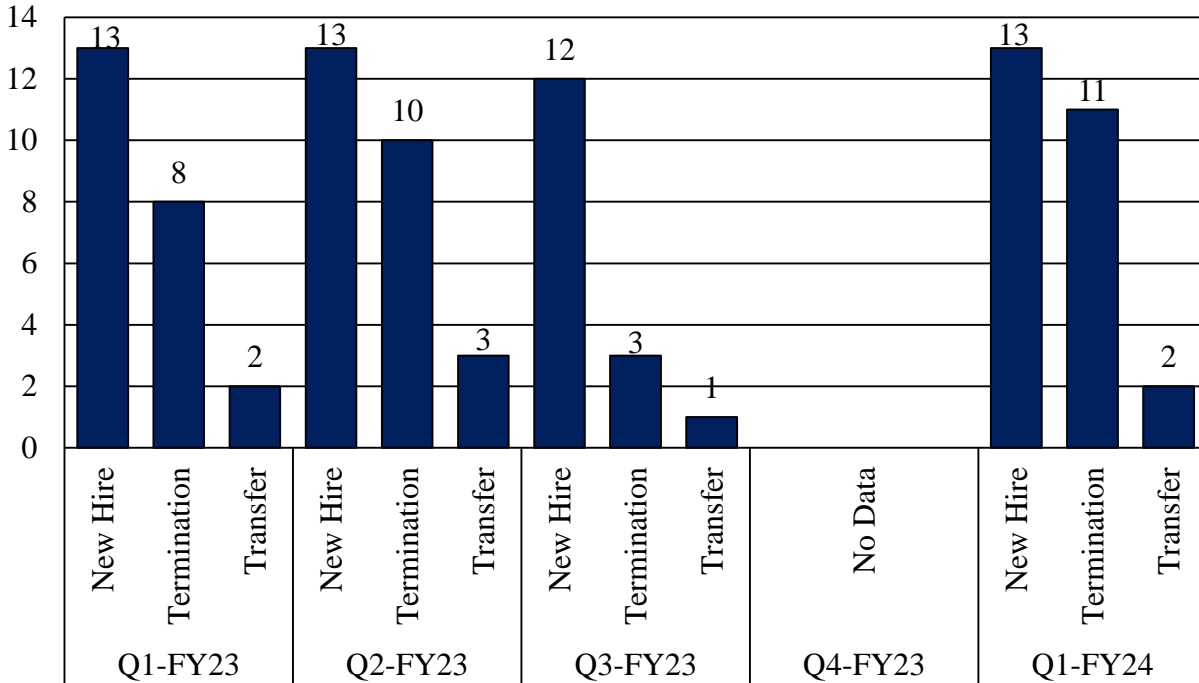


Note: The data used to generate this report is from December 2023.

Source: Department of Budget and Management

With regard to turnover, **Exhibit 7** shows the total number of new hires, terminations, and transfers in the Real Property Valuation Program per quarter, as reported by SDAT in responses to committee narrative in the 2023 *Joint Chairmen’s Report* (JCR). The exhibit demonstrates that in most quarters, the number of terminations is over 50% of the number of new hires. However, while this turnover continued in calendar 2023, terminations were less frequent in the assessor I position, allowing for an overall improvement over the year in the vacancy rate for that position type. Due to a shift in timing of the data reported in the JCR reports, data for the fourth quarter of fiscal 2023 was not available at the time this report was drafted. In December 2023, SDAT stated its intention to submit data for the missing quarter as a supplement to the January 2024 report, though as of January 24, 2024, the report had not been submitted.

**Exhibit 7
Real Property Valuation Hiring Cycles
Calendar 2022-2023**



FY: fiscal year

Note: Due to a shift in the timing of data reporting, hiring cycle data for the fourth quarter of fiscal 2023 was not available at the time this report was drafted.

Source: State Department of Assessments and Taxation

SDAT has previously reported hiring efforts to combat vacancies that include attending job fairs and posting notices about assessor vacancies on social media and in local newspapers. In the October 2023 quarterly staffing report, SDAT noted that it had 249 applicants for 20 open positions during the first quarter of fiscal 2024, with the highest number of qualifying applicants reviewed for office services clerk and assessor I positions.

Regarding training and retention, SDAT previously reported that the department had shortened the training program for new hires of the Real Property Assessment program. SDAT described the need for this change in the October 2023 JCR report on real property staffing, which noted that a full year is required for the average hire to complete training. The October 2023

quarterly report discussed other factors likely to impact retention. Employers in other jurisdictions have been observed to provide salaries 30% to 50% higher than at SDAT and to provide employer-owned vehicles for use in travel to property inspections. SDAT also reported an increasing number of property parcels to be assessed without a corresponding increase in the number of budgeted assessor positions, translating to increased workloads per assessor.

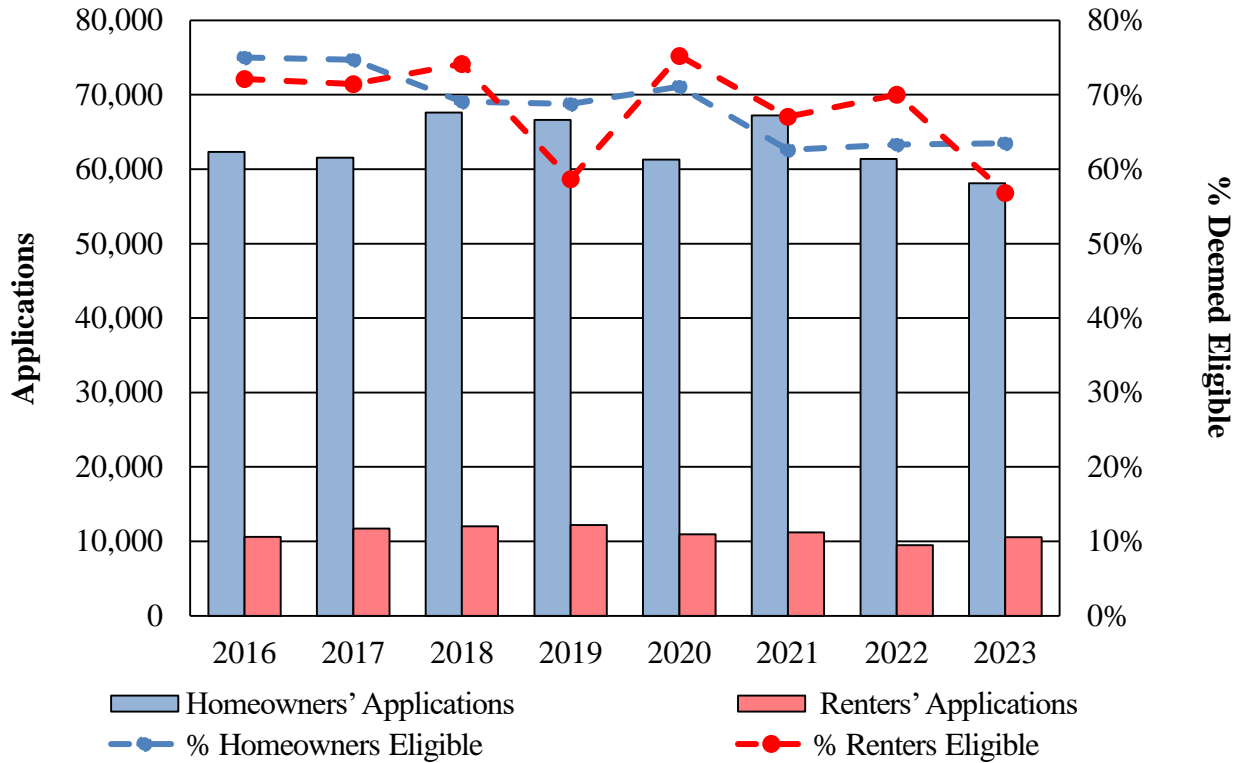
SDAT should discuss any strategies that led to improved retention of new hires in calendar 2023 and should describe its plan for retaining new hires moving forward. SDAT should also comment on how the training program for new hires of the Real Property Assessment program was altered and discuss any ways in which the expedited training program has impacted operations.

The Department of Legislative Services (DLS) recommends that the committees add language restricting fiscal 2025 funds for the purpose of administration until SDAT submits two reports on staffing in the Real Property Valuation Program.

2. Homeowners’ and Renters’ Tax Credit Programs

SDAT is required to work with the Comptroller to determine which homeowners may be eligible for a tax credit program and communicate with homeowners about the tax credit. As shown in **Exhibit 8**, from fiscal 2022 to 2023, HTC applications decreased by 5.4%, and RTC applications increased by 11.6%. In contrast, the percentage of eligible applicants increased by 0.2 percentage points for HTCs and decreased 13.2 percentage points for RTCs from the prior fiscal year. SDAT previously indicated that a higher number of applications in fiscal 2021 were due to homeowners and renters applying during the COVID-19 pandemic in belief that they may have qualified for tax relief, which contributed to the decrease in the share of applicants determined eligible. However, other factors are suggested by the recent decrease in the number of HTC applications in fiscal 2023 paired with a marginal increase in eligibility and the slight increase in number of renters’ applications paired with a disproportionate decrease in eligibility.

**Exhibit 8
Homeowners’ and Renters’ Tax Credit Applications and Eligibility Rate
Fiscal 2016-2023**



HTC: Homeowners’ Tax Credit Program
 RTC: Renters’ Tax Credit Program

Source: Department of Budget and Management; State Department of Assessments and Taxation

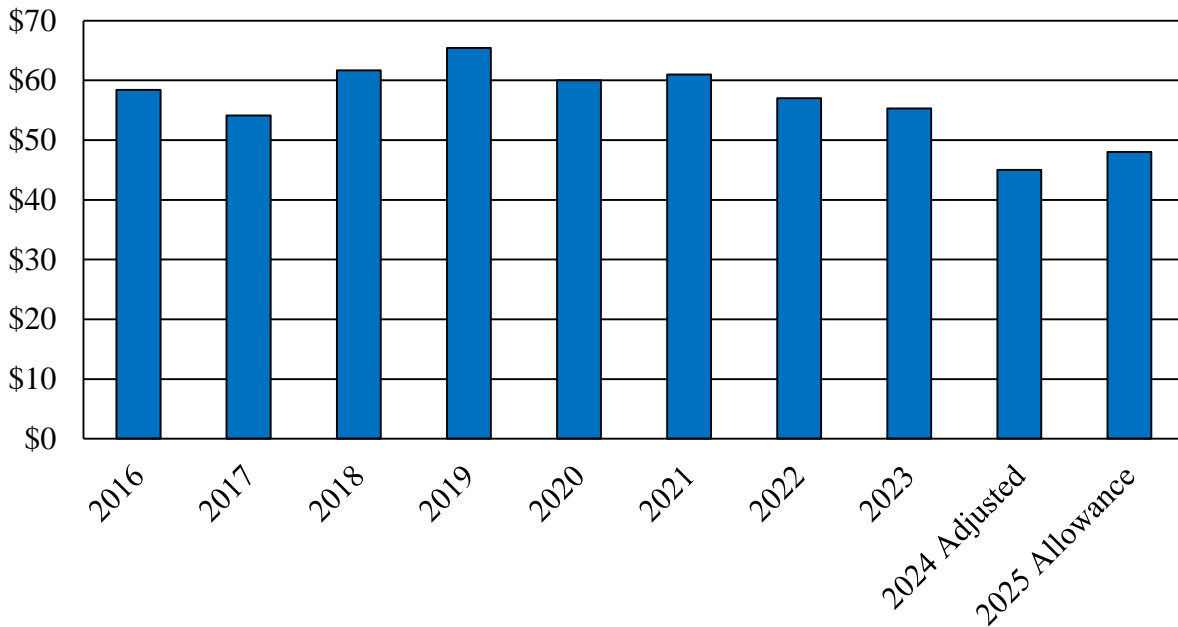
SDAT noted that one long-term factor influencing eligibility levels could be that the income threshold determining eligibility trails behind wage and salary inflation, leading to a gradual decrease in the share of eligible applicants. As of January 2023, the eligibility requirements for HTC had been in place for over 16 years, with RTC eligibility requirements in place for over 5 years. Eligibility guidelines for both credits are set in statute.

Committee narrative in the 2023 JCR requested that SDAT submit a report on options to alter HTC and RTC eligibility requirements. In the report, SDAT reiterated concerns that changes to eligibility requirements would have a fiscal impact resulting from increased eligibility and, therefore, increased expenditures through the issuing of more tax credits. SDAT offered two possible alternatives for the legislature to consider: (1) amending the definition of “assets” in RTC requirements to mirror that of HTC requirements; and (2) amending the definition of

“income” for both credit programs to be Maryland adjusted gross income, to match the definition of income employed by the Comptroller, with an exception for Social Security income. SDAT also indicated that SDAT’s IT systems would have to be upgraded to provide the capacity to update income thresholds annually to implement such changes.

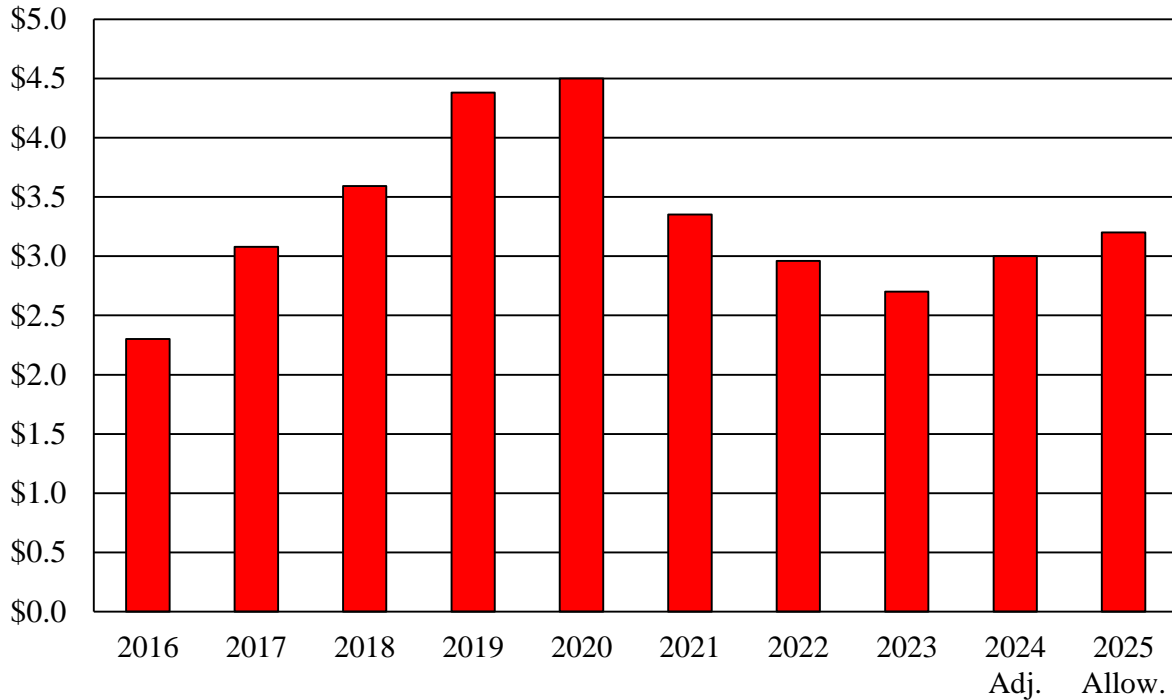
Exhibit 9 and **Exhibit 10** show HTC and RTC total spending from fiscal 2018 through the fiscal 2024 working appropriation and fiscal 2025 allowance. Utilization of HTC peaked in fiscal 2019, before declining overall through fiscal 2023. The fiscal 2024 legislative appropriation anticipated a return to the fiscal 2021 level of spending, but the fiscal 2024 working appropriation includes only a 0.7% increase in HTC spending and 11% increase in RTC spending compared to fiscal 2023, after accounting for the planned reversion of \$11 million for HTC. After a reversion of nearly \$25 million at the end of fiscal 2023, HTC funding was adjusted downward for fiscal 2024 and 2025. Funding budgeted for HTC in fiscal 2025 increases by \$3 million from the adjusted fiscal 2024 working appropriation. RTC has experienced a trend similar to HTC but with greater increases (96%) from fiscal 2016 to 2020 and greater decreases (40%) from fiscal 2020 to 2023. The allowance for RTC remains the same as fiscal 2024 at \$4.4 million.

Exhibit 9
Homeowners’ Tax Credit Utilization
Fiscal 2016-2025 Allowance
(\$ in Millions)



Source: Department of Budget and Management; State Department of Assessments and Taxation

Exhibit 10
Renters’ Tax Credit Utilization
Fiscal 2016-2025 Allowance
(\$ in Millions)



Source: Department of Budget and Management; State Department of Assessments and Taxation

3. Cloud Revenue Integrated System Development and IT Staffing

One of SDAT’s two MITDPs funded in the fiscal 2025 allowance is the Cloud Revenue Integrated System (CRIS). Previously referred to as the Strategic Enterprise Application Network project, CRIS will allow for the redevelopment of its mainframe applications onto a cloud-based platform to develop user-centric applications for both internal and external customers. This will streamline customer interactions, such as allowing customers to check on the status of their own applications or receive direct communications from SDAT on their tax returns. CRIS will also replace numerous paper-based processes, allowing for better management and tracking of documents while reducing the risk of data loss.

Ongoing since fiscal 2018, the project has made progress but has faced staffing difficulties into the beginning of fiscal 2024. SDAT stated that this was both in staffing related to the CRIS project as well as related to IT cybersecurity. As of October 2023, the CRIS project remained in part four of a six-part development plan while SDAT was securing a new hire to fill an essential subject matter expert position. The department previously cited salary concerns as the reason for its struggle to maintain technical mainframe specialists on staff. As of October 2023, SDAT reported that a new hire was on board. With regard to cybersecurity, SDAT reported concerns about a lack of in-house cybersecurity staff, pointing to a number of IT positions moved from SDAT to DoIT in prior years. SDAT reported that it had begun meeting with DoIT to discuss cybersecurity staffing issues.

SDAT should comment on whether it foresees any difficulty in retaining new IT staff through the remaining phases of CRIS development. SDAT should also comment on the status of its cybersecurity staffing concerns, whether it foresees difficulty in addressing cybersecurity needs at SDAT in the remainder of fiscal 2024 and in fiscal 2025, and whether it has a documented plan for working with DoIT to address SDAT’s cybersecurity needs.

DLS recommends adding language restricting fiscal 2025 funds for the purpose of administration until SDAT submits two reports updating the committees on the status of the CRIS project and on its consultation and collaboration with DoIT regarding cybersecurity.

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$50,000 of this appropriation made for the purpose of administration in the Office of the Director may not be expended until the State Department of Assessments and Taxation submits two reports to the budget committees on the status of vacancies within the Real Property Valuation Program. Each report shall include the following information on the two quarters immediately preceding the due date:

- (1) the number of employees in the program that have left State service (by employee class title and jurisdiction);
- (2) the number of new hires (by employee class title and jurisdiction);
- (3) the number of positions posted;
- (4) the number of qualifying applicants received in response to each posting;
- (5) the length of time from the posting of each position to the acceptance of an offer of employment;
- (6) the amount of time it takes for the average hire to finish the training and probationary period;
- (7) the average and median salaries for listed positions; and
- (8) average and median salaries for comparable positions in surrounding states.

The first report shall be submitted by July 15, 2024, and the second report shall be submitted by December 15, 2024. The funds may be released in \$25,000 increments following the submission of each report. The budget committees shall have 45 days from the date of the receipt of each report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the reports are not submitted to the budget committees.

Explanation: Concerns regarding staffing levels in the Real Property Valuation program have been ongoing for several years. This language restricts funds budgeted for administrative purposes until the State Department of Assessments and Taxation (SDAT) submits two reports with data and status updates related to vacancies within the Real Property Valuation program.

Information Request	Author	Due Date
Status updates on staffing in the Real Property Valuation Program	SDAT	July 15, 2024 December 15, 2024

2. Add the following language to the general fund appropriation:

Further provided that \$50,000 of this appropriation made for the purpose of administration in the Office of the Director may not be expended until the State Department of Assessments and Taxation (SDAT) submits two reports on the status of the Cloud Revenue Integrated System development project and cybersecurity needs at SDAT. Each report shall include:

- (1) a description of project milestones achieved, remaining milestones, and the overall project schedule;
- (2) the number of vacancies among staff for the project and how long those positions have been vacant;
- (3) a description of actions taken by SDAT to fill vacancies specified above;
- (4) a discussion of how any vacancies among staff for the project have affected project progression; and
- (5) an update on the status of cybersecurity operations, information technology staffing, and efforts to consult and collaborate with the Department of Information Technology to meet cybersecurity needs at SDAT.

The first report shall be submitted by July 15, 2024, and the second report shall be submitted by December 15, 2024. The funds may be released in \$25,000 increments following the submission of each report. The budget committees shall have 45 days from the date of the receipt of each report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the reports are not submitted to the budget committees.

Explanation: There have been ongoing concerns about information technology staffing and delays in the Cloud Revenue Integrated System (CRIS) development project. Additionally, SDAT indicated a concern about a lack of in-house cybersecurity staff and the intention to work with the Department of Information Technology to address unmet cybersecurity needs at SDAT. This language restricts funds budgeted for administrative purposes until SDAT submits two reports updating the budget committees on the status of the CRIS project and cybersecurity needs at SDAT.

E50C – State Department of Assessments and Taxation

Information Request	Author	Due Date
CRIS status and cybersecurity report	SDAT	July 15, 2024 December 15, 2024

Appendix 1
2023 Joint Chairmen’s Report Responses from Agency

The 2023 JCR requested that SDAT prepare four reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Real Property Valuation:*** The committees requested that SDAT submit quarterly reports on staffing in the Real Property Valuation program. Reports for the first two quarters of fiscal 2024 were submitted on September 13 and November 16, 2023. The third quarterly report was due on January 15, 2024, but had not been submitted as of January 23, 2024. SDAT reported quarterly hirings, terminations, transfers, and ongoing operational impacts from vacancies and turnover. Further discussion of this subject can be found in Issue 1 of this analysis.
- ***HTC and RTC Eligibility:*** The committees requested that SDAT submit a report detailing recommendations for changes to HTC and RTC eligibility requirements and the potential impacts on applications. SDAT submitted the report on November 20, 2023. Further discussion of this subject can be found in Issue 2 of this analysis.
- ***Tax Credit Programs Processing and Compliance Efforts:*** The committees requested that SDAT submit a report on enforcement efforts related to the tax credit programs, including a plan for a proactive monitoring solution to identify lost revenue. The report was submitted on November 20, 2023. SDAT reported that it has not developed a plan for monitoring potential fraud and does not receive reports through its current IT system that would allow it to estimate revenue loss due to fraud. The department indicated that it was working on IT solutions and increasing auditing capabilities but faced difficulties in meeting information quality and security requirements for use of federal Internal Revenue Service system data.
- ***CRIS Status:*** The committees requested quarterly reports on CRIS project status and related IT vacancies. Reports for the first two quarters of fiscal 2024 were submitted on August 10 and October 31, 2023. The third quarterly report was due on January 15, 2024, but had not been submitted as of January 23, 2024. Further discussion of this subject can be found in Issue 3 of this analysis.

Appendix 2
Cloud Revenue Integrated System
Major Information Technology Project
State Department of Assessments and Taxation

Further discussion of this MITDP can be found in Issue 3 of this analysis.

New/Ongoing: Ongoing								
Start Date: Fiscal 2018					Estimated Completion Date: Fiscal 2028			
Implementation Strategy: Agile								
(\$ in Millions)	Prior Year	2025	2026	2027	2028	2029	Remainder	Total
GF	\$1.505	\$0.050	\$0.000	\$0.000	\$0.238	\$0.000	\$0.000	\$1.793
SF	23.497	5.944	0.000	0.000	0.000	0.000	0.000	29.441
Total	\$25.002	\$5.994	\$0.000	\$0.000	\$0.238	\$0.000	\$0.000	\$31.235

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

- Project Summary:** Previously referred to as the Strategic Enterprise Application Network project, CRIS will allow for the migration and redevelopment of mainframe applications onto a cloud-based platform to develop user-centric applications for both internal and external customers. This will streamline customer interactions by allowing them to check on the status of their own applications, as well as receive direct communication from SDAT.
- Need:** SDAT currently operates using manual, paper-based processes. This increases the risk of data loss in a disaster or errors when manually transferring the data to the current mainframe system. As individuals from the department retire, there is a knowledge gap with newer employees unable to support the legacy system.
- Observations and Milestones:** The RTC application was deployed on time in February 2023. The project remains in part 4 of a 6-part plan, with expected part 4 completion in February 2024. Parts 5 and 6 comprise a process of data migration to SDAT that should take approximately one year. Part 5 is underway and expected to be completed during calendar 2024, while part 6 completion is expected in calendar 2025. Vendors for all parts have been procured.
- Concerns:** SDAT ultimately hired and lost 6 mainframe technical specialists within 12 months, and the agency has indicated that this was partially driven by salary concerns. A contractor was finally secured and was on board as of November 2023.

Appendix 3
Maryland Assessment Administration and Valuation System
Major Information Technology Project
State Department of Assessments and Taxation

New/Ongoing: New								
Start Date: Fiscal 2024					Estimated Completion Date: Fiscal 2028			
Implementation Strategy: Agile								
(\$ in Millions)	Prior Year	2025	2026	2027	2028	2029	Remainder	Total
GF	\$0.000	\$0.550	\$4.450	\$1.500	\$0.786	\$0.000	\$0.000	\$7.286
SF	0.000	1.500	3.500	1.500	0.786	0.000	0.000	7.286
Total	\$0.000	\$2.050	\$7.950	\$3.000	\$1.571	\$0.000	\$0.000	\$14.571

- Project Summary:** The Maryland Assessment Administration and Valuation System (MAAVS) is a statewide Computer Assisted Mass Appraisal system, which will be used to maintain records for each parcel of land in the State and value each parcel for ad valorem property taxes. MAAVS will enable field data collection of property data through mobile tablet applications and improve the ability to process tax credit approvals and records. The new system will be able to manage data utilizing international land administration open geospatial data standards, which can then be utilized by local governments for tax billing purposes. MAAVS is expected to be scalable, provide enhanced cybersecurity and privacy controls, and be expandable for potential additional data sets and new technologies such as distributed ledgers (*e.g.*, blockchain) and machine learning or artificial intelligence processes.
- Need:** SDAT indicated that the current IT system is outdated, slow to process data, performs poorly during heavy usage, and does not have a built-in mobile component. Additionally, the system has limited capacity to interface with other systems and has been cited as a reason for employee attrition.
- Observations and Milestones:** SDAT is in the process of developing a request for proposals to be issued in March 2024.

**Appendix 4
Object/Fund Difference Report
State Department of Assessments and Taxation**

<u>Object/Fund</u>	<u>FY 23 Actual</u>	<u>FY 24 Working Appropriation</u>	<u>FY 25 Allowance</u>	<u>FY 24 - FY 25 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	570.30	570.30	574.30	4.00	0.7%
02 Contractual	17.75	14.20	9.20	-5.00	-35.2%
Total Positions	588.05	584.50	583.50	-1.00	-0.2%
Objects					
01 Salaries and Wages	\$49,917,322	\$53,018,283	\$54,763,281	\$1,744,998	3.3%
02 Technical and Special Fees	707,541	600,245	451,488	-148,757	-24.8%
03 Communication	1,079,594	1,218,955	1,217,879	-1,076	-0.1%
04 Travel	160,092	208,163	183,504	-24,659	-11.8%
06 Fuel and Utilities	35,974	30,636	35,974	5,338	17.4%
07 Motor Vehicles	57,997	98,432	189,991	91,559	93.0%
08 Contractual Services	13,412,943	17,520,555	15,446,739	-2,073,816	-11.8%
09 Supplies and Materials	214,570	171,410	171,050	-360	-0.2%
10 Equipment – Replacement	55,706	232,410	167,240	-65,170	-28.0%
11 Equipment – Additional	165,644	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	77,402,133	88,500,867	80,500,867	-8,000,000	-9.0%
13 Fixed Charges	1,855,241	1,873,853	2,649,154	775,301	41.4%
Total Objects	\$145,064,757	\$163,473,809	\$155,777,167	-\$7,696,642	-4.7%
Funds					
01 General Fund	\$107,871,883	\$124,691,716	\$113,156,296	-\$11,535,42	-9.3%
03 Special Fund	37,192,874	38,782,093	42,620,871	3,838,778	9.9%
Total Funds	\$145,064,757	\$163,473,809	\$155,777,167	-\$7,696,642	-4.7%

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include cost-of-living adjustments.

Appendix 5
Fiscal Summary
State Department of Assessments and Taxation

<u>Program/Unit</u>	<u>FY 23</u> <u>Actual</u>	<u>FY 24</u> <u>Work Approp.</u>	<u>FY 25</u> <u>Allowance</u>	<u>Change</u>	<u>FY 24 - FY 25</u> <u>% Change</u>
01 Office of the Director	\$5,673,231	\$4,909,780	\$6,712,021	\$1,802,241	36.7%
02 Real Property Valuation	38,551,031	40,504,647	41,861,022	1,356,375	3.3%
04 Office of Information Technology	3,287,600	3,956,138	2,434,724	-1,521,414	-38.5%
05 Business Property Valuation	3,303,742	3,307,731	3,355,240	47,509	1.4%
06 Tax Credit Payments	77,422,774	87,400,000	79,400,000	-8,000,000	-9.2%
08 Property Tax Credit Programs	4,101,448	11,159,754	5,967,870	-5,191,884	-46.5%
09 Major Information Technology Development	5,650,925	4,405,476	7,444,429	3,038,953	69.0%
10 Charter Unit	7,074,006	7,830,283	8,601,861	771,578	9.9%
Total Expenditures	\$145,064,757	\$163,473,809	\$155,777,167	-\$7,696,642	-4.7%
General Fund	\$107,871,883	\$124,691,716	\$113,156,296	-\$11,535,420	-9.3%
Special Fund	37,192,874	38,782,093	42,620,871	3,838,778	9.9%
Total Appropriations	\$145,064,757	\$163,473,809	\$155,777,167	-\$7,696,642	-4.7%

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include cost-of-living adjustments.