

**E00A**  
**Comptroller of Maryland**

***Executive Summary***

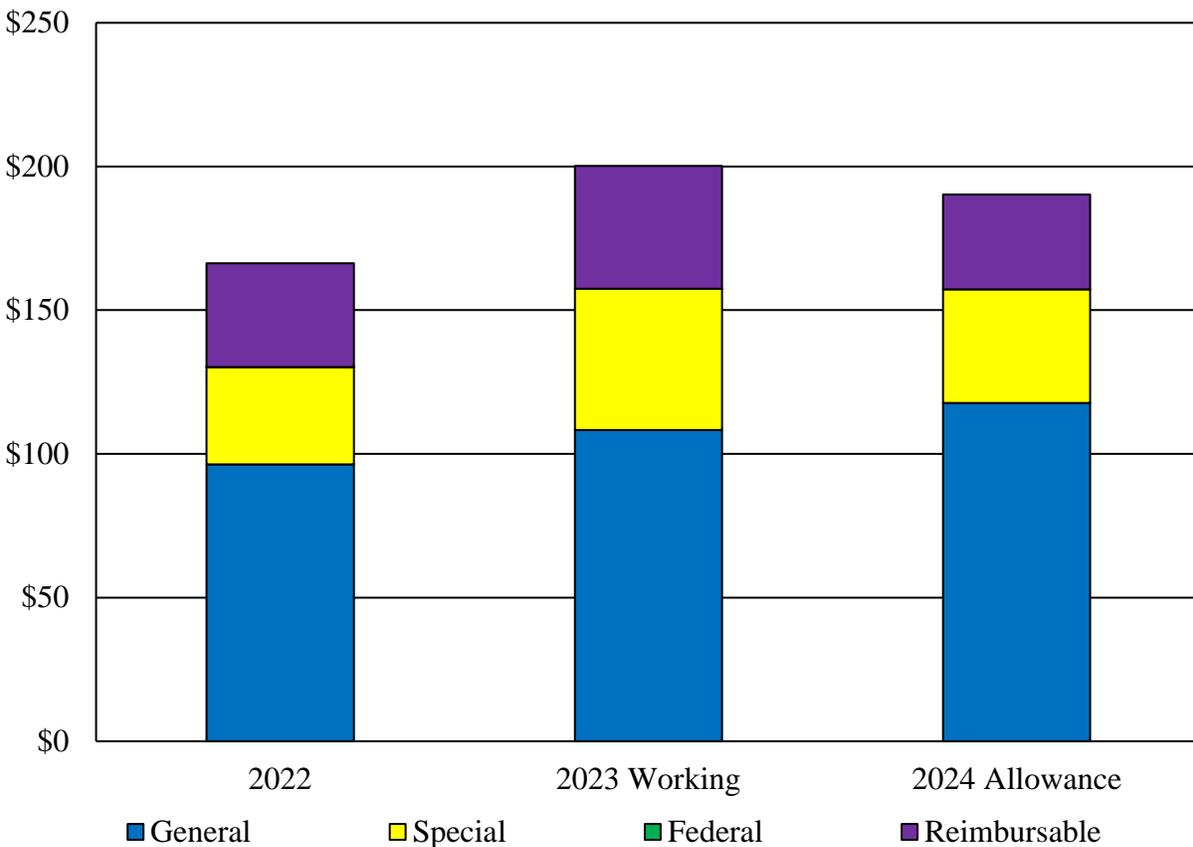
---

The Comptroller of Maryland is the State’s chief fiscal officer and is responsible for collecting tax revenue and enforcing compliance with the State’s tax laws. The Comptroller also provides general supervision of the State’s fiscal matters and sits on the Board of Public Works (BPW).

***Operating Budget Summary***

---

**Fiscal 2024 Budget Decreases \$10.0 Million, or 5.0%, to \$190.2 Million  
(\$ in Millions)**



Note: Numbers may not sum due to rounding. The fiscal 2023 working appropriation includes deficiency appropriations including this agency’s share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

---

For further information contact: Ryan Green

Ryan.Green@mlis.state.md.us

## ***Key Observations***

---

- ***Electronic Tax Returns Increase While Paper Returns Decrease:*** Since fiscal 2022, paper tax returns fell by 32%, while electronic tax returns are up 5%. These changes are largely due to taxpayers continuing to switch to filing with electronic returns.
- ***Comptroller Reporting of Income Tax Data Required Revisions:*** In January 2023, the Comptroller issued a revised report on county income tax data initially submitted in December 2022 that was used for certain budget calculations for fiscal 2024. The revisions substantially impact the funding that is calculated under the disparity grant formula as well as altering distributions in a few other formulas.
- ***Integrated Tax System (ITS) Project Requires a Rebaselining and Is Delayed by Two Years:*** Due to a timeline for implementation that has proven to be too aggressive, the ITS Major Information Technology Development Project (MITDP) requires rebaselining. This rebaselining is expected to delay the project by two years and increase the cost by \$31 million.

## **Operating Budget Recommended Actions**

1. Adopt committee narrative requesting quarterly status updates on the Integrated Tax System Major Information Technology Development Project.

**E00A**  
**Comptroller of Maryland**

***Operating Budget Analysis***

---

**Program Description**

The Comptroller is the State's chief fiscal officer and is responsible for collecting tax revenue and enforcing compliance with the State's tax laws. The Comptroller provides general supervision of the State's fiscal matters and sits on BPW.

**Revenue Administration**

The Revenue Administration Division (RAD) is responsible for the receiving and processing of tax returns and payments for the various tax types administered by the Comptroller's office, which include personal income; corporate income; sales and use; admissions and amusement; and taxes on the sale of alcohol, tobacco, and motor fuel, among others.

**Compliance**

The Compliance Division is responsible for the enforcement of compliance with all tax laws that are administered by the Comptroller. This is achieved through conducting audits, collections on delinquent and unpaid taxes, and other legal enforcement activities. The Compliance Division is also responsible for the holding of unclaimed property and its distribution to its rightful owners.

**Field Enforcement**

The Field Enforcement Bureau (FEB), formerly the Field Enforcement Division, is responsible for the enforcement of compliance with the State's revenue laws relating to motor fuel, business licenses, and sales and use taxes for individuals and businesses. Field inspections conducted by agents test the quality of motor fuel as well as monitor its storage and transportation. Agents also ensure that businesses are properly licensed and complying with recordkeeping regulations.

**Accounting and Other Fiscal Services**

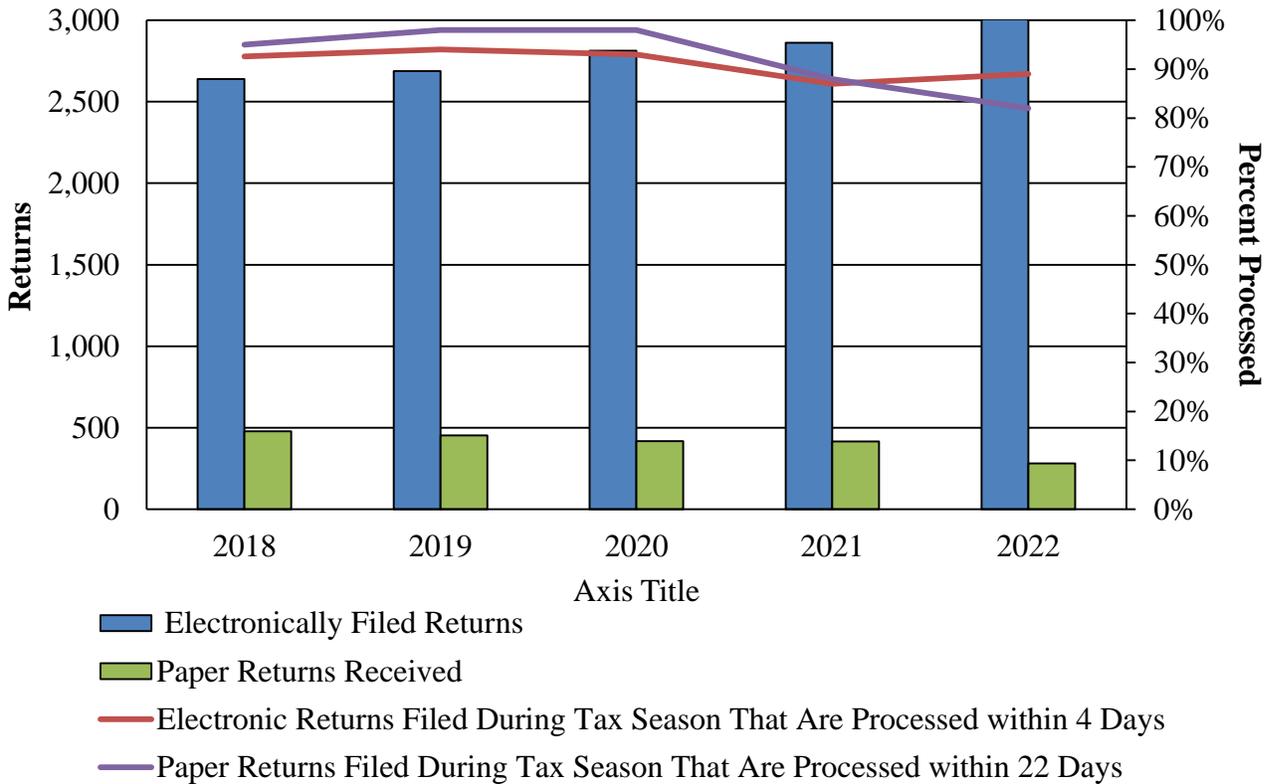
The Comptroller's office also provides other accounting and fiscal services to the State. The General Accounting Division (GAD) is responsible for maintaining the State's general ledger and accounting for all the State funds that are received and disbursed. The Bureau of Revenue Estimates (BRE) provides economic forecasts and analyses of the Maryland and national economy, other reports and analyses required by statute or requested by the General Assembly, and BRE forecasts of State revenues that are issued and revised throughout the year. Lastly, the Central Payroll Bureau (CPB) is responsible for the State's payroll needs, including providing salaries and wages to all State employees.

## Performance Analysis: Managing for Results

### 1. Number of Personal Income Tax Returns Processed Electronically Increases

The Comptroller is responsible for processing tax returns and collecting payments for the personal income tax, among other tax types, and its goal is to process these returns in a timely manner. **Exhibit 1** shows the number of physical and electronic personal income tax returns received and the percent of those that were processed during the tax season within 4 and 22 days. In fiscal 2022, electronically filed returns increased by 5% (143,941) compared to fiscal 2021. However, paper-filed returns decreased 32% from the previous year, from 416,793 to 281,512. The Comptroller advises that a portion of the returns processed in fiscal 2021 reflect returns received were that filed for the prior fiscal year.

**Exhibit 1**  
**Personal Income Tax Returns Received and Processed**  
**Fiscal 2018-2022**  
**(in Thousands)**



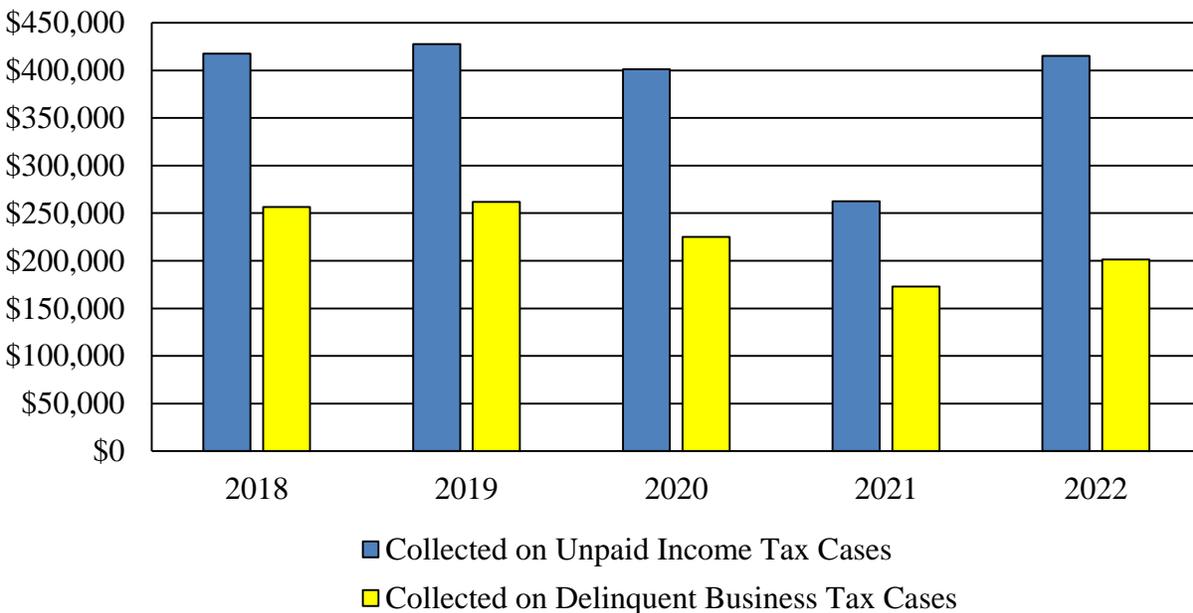
Source: Department of Budget and Management

In fiscal 2022, the percent of income tax returns filed electronically and processed within 4 days increased from 87% to 89%, but the percent of paper returns processed within 22 days decreased from 88% to 82% compared to fiscal 2021. The Comptroller indicates that these percentages were impacted at least in part by systems changes resulting from legislative actions.

## 2. Dollars Collected on Unpaid Taxes Approaches Prepandemic Levels

The Comptroller strives to maximize the collection of unpaid taxes. **Exhibit 2** shows the total dollars collected on unpaid individual income and business taxes. There are various methods that the Comptroller may use to collect taxes from delinquent sources. One of these is to enter into payment agreements or file liens, among others. In fiscal 2022, the Comptroller collected \$415.2 million in unpaid taxes and \$201.5 million in delinquent business taxes, representing a 58% increase in unpaid tax collections and a 17% increase in delinquent business tax collections. The increase aligns with the reinstatement of collection and enforcement activities following the COVID-19 pandemic and the fiscal 2022 numbers are more comparable to prepandemic levels of collection.

**Exhibit 2**  
**Dollars Collected on Unpaid Taxes**  
**Fiscal 2018-2022**  
**(\$ in Thousands)**

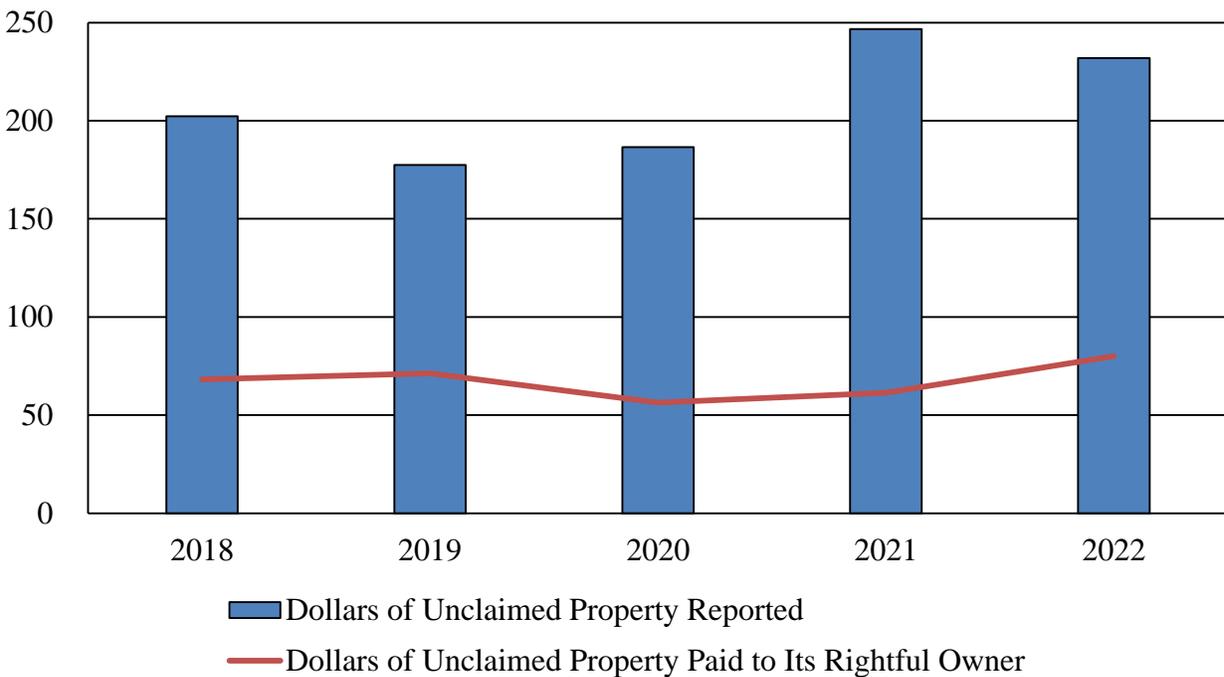


Source: Department of Budget and Management

### 3. Unclaimed Property Reported and Returned

The Comptroller is responsible for holding and attempting to reunite lost or unclaimed property with its rightful owner, including stocks, bonds, savings accounts, security deposits, contents of safety deposit boxes, and other valuables. These are typically reported unclaimed by banks and other financial institutions after three years. **Exhibit 3** shows the total amount of unclaimed property reported to the Comptroller and the amount reunited with its rightful owner. Unclaimed property reported declined by 6% to \$232 million in fiscal 2022 compared to fiscal 2021. However, the total dollars paid to rightful owners increased to \$80 million in fiscal 2022, a 30.5% increase compared to fiscal 2021. During the pandemic, delays due to the inability of staff to work in the office and the resulting adjustments to new work processes impacted the ability to return unclaimed property. With more normal activity, the amount of unclaimed property returned exceeded prepandemic levels.

**Exhibit 3**  
**Unclaimed Property Reported and Paid**  
**Fiscal 2018-2022**  
**(\$ in Millions)**



Note: Fiscal 2022 figures differ from data submitted with the Managing for Results based on revised information received from the Comptroller’s Office.

Source: Department of Budget and Management

## **Fiscal 2023**

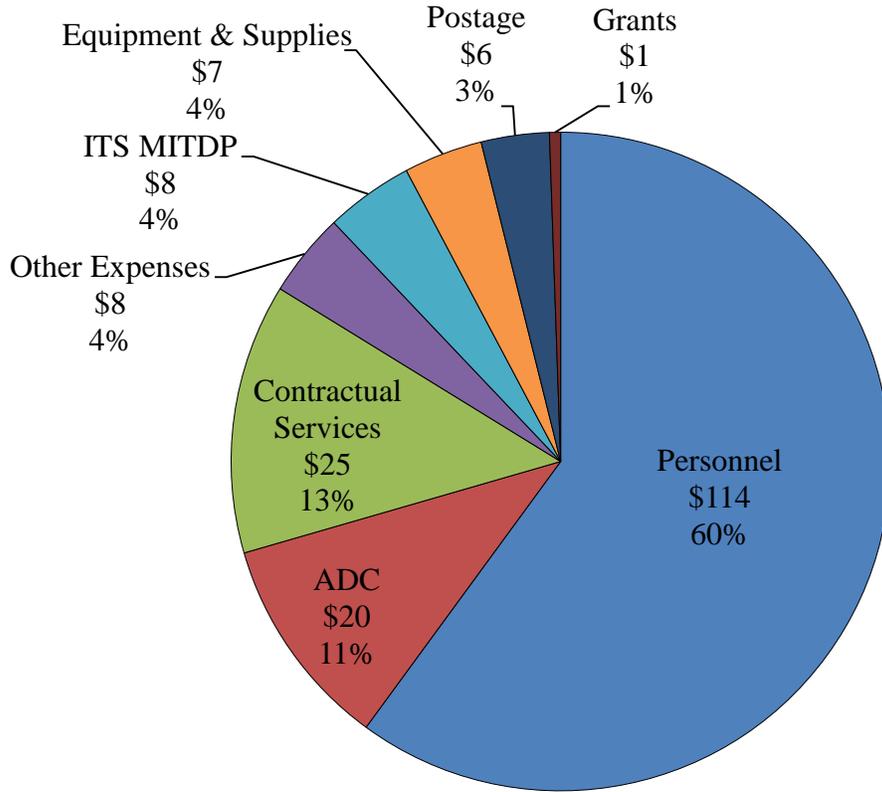
### **Proposed Deficiency**

The fiscal 2024 budget includes one proposed deficiency for the Comptroller’s Office for fiscal 2023 that would provide \$3.5 million to fund the economic impact stimulus payments provided under the RELIEF Act (Chapter 39 of 2021). The RELIEF Act mandated economic impact payments of \$500 to resident taxpayers who claimed the State earned income tax credit in fiscal 2019. The proposed deficiency would provide the final funding for these payments.

## **Fiscal 2024 Overview of Agency Spending**

The fiscal 2024 allowance for the Comptroller totals \$190.2 million. As shown in **Exhibit 4**, more than half of the fiscal 2023 allowance (59%) is for regular and contractual personnel expenses. Funding for the Annapolis Data Center (ADC), which provides mainframe computer services for a variety of State agencies, is 15% (\$28 million) of the allowance. The ITS project, an ongoing multi-year project to modernize the State’s tax administration system, requires 4% (\$8 million). Grants, additional contracts, equipment, postage, and other expenses make up the remainder of the allowance.

**Exhibit 4**  
**Overview of Agency Spending**  
**Fiscal 2024 Allowance**  
**(\$ in Millions)**



ADC: Annapolis Data Center  
ITS: Integrated Tax System  
MITDP: Major Information Technology Development Project

Note: Numbers may not sum due to rounding. The fiscal 2024 allowance does not reflect salary enhancements that are budgeted in the Statewide Account within the Department of Budget and Management.

Source: Governor’s Fiscal 2024 Budget Books

**Proposed Budget Change**

The fiscal 2024 allowance decreases by \$10.0 million compared to the fiscal 2023 working appropriation after accounting for the deficiency appropriation and the agency’s share of the November 2022 4.5% cost-of-living adjustment, as outlined in **Exhibit 5**. This decrease can be primarily attributed to a decrease in ITS MITDP (\$18.8 million) reimbursable funds from the Major Information Technology Development Project Fund (MITDPF). These reimbursable funds

*E00A – Comptroller of Maryland*

reflect the general fund share of the project. In the fiscal 2024 allowance, this funding is included in the budget of the Department of Information Technology (DoIT), overstating the decrease in project funding between the fiscal years. Special funds for the project decrease by \$1.5 million due to lower project costs in fiscal 2024. There is an additional \$7 million decrease in funding for the ITS, reflecting a one-time budget amendment from fiscal 2023. Funding for the CPB MITDP is also included within DoIT’s MITDPF in fiscal 2024, whereas special funds for the project were included in the Comptroller’s budget in fiscal 2023, a \$2 million decrease. Additional information on both projects may be found in Issue 2 and **Appendix 3** for the CPB project and **Appendix 4** for the ITS project.

**Exhibit 5  
Proposed Budget  
Comptroller of Maryland  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
Fiscal 2022 Actual	\$96,364	\$33,868	\$19	\$36,057	\$166,308
Fiscal 2023 Working Appropriation	108,334	49,113	0	42,788	200,235
Fiscal 2024 Allowance	<u>117,766</u>	<u>39,446</u>	<u>0</u>	<u>33,007</u>	<u>190,218</u>
Fiscal 2023-2024 Amount Change	\$9,431	-\$9,667	\$0	-\$9,781	-\$10,017
Fiscal 2023-2024 Percent Change	8.7%	-19.7%		-22.9%	-5.0%
<b>Where It Goes:</b>					<b><u>Change</u></b>
<b>Personnel Expenses</b>					
Employee and retiree health insurance .....					\$3,899
Regular earnings include effort to hire above base salaries to address recruitment and retention .....					1,611
23 new positions.....					1,300
Annualization of November 2022 4.5% cost of living adjustment.....					1,233
Employees’ retirement system .....					570
Reclassification to provide flexibility to hire above base for new positions .....					570
Overtime earnings to better reflect recent experience.....					530
Other fringe benefits .....					237
<b>Annapolis Data Center</b>					
Comptroller’s share of ADC fees based on prior year usage.....					3,773
ADC licensing funding, maintenance, and software upgrades .....					3,300
Maintenance and replacement of computer hardware .....					1,606
Contract for a new secure facility for the ADC .....					790

*E00A – Comptroller of Maryland*

<b>Where It Goes:</b>	<b><u>Change</u></b>
<b>IT Changes</b>	
Maintenance and replacement of computer hardware to better facilitate teleworking, based on actual trends .....	650
Data recovery services – computer usage .....	243
Software licensing fees .....	200
Programming and support for imaging systems and customer support applications ....	-134
Maintenance for servers and applications .....	-420
CPB project due to project being funded with general funds in fiscal 2024.....	-2,000
One-time funding for the ITS project in fiscal 2023.....	-7,000
ITS project, primarily due to reimbursable funds (see Issue 2) .....	-20,323
<b>Other Changes</b>	
New VoIP call centers and telephones for the Comptroller’s Offices .....	751
Contract with Teradata to maintain the office’s data warehouse for tax compliance....	669
Consultant for repairs to the Revenue Administration building in conjunction with DGS .....	496
Equipment rentals, based on actual trends. ....	496
Increased cost of mailing tax forms, refunds, abandoned property information, other Comptroller mail.....	436
One replacement vehicle and nine additional vehicles for new Field Enforcement Bureau’s agents.....	315
Funding to bring the CASH Campaign for Maryland’s allocation to \$500,000, per Chapters 260 and 261 of 2022 .....	300
Office equipment, supplies, and materials .....	182
Maintenance contracts for communication devices .....	150
Multi-state tax audit subscription for the Comptroller’s Compliance Division.....	120
Cost allocations .....	119
Contractual employee payroll due to conversions of contractual positions.....	-288
Statewide independent audit of the State’s Comprehensive Financial Report .....	-370
Final economic relief payments from the RELIEF Act .....	-4,000
Other.....	-28
<b>Total</b>	<b>-\$10,017</b>

ADC: Annapolis Data Center  
 CASH: Creating Assets, Savings, and Hope  
 CPB: Central Payroll Bureau  
 DGS: Department of General Services

IT: information technology  
 ITS: Integrated Tax System  
 VoIP: Voice over Internet Protocol

Note: Numbers may not sum to total due to rounding. The fiscal 2023 working appropriation includes deficiency appropriations including this agency’s share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

## Annapolis Data Center

The fiscal 2024 allowance would increase the funding for ADC by \$9.4 million. This is largely driven by increases in the agency’s allocation for its own usage of ADC (\$3.8 million), as well as cost increases for licensing (\$3.3 million) and maintenance of both hardware and software (\$1.6 million). In addition, the fiscal 2024 allowance includes \$790,000 to help finance a contract for a new facility to host ADC. The current facility has insufficient cooling infrastructure and will continue to increase in risk the longer it is used.

### Personnel Data

	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23-24</u> <u>Change</u>
Regular Positions	1,082.90	1,081.90	1,104.90	23.00
Contractual FTEs	<u>35.78</u>	<u>49.77</u>	<u>46.77</u>	<u>-3.00</u>
<b>Total Personnel</b>	<b>1,118.68</b>	<b>1,131.67</b>	<b>1,151.67</b>	<b>20.00</b>

#### *Vacancy Data: Regular Positions*

Turnover and Necessary Vacancies, Excluding New Positions	58.31	5.39%
Positions and Percentage Vacant as of 12/31/22	121.70	11.25%
Vacancies Above Turnover	63.39	

- As of December 31, 2022, the Comptroller’s office had 121.7 vacant positions, or 11.3% of total positions, which is a decrease in vacancies of 25.3 from the same time in calendar 2021. Even with the reduction in the number of vacant positions, the Comptroller’s office still has more than double the number of positions needed to meet the budgeted turnover level. **The Comptroller should comment on whether it is experiencing issues filling vacancies and what efforts it is undertaking to improve recruitment and retention.**
- The fiscal 2024 allowance adds 23 additional regular positions for the Comptroller’s Office. These positions include 17 new positions in RAD and 6 new positions in GAD. Of these positions, 10 will be working on matters related to income tax processing, which is discussed in Issue 1, 7 will be working to support the new legal division created by Chapter 481 of 2022, which will provide expanded and detailed tax guidance to taxpayers, and 6 will be working to fulfill an initiative of the Comptroller to reorganize the management structure to create more accountability and accessibility.

## ***Issues***

---

### **1. Income Tax Data Reporting Delays in Fiscal 2023**

The Comptroller produces a report annually that details information on each county's income tax data, which is used for the calculation of certain funding formula amounts in the State budget. The Comptroller's Office published the report in December 2022, but delays in processing certain income tax returns led to revised data being published in January 2023. One significant change was that the January data showed a 20% increase in county revenues, while the December data only reflected a 8.5% increase. This change substantially impacts the data used in the calculation of several funding formula amounts, including the disparity grant formula. The Comptroller indicates that 10 of the 23 new positions added in the fiscal 2024 allowance (8 revenue examiners and 2 revenue specialists) are dedicated to addressing the delayed processing of tax returns. **The Comptroller should comment on the data reporting delays and the steps being taken, in addition to the new positions, to prevent this from happening in the future.**

### **2. Integrated Tax System Project Status**

The ITS, also called the Compass Program, seeks to unify the State of Maryland Tax System (SMART) and Computer Assisted Collections System (CACCS) while also improving quality of service and allowing for better data management. Benefits from this new system will include automated functionality and streamlined customer services. ITS will replace all existing integrated and distributed tax systems currently used by the Comptroller. As such, it is a significant project involving multiple vendors and activities over several years. Activities related to the alcoholic beverage taxes and the corporate income tax transitioned to the system in July 2020 and February 2021, respectively. Additionally, pass through entity forms 510/511 were successfully updated in legacy (SMART) and the Modernized E-File (MeF) portal which receives electronic filings was incorporated with ITS in July 2022.

Committee narrative in the 2022 *Joint Chairmen's Report* (JCR) requested information on the ITS project. In its response, the Comptroller's Office stated that the project would need to be restructured in terms of scope, schedule, and cost. Ultimately, this was caused by aggressive planning at the outset of the project, a lack of sufficient staffing, and the general disruption brought by the COVID-19 pandemic. In addition to other factors impacting the project timeline, changes in State law, including the potential taxation of cannabis and introduction of graduated local income tax rates, have required ongoing changes to the plans for the project. Altogether, the rebaselining will add two years to the project timeline (from fiscal 2025 to 2027) and increase the total cost by \$31 million (from \$159 million to \$190 million). However, the Comptroller's Independent Verification and Validation team has indicated that the project is still on track to complete implementation in fiscal 2026. **The Comptroller should clarify when it anticipates the project being completed.**

The next releases of the program covering the remaining business taxes, individual income taxes, a taxpayer portal, the International Fuel Tax Agreement, abandoned property, content management, and data warehouses are all now planned for Quarter 3 of fiscal 2026.

**Given the substantial changes in timeline, project cost, and scope, the Department of Legislative Services (DLS) recommends continuing to track ITS project development activities and expenditures through quarterly reports.**

### **3. Newborn Savings Accounts**

Committee narrative in the 2022 JCR requested the Comptroller’s Office to submit a report on developing a Newborn Savings Account program (also known as Baby Bonds) in Maryland. Among other items, the report was expected to address costs and eligibility criteria, the appropriate State entity to administer the program, and enforcement of certain requirements. The report was submitted on December 29, 2022.

#### **Programs in Other Jurisdictions**

The report identified Newborn Savings programs operating in other jurisdictions. One is the Connecticut Baby Bond Trust. This program is operated by Connecticut’s Office of the State Treasurer. The program is funded by the sale of bonds, which are invested by the Treasurer. Any newborn whose birth is covered by the state’s Medicaid program and was born on or before July 1, 2023, are automatically enrolled, whereupon a lump sum of up to \$3,200 is deposited and invested until the beneficiary’s maturation date. Under the program, the funds are intended to be in a trust until the participant’s eighteenth birthday and the completion of a financial literacy requirement. Funds from the program can only be spent by the designated beneficiary on the following: (1) education; (2) purchase of a home in Connecticut; (3) investment in a business in Connecticut; and (4) any investment in financial assets or personal capital that provides long-term gains to wages or wealth. The report noted that there are no mechanisms in statute or regulation issued by the Connecticut Treasurer to enforce the use of Connecticut Baby Bond funds exclusively for the purposes listed above.

The Washington D.C. Child Trust Fund program (CTF) is administered by the Office of the Chief Financial Officer (OCFO). Under the program, there is an initial deposit of \$500 upon birth and enrollment in the program, and additional funds deposited into the account vary based off the account holder’s income, from \$600 to \$1,000 a year. The CTF automatically enrolls children born to families on Medicaid making less than 300% of the federal poverty level (FPL) who (1) were born on or after October 1, 2021, and whose birth was covered under Medicaid; (2) remain a resident of Washington, D.C. for at least 16 years before turning 18 years old and live in the District for the 12 months immediately before turning 18 years old; (3) have a valid unique Social Security number, or other form of identification; and (4) are part of a family household with a household income at or below 300% of the FPL and enrolled in Washington, D.C.’s Medicaid program. Funds from the CTF can only be used for (1) education (either academic or vocational); (2) ownership of a business in Washington, D.C.; (3) investment in a business in

Washington, D.C.; (4) ownership of residential or commercial property in Washington, D.C.; or (5) retirement investments, including stocks, bonds, shares, and other similar growth investments. Funds from the CTF cannot be used without the beneficiary certifying that they are a resident of Washington, D.C. Like the Connecticut program, there are no mechanisms for enforcement.

### **Options for Administration**

The Comptroller identified three options for administering the program:

- a partnership between the State Treasurer’s Office and the Comptroller’s Office, in which the Treasurer invests the funds and the Comptroller authorizes payments from the fund;
- tasking Maryland529 with the management and oversight of the Newborn Savings Accounts, given their experience with managing investment accounts; and
- expansion of the Save4College State Contribution Grant Program to allow for the automatic enrollment of qualified newborns, which would limit the use of funds to education.

As noted earlier, this type of program could be structured as either a one-time deposit or an initial deposit with ongoing contributions. In the report, the Comptroller’s Office indicated that allowing ongoing contributions from family members would significantly increase program complexity because program accounts would need to be tracked and managed individually, compared to a single fund divided annually among eligible recipients. The Comptroller’s Office recommended that if ongoing contributions were the chosen option that it be structured similarly to the Maryland529’s Maryland College Investment Plan, where account owners can make monthly contributions through their bank accounts.

### **Requirements for Use and Receipt of Funds**

The programs identified above lacked specific enforcement mechanisms, and as such the Comptroller’s Office encouraged the General Assembly to look to the Maryland529 program for inspiration given that they do not permit withdrawals unless the expense is clearly in line with program goals and the withdrawal itself is treated as a nontax-deductible event.

Financial literacy educational requirements, meaning mandated classes on personal finance skills such as budgeting and investing, are often considered in the creation of these programs. The report found that the Connecticut program required completion of a financial literacy requirement, but that the Washington D.C. program had no such requirement. However, the Washington D.C. OCFO could institute one by regulation as the entity charged with overseeing the program.

## **Participation**

The Comptroller, in partnership with the Maryland Department of Health, identified 31,080 births in calendar 2020 that were covered by Maryland’s Medicaid program. Although requested to be included, the report indicated that the Comptroller’s office was unable to report on reliable estimates for births to families at or below 200% of the FPL, due in part to families at that income level not filing taxes, as well as the Comptroller not asking for or tracking such information for families that do file taxes. As such, the Comptroller recommended using Medicaid births for any policy implementation.

The Comptroller indicated that automatic enrollment using Medicaid information would be the best way to maximize participation. This is consistent with the programs developed by Connecticut and Washington, D.C. However, the Comptroller noted that the program eligibility could also be expanded to cover families not enrolled in Medicaid but who qualify based on income.

## **Estimated Cost**

The Comptroller drafted four potential scenarios for implementation to estimate the costs to the State, all having an interest rate of 3% per year: (A) Scenario One – a one-time deposit of \$3,200 is made into each account at birth; (B) Scenario Two – a one-time deposit of \$2,000 is made into each account at birth; (C) Scenario Three – a one-time deposit of \$1,000 is made into each account at birth; or (D) Scenario Four – \$1,000 is deposited into an individual account upon the child’s birth (or establishment of Maryland residency within six months of birth) each year until the child turns 18. The Comptroller then estimated the costs to the State for administering the program, assuming a 44% Medicaid coverage of birth rate based on U.S. Census data, shown in **Exhibit 6** below. The Comptroller also estimated the cumulative benefits per child enrolled in the program.

**Exhibit 6**  
**Newborn Savings Account Program Costs to the State**  
**Fiscal 2024-2040**  
**(\$ in Thousands)**

	<b><u>First-year</u></b> <b><u>(2024)</u></b>	<b><u>Five-year</u></b> <b><u>Average</u></b> <b><u>(2024-2028)</u></b>	<b><u>Fully Phased In</u></b> <b><u>(2040)</u></b>	<b><u>Cumulative</u></b> <b><u>Benefits Per</u></b> <b><u>Child</u></b>
\$3,200 One-time Payment at Birth	\$100,400	\$100,600	n/a	\$5
\$2,000 One-time Payment at Birth	62,800	62,900	n/a	3
\$1,000 One-time Payment at Birth	31,400	31,400	n/a	2
\$1,000 Payment Every Year	62,500	125,400	\$558,000	24

Note: The scenario where \$1,000 is deposited every year includes births during calendar years 2023 and 2024, assuming the program is not fully enacted until 2024. Additionally, the “fully phased in” period in 2040 refers to when the first cohort of Marylanders enrolled in the program would be eligible to receive their funding.

Source: Comptroller of Maryland

The most expensive scenario would be the option in which \$1,000 is deposited into each participant’s account every year, costing \$62.5 million in the first year and \$558 million once it is fully phased in in 2040. The least expensive scenario would be the \$1,000 one-time payment at birth, costing \$31.4 million in the first year and every year after. The largest cumulative benefit per enrolled child would be the scenario where the State deposits \$1,000 into their account every year, yielding \$24,117 once matured. The smallest cumulative benefit per enrolled child would be the scenario where the State deposits \$1,000 into their account at birth, yielding \$1,702 once matured.

## ***Operating Budget Recommended Actions***

---

1. **Quarterly Report on the Integrated Tax System:** The committees remain interested in the progress and development of the Integrated Tax System (ITS) Major Information Technology Development Project (MITDP). The committees request that the Comptroller of Maryland submit a report each quarter providing an update on the project’s current status, cost projections, and timeline. The report should detail the use of the fiscal 2024 budget, project development costs, and any changes in scope or timeline.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Quarterly report on the status of the ITS MITDP	Comptroller of Maryland	July 15, 2023 October 15, 2023 January 15, 2024 April 15, 2024

**Appendix 1**  
**2022 Joint Chairmen’s Report Responses from Agency**

The 2022 JCR requested that the Comptroller prepare three reports. Electronic copies of the full JCR responses can be found on DLS website.

- ***Report on the ITS and CPB projects:*** The Comptroller submitted the requested report on December 1, 2022. The CPB project timeline shows the project to begin phased implementation in January 2025. Further discussion of the ITS system portion of the report can be found in Issue 2 of this analysis.
  
- ***Report on Newborn Savings Account Study:*** The Comptroller submitted a report on a potential newborn savings account program on December 29, 2022. Further discussion of this report can be found in Issue 3 this analysis.
  
- ***Update on National Incident-Based Reporting System (NIBRS) Compliance:*** The Comptroller submitted the report on September 20, 2022. The Comptroller’s Field FEB is now in compliance with the NIBRS, as confirmed on August 29, 2022. Their error rate is 2.2%, below the maximum allowable rate of 4%.

**Appendix 2**  
**Integrated Tax System**  
**Major Information Technology Project**  
**Comptroller of Maryland**

For additional discussion of the ITS project, see Issue 2 of this analysis.

<b>New/Ongoing:</b> Ongoing								
<b>Start Date:</b> Fiscal year 2016					<b>Est. Completion Date:</b> Fiscal 2027			
<b>Implementation Strategy:</b> Agile								
(\$ in Millions)	Prior Years	2023	2024	2025	2026	2027	Remainder	Total
<b>GF</b>	\$41.015	\$12.886	\$12.510	\$17.207	\$7.802	\$0.000	\$0.000	\$91.421
<b>SF</b>	48.153	11.884	8.229	11.471	5.202	0.000	0.000	84.940
<b>RF</b>	13.145	0.000	0.000	0.000	0.000	0.000	0.000	13.150
<b>Total</b>	<b>\$102.314</b>	<b>\$24.770</b>	<b>\$20.739</b>	<b>\$28.679</b>	<b>\$13.004</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$189.506</b>

- **Project Summary:** The ITS project will replace the SMART system, CACS, and other outdated tax processing systems. It will integrate with a data warehouse to continue revenue generating projects and provide enhanced reporting functionality. ITS will create uniformity in processing across tax types and simplify compliance by taxpayers.
- **Need:** The SMART and CACS systems are roughly 25 years old and outdated. The two systems are not integrated and maintain information in separate data sources. Technical limitations prevent some tax and fee types from being maintained within these systems. These systems also do not update data in real time and pose security risks due to their age.
- **Observations and Milestones:** Additional releases for business taxes and individual income taxes are projected for late fiscal 2026.
- **Changes:** The project needs to be rebaselined due to initial timelines being unable to be met. The recent passage of the constitutional amendment on adult cannabis usage in the 2022 general election will require related taxes to be built into the system. Combined, these changes will add two years to the timeline, as well as cost an additional \$36 million.
- **Concerns:** Given the number of agencies that have their own systems that will interact with the ITS, it is critical that this project successfully ensure that all systems can interface properly with the new system. The need to rebaseline the project to better reflect department capabilities causes concern.

**Appendix 3**  
**Central Payroll Bureau Project**  
**Major Information Technology Project**  
**Comptroller of Maryland**

<b>New/Ongoing:</b> Ongoing								
<b>Start Date:</b> Fiscal 2023					<b>Est. Completion Date:</b> Fiscal 2025			
<b>Implementation Strategy:</b> Agile								
<b>(\$ in Millions)</b>	<b>Prior Year</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Remainder</b>	<b>Total</b>
<b>GF</b>	\$0.000	\$0.000	\$2.000	\$2.000	\$0.500	\$0.000	\$0.000	\$4.5000
<b>SF</b>	0.000	2.000	0.000	0.000	0.000	0.000	0.000	2.000
<b>Total</b>	<b>\$0.000</b>	<b>\$2.000</b>	<b>\$2.000</b>	<b>\$2.000</b>	<b>\$0.500</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$6.500</b>

- **Project Summary:** CPB currently operates a legacy mainframe but intends on selecting a cloud-based integrated software for payroll processing.
- **Need:** The State implemented this system in the mid-1990s. The current system is inflexible and requires expensive code development activities to maintain conformance to law, policy, and standards. Adopting a new system for CPB would ensure that Maryland is following standardized industry best practices for the employees of the State, including all branches of government and the University System of Maryland employees.
- **Observations and Milestones:** A technical writer was hired in July 2022 to detail CPB requirements. Requirement documents for the request for proposals (RFP) have been completed. The next phase of the project is to publish the RFP and select a vendor, to be completed by July 2023.
- **Changes:** The funding schedule for the project has changed significantly. It was estimated that the project would cost \$11 million in fiscal 2023 and now it is projected to cost \$6.5 million which will cover the funding required to plan the project.

**Appendix 4  
Object/Fund Difference Report  
Comptroller of Maryland**

<u>Object/Fund</u>	<u>FY 22 Actual</u>	<u>FY 23 Working Appropriation</u>	<u>FY 24 Allowance</u>	<u>FY 23 - FY 24 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1,082.90	1,081.90	1,104.90	23.00	2.1%
02 Contractual	35.78	49.77	46.77	-3.00	-6.0%
<b>Total Positions</b>	<b>1,118.68</b>	<b>1,131.67</b>	<b>1,151.67</b>	<b>20.00</b>	<b>1.8%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 95,395,396	\$ 101,812,632	\$ 114,228,415	\$ 12,415,783	12.2%
02 Technical and Special Fees	2,029,848	2,517,838	2,188,746	-329,092	-13.1%
03 Communication	7,914,186	6,698,275	7,904,258	1,205,983	18.0%
04 Travel	264,015	238,704	240,911	2,207	0.9%
06 Fuel and Utilities	72,691	69,564	72,691	3,127	4.5%
07 Motor Vehicles	436,402	283,643	604,380	320,737	113.1%
08 Contractual Services	52,129,839	73,313,169	53,381,485	-19,931,684	-27.2%
09 Supplies and Materials	1,691,945	2,290,421	2,087,083	-203,338	-8.9%
10 Equipment – Replacement	1,281,266	3,267,438	5,097,154	1,829,716	56.0%
11 Equipment – Additional	199,758	31,631	183,000	151,369	478.5%
12 Grants, Subsidies, and Contributions	2,134,500	1,235,000	1,035,000	-200,000	-16.2%
13 Fixed Charges	2,729,137	2,419,267	2,660,134	240,867	10.0%
14 Land and Structures	28,968	38,529	535,000	496,471	1288.6%
<b>Total Objects</b>	<b>\$ 166,307,951</b>	<b>\$ 194,216,111</b>	<b>\$ 190,218,257</b>	<b>-\$ 3,997,854</b>	<b>-2.1%</b>
<b>Funds</b>					
01 General Fund	\$ 96,364,354	\$ 102,733,903	\$ 117,765,822	\$ 15,031,919	14.6%
03 Special Fund	33,867,698	48,694,539	39,445,671	-9,248,868	-19.0%
05 Federal Fund	18,990	0	0	0	0.0%
09 Reimbursable Fund	36,056,909	42,787,669	33,006,764	-9,780,905	-22.9%
<b>Total Funds</b>	<b>\$ 166,307,951</b>	<b>\$ 194,216,111</b>	<b>\$ 190,218,257</b>	<b>-\$ 3,997,854</b>	<b>-2.1%</b>

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include salary enhancements budgeted within the Department of Budget and Management.

**Appendix 5  
Fiscal Summary  
Comptroller of Maryland**

<u>Program/Unit</u>	<u>FY 22 Actual</u>	<u>FY 23 Wrk Approp</u>	<u>FY 24 Allowance</u>	<u>Change</u>	<u>FY 23 - FY 24 % Change</u>
01 Executive Direction	\$ 7,208,851	\$ 6,056,226	\$ 8,643,056	\$ 2,586,830	42.7%
02 Financial and Support Services	6,979,089	7,402,248	7,977,061	574,813	7.8%
01 Accounting Control and Reporting	5,142,780	6,636,536	6,725,553	89,017	1.3%
01 Estimating of Revenues	1,394,904	1,645,538	1,725,802	80,264	4.9%
01 Revenue Administration	37,113,014	40,092,279	45,064,901	4,972,622	12.4%
02 Major IT Development Projects	21,691,542	37,688,181	8,229,079	-29,459,102	-78.2%
60 Unknown Title	1,899,500	750,000	250,000	-500,000	-66.7%
01 Compliance Administration	34,487,393	38,670,286	41,508,674	2,838,388	7.3%
01 Field Enforcement Administration	4,057,590	4,828,226	5,547,416	719,190	14.9%
01 Payroll Management	4,085,917	4,343,011	4,702,852	359,841	8.3%
01 Annapolis Data Center Operations	19,130,403	19,701,666	28,307,528	8,605,862	43.7%
02 Comptroller IT Services	23,116,968	26,401,914	31,536,335	5,134,421	19.4%
<b>Total Expenditures</b>	<b>\$ 166,307,951</b>	<b>\$ 194,216,111</b>	<b>\$ 190,218,257</b>	<b>-\$ 3,997,854</b>	<b>-2.1%</b>
General Fund	\$ 96,364,354	\$ 102,733,903	\$ 117,765,822	\$ 15,031,919	14.6%
Special Fund	33,867,698	48,694,539	39,445,671	-9,248,868	-19.0%
Federal Fund	18,990	0	0	0	0.0%
<b>Total Appropriations</b>	<b>\$ 130,251,042</b>	<b>\$ 151,428,442</b>	<b>\$ 157,211,493</b>	<b>\$ 5,783,051</b>	<b>3.8%</b>
Reimbursable Fund	\$ 36,056,909	\$ 42,787,669	\$ 33,006,764	-\$ 9,780,905	-22.9%
<b>Total Funds</b>	<b>\$ 166,307,951</b>	<b>\$ 194,216,111</b>	<b>\$ 190,218,257</b>	<b>-\$ 3,997,854</b>	<b>-2.1%</b>

Note: The fiscal 2023 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2024 allowance does not include contingent reductions or cost-of-living adjustments.