# E50C
# State Department of Assessments and Taxation

## *Operating Budget Data*

**($ in Thousands)**

| | FY 17 Actual | FY 18 Working | FY 19 Allowance | FY 18-19 Change | % Change Prior Year |
|---|---|---|---|---|---|
| General Fund | $104,891 | $113,782 | $116,832 | $3,050 | 2.7% |
| Adjustments | 0 | 1,755 | -19,511 | -21,266 | |
| **Adjusted General Fund** | **$104,891** | **$115,537** | **$97,321** | **-$18,216** | **-15.8%** |
| Special Fund | 27,760 | 28,356 | 29,219 | 863 | 3.0% |
| Adjustments | 0 | -618 | 19,873 | 20,491 | |
| **Adjusted Special Fund** | **$27,760** | **$27,737** | **$49,092** | **$21,354** | **77.0%** |
| **Adjusted Grand Total** | **$132,651** | **$143,275** | **$146,413** | **$3,138** | **2.2%** |

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The Governor's budget plan includes a $2.1 million general fund deficiency due to an increase in expected Enterprise Zone tax credit payments. It also includes a negative special fund deficiency of $228,434 to account for the impact of cost containment actions that reduced the agency's general fund appropriation, which lowers the cost-sharing obligation for local jurisdictions.

- The fiscal 2019 allowance is $146.4 million, an increase of $3.1 million, or 2.2%, above the fiscal 2018 working appropriation. The Governor's budget plan for fiscal 2019 includes a contingent fund swap of $19.7 million in general funds for special funds from local jurisdictions. This action is tied to a provision in the Budget Reconciliation and Financing Act (BRFA) of 2018 that would increase the local contribution to the agency's operations.

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

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## *Personnel Data*

| | FY 17 Actual | FY 18 Working | FY 19 Allowance | FY 18-19 Change |
|---|---|---|---|---|
| Regular Positions | 595.30 | 592.30 | 592.30 | 0.00 |
| Contractual FTEs | 13.55 | 16.00 | 16.00 | 0.00 |
| **Total Personnel** | **608.85** | **608.30** | **608.30** | **0.00** |

***Vacancy Data: Regular Positions***

| | | | | |
|---|---|---|---|---|
| Turnover and Necessary Vacancies, Excluding New Positions | | 35.48 | 5.99% | |
| Positions and Percentage Vacant as of 12/31/17 | | 71.00 | 11.99% | |

- The fiscal 2019 allowance includes 592.3 regular positions, the same as the fiscal 2018 working appropriation.

- The fiscal 2019 allowance also includes 16.0 contractual full-time equivalents, the same as the fiscal 2018 working appropriation.

- Agency turnover expectancy is 5.99%, which requires 35.48 vacancies. As of December 31, 2017, the agency had a total of 71 vacant positions for a vacancy rate of 11.99%.

# *Analysis in Brief*

## Major Trends

***Assessment Metrics Remain Strong:*** The performance of the State Department of Assessments and Taxation (SDAT) is measured based on the accuracy of the agency's assessments relative to actual sale prices. In fiscal 2017, the SDAT assessment-to-sales ratio was 95%, within the agency's 90% to 110% target range. Additional measures for bias in assessments within geographic areas and by assessed value remained well within agency targets.

***SDAT Maintains Progress on Electronic Filing:*** SDAT is working to improve customer experiences by increasing its online presence and changing processes in the agency's Charter Unit. These initiatives are relatively new but maintained positive results in the fourth year of reporting. In addition, SDAT is planning to provide electronic filing for property tax credits once a new system to accept those filings is in place.

## Issues

***Administration Makes Second Push for Increased Local Assessment Cost-sharing:*** A provision in the BRFA of 2018 would increase the share of assessment-related expenses paid by local jurisdictions from 50% to 90% in fiscal 2019 and thereafter. In fiscal 2019, this would increase local costs by $19.7 million. While local jurisdictions receive the large majority of property tax revenue, it would be unwise to relieve the State of most of the responsibility for these costs while it retains authority to set the budget. **The Department of Legislative Services (DLS) recommends that the current 50-50 cost share for assessment expenses be maintained and that the provision increasing the local cost share to 90% be stricken from the BRFA of 2018.**

***Staffing Study Shows SDAT Cannot Meet Statutory Requirements with Current Staff:*** As reported by DLS in the January 2018 *Executive Branch Staffing Adequacy Study*, under the Tax – Property Article, SDAT is required to conduct physical inspections and assessments of each property in the State every 3 years. At no time in the last 40 years has the agency had sufficient staff to meet this mandate. According to a 2015 report by SDAT, the agency would need 200 additional assessors to conduct these assessments. This deficiency represents the majority of the demonstrated need for additional staff for SDAT; however, best practices in the assessment industry support SDAT's current policy of fewer physical inspections. One solution to resolve this demonstrated need is to eliminate the statutory requirement. **DLS recommends that the General Assembly consider eliminating the difference between statutory requirements and agency practice by passing SB 10 or similar legislation that conforms statute with current practice or by considering legislation that requires the Governor to include sufficient funding in the annual budget to hire enough assessors to conduct physical inspections as required by law.**

## Operating Budget Recommended Actions

1. Adopt committee narrative requesting a pipeline report on the Enterprise Zone Tax Credit Program.

## Budget Reconciliation and Financing Act Recommended Actions

1. Delete a provision permanently increasing the share of assessment-related costs paid by local governments from 50% to 90%.

## Updates

***Report on Transparency in Assessments:*** Language in the 2017 *Joint Chairman's Report* directed SDAT to report on its assessment process and the misclassification of property sales by the agency. SDAT has reported that it conducted a review of its classifications and found that while there are points in the process where property sales can be misclassified, assessors almost always make proper classifications, and the overall accuracy rate in SDAT's reports was over 97%. SDAT also reported that it reviewed its practices for how it classifies sales and has made the procedures available on its website to improve transparency.

# 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 (BRAC) Revitalization 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 Urban Enterprise Zone Tax Credit Program reimburses local governments for property tax credits given to businesses that 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. Assessment Metrics Remain Strong

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 assessments are to the sales prices. A ratio over 100.0% indicates that assessments were higher, and a ratio under 100.0% indicates that assessments were lower than market values. The IAAO range and SDAT's goal for acceptable performance for the ASR is 90.0% to 110.0%. As illustrated in **Exhibit 1**, the department's fiscal 2017 ASR was 95.0%, an increase from 93.5% in fiscal 2016.

**Exhibit 1**
**Accuracy Measures**
**Fiscal 2011-2017**

| Measure | Goal | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Assessment-to-sales Ratio | 90.00-110.00% | 90.00% | 93.10% | 91.30% | 90.00% | 93.00% | 93.50% | 95.00% |
| Coefficient of Dispersion | =< 15.00 | 10.00 | 10.27 | 10.22 | 10.00 | 10.00 | 9.00 | 10.00 |
| Price-related Differential | 0.98-1.03 | 1.00 | 1.03 | 1.01 | 1.02 | 1.01 | 1.01 | 1.00 |

Source: Department of Budget and Management

The department is also performing within its targets 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 acceptable. The COD for SDAT in fiscal 2017 was 10.0, compared to 9.0 in fiscal 2016. 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 2017 is 1.0, compared to 1.01 in fiscal 2016.

## 2. SDAT Maintains Progress on Electronic Filing

SDAT is in the process of modernizing its internal and public-facing information technology (IT) systems and creating online options for more of its filings, especially in the Charter Unit, which handles business registrations and related filings. As shown in **Exhibit 2**, a large percentage of the new business registrations and good standing certificates are filed electronically rather than in person at SDAT's Charter Unit in Baltimore City. While the percentage of good standing certificates filed electronically decreased in 2017, other online filings increased, a trend that is expected to continue. In addition, the Charter Unit made further progress in decreasing the time that it takes to process nonexpedited business fillings. In fiscal 2017, the time fell from 30 days to 28 days, which is less than half of what it was in fiscal 2015 (57.2 days).

**Exhibit 2**
**Utilization of Electronic Documents**
**Fiscal 2014-2017 Est.**

| | 2014 | 2015 | 2016 | 2017 Est. |
|---|---|---|---|---|
| New Business Registrations | 81,414 | 70,266 | 80,000 | 75,649 |
| Percentage Filed Electronically | 22.5% | 43.3% | 50.0% | 56.0% |
| Good Standing Certificates | 43,839 | 60,387 | 70,000 | 60,752 |
| Percentage Filed Electronically | 86.8% | 72.0% | 80.0% | 69.9% |

Source: Department of Budget and Management

Finally, SDAT launched a new major IT project in fiscal 2018, the Strategic Enterprise Application Network project (Project SEAN). Project SEAN, once implemented, will allow homeowners and renters to apply for tax credits online rather than in person or through the mail.

## Fiscal 2018 Actions

### Proposed Deficiency

The Governor's budget plan includes a general fund deficiency of $2.1 million and a negative special fund deficiency of $228,434. The general fund deficiency provides additional funding for enterprise zone tax credits based on the projected need for the program in fiscal 2018. The negative special fund deficiency is a technical adjustment to reestablish the appropriate State-local cost share for assessment activities following the Board of Public Works (BPW) cost containment action.

### Cost Containment

On September 6, 2017, BPW approved a cost containment action that eliminated a total of $61.0 million from the fiscal 2018 general fund appropriation. For SDAT, the impact of this action was a reduction of $363,324. Of this amount, $226,524 is achieved by holding positions vacant, and $136,800 is reduced by not replacing computer equipment and spending less on software licenses.

## Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency's share of this reduction is $363,118 in general funds and $389,781 in special funds.

## Proposed Budget

As shown in **Exhibit 3**, the fiscal 2019 allowance for SDAT increases by $3.1 million, or 2.2% above the fiscal 2018 working appropriation. As discussed in the Issues section, the allowance includes a contingent fund swap that proposes to replace $19.7 million in general funds with special funds from the counties and Baltimore City. Including this action, general fund expenditures decrease by $18.2 million, or 15.8%. However, if this fund swap does not occur, the general fund appropriation increases by $1.5 million, or 1.3%, above the fiscal 2018 working appropriation.

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

| How Much It Grows: | General Fund | Special Fund | Total |
|---|---|---|---|
| Fiscal 2017 Actual | $104,891 | $27,760 | $132,651 |
| Fiscal 2018 Working Appropriation | 115,537 | 27,737 | 143,275 |
| Fiscal 2019 Allowance | 97,321 | 49,092 | 146,413 |
| Fiscal 2018-2019 Amount Change | -$18,216 | $21,354 | $3,138 |
| Fiscal 2018-2019 Percent Change | -15.8% | 77.0% | 2.2% |

| Where It Goes: | |
|---|---|
| **Personnel Expenses** | |
| Employee and retiree health insurance | $753 |
| Turnover adjustments | 364 |
| Cost-of-living adjustment | 361 |
| Workers' compensation premium assessment | 57 |
| Employee retirement | -39 |
| Salaries and wages | -214 |
| Other fringe benefit adjustments | 26 |
| **Other Changes** | |
| Strategic Enterprise Application Network project | 1,028 |

| | |
|---|---|
| **Where It Goes:** | |
| Enterprise Zone Tax Credit | 1,000 |
| Record digitization | 500 |
| Switch to postcards for some mailings | -160 |
| Website upgrades | -197 |
| Department of Information Technology charges | -365 |
| Other | 24 |
| **Total** | **$3,138** |

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

## General Salary Increase

The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management's (DBM) statewide program and will be distributed to agencies during the fiscal year. This agency's share of the general salary increase is $178,634 in general funds and $183,152 in special funds. In addition, employees will receive another 0.5% increase and a $500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by $75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are $75 million more than projected.

## Personnel

Personnel expenditures increase by $1.3 million, including the impact of the general salary increase and health insurance savings. Other changes include turnover adjustments that increase the allowance by $364,608 and a decrease of $214,385 for salaries and wages.

## Project SEAN

The fiscal 2019 budget includes an increase of $1.0 million in special funds for Project SEAN. After the project was formally initiated in December 2017, the Governor signed Budget Amendment 033-18, which adds $1.2 million in special funds for fiscal 2018 for Project SEAN. This amount is not included in the fiscal 2018 working appropriation as reported in this analysis due to the timing of the budget amendment's final approval. Special fund expenditures in fiscal 2018 and 2019 total $2.2 million and come entirely from the Expedited Service Fund. The Expedited Service Fund is the depository for expedited fees business can choose to pay to SDAT's Charter Unit for priority processing of business filings. In recent years, these fees have generated sufficient revenue to fully fund the Charter Unit's operations ($6.1 million in fiscal 2019) and leave a small structural surplus. As of December 31, 2017, SDAT reports that the fund balance was $4.9 million. Increased Charter Unit operating expenditures along with the $2.2 million in expenditures for Project SEAN will reduce the fund balance to $1.1 million by the end of fiscal 2019.

## Other Changes

There are several other significant changes in the fiscal 2019 allowance. The allowance includes an increase of $1.0 million for the Enterprise Zone Tax Credit based on a new utilization projection. The Department of Commerce is responsible for establishing enterprise zones and approved seven new zones in early 2017, which has increased expenditures for the program by approximately 20%.

Additionally, expenditures increase by $500,000 for a project to digitize historic records held by SDAT as part of the agency's transition to more robust online services. These increases are offset by reduced expenditures for postage and printing due to a shift to postcard mailers ($160,120), along with decreases for website improvements ($197,199) and Department of Information Technology service fees ($365,087).

# *Issues*

## 1. Administration Makes Second Push for Increased Local Assessment Cost-sharing

For the second year in a row, the BRFA includes a provision that would increase and expand the share of assessment-related expenses paid by the counties and Baltimore City. Under current law, the State and local jurisdictions evenly split the costs for SDAT's assessment operations and IT. Local jurisdictions calculate property tax bills based on SDAT assessments, charge and collect the taxes, and remit the State share. Local jurisdictions receive the majority of property tax revenue.

Prior to fiscal 2012, the State paid for the entirety of SDAT's operations. For fiscal 2012 and 2013, under a provision in the BRFA of 2011, local jurisdictions were required to cover 90% of expenditures for assessments and IT. The current 50-50 split has been in place since fiscal 2014. As shown in **Exhibit 4**, under current law, the local contribution to SDAT is $21.3 million in fiscal 2019, and the proposed change would increase that by $19.7 million to $40.9 million. In addition to increasing the local share to 90% for the covered programs, the proposal would also require local jurisdictions to cover 90% of the cost of the Office of the Director of SDAT.

**Exhibit 4**
**Local Cost Share for Property Assessments**
**Fiscal 2012-2019 Est.**
**($ in Thousands)**

| Fiscal Year | Local Cost | State Cost | Total |
|---|---|---|---|
| 2012 | $32,852 | $6,329 | $39,182 |
| 2013 | 34,032 | 6,652 | 40,684 |
| 2014 | 19,885 | 22,943 | 42,828 |
| 2015 | 21,238 | 23,993 | 45,231 |
| 2016 | 21,468 | 24,616 | 46,084 |
| 2017 | 22,072 | 25,174 | 47,246 |
| 2018 | 21,552 | 22,286 | 43,838 |
| **2019 Est. Current Law** | **21,251** | **24,239** | **45,490** |
| **2019 Est. Proposed Change** | **40,941** | **4,549** | **45,490** |
| **Impact of Proposed Change** | **19,690** | **-19,690** | |

Note: Includes costs for the Office of the Director, the Residential Property Valuation, the Business Property Valuation, and the Office of Information Technology.

Source: Department of Legislative Services

The Department of Legislative Services (DLS) recommended against this proposal when it was offered in 2017. While it is true that local jurisdictions are the primary recipients of revenue based on the work of SDAT, this does not necessarily mean that it is wise to place the cost burden on those local governments. The State and its citizens benefit from the uniformity in procedures and valuations produced by SDAT as well as the unity of the appeals process. Assessors from all jurisdictions benefit from having greater access to support and other resources that may not be available to them otherwise.

As long as budget decisions for SDAT are made at the State level, it is prudent to require the State to pay a large share of these costs to maintain an incentive to make wise budget decisions. While there is no evidence that the current administration of SDAT or DBM would be less careful in their fiscal stewardship if more funding comes from local governments, there is still a risk going forward of creating a large area of expenditure in the budget that the appropriators do not have to fund. **DLS recommends that the current 50-50 cost share for assessment expenses be maintained and that the provision increasing the local cost share to 90% be stricken from the BRFA of 2018.**

## 2. Staffing Study Shows SDAT Cannot Meet Statutory Requirements with Current Staff

DLS reported in the *Executive Branch Staffing Adequacy Study* in January 2018 that SDAT has a quantifiable need for 234 additional assessors. While 34 of these additional staff are due to vacancies within the residential and business property evaluation programs that can resolved without adding new authorized positions for SDAT, the remaining 200 are the result of persistent understaffing that extends across SDAT's 40-year history.

Under Tax – Property Article § 8-104(b)(1), SDAT is required to conduct an "exterior physical examination of each property in the State once every three years." SDAT has never had the resources to meet this legal requirement. There are currently 2.2 million taxable parcels in the State and 144 nonsupervistory assessors in the residential property division. In order to inspect each property every three years, each assessor would have to visit 5,100 properties per year. SDAT reported in 2015 that an experienced assessor can evaluate 2,500 properties a year. Therefore, it would take at least twice as many residential assessors to meet that target based on a reasonable estimate of efficiency. Hiring the 200 additional assessors needed would cost at least $10.0 million per year.

Failing to meet a statutory obligation for four decades is a problem, but there is a solution that will result in assessments that are consistent with industry standards and agency practice and that does not increase State expenditures – changing the statute to eliminate the physical inspection requirement. While SDAT is unable to meet the statutory mandate for physical inspections, it does follow industry best practices and generally produces fair and accurate inspections, as discussed in the performance analysis section. The inability to physically inspect all properties has not hindered the quality of the agency's assessments because there is no need, with modern technology, to physically inspect most properties under most circumstances. Currently, consistent with industry standards and other assessment offices in the region, SDAT conducts physical inspections only every nine years, or when a triggering event, such as a sale or the filing of a building permit, occurs. There is little to no risk to the State of eliminating the antiquated statutory requirement for universal physical inspections and doing so would eliminate SDAT's structural staffing shortfall for assessors. However, if it is the will of the General Assembly to maintain the requirement, then the agency should be provided the necessary resources.

**DLS recommends that the General Assembly consider eliminating the difference between statutory requirements and agency practice by passing SB 10 or similar legislation that conforms statute with current practice or by considering legislation that requires the Governor to include sufficient funding in the annual budget to hire enough assessors to conduct physical inspections as required by law.**

# *Operating Budget Recommended Actions*

1. Adopt the following narrative:

   **Pipeline Report on the Enterprise Zone Tax Credit Program:** The committees are interested in the recent creation of new enterprise zones by the Department of Commerce (Commerce) and the impact that these new enterprise zones will have on tax credit payments. The committees are concerned about increasing expenditures for this entitlement program and would like to know about new properties in the program's pipeline earlier in the process. Therefore, the committees request a report from the State Department of Assessments and Taxation (SDAT) and Commerce enumerating new properties that have qualified for the program for tax year 2020 and a forecast of anticipated fiscal 2020 program expenditures.

| **Information Request** | **Authors** | **Due Date** |
|---|---|---|
| Pipeline report on the Enterprise Zone Tax Credit Program | SDAT<br>Commerce | September 1, 2018 |

# *Updates*

## 1. Report on Transparency in Assessments

The 2017 *Joint Chairmen's Report* directed SDAT to prepare a report on misclassification of property sales and transparency in the assessment process. SDAT submitted a report responding to both issues on September 1, 2017.

### Errors in Classification of Property Sales

Reports on property sales are one of the most important data sets used by assessors in valuing residential properties in the State. Most residential properties are reassessed at the neighborhood level, with recent market sales in the neighborhood standing as evidence of the value of comparable properties. Residential single-family home sales fall into two categories – arms-length and non-arms-length. Essentially, arms-length sales are assumed to be driven only by the property's market value, and non-arms-length sales have some additional factor (such as a pre-existing relationship between the buyer and seller) that implies that the sale price may differ from the market value of the property. If sales are improperly classified, this can create inaccuracy and bias in neighborhood assessments.

Sales can be identified as non-arms-length at several points in the process including reporting by the title company, the initial review and date entry by SDAT clerical staff, and when assessors select market sales to conduct a neighborhood analysis. Information on the sale is available from the sale documents, the State's Multiple Listing Service, and directly from the property owner.

In response to the concerns raised by the committees, SDAT also conducted a study of the accuracy of its coding in June 2017. The department reviewed a total of 300 sales classified as non-arms-length (50 random sales in each of six counties). This review found that 292 of the 300 sales were properly identified as non-arms-length transactions, and there was no bias in this accuracy rate between lower and higher value properties.

### Transparency

With regard to transparency, the report emphasizes the information that is currently available to the public, including the agency's manuals and assessment guidelines as well as the searchable, public database of State property records. In addition, the report also describes the appeals process for assessments and notes that local assessment offices will work directly with individual property owners to answer questions and can correct any errors that are discovered in assessments.

In response to the specific concern about the transparency of sale classifications, the department stated that it has updated its procedures for classifying sales and that the procedure is now available to the public on the agency's website.

**Appendix 1**

## Current and Prior Year Budgets

**State Department of Assessments and Taxation**

**($ in Thousands)**

| | General Fund | Special Fund | Federal Fund | Reimb. Fund | Total |
|---|---|---|---|---|---|
| **Fiscal 2017** | | | | | |
| Legislative Appropriation | $112,345 | $28,314 | $0 | $0 | $140,659 |
| Deficiency Appropriation | 0 | 0 | 0 | 0 | 0 |
| Cost Containment | -3,400 | 0 | 0 | 0 | -3,400 |
| Budget Amendments | 383 | 492 | 0 | 0 | 875 |
| Reversions and Cancellations | -4,436 | -1,046 | 0 | 0 | -5,482 |
| **Actual Expenditures** | **$104,891** | **$27,760** | **$0** | **$0** | **$132,651** |
| **Fiscal 2018** | | | | | |
| Legislative Appropriation | $114,145 | $28,356 | $0 | $0 | $142,501 |
| Cost Containment | -363 | 0 | 0 | 0 | -363 |
| Budget Amendments | 0 | 0 | 0 | 0 | 0 |
| **Working Appropriation** | **$113,782** | **$28,356** | **$0** | **$0** | **$142,138** |

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

## Fiscal 2017

The State Department of Assessments and Taxation finished fiscal 2017 $8.0 million below the legislative appropriation. This decrease is largely attributable to actual expenditures for tax credit payments falling $7.7 million below the budgeted amount.

### General Funds

Actual expenditures were $104.9 million, $7.5 million below the legislative appropriation. This difference is attributable to the following actions:

- $4.4 million in unspent funds were reverted, of which $4.3 million was due to lower than expected spending for the tax credit program;

- a reduction of $3.4 million for the Homeowners' Tax Credit due to a November 2, 2016 Board of Public Works (BPW) reduction. This reduction was based on a revised estimate of the number of taxpayers claiming this credit; and

- a budget amendment increasing the appropriation by $383,107 for employee increments.

### Special Funds

Actual expenditures were $553,919 below the legislative appropriation. This decrease is attributable to the cancellation of $1 million in unspent funds. This decrease was partially offset by a budget amendment adding $491,883 for employee increments.

## Fiscal 2018

To date, there has been one adjustment to the fiscal 2018 legislative appropriation. A cost containment action approved by BPW on September 6, 2017, reduced the agency's general fund appropriation by $363,324. This reduction includes $226,524 to increase turnover expectancy and $136,800 to reduce software expenditures and eliminate computer equipment upgrades.

## Appendix 2

# Major Information Technology Projects

### State Department of Assessments and Taxation

### Strategic Enterprise Application Network

| | | | |
|---|---|---|---|
| **Project Status** | Planning. | **New/Ongoing Project:** | New. |
| **Project Description:** | The Strategic Enterprise Application Network project (Project SEAN) will allow the State Department of Assessments and Taxation (SDAT) to move away from paper-based processes and archaic mainframe technology. Project SEAN will replace inward and outward facing systems and allow taxpayers to submit tax credit applications online. | | |
| **Project Business Goals:** | Project SEAN has three goals: (1) elimination of paper-based processes; (2) adopting industry best practices for agency functions; and (3) improving customer service. | | |
| **Estimated Total Project Cost:** | $3,496,049 | **Estimated Planning Project Cost:** | $1,210,000 |
| **Project Start Date:** | Fiscal 2018. | **Projected Completion Date:** | n/a. |
| **Schedule Status:** | A Request for Proposals was issued in July 2017. Proposals are currently under review. | | |
| **Cost Status:** | The current cost estimate is $3.5 million, of which at least $2.2 million will be provided from the unappropriated balance of the SDAT Charter Unit's Expedited Service Fund. | | |
| **Scope Status:** | n/a. | | |
| **Project Management Oversight Status:** | Department of Information Technology oversight established. The fiscal 2019 allowance includes $55,233 for oversight. | | |
| **Identifiable Risks:** | The most significant risks identified by SDAT include the technical challenges of creating a system that will interface with internal and external systems as needed, ensuring that the agency has sufficient information technology staffing that is appropriately trained to maintain and operate the system, and the willingness of staff to adapt to new business processes. | | |
| **Additional Comments:** | n/a. | | |

| **Fiscal Year Funding ($ in Thousands)** | **Prior Years** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** | **Balance to Complete** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Personnel Services | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Professional and Outside Services | 1,210.0 | 1,436.1 | 850.0 | 0.0 | 0.0 | 0.0 | 2,286.1 | 3,496.1 |
| Other Expenditures | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Funding** | **$1,210.0** | **$1,436.1** | **$850.0** | **$0.0** | **$0.0** | **$0.0** | **$2,286.1** | **$3,496.1** |

**Appendix 3**
**Object/Fund Difference Report**
**State Department of Assessments and Taxation**

| Object/Fund | FY 17 Actual | FY 18 Working Appropriation | FY 19 Allowance | FY 18 - FY 19 Amount Change | Percent Change |
|---|---|---|---|---|---|
| **Positions** | | | | | |
| 01 Regular | 595.30 | 592.30 | 592.30 | 0.00 | 0% |
| 02 Contractual | 13.55 | 16.00 | 16.00 | 0.00 | 0% |
| **Total Positions** | **608.85** | **608.30** | **608.30** | **0.00** | **0%** |
| **Objects** | | | | | |
| 01 Salaries and Wages | $ 46,070,348 | $ 45,792,228 | $ 45,894,659 | $ 102,431 | 0.2% |
| 02 Technical and Spec. Fees | 280,080 | 447,570 | 447,570 | 0 | 0% |
| 03 Communication | 1,361,054 | 1,239,643 | 1,141,083 | -98,560 | -8.0% |
| 04 Travel | 274,365 | 182,118 | 172,968 | -9,150 | -5.0% |
| 06 Fuel and Utilities | 27,154 | 26,269 | 26,649 | 380 | 1.4% |
| 07 Motor Vehicles | 128,940 | 75,548 | 80,904 | 5,356 | 7.1% |
| 08 Contractual Services | 4,238,557 | 4,769,538 | 5,682,960 | 913,422 | 19.2% |
| 09 Supplies and Materials | 189,808 | 207,854 | 177,905 | -29,949 | -14.4% |
| 10 Equipment – Replacement | 284,773 | 119,870 | 23,000 | -96,870 | -80.8% |
| 11 Equipment – Additional | 82,203 | 15,000 | 3,500 | -11,500 | -76.7% |
| 12 Grants, Subsidies, and Contributions | 78,004,714 | 87,514,587 | 90,632,786 | 3,118,199 | 3.6% |
| 13 Fixed Charges | 1,709,361 | 1,747,556 | 1,767,098 | 19,542 | 1.1% |
| **Total Objects** | **$ 132,651,357** | **$ 142,137,781** | **$ 146,051,082** | **$ 3,913,301** | **2.8%** |
| **Funds** | | | | | |
| 01 General Fund | $ 104,891,188 | $ 113,782,132 | $ 116,832,109 | $ 3,049,977 | 2.7% |
| 03 Special Fund | 27,760,169 | 28,355,649 | 29,218,973 | 863,324 | 3.0% |
| **Total Funds** | **$ 132,651,357** | **$ 142,137,781** | **$ 146,051,082** | **$ 3,913,301** | **2.8%** |

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 4**
**Fiscal Summary**
**State Department of Assessments and Taxation**

| Program/Unit | FY 17 Actual | FY 18 Wrk Approp | FY 19 Allowance | Change | FY 18 - FY 19 % Change |
|---|---|---|---|---|---|
| 01 Office of the Director | $ 3,040,063 | $ 2,889,456 | $ 2,987,921 | $ 98,465 | 3.4% |
| 02 Real Property Valuation | 36,414,021 | 35,321,476 | 35,169,873 | -151,603 | -0.4% |
| 04 Office of Information Technology | 3,767,948 | 4,593,819 | 3,901,942 | -691,877 | -15.1% |
| 05 Business Property Valuation | 3,394,724 | 3,417,595 | 3,429,785 | 12,190 | 0.4% |
| 06 Tax Credit Payments | 78,004,714 | 87,514,587 | 90,632,786 | 3,118,199 | 3.6% |
| 08 Property Tax Credit Programs | 2,500,717 | 2,757,842 | 2,765,151 | 7,309 | 0.3% |
| 09 Major Information Technology Development | 0 | 0 | 1,028,060 | 1,028,060 | 0% |
| 10 Charter Unit | 5,529,170 | 5,643,006 | 6,135,564 | 492,558 | 8.7% |
| **Total Expenditures** | **$ 132,651,357** | **$ 142,137,781** | **$ 146,051,082** | **$ 3,913,301** | **2.8%** |
| | | | | | |
| General Fund | $ 104,891,188 | $ 113,782,132 | $ 116,832,109 | $ 3,049,977 | 2.7% |
| Special Fund | 27,760,169 | 28,355,649 | 29,218,973 | 863,324 | 3.0% |
| **Total Appropriations** | **$ 132,651,357** | **$ 142,137,781** | **$ 146,051,082** | **$ 3,913,301** | **2.8%** |

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.