E50C
State Department of Assessments and Taxation

Operating Budget Data

($ in Thousands)

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change	% Change Prior Year
General Fund	$90,465	$106,106	$108,889	$2,783	2.6%
Contingent & Back of Bill Reductions	0	-856	-605	251	
Adjusted General Fund	**$90,465**	**$105,251**	**$108,285**	**$3,034**	**2.9%**
Special Fund	40,292	27,333	28,473	1,140	4.2%
Contingent & Back of Bill Reductions	0	0	-292	-292	
Adjusted Special Fund	**$40,292**	**$27,333**	**$28,181**	**$848**	**3.1%**
Reimbursable Fund	257	0	0	0	
Adjusted Reimbursable Fund	**$257**	**$0**	**$0**	**$0**	
Adjusted Grand Total	**$131,014**	**$132,584**	**$136,466**	**$3,882**	**2.9%**

- There are two fiscal 2014 deficiencies, one of which increases general funds by $53,535 in the Office of the Director for annual leave payout, fringe benefits, and technical and special fees, while a second deficiency for $125,000 is to cover shortfalls in postage for the Business Property Valuation division. This second deficiency consists of $66,465 in general funds and $58,535 in special funds.

- The fiscal 2015 allowance increases by $3.9 million, or 2.9%, from the fiscal 2014 working appropriation. The majority of this increase is due to the Homeowners' Tax Credit Program, which increases by $2.2 million. Personnel-related expenditures also increase in the allowance by $1.7 million.

- There are two contingent fund swaps, one for fiscal 2014 and one for fiscal 2015, which would reduce general funds for administrative costs within the Office of the Director and replace them with special funds from the Charter Unit. These actions are contingent upon a provision being approved in the Budget Reconciliation and Financing Act of 2014.

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

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Personnel Data

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change
Regular Positions	576.00	591.00	615.30	24.30
Contractual FTEs	18.25	19.35	19.35	0.00
Total Personnel	**594.25**	**610.35**	**634.65**	**24.30**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	29.63	5.02%
Positions and Percentage Vacant as of 12/31/13	52.00	8.80%

- The fiscal 2015 allowance includes 25 new regular positions. Of these, 15 positions are real property assessors for the Real Property Valuation division, while 9 positions are for the Tax Credit Administration, and 1 position is for the Office of Information Technology. All of these positions fall under the audit finding exception of the Spending Affordability Committee. There were also 2 reclassifications which decrease the total PIN count by 0.5 and 0.2, respectively.

- The budgeted turnover in the fiscal 2015 allowance is 5.02%, which translates into the need to keep 30 positions vacant the entire year. As of December 31, 2012, there were 52 positions vacant for a vacancy rate of 8.80%.

Analysis in Brief

Major Trends

Fiscal 2012 Assessment Values Are within the Acceptable Assessment-to-sales Ratio: The department's accuracy measures for assessments, while not within the department's standards, are within acceptable ranges as determined by industry standards.

Timeliness Measures within the Business Property Valuation Program Continue to Decline: Annual appraisals of all taxable property from the Business Property Valuation division continue to not be 100% completed by December 1. **The department should comment on its ability to assess personal property returns in a timely fashion going forward.**

Recommended Actions

1. Add budget bill language amending the contingent language reducing general funds from the Office of the Director in order to limit the reduction.
2. Add budget bill language to withhold general funds within the Office of the Director contingent upon the resolution of repeat audit findings from the most recent fiscal compliance audit.

Updates

Errors Corrected in Baltimore City Historic Tax Credit Program: Over the summer, numerous newspaper articles began highlighting discrepancies in the Historic Tax Credit calculation in Baltimore City once Baltimore City fully took over the calculation of the tax credit from the State Department of Assessments and Taxation (SDAT). Since that time, both Baltimore City and SDAT have taken steps to ensure better cooperation and to prevent these errors from occurring in the future.

Report on Measures Taken to Ensure Compliance within the Homestead Tax Credit Program: A performance audit by the Office of Legislative Audits on the Homestead Tax Credit (HTC) program included seven findings and recommendations for how the department could improve its procedures and controls over the HTC program in order to ensure continuing eligibility and detect properties improperly deemed eligible for the HTC. SDAT has since reported to the budget committees that it has either addressed or is close to addressing four of the findings, while two others are too labor intensive to implement, and one is the subject of differing legal interpretations.

Operating Budget Analysis

Program Description

The State Department of Assessments and Taxation (SDAT) supervises the assessment of all property in the State. The department performs assessments on one-third of all real property and all 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: the Homeowners' Property Tax Credit Program, the Renters' Tax Credit Program, the Base Realignment and Closure Revitalization (BRAC) and Incentive Zone Tax Credit Program, and the Urban Enterprise Zone Tax Credit Program. The homeowners' and renters' programs provide property tax relief to all eligible homeowners and renters. The BRAC zone program provides tax-related financial incentives to local governments by providing State support for property tax increases on qualifying properties located in BRAC zones. The enterprise zone program reimburses local governments for property tax credits given to businesses which are located in, or expand into, enterprise zones. The department collects public service franchise taxes and assesses all public utility companies in the State. It also serves as the filing place for businesses operating in the State. The department 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. Fiscal 2012 Assessment Values Are within the Acceptable Assessment-to-sales Ratio

Property assessments are a sensitive and sometimes volatile issue for property owners. SDAT strives to provide accurate and fair assessments. SDAT measures appraisal accuracy as the degree to which properties are appraised at market value, as defined by professional standards published by the International Association of Assessing Officers (IAAO). There are three measures as detailed below.

The assessment-to-sales ratio (ASR) is a ratio of the assessed value to the sales price of the property. The closer the ratio is to 100.0%, the closer the assessment is to the sales price. A ratio over 100.0% indicates assessments were higher, and a ratio under 100.0% indicates assessments were lower than market values. The IAAO range for acceptable performance for the ASR is 90.0 to

110.0%. SDAT strives to be within 95.0 to 105.0%. As illustrated in **Exhibit 1**, the department's fiscal 2012 ASR is 93.1%, which is an increase from an ASR of 90% in the previous fiscal year. However, while the ASR is within the range of the national benchmark, this is the second consecutive year that the ASR has fallen beyond the department's benchmark. Further, the estimates project the ASR to fall and then remain at 90.0% through fiscal 2015. The reason for lower ASRs than usual has to do with the volatility of the housing market. According to SDAT, the ASR has remained lower than the department's benchmark because SDAT has been slightly conservative in its assessments and revaluations because of the projection timeframe of their values and because of the continued uncertainty in the real estate market due to high numbers of short sales and foreclosures. However, as the market stabilizes and improves, the ASR should return to 95.0%.

Exhibit 1
Accuracy Measures
Fiscal 2009-2015 Est.

Measure	Goal	2009	2010	2011	2012	Est. 2013	Est. 2014	Est. 2015
Assessment-to-sales Ratio	95-105%	94.0%	95.0%	90.0%	93.1%	90.0%	90.0%	90.0%
Coefficient of Dispersion	=< 15.00	9.42	10.00	10.00	10.27	10.00	10.00	10.00
Price-related Differential	.98-1.03	1.01	1.00	1.00	1.03	1.00	1.00	1.00

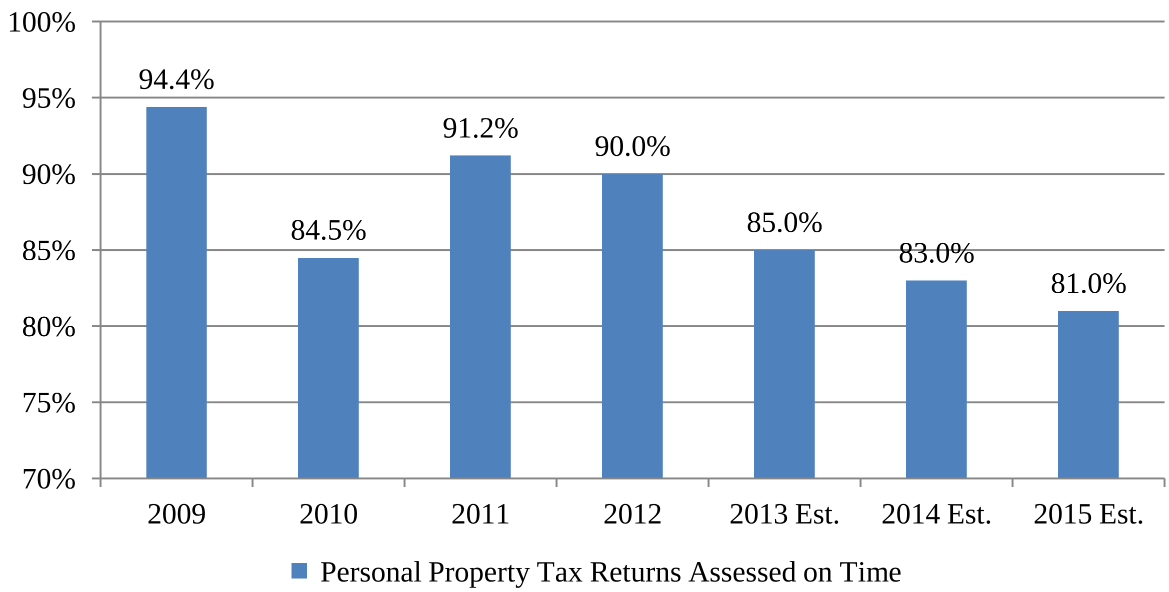
Source: State Department of Assessment and Taxation

The department is performing within its goals for the remaining two measures. The coefficient of dispersion (COD) measures how close individual ASRs are to the median ASR for an area. A large COD indicates a wide range of assessment values in a particular area. The lower the COD, the more closely the ASRs are to the median ASR value; a COD under 15.0 is considered reasonable. The COD for SDAT in fiscal 2012 was 10.27, which was higher than the previous year. However, the COD is projected to fall back down to 10.0 and remain the same through fiscal 2015. The third measure is the price-related differential (PRD). The PRD measures bias in the ASR. A bias is when the assessments for the assessed properties are higher or lower than they should be, based on the ASR. The ideal PRD is 1.0, indicating unbiased assessments. A PRD in excess of 1.0 indicates underestimated appraisals for high dollar properties, and a PRD less than 1.0 indicates underestimated appraisals for low dollar properties. The PRD for SDAT in fiscal 2012 is 1.03, with a projected PRD of 1.0 for each year through fiscal 2015.

2. Timeliness Measures within the Business Property Valuation Program Continue to Decline

The Business Property Valuation Program administers the tax laws governing the assessment of personal property, property tax incentives for qualifying businesses, and utility companies that are subject to property and franchise taxes. The division strives to appraise all taxable property on an annual basis by December 1. **Exhibit 2** shows the percentage of personal property tax returns assessed by December 1 in each fiscal year. While this percentage increased from a low of 84.5% in fiscal 2010 to 91.2% in fiscal 2011, the percent of returns assessed by December 1 decreased to 90.0% in fiscal 2012. It is then projected to decline further to 85.0% for fiscal 2013 and then decline by 2.0 percentage points in both fiscal 2014 and 2015. According to SDAT, the decline in the percentage of returns assessed in a timely fashion is due to fewer employees and less funds to provide for temporary assistance to key in the returns. **The department should comment on its ability to assess personal property returns in a timely fashion going forward.**

Exhibit 2
Business Property Valuation Timeliness Measures
Fiscal 2009-2015 Est.



Source: State Department of Assessments and Taxation

Fiscal 2014 Actions

Proposed Deficiency

There are two fiscal 2014 deficiencies for SDAT totaling $178,535, of which $120,000 is general funds. The first deficiency of $53,535 in general funds is necessary to cover shortfalls in the Office of the Director for annual leave payout, fringe benefits, and technical and special fees. The second deficiency is for $125,000 to cover shortfalls in postage for the Business Property Valuation division. This deficiency contains $66,465 in general funds and $58,535 in special funds.

Cost Containment

There is one cost containment action for fiscal 2014, which is contingent upon the passage of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2014 allowing SDAT to use special funds from Charter Unit fees for administrative costs within the Office of the Director. This action would swap $303,553 in general funds for special funds in fiscal 2014. Further, there are three across-the-board withdrawn appropriations that offset the increase in deficiency appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology (IT) system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology, and the State Retirement Agency (SRA), respectively.

Proposed Budget

As seen in **Exhibit 3**, the fiscal 2015 allowance for SDAT increases by $3.9 million from the fiscal 2014 working appropriation net of contingent and across-the-board reductions. Personnel expenses increase by $1.7 million while spending on tax credits increase by $1.7 million.

Exhibit 3
Proposed Budget
State Department of Assessments and Taxation
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Total
2014 Working Appropriation	$105,251	$27,333	$132,584
2015 Allowance	108,285	28,181	136,466
Amount Change	$3,034	$848	$3,882
Percent Change	2.9%	3.1%	2.9%

Where It Goes:	
Personnel Expenses	
Annualized salary increase	$1,251
New positions	1,113
Employee retirement contribution	451
Turnover adjustments	24
Other fringe benefit adjustments	-115
Increments and other compensation	-332
Employee and retiree health insurance	-668
Property Tax Credits	
Homeowners' Property Tax Credit Program	2,205
Urban Enterprise Zone Tax Credit Program	-19
Renters' Tax Credit Program	-55
Base Realignment and Closure Revitalization and Incentive Zone Tax Credit Program	-400
Other Changes	
Computer Usage	300
Contractual payroll	293
Postage	125
Other	-10
Statewide personnel system	-93
Fiscal Service	-188
Total	**$3,882**

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

Cost Containment

Similar to the cost containment action for fiscal 2014, there is also a provision which would swap $321,535 in general funds within the Office of the Director with special funds from Charter Unit fees contingent upon the passage of the BRFA of 2014. Further, there is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA.

Personnel

Personnel expenditures increase by $1.7 million largely for new positions and the annualization of the cost-of-living adjustment (COLA) and increment payments from fiscal 2014. The annualization of the COLA and increments is $1.25 million while the new positions cost

$1.1 million. There are 25 new positions throughout the budget for SDAT, including 15 new assessor positions in the Real Property Valuation unit, 1 new position in the Office of Information Technology, and 9 new positions in the Property Tax Credit Administration unit. All of these new positions address various audit findings from the last audit. The other large personnel-related increase is for $450,708 in increased employee retirement contributions.

These increases are partially offset by other personnel-related decreases, including $667,589 in lower employee and retiree health insurance contributions, as well as $332,425 in lower salary adjustments and $114,554 in other fringe benefit adjustments.

Property Tax Credits

As shown in **Exhibit 4**, the fiscal 2015 allowance for the tax credit programs increases by $1.7 million, with a large increase in the Homeowners' Tax Credit Program being partially mitigated by decreases in the Renters', Urban Enterprise Zone, and BRAC Tax Credit Programs.

Exhibit 4
Tax Credit Programs
Fiscal 2013-2015
($ in Millions)

	Actual 2013	**Working Appropriation 2014**	**Allowance 2015**	**Change 2014-15**
Homeowners' Tax Credit Program	$62.6	$62.3	$64.5	$2.2
Renters' Tax Credit Program	2.0	2.4	2.4	-0.1
Urban Enterprise Tax Credit Program	17.0	14.5	14.4	0.0
BRAC Revitalization and Incentive Zone Tax Credit Program	0.2	1.1	0.7	-0.4
Total Tax Credit Payments	**$81.9**	**$80.2**	**$82.0**	**$1.7**

BRAC: Base Realignment and Closure

Source: State Department of Assessments and Taxation

The Homeowners' Tax Credit Program provides credits against State and local real property taxes for homeowners who qualify based on a sliding scale of property tax liability and income. Similarly, the Renters' Tax Credit Program provides property tax credits to renters who meet certain income and familial requirements. The Renters' Tax Credit Program, which is modeled after the Homeowners' Tax Credit Program, is based on the concept that renters indirectly pay property taxes as a component of their rent and, therefore, should also benefit from the tax credit afforded to homeowners.

Exhibit 5 shows the number of eligible applications and the average credit for Homeowners' and Renters' Tax Credit Programs for fiscal 2013 through 2015. As seen in the exhibit, the number of eligible applications for both programs is projected to increase while only the average credit for Homeowners' is projected to increase in fiscal 2015. While normally an improving economy would result in a decline in the number of people eligible for these programs, large increases in the number of retirees with low retirement incomes are increasing the number of eligible recipients, especially for the Homeowners' Tax Credit Program. Growth in eligible recipients for the Renters' Tax Credit Program has been slower than Homeowners' due to a loss of recipients under age 60 due to either improvements in their income or a change in a dependent's status.

Exhibit 5
Homeowners' and Renters' Tax Credit Programs
Eligible Applications and Average Credit
Fiscal 2013-2015 Est.

	2013 Actual	2014 Estimate	2015 Estimate
Homeowners' Tax Credit Program			
Eligible Applications	53,196	53,000	54,590
Average Credit	$1,177	$1,175	$1,182
Renters' Tax Credit Program			
Eligible Applications	8,249	8,300	8,549
Average Credit	$294	$289	$281

Source: Maryland State Budget

The Urban Enterprise Zone Tax Credit Program provides property and income tax credits for businesses that locate or expand within designated areas. SDAT reimburses local governments for 50% of the property tax credit. The credit is based on the increased assessment from a base year either from rising assessments or from increases in value from renovations or capital improvements.

As shown in **Exhibit 6**, the number of participating businesses and the value of the tax credits are both projected to decrease between fiscal 2014 and 2015. The tax credits are awarded over a 10-year period, and SDAT advises that the decline in the number of participating businesses is due largely to expiring credits. There have also been fewer businesses opting in for the tax credit, which is why the tax credit continues to decline. The allowance also takes into account the fact that many locations will appeal their assessment, which would bring down the total amount of the credit. Should more businesses begin to opt in for the tax credit, or should any revisions of assessments through the appeals process not be as low as anticipated, the State's share of the credit would once again increase.

Exhibit 6
Enterprise Zone Property Tax Credit
Fiscal 2014-2015
($ in Thousands)

Enterprise Zones	2014 Businesses	2014 State's Share of Credit	2015 Businesses	2015 State's Share of Credit
Allegany	26	$260	26	$241
Baltimore City	289	8,277	288	8,534
Baltimore	44	663	43	607
Calvert	7	33	10	29
Cecil	23	761	23	722
Dorchester	14	15	13	13
Garrett	41	138	18	119
Harford	108	1,541	112	1,777
Montgomery	87	494	82	556
Prince George's	51	1,006	50	1,033
St. Mary's	24	42	25	260
Somerset	3	10	3	8
Washington	46	486	47	382
Wicomico	44	152	44	152
Worcester	3	1	3	0
Reimbursement to Late Claimants		100		
Focus Area Credit		475		
Totals	**810**	**$14,453**	**787**	**$14,433**

Source: State Department of Assessments and Taxation

Chapter 338 of 2008, amended by Chapter 728 of 2009, created financial incentives for local subdivisions with approved BRAC zones. The fiscal 2015 allowance includes $650,000 for qualifying properties located in Anne Arundel, Frederick, Harford, and Prince George's counties, with this being the first year of eligibility for Prince George's.

Recommended Actions

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

    , provided that this appropriation shall be reduced by ~~$321,535~~ <u>$143,724</u> contingent upon the enactment of legislation authorizing the use of Charter Funds to support the Office of the Director.

    Explanation: This language will amend the general fund amount to be reduced contingent upon a provision in the Budget Reconciliation and Financing Act in order to limit the amount of special funds from the Charter Unit which can be used within the Office of the Director to 5% of the total costs of the Office of the Director.

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

    <u>Further provided that since the State Department of Assessments and Taxation has had four or more repeat findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits, $100,000 of this appropriation may not be expended unless:</u>

    <u>1.</u> <u>the State Department of Assessments and Taxation has taken corrective action with respect to all repeat audit findings on or before November 1, 2014; and</u>

    <u>2.</u> <u>a report is submitted to the budget committees by the Office of Legislative Audits listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days review and comment to allow for funds to be released prior to the end of fiscal 2015.</u>

    Explanation: The Joint Audit Committee has requested that budget bill language be adopted for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency, and a determination by the Office of Legislative Audits (OLA) that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

Information Request	**Author**	**Due Date**
Resolution of repeat audit findings	OLA	Prior to expenditures of funds

Updates

1. Errors Corrected in Baltimore City Historic Tax Credit Program

The historic tax credit was established to provide relief against increases in the property tax for those property owners who complete significant improvements to, or the restoration or rehabilitation of historic or heritage properties. (Tax-Property Article, Section 9-204.1) The legislative intent of this credit is to maintain, for a period of up to 10 years, the taxation level of the restored or rehabilitated property at levels not greater than those in place before the eligible improvements, if approved as part of a local government's plan for such properties.

Over the summer, numerous newspaper articles began highlighting discrepancies and changes occurring in the Baltimore City Historic Tax Credit Program. Most of these changes were the result of the fact that the Baltimore City Department of Finance's Billing Integrity Unit fully took over the calculation of these tax credits for the tax bills for 2013. Previously, going back to 1999, SDAT assisted Baltimore City in calculating the appropriate credit for each eligible account. However, it is stipulated in statute that the responsibility for calculating any credit is the responsibility of the local government providing the credit.

Following the full takeover of the credit calculation by Baltimore City, it became apparent that numerous errors had occurred in the previous calculation of the tax credit. In particular, incorrect assessment values were used for the post-improvement valuation, either due to the fact that a current assessment value was used in lieu of the post-improvement valuation, or because the post-improvement valuation did not account for appeals and other changes. As these errors were discovered, numerous properties began either losing their credits entirely, or losing large amounts of their credits, resulting in significantly higher property tax bills in 2013. There were also other properties which received lower tax bills in 2013 as well, due to similar credit calculation errors. Since that time, however, numerous changes have taken place that will improve the cooperation between SDAT and Baltimore City.

On October 17, 2013, the director of SDAT, Mr. Robert E. Young, and the head of the Department of Finance for Baltimore City, Mr. Henry E. Black, jointly issued a letter to the Chairman of the Senate Budget and Taxation Committee, which provided an overview of the tax credit calculation problem and the related procedural solution. The directors indicated that the problem resulted from a change in computation methodology by Baltimore City that used assessments that had not been adjusted for certain situations, such as appeals. SDAT and Baltimore City have now developed a new process whereby SDAT will certify the assessment amounts to Baltimore City for use in calculating the Historic Tax Credit. Furthermore, in January 2014, Baltimore City announced that it will be providing homeowners who were told they were getting a tax credit but were now deemed no longer eligible that they could receive a lump sum payment for the amount that they would have previously received for up to three years. The estimated cost to Baltimore City could be as high as $3 million and could affect up to approximately 300 property owners.

2. Report on Measures Taken to Ensure Compliance within the Homestead Tax Credit Program

Since its inception in 1977, the fundamental purpose of the Homestead Property Tax Credit (HTC) has been to limit the amount of property taxes paid by a residential homeowner due to property tax assessment increases. The credit was designed to provide a cumulative or year-over-year protection to longtime homeowners against significant appreciation in property values. Over the past decade, there has been a significant increase in the number of properties receiving the credit and the average amount of each credit. The increase in the number of recipients and the inability to verify eligibility prompted concern over potential abuses or fraud. In response to this concern, Chapters 564 and 565 of 2007 were enacted to require homeowners who purchased their property prior to January 1, 2008, to apply to the department for the credit. The credit is no longer automatically applied against owners' assessments. All those seeking the credit had to apply by December 31, 2012. However, Chapters 25 and 26 of 2013 extended the initial deadline to December 30, 2013.

At the direction of the Joint Audit Committee, the Office of Legislative Audits (OLA) conducted a performance audit of the HTC program in order to evaluate whether or not SDAT's procedures and controls for initially approving HTCs and for periodically reviewing properties' continuing eligibility for HTCs were adequate. The audit would also seek to identify automated methods and data sources that SDAT could use to systematically evaluate properties for continued HTC eligibility. The audit, released in February 2013, contained seven findings based on the audit objectives. Six of the findings addressed deficiencies with the procedures and controls within the HTC program, while the seventh finding identified additional automated procedures that would help SDAT ensure properties remained eligible for the HTC. In response to the release of the audit, committee narrative was adopted in the *Joint Chairmen's' Report* requesting a report on exactly what measures were taken by SDAT to ensure verifiable compliance within the HTC program.

As of this time, SDAT has addressed four of the audit's findings. Steps taken to address the findings and recommendations of OLA include:

- developing new written manuals outlining specific audit functions to be performed by the central Application Unit and the local Assessment Offices;
- adding new personnel in the fiscal 2015 allowance in order to improve the ability to ensure compliance in the HTC program;
- completing the processing of all applications received prior to the December 30, 2013 deadline;
- changing the Assessment and Administrative Valuation System (AAVS) to produce new automated reports for identifying any discrepancies in the data and to have an independent supervisory review of any changes made in the system; and

- changing procedures on data entry into the AAVS.

As for the other audit findings, SDAT contends that one of the audit findings was made on an incorrect legal assumption, and that the two others are not feasible due to their labor intensive nature.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
State Department of Assessments and Taxation
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2013					
Legislative Appropriation	$90,260	$40,842	$0	$0	$131,102
Deficiency Appropriation	241	501	0	0	742
Budget Amendments	78	923	0	257	1,258
Reversions and Cancellations	-114	-1,974	0	0	-2,089
Actual Expenditures	**$90,465**	**$40,292**	**$0**	**$257**	**$131,014**
Fiscal 2014					
Legislative Appropriation	$105,327	$26,565	$0	$0	$131,892
Budget Amendments	780	768	0	0	1,547
Working Appropriation	**$106,106**	**$27,333**	**$0**	**$0**	**$133,439**

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

SDAT completed fiscal 2013 $88,177 below the legislative appropriation.

General Funds

Actual expenditures were $204,643 above the legislative appropriation. This was driven mainly by deficiency appropriations totaling $241,345 in general funds, including $160,278 for unanticipated annual leave payouts, training, and other expenditures in the Office of the Director and $81,067 for costs incurred due to the Homestead Tax Credit application deadline. Budget amendments also added $77,745 in general funds, including $70,000 related to funding for the Annapolis Data Center and $7,745 related to telecommunications costs. These increases were offset by reversions totaling $114,447, which included $63,008 for tax credit programs; $30,335 related to the assessed fee for the development of a new Statewide Personnel System, which spent approximately 48% of this major IT project's appropriated budget; $11,645 for personnel-related expenses; and $9,459 in technology costs.

Special Funds

Actual expenditures were $549,820 below the legislative appropriation. Increases included a deficiency appropriation of $501,000 to cover bank charges for the Charter Unit, as well as budget amendments totaling $923,347, including $620,000 in special funds to cover unanticipated expenditures within the Homestead Tax Credit Administration and $303,347 for the COLA from the Budget Restoration Fund. These increases were more than offset by $1,974,167 in cancellations, including $1,452,137 in cancellations for local county cost reimbursements due to salary and other fringe benefit savings, as well as $522,030 related to unspent temporary office assistance funds.

Reimbursable Funds

Actual expenditures were $257,000 above the legislative appropriation due to a budget amendment from the Major Information Technology Development Fund in the Department of Information Technology to cover contractor liabilities for the AAVS.

Fiscal 2014

To date, a total of $1,547,323 has been added through budget amendments to the legislative appropriation. $779,676 has been added in general funds and $767,647 has been added in special funds, both of which are related to the COLA and increment payments in fiscal 2014, as well as additional funds for real property assessors due to an annual salary review.

Appendix 2

Audit Findings

Audit Period for Last Audit:	August 21, 2009 – July 29,2012
Issue Date:	December 2013
Number of Findings:	11
Number of Repeat Findings:	3
% of Repeat Findings:	27%
Rating: (if applicable)	n/a

Finding 1: There are certain aspects of SDAT's quality assurance process for real property assessments and related documentation requirements which were not formalized.

Finding 2: SDAT has not performed physical exterior inspections for all properties in accordance with State law.

Finding 3: The AAVS has vulnerabilities which placed assessment data at risk, and certain historical data was not archived.

Finding 4: SDAT procedures did not ensure that certain data recorded in AAVS was complete and accurate.

Finding 5**: **SDAT has not performed timely and comprehensive verifications of certain returns and tax credit applications.**

Finding 6: Access and monitoring controls over the AAVS database were not sufficient to protect critical data.

Finding 7: SDAT's network was not adequately secured.

Finding 8: The malware protection on SDAT workstations and servers needs improvement.

Finding 9: An up-to-date and comprehensive disaster recovery plan did not exist.

Finding 10: **SDAT did not adequately monitor certain contract billings.**

Finding 11: **SDAT did not establish sufficient controls over certain collections.**

*Bold denotes item repeated in full or part from preceding audit report.
**This finding was two separate findings in the last fiscal compliance audit.

Object/Fund Difference Report
State Department of Assessments and Taxation

Object/Fund	FY 13 Actual	FY 14 Working Appropriation	FY 15 Allowance	FY 14 - FY 15 Amount Change	Percent Change
Positions					
01 Regular	576.00	591.00	615.30	24.30	4.1%
02 Contractual	18.25	19.35	19.35	0.00	0%
Total Positions	**594.25**	**610.35**	**634.65**	**24.30**	**4.0%**
Objects					
01 Salaries and Wages	$ 39,767,809	$ 44,355,405	$ 46,173,522	$ 1,818,117	4.1%
02 Technical and Spec. Fees	367,762	103,152	396,625	293,473	284.5%
03 Communication	1,365,640	1,384,298	1,415,530	31,232	2.3%
04 Travel	257,717	183,750	183,750	0	0%
06 Fuel and Utilities	16,601	18,500	18,500	0	0%
07 Motor Vehicles	75,089	56,976	58,290	1,314	2.3%
08 Contractual Services	4,997,017	5,044,008	5,083,011	39,003	0.8%
09 Supplies and Materials	272,574	157,180	157,180	0	0%
10 Equipment – Replacement	13,850	171,667	171,667	0	0%
11 Equipment – Additional	17,163	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	81,897,510	80,232,330	81,963,260	1,730,930	2.2%
13 Fixed Charges	1,965,050	1,732,056	1,741,117	9,061	0.5%
Total Objects	**$ 131,013,782**	**$ 133,439,322**	**$ 137,362,452**	**$ 3,923,130**	**2.9%**
Funds					
01 General Fund	$ 90,464,562	$ 106,106,490	$ 108,889,435	$ 2,782,945	2.6%
03 Special Fund	40,292,220	27,332,832	28,473,017	1,140,185	4.2%
09 Reimbursable Fund	257,000	0	0	0	0.0%
Total Funds	**$ 131,013,782**	**$ 133,439,322**	**$ 137,362,452**	**$ 3,923,130**	**2.9%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
State Department of Assessments and Taxation

Program/Unit	FY 13 Actual	FY 14 Wrk Approp	FY 15 Allowance	Change	FY 14 - FY 15 % Change
01 Office of the Director	$ 2,786,330	$ 2,759,576	$ 2,874,484	$ 114,908	4.2%
02 Real Property Valuation	30,484,221	34,118,125	35,105,246	987,121	2.9%
04 Office of Information Technology	4,098,021	4,827,346	5,294,232	466,886	9.7%
05 Business Property Valuation	3,315,531	3,531,435	3,572,795	41,360	1.2%
06 Tax Credit Payments	81,897,510	80,232,330	81,963,260	1,730,930	2.2%
08 Property Tax Credit Programs	3,051,761	2,631,462	3,123,925	492,463	18.7%
09 Major Information Technology Development Projects	257,000	0	0	0	0%
10 Charter Unit	5,123,408	5,339,048	5,428,510	89,462	1.7%
Total Expenditures	**$ 131,013,782**	**$ 133,439,322**	**$ 137,362,452**	**$ 3,923,130**	**2.9%**
General Fund	$ 90,464,562	$ 106,106,490	$ 108,889,435	$ 2,782,945	2.6%
Special Fund	40,292,220	27,332,832	28,473,017	1,140,185	4.2%
Total Appropriations	**$ 130,756,782**	**$ 133,439,322**	**$ 137,362,452**	**$ 3,923,130**	**2.9%**
Reimbursable Fund	$ 257,000	$ 0	$ 0	$ 0	0.0%
Total Funds	**$ 131,013,782**	**$ 133,439,322**	**$ 137,362,452**	**$ 3,923,130**	**2.9%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Appendix 4