

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

***Executive Summary***

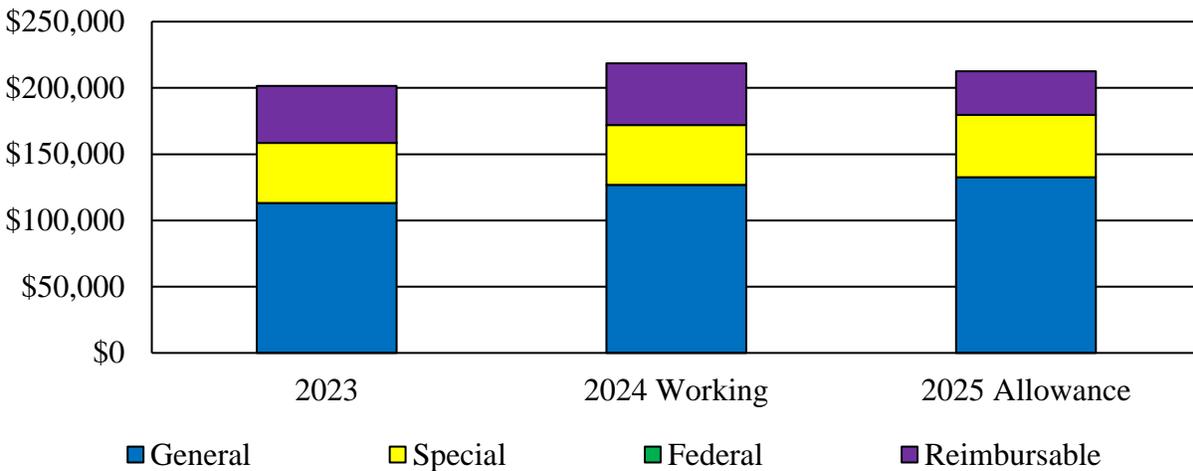
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The Comptroller of Maryland is the State’s chief fiscal officer and is responsible for collecting tax revenue and enforcing compliance with the State’s tax laws. The Comptroller also provides general supervision of the State’s fiscal matters and sits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

***Operating Budget Summary***

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**Fiscal 2025 Budget Decreases \$6.0 Million, or 2.7%, to \$212.7 Million  
(\$ in Thousands)**



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

- The overall decrease of \$6.0 million in the fiscal 2025 allowance compared to the fiscal 2024 working appropriation is mainly attributed to decreases of \$5.3 million in general funds for a one-time fiscal 2024 investment in technology upgrades and \$16.7 million in reimbursable and special funds for Major Information Technology Development Projects (MITDP). These spending reductions are partially offset by increases of \$6.7 million in salary and fringe benefit adjustments for existing personnel, \$5.1 million to fund 79.2 new regular positions, and \$3.7 million for the Compass Integrated Tax System (ITS) and other information technology (IT) services.

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## ***Key Observations***

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- ***Reporting of Tax Return Filings on a Tax Year Basis:*** Electronic and paper tax returns received by the Comptroller’s office continued to increase in fiscal 2023. After reporting that tax filing data shown on a fiscal year basis was distorted due to combining data across two tax years that can have differing trends and policies, the Comptroller submitted tax filing information on a tax year basis. This data emphasized changes in policies across tax years that can impact filings on a fiscal year basis, such as the tax filing deadline extension to July 2021 seen during the COVID-19 pandemic.
- ***Report on Fines, Penalties, and Interest Rates:*** Language in the fiscal 2024 Budget Bill required the Comptroller to submit a report on fines, penalties, and interest rates charged by the State for overdue taxes or paid by the State for overdue refunds. The report found that Maryland charges an equal rate for late State refunds that it owes and for late taxpayer payments. However, the rate changes from year to year and is not sensitive to differences in credit risk. The Comptroller retains the authority to waive interest for a reasonable cause.
- ***Chapter 648 of 2022 and the Collection of Unclaimed Property:*** Committee narrative in the 2023 *Joint Chairmen’s Report* (JCR) requested a report from the Comptroller on the collection of unclaimed property in Maryland, discussing the impact of Chapter 648 on the process and timing of determining property to be abandoned and eligible for collection by the State. The Comptroller’s office indicated that existing policy adopted by other states could serve as comparison and guidance for updating policy in Maryland, particularly for the collection of abandoned electronic financial assets.

## **Operating Budget Recommended Actions**

	<b><u>Funds</u></b>
1. Reduce funding for increased health insurance costs in the fiscal 2025 allowance as a technical correction.	-\$ 1,195,475
2. Adopt committee narrative requesting the submission of Managing for Results data in calendar year format.	
<b>Total Net Change</b>	<b>-\$ 1,195,475</b>

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**Comptroller of Maryland**

***Operating Budget Analysis***

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**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 Operations**

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. The Taxpayer Services Division is responsible for assisting taxpayers and preparers with information regarding taxes, fees, and permits administered by the Comptroller.

**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 and investigations, processing tax appeals, pursuing collections on delinquent and unpaid taxes, and other legal enforcement activities.

**Law and Oversight**

The Office of Law and Oversight now oversees the Field Enforcement Bureau (FEB) as well as two newly organized programs dedicated to Legal, Special Litigation & Appeals and Unclaimed & Abandoned Property. FEB 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.

The office of Legal, Special Litigation & Appeals includes two subprograms. The Hearings and Appeals Division reviews tax assessments and refund denials and administers programs for compromise, voluntary disclosure agreements, and whistleblowing. The Legal Division drafts and manages public guidance on tax law, monitors interaction with State and Federal legislation, regulations, and relevant legal decisions.

The Unclaimed Property Division administers the Maryland Uniform Disposition of Abandoned Property Act (Title 17 of the Commercial Law Article), which requires the Office of the Comptroller to take possession of unclaimed property and attempt to locate a rightful owner. This includes a variety of financial assets.

## **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.

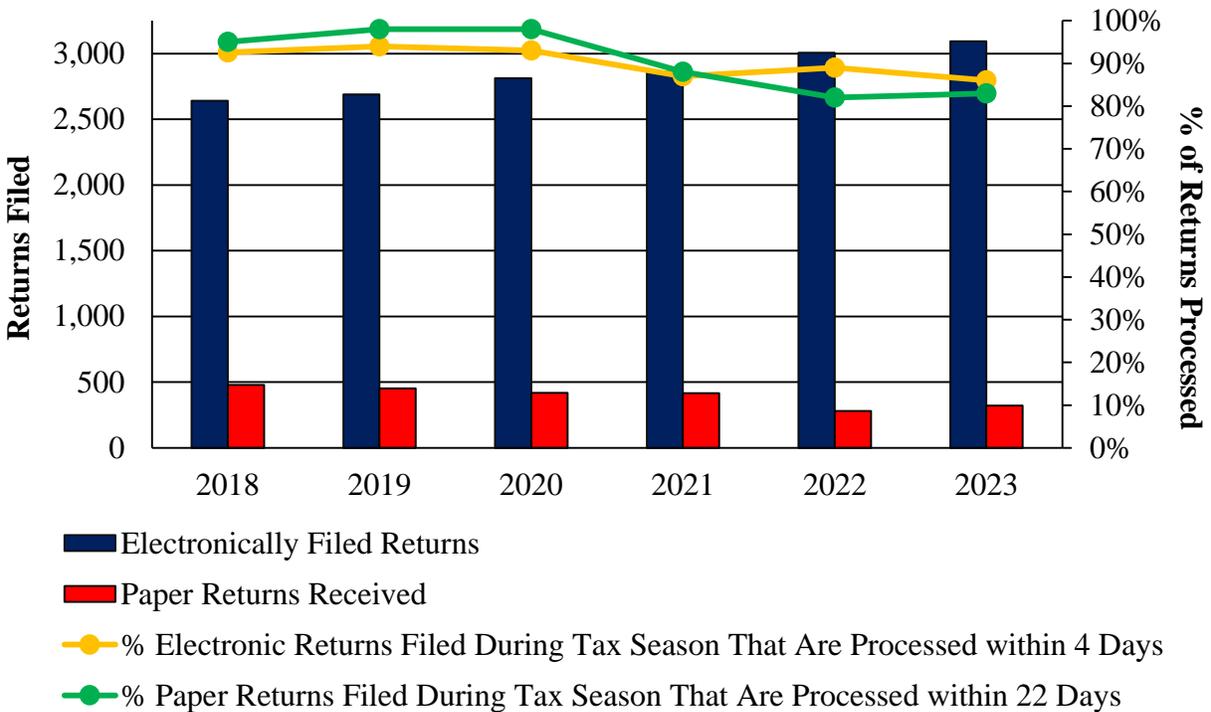
## ***Performance Analysis: Managing for Results***

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### **1. Tax Returns Filed and Differences Between Tax Year and Fiscal Year Reporting**

Through RAD, the Comptroller is responsible for receiving and processing tax returns and payments for various State taxes, the largest of which is the personal income tax. **Exhibit 1** shows the number of paper and electronic personal income tax returns received and the percentage processed within 22 days for paper and 4 days for electronic returns. The number of paper filed returns increased by 14.5%, from 281,512 in fiscal 2022 to 322,195 in fiscal 2023. Electronic returns increased by 2.9%, from 3,005,374 in fiscal 2022 to 3,092,613 in fiscal 2023. While the rate of paper returns processed in 22 days improved by 1 percentage point, the rate of electronic filings processed in 4 days fell by 3 percentage points. The Comptroller notes that one contributing factor to processing time is the number of tax credits, which require manual review. As more tax credits are established, more tax returns must be reviewed manually, adding to processing time.

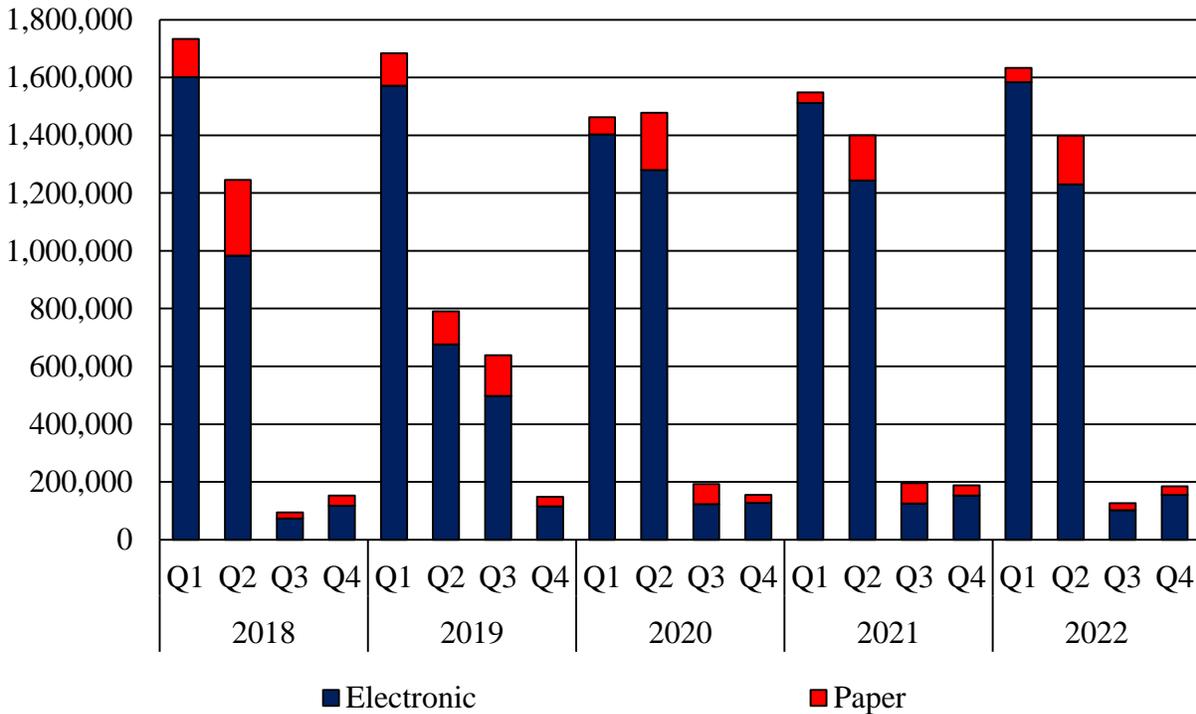
**Exhibit 1  
Personal Income Tax Returns Received and Processed  
Fiscal 2018-2023**



Source: Department of Budget and Management

While the personal income tax filing information submitted through annual Managing for Results (MFR) submissions is provided on a fiscal year basis, the Comptroller has reported this may cause distortions in the apparent trend from year to year. Tax filing volume by quarter for personal income taxes is illustrated in **Exhibit 2** for tax year 2018 through 2022. Filing activity shown by tax year reflects the year for which the taxes were filed, though the filing takes place in the following calendar year. For example, tax returns are filed in calendar 2023 for tax year 2022.

**Exhibit 2  
Electronic and Paper Personal Income Tax Filings  
Tax Year 2018-2022**



Source: Comptroller of Maryland

Tax filings presented on a fiscal year basis represent parts of two different tax years and therefore may be impacted by different filing policies and trends across multiple years. This was the case for tax year 2019, in which the difference in tax filing distribution across each quarter was notably different from other years. In particular, the elevated tax year 2019 second and third quarter volume of filings aligned with the last quarter of fiscal 2020 and first quarter of fiscal 2021, respectively. This was due to the extension of the tax filing due date from April 15 to July 15 in calendar 2020 due to the variety of disruptions from the COVID-19 pandemic.

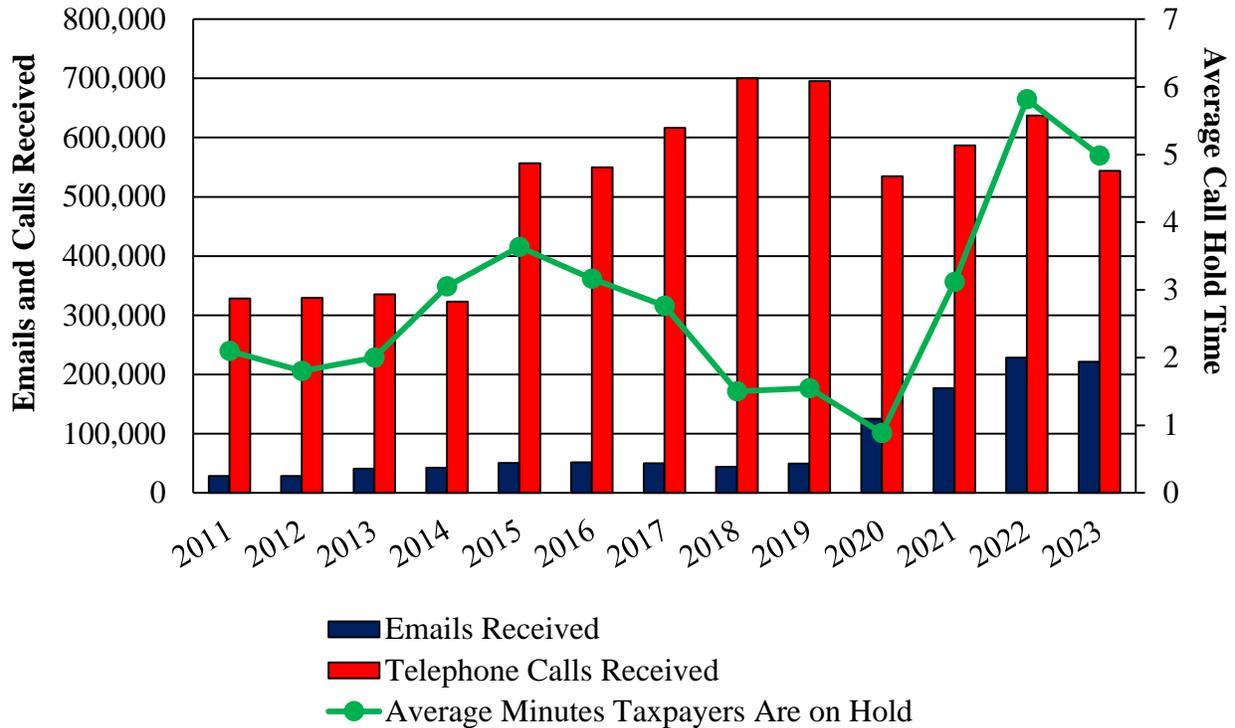
**The Comptroller should comment on the significance of the difference between tax year and fiscal year trends in the historical reported MFR data and indicate the measures for which timing and differing policies across tax years may distort trends. The Department of Legislative Services (DLS) recommends that the Comptroller submit MFR data on both a calendar year and fiscal year basis beginning with the fiscal 2026 MFR submission.**

## **2. Taxpayer Services Division Communications**

The Taxpayer Services Division within the Comptroller’s office receives and processes inquiries by mail, email, and telephone, mostly related to the seeking of information on the status of a refund, how to claim a certain tax credit, notices received, and on how to remedy license suspensions that are due to delinquent taxes. The correspondence received is manually tracked by the dates received, forwarded for response, and date that the response is mailed. This information is reported monthly to management.

**Exhibit 3** shows the number of emails and telephone calls received along with the average number of minutes taxpayers are on hold before their telephone call is received by a Comptroller representative. Both emails and calls received exhibit an overall increasing trend between fiscal 2011 and 2023, though volume fluctuated throughout the period. The number of calls received in fiscal 2011 was 328,462. The volume of calls then increased in most years through fiscal 2018, when it reached a peak of 700,201. The number of telephone calls received in fiscal 2020, when the COVID-19 pandemic began, decreased to 534,468. After increases in fiscal 2021 and 2022, the fiscal 2023 phone call volume was 543,770, comparable again to fiscal 2020. The Comptroller reports that increasing correspondence is directly related to ongoing changes in tax laws that necessitates taxpayers to educate themselves and reach out for more guidance.

**Exhibit 3  
Emails and Telephone Calls Received  
Fiscal 2011-2023  
(Time in Minutes)**



Source: Department of Budget and Management

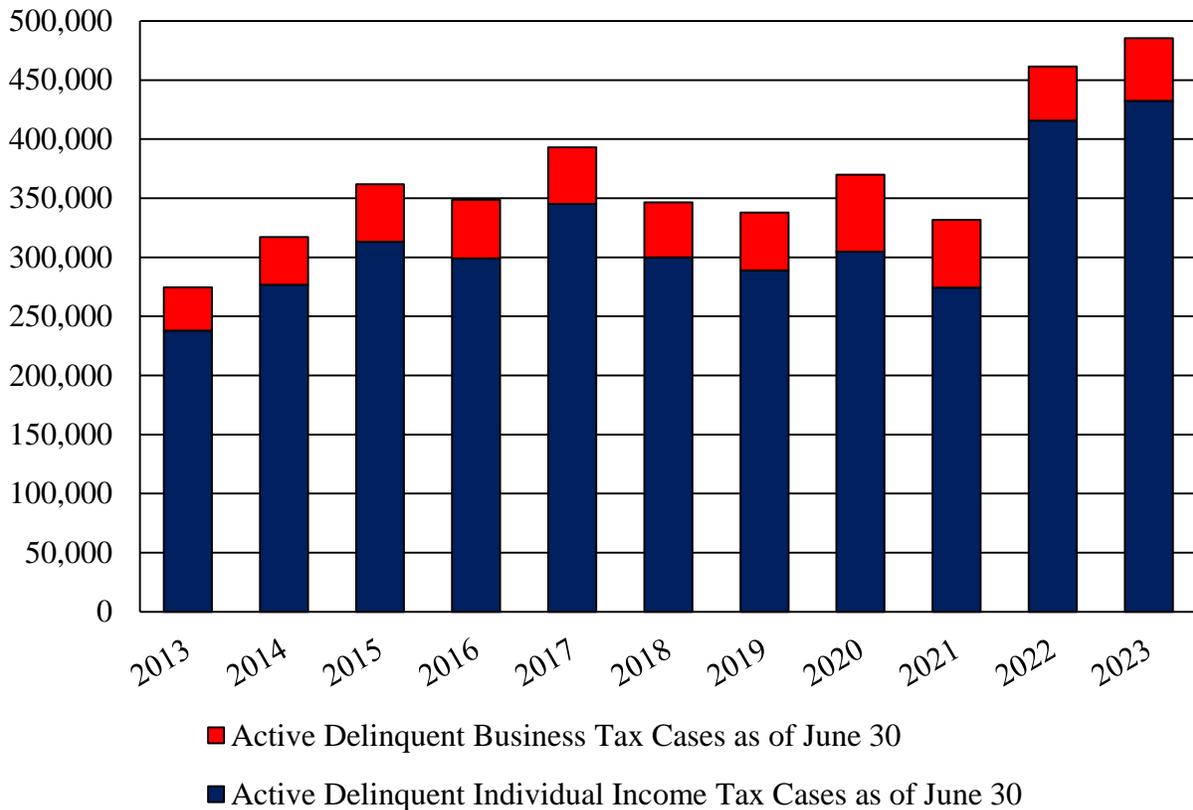
As call volumes have fluctuated over the period, the average hold time before a call is taken by a Comptroller representative has shown sharp increases in line with the COVID-19 pandemic but has slightly decreased more recently. This hold time decreased each year from fiscal 2015 to 2020, while the total number of calls was increasing. After reaching a 10-year hold time low of 0.88 minutes in fiscal 2020, the hold time increased to 3.12 minutes in fiscal 2021 and 5.82 minutes in fiscal 2022. It decreased slightly but remained elevated at 4.98 minutes in fiscal 2023.

The Comptroller reports that the COVID-19 pandemic impacted staffing levels starting in March 2020 and that correspondence has shifted from a seasonal wave to a year-round, high-volume trend that employees have cited as a stressor on the job. This contributes to both the call hold time increase as well as the shift from telephone to email correspondence. The conversion of 19 contractual positions to regular positions in the fiscal 2025 allowance is expected to help relieve pressure on staff; however, the Comptroller indicates that there is a need for further staff and increased compensation for this division.

### 3. Delinquent Accounts and Collections

The Comptroller’s Compliance Division is responsible for enforcing tax laws and fees administered by the State. This includes auditing tax returns, investigating fraud, and seeking collections. When a taxpayer does not file and pay taxes by statutory deadlines, the account in their name or for their business becomes delinquent. **Exhibit 4** shows the reported number of delinquent individual and business tax accounts as of June 30 of each year for fiscal 2013 through 2023. In fiscal 2022 and 2023, delinquent individual accounts increased by 52% and 58% compared to fiscal 2021, respectively. The number of delinquent business accounts reports a percentage change that is somewhat volatile, with an increase over the prior year of 34% in fiscal 2020 followed by 12% and 20% decreases in fiscal 2021 and 2022 before a 16% increase in fiscal 2023.

**Exhibit 4**  
**Delinquent Tax Cases**  
**Fiscal 2013-2023**

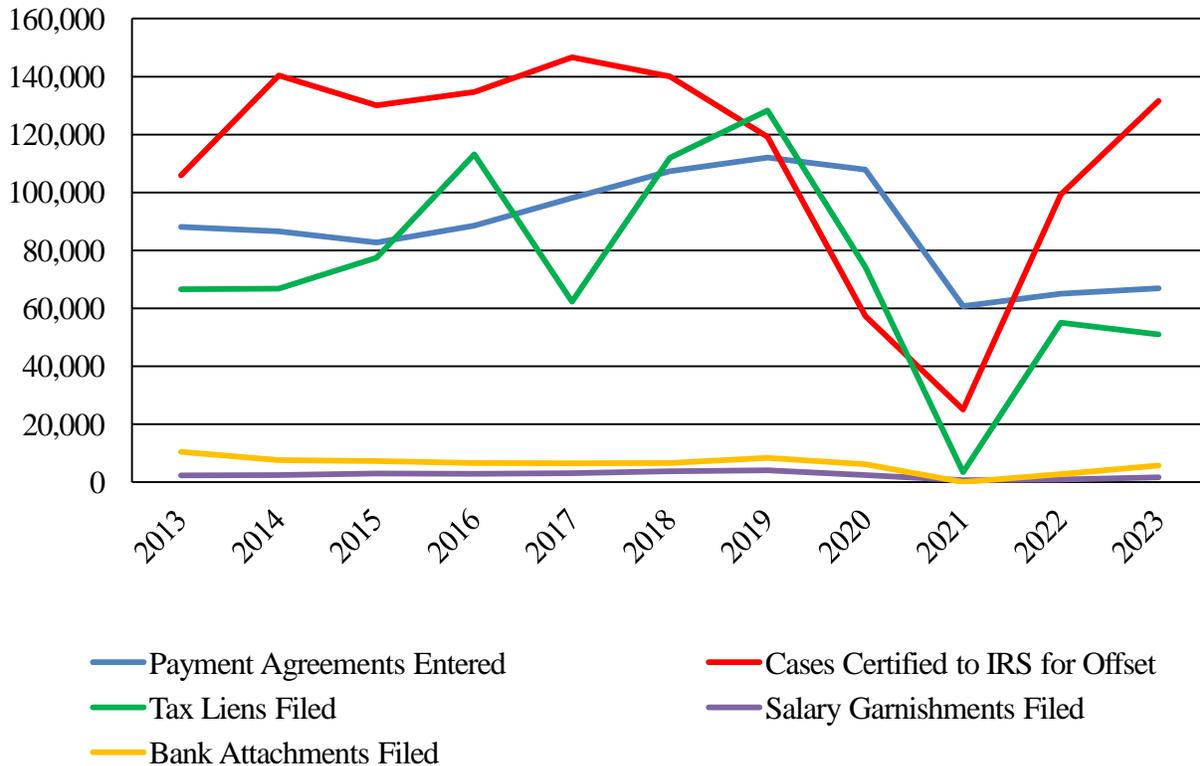


Note: Data is shown as the number of delinquent tax cases as of June 30 in each fiscal year.

Source: Department of Budget and Management

The Comptroller uses a variety of methods to pursue payment or recovery of unpaid taxes, including payment agreements, tax liens, bank attachments, offsets by the Internal Revenue Service (IRS), and salary garnishments. **Exhibit 5** shows the number of accounts for which taxes were collected by each of these methods, from fiscal 2013 through 2023. In fiscal 2020 and 2021, the Comptroller reported considerable decreases in the number of collection cases processed through each of these methods. The Comptroller reports that collection efforts were placed on pause through fiscal 2021 and did not resume until August 2021. It took time to renew operations at the same time that many taxpayers with delinquent accounts continued to face financial hardship from the effects of the COVID-19 pandemic. While each category has seen some recovery in fiscal 2022 and 2023, only the number of cases certified to IRS for offset has returned to prepandemic levels. The Comptroller expects these rates to continue to increase and return to prepandemic levels as taxpayers see more financial recovery, more Comptroller operations are renewed, and the ITS makes processing more efficient.

**Exhibit 5**  
**Methods of Unpaid Tax Collection**  
**Fiscal 2013-2023**

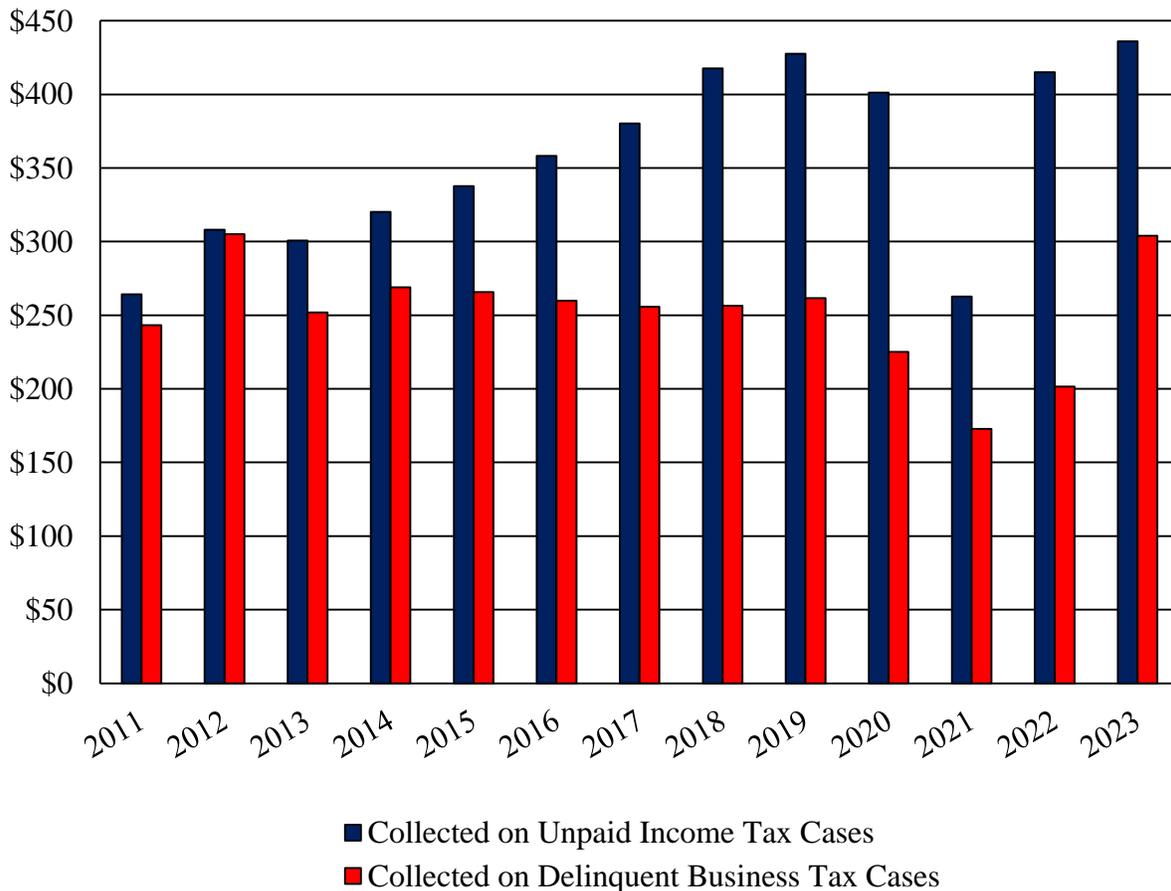


IRS: Internal Revenue Service

Source: Department of Budget and Management

**Exhibit 6** shows a reduction in total dollars collected on delinquent accounts similar to the decrease in activity across collection methods, with decreases in fiscal 2020 and 2021 of 6.1% and 34.5% in collected income tax and 14% and 23.2% in collected business tax cases, respectively. This was after yearly increases in delinquent income tax collections and little change in collected business taxes from fiscal 2013 through 2019. However, fiscal 2022 and 2023 reflect recovery in the amounts collected of both delinquent individual and business taxes. The Comptroller indicated that there is a greater number of individual taxpayers than business taxpayers, and personal income taxpayers have a higher rate of noncompliance than businesses.

**Exhibit 6**  
**Dollars Collected on Delinquent Tax Cases**  
**Fiscal 2011-2023**  
**(\$ in Millions)**

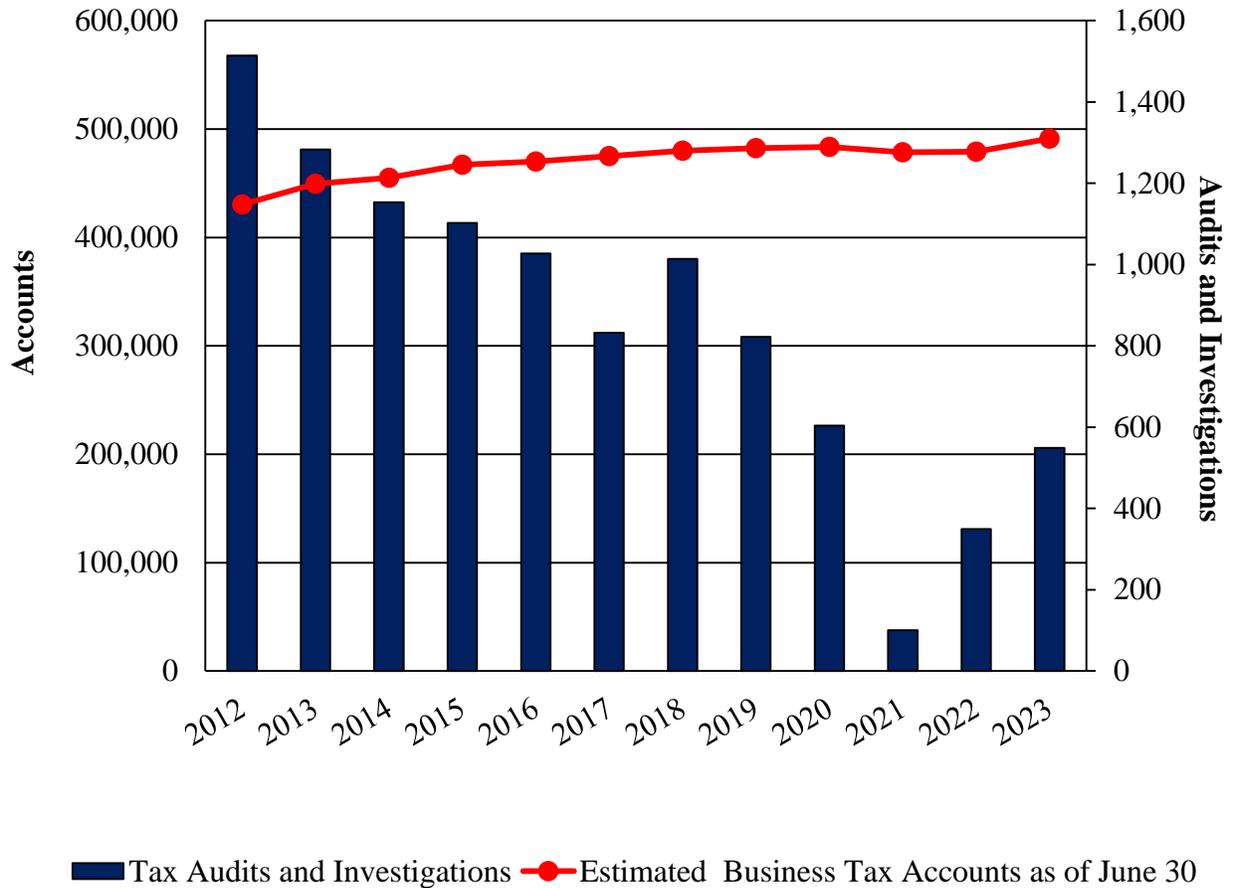


Source: Department of Budget and Management

#### 4. Audits

One responsibility of the Comptroller’s Compliance Division is to audit tax returns. **Exhibit 7** shows that while the number of business tax accounts grew marginally or stagnated each year from fiscal 2012 through 2023, the number of business tax audits and investigations was on a downward trajectory even before an apparent pandemic shock. The number of business tax audits in fiscal 2022 and 2023, at 349 and 549, respectively, suggest recovery in operations since the pandemic, but these figures remain below the 604 audits and investigations in fiscal 2020.

**Exhibit 7**  
**Business Tax Accounts and Audits**  
**June 30, 2012-2023**



Source: Department of Budget and Management

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The Comptroller reports that business audit staff was reduced by nearly 50% over the last decade and that this explains the downward trend in productivity over the same time period. Current staff includes 37 positions responsible for 15 different types of taxes, and most of these employees have replaced more experienced staff members that worked in the office 10 or more years ago. The fiscal 2025 budget includes new positions in the Compliance Division that will supplement existing audit staff, and the Comptroller has plans to provide additional training for existing audit personnel.

### **Fiscal 2024**

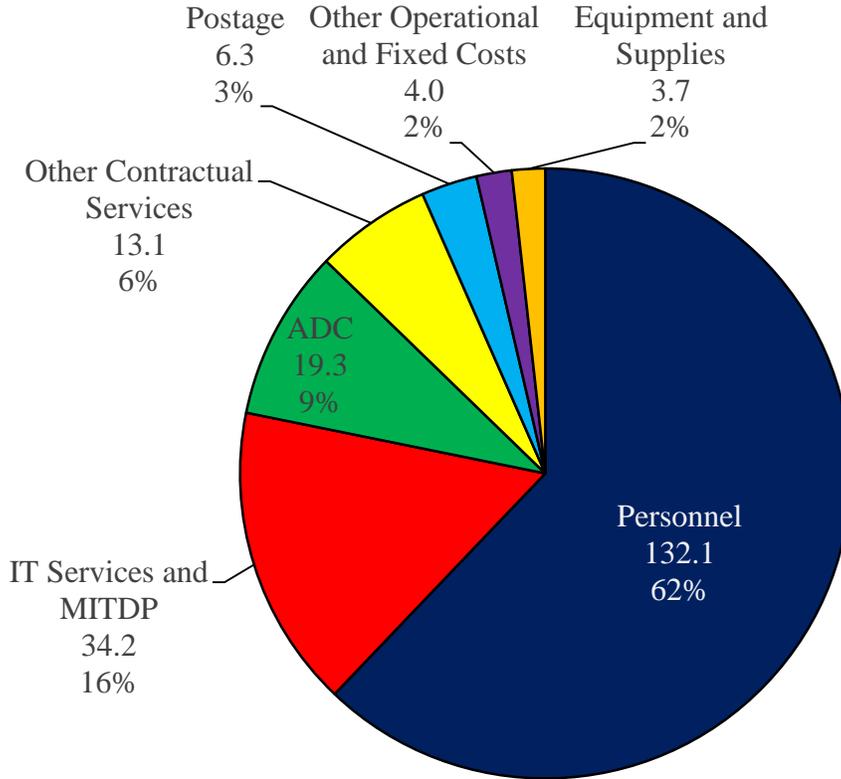
#### **Legislative Priorities**

Section 19 of the fiscal 2024 Budget Bill provided \$5.3 million in general funds for the purposes of ownership, consulting services, buildout, and implementation of IT upgrades and \$1.3 million in general funds for the purpose of reclassifying tax consultant I positions to senior tax attorney positions.

### **Fiscal 2025 Overview of Agency Spending**

The fiscal 2025 allowance for the Comptroller totals \$212.7 million. As shown in **Exhibit 8**, 62% of the allowance is for regular and contractual personnel expenses. Funding for Major IT Development projects, Comptroller IT services and the Annapolis Data Center together comprise 25% of the allowance. The remaining 13% of the allowance is allocated for a variety of operational costs across programs, including other contractual services, postage, equipment and supplies, and fixed costs.

**Exhibit 8**  
**Overview of Agency Spending**  
**Fiscal 2025 Allowance**  
**(\$ in Millions)**



ADC: Annapolis Data Center  
IT: information technology  
MITDP: Major Information Technology Development Projects

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

Source: Department of Budget and Management

**Proposed Budget Change**

The fiscal 2025 allowance decreases by approximately \$6 million compared to the fiscal 2024 working appropriation. Major changes are outlined in **Exhibit 9**, with \$6.7 million in salary and benefit increases for existing personnel and \$5.1 million to fund 79.2 new regular positions. Other major changes are in IT expenditures, with a total of \$3.7 million for the Compass

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ITS project and other IT services, hardware, and software. A decrease of \$5.3 million is due to the fiscal 2024 legislative appropriation for technology modifications and upgrades. The proposed budget reflects a decrease of \$16.7 million in reimbursable and special funds for MITDP costs allocated during the fiscal year.

**Exhibit 9  
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 2023 Actual	\$113,137	\$45,315	\$154	\$43,001	\$201,607
Fiscal 2024 Working Appropriation	126,931	45,132	0	46,559	218,621
Fiscal 2025 Allowance	<u>132,539</u>	<u>47,216</u>	<u>0</u>	<u>32,898</u>	<u>212,652</u>
Fiscal 2024-2025 Amount Change	\$5,608	\$2,084	\$0	-\$13,661	-\$5,969
Fiscal 2024-2025 Percent Change	4.4%	4.6%		-29.3%	-2.7%

**Where It Goes:**

**Personnel Expenses**

	<b><u>Change</u></b>
Salary increases and associated fringe benefits including fiscal 2024 COLA and increments.....	\$6,702
Salaries and fringe benefits for 79.2 new regular positions .....	\$5,126
Employee and retiree health insurance .....	\$771
Additional assistance in temporary employees during seasonal tax operations.....	\$751
Overtime earnings, in particular for increased audit work in pandemic recovery .....	\$329
Accrued leave payout.....	\$145
Shift differential.....	\$12
Workers' Compensation .....	-\$97
Turnover from rate change (5.81% to 6.58%) .....	-\$827
Fiscal 2024 reclassification for legal personnel (added in Section 19 of the Fiscal 2024 Budget Bill) .....	-\$1,121

**Annapolis Data Center**

Mobius telecommunications software contract renewal .....	850
Fiscal 2024 mainframe and other hardware end-of-life replacements and maintenance contracts at Annapolis Data Center .....	-1,156

**IT Changes**

Maintenance contracts and consulting services for Compass ITS project.....	1,077
Software licenses, including additional Microsoft security software .....	977
Software maintenance contracts, including IBM Intelligent Forms Processing and GAD Robotics Process Automation Project Contractor .....	578
Hardware and software maintenance for servers, desktops, laptops and other computer equipment.....	508

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<b>Where It Goes:</b>	<u><b>Change</b></u>
New and replacement office supplies, data processing, and communications equipment .....	265
DoIT IV&V and oversight for Compass ITS project.....	242
IT management and systems analysis consulting, based on prior year trends .....	82
Fiscal 2024 technology modifications and upgrades, including one-time funding provided through Section 19 of the Fiscal 2024 Budget Bill .....	-5,300
Actual MITDP costs to be allocated during the fiscal year.....	-16,721
<b>Other Changes</b>	
Office, laboratory and other supplies, based on prior year expenditure, new staff and increase in number of tax forms filed .....	855
Five distillation analyzers, three Octane engine cooling towers, cetane engine rebuild, a cloud point analyzer and a flashpoint analyzer for the motor fuel lab in the Field Enforcement Administration.....	632
Income Tax collection and compliance adjustment by DBM for branch relocations .....	485
Office equipment for new personnel.....	297
Ongoing statewide Independent Audit of the State's Comprehensive Financial Report and other financial data.....	250
Statewide cost allocations .....	153
License and subscription costs for new employees and based on prior year trends .....	150
Reallocation of BRE software expenditure from contractual services .....	145
Printing and advertising activities for information and programs in the Motor Fuel Tax Administration and Unclaimed Property Division.....	127
Expected increases in volume of audits in the Compliance and Unclaimed Property divisions due to pandemic recovery.....	126
Non-IT equipment rental across all programs.....	-60
Decrease in banking service contracts based on prior year trends.....	-71
Decrease and reallocation of contract work in BRE to regular positions and subscriptions .....	-213
Expiration of State of Maryland Relief Act (Chapter 39 of 2021) stipend eligibility in October 2023.....	-250
Projected displacement by Compass program of Teradata costs to maintain data warehouse .....	-287
Contractual Personnel, mostly for conversions to regular positions.....	-413
Fiscal 2024 one-time funding for building renovations.....	-500
Fiscal 2024 purchases of 2 replacement and 6 new vehicles in the Field Enforcement Administration .....	-660
Other .....	71
<b>Total</b>	<b>-\$5,969</b>

BRE: Bureau of Revenue Estimates	IBM: International Business Machines Corporation
COLA: cost-of-living adjustment	IT: information technology
DBM: Department of Budget and Management	ITS: Integrated Tax System
DoIT: Department of Information Technology	IV&V: Independent Verification & Validation
GAD: General Accounting Division	MITDP: Major Information Technology Development Project

Note: Numbers may not sum to total due to rounding. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in DBM, and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

## ***Personnel Data***

	<b><u>FY 23 Actual</u></b>	<b><u>FY 24 Working</u></b>	<b><u>FY 25 Allowance</u></b>	<b><u>FY 24-25 Change</u></b>
Regular Positions	1,081.90	1,132.90	1,212.10	79.20
Contractual FTEs	<u>51.58</u>	<u>46.77</u>	<u>31.25</u>	<u>-15.52</u>
<b>Total Personnel</b>	<b>1,133.48</b>	<b>1,179.67</b>	<b>1,243.35</b>	<b>63.68</b>

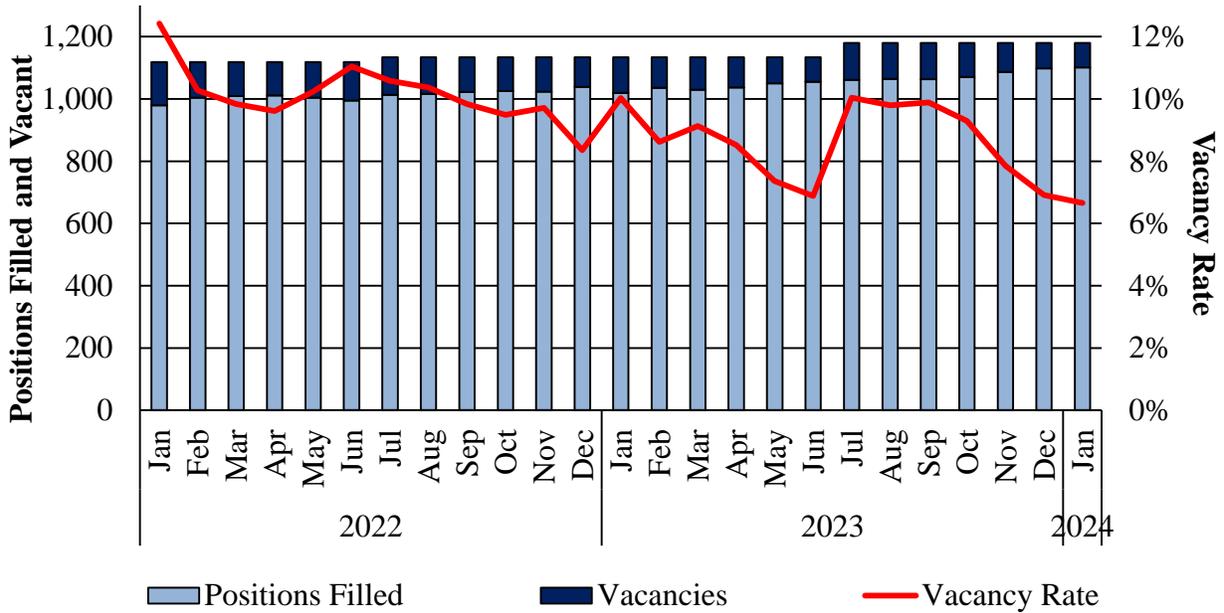
### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	74.54	6.58%
Positions and Percentage Vacant as of 12/31/23	78.60	6.94%
Vacancies Above/Below Turnover	4.06	

### **Vacancies**

- January 2024 vacancy data shows an improvement in the agencywide vacancy rate from 10% in January 2023 to 6.7% in January 2024. As shown in **Exhibit 10**, this improvement corresponded with new positions driving an increase in the overall number of authorized positions. There was an increase of 15 regular positions at the start of fiscal 2023 but without an apparent impact on the vacancy rate of approximately 11%. The vacancy rate improved to 8.4% in December 2022, increased quickly in January 2023 to 10%, and decreased again to 6.9% by June 2023. New positions budgeted for fiscal 2024 were added in July 2023, causing an additional sudden wave of vacancies at a rate of 10%, but hiring and retention efforts are clearly visible in the improvement over the first half of fiscal 2024, from 118.5 vacancies in July 2023 down to 78.6 vacancies in January 2024.

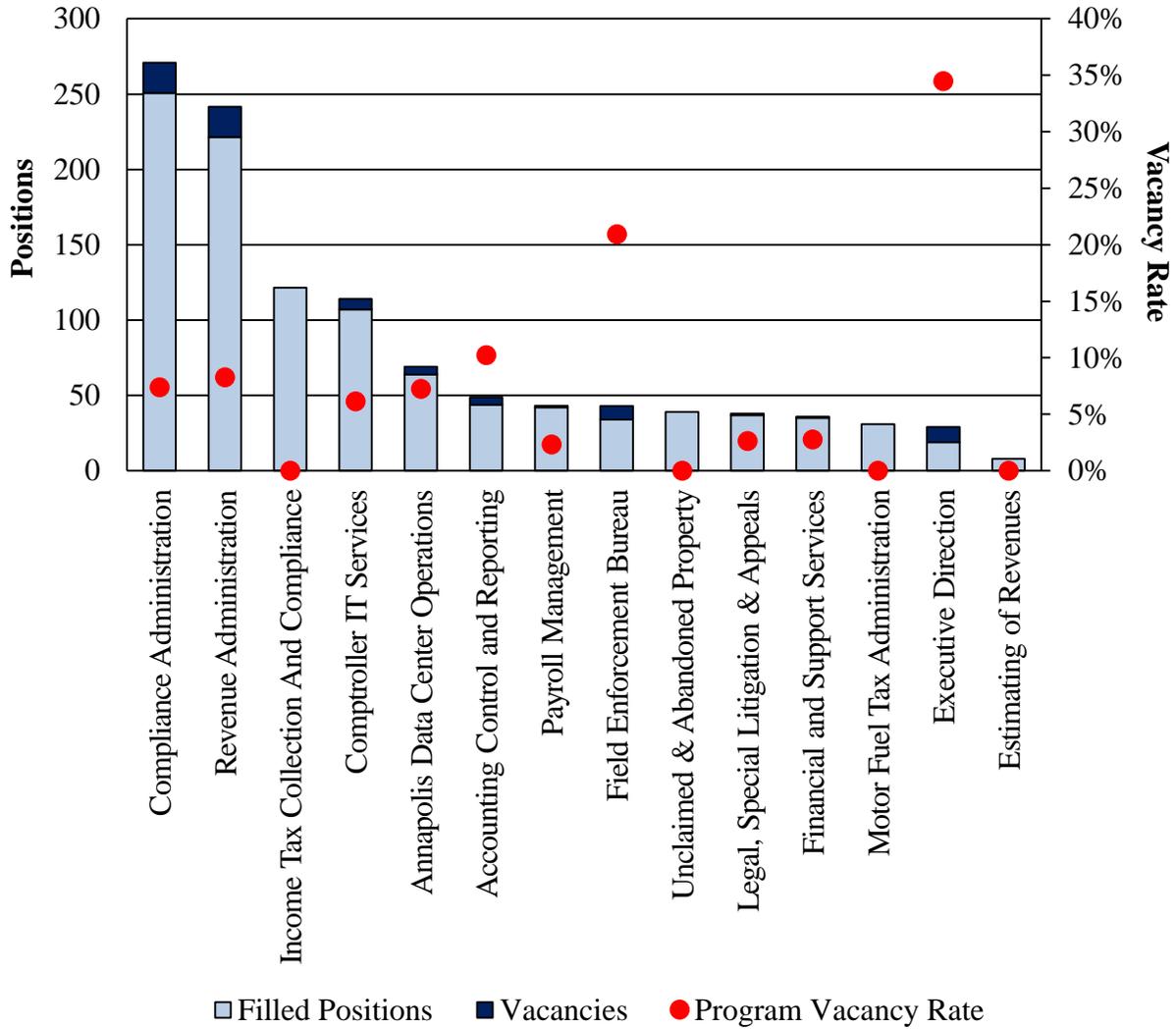
**Exhibit 10**  
**Agencywide Vacancies and Vacancy Rate**  
**January 2022 to January 2024**



Source: Department of Budget and Management, Department of Legislative Services

- Exhibit 11** shows filled and vacant positions along with vacancy rate by program as of January 10, 2023. Vacancy rates by program are consistently below 10% and close to the agencywide rate, with two exceptions in FEB and in Executive Direction. Vacancy rates for these two programs are notable at 34.5% (10 of 29 positions) in the Executive Direction program and 20.9% (9 of 43 positions) in FEB.

**Exhibit 11  
Vacancies by Program  
January 2024**



IT: information technology

Source: Department of Budget and Management, Department of Legislative Services

**The Comptroller should comment on the overall positive trend, whether variations in the vacancy rate have affected operations since January 2022, and whether vacancies in FEB and Executive Direction programs have any operational impacts.**

## New Positions

- The 79.2 new positions are distributed across 8 programs as shown in **Exhibit 12**, most notably with 28 new positions in the Compliance Division to support revenue collection and fraud and nonpayment investigations and 19 contractual conversions of revenue examiner positions in the Taxpayer Services Division. There are 11 positions provided in IT services for a variety of purposes related to MITDP and 14 positions for newly established Legal and Unclaimed Property offices. The remaining 7.2 positions are nearly equally distributed across GAD, BRE, and FEB.

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### Exhibit 12 New Regular Positions Fiscal 2025

<u>Program</u>	<u>Count</u>	<u>Description</u>
General Accounting Division	2.2	A subject matter expert to oversee re-engineering of eMMA project development. A training director for FMIS development and implementation. Part time position workload increase.
Bureau of Revenue Estimates	2.0	2 programmers to analyze administrative tax data and support compiling data for the Personal Statistics of Income Report.
Taxpayer Services Division	19.0	Revenue examiner contract position conversions to regular positions.
Compliance Administration	28.0	12 positions for revenue collection and oversight against tax fraud and nonpayment. 10 positions for a new team in the Business Tax Audit office to perform fraud investigations. 6 positions to perform more complex audits using the newest software.
Field Enforcement Bureau	3.0	2 license inspectors to support current staff and 1 chemist to support operations in the motor fuel lab.
Legal, Special Litigation, and Appeals	6.0	Staffing for new Legal, Special Litigation, and Appeals division, for appeals accounts management, and for the Voluntary Disclosure Agreement Program.
Unclaimed and Abandoned Property	8.0	Staffing for the newly created unclaimed property division.
Comptroller Information Technology Services	11.0	A variety of positions to support MITDP development, including subject matter experts, software engineers, and web designers.
<b>Total</b>	<b>79.2</b>	

eMMA: *eMaryland Marketplace Advantage*  
 FMIS: Financial Management Information System  
 MITDP: Major Information Technology Development Project

Source: Department of Budget and Management, Comptroller of Maryland

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## *Issues*

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### 1. Fines, Penalties, and Interest Rates

Language in the fiscal 2024 Budget Bill required that the Comptroller conduct a study and submit a report on fines, penalties, and interest rates paid by the Comptroller’s Office on refunds overdue to taxpayers and charged on overdue payments from taxpayers. The language specifically asked about differing rates paid by the Comptroller’s Office and by the taxpayer when an error is made or when either taxes or refunds are not paid in a timely manner. The Comptroller was asked to describe an equitable or fair rate to balance competing interests.

The Comptroller first noted that the interest rate is the same for the State and the taxpayer. The report referred to Section 13-604 of the Tax – General Article, which states that on or before October 1 of each year, the Comptroller shall set the annual interest rate for the next calendar year on refunds and money owed to the State as the percentage that equals the greater of the listed fixed percentage or 3% above the average prime rate of interest quoted by commercial banks to large businesses during the State’s previous fiscal year, based on determination by the Board of Governors of the Federal Reserve Bank. **Exhibit 13** includes the rates provided by statute along with the average prime rate of interest and its 3% augmentation for comparison with the rate in statute. The rate in statute would be used over that determined by the prime rate of interest from the Federal Reserve Bank in all years shown except for calendar 2024.

**Exhibit 13**  
**Unpaid Tax and Refund Interest Rates**  
**Fiscal 2015-2023**

<u>Effective</u>	<u>Prime Determination</u>	<u>Prime Rate</u>	<u>3% Above the Prime Rate</u>	<u>Statutory Minimum</u>	<u>Rate</u>
Calendar 2016	Fiscal 2015	3.25%	6.25%	13.00%	13.00%
Calendar 2017	Fiscal 2016	3.39%	6.39%	12.00%	12.00%
Calendar 2018	Fiscal 2017	3.72%	6.72%	11.50%	11.50%
Calendar 2019	Fiscal 2018	4.47%	7.47%	11.00%	11.00%
Calendar 2020	Fiscal 2019	5.32%	8.32%	10.50%	10.50%
Calendar 2021	Fiscal 2020	4.45%	7.45%	10.00%	10.00%
Calendar 2022	Fiscal 2021	3.25%	6.25%	9.50%	9.50%
Calendar 2023	Fiscal 2022	3.43%	6.43%	9.00%	9.00%
Calendar 2024	Fiscal 2023	7.01%	10.01%	9.00%	10.01%

Source: Comptroller of Maryland, Section 13-604 of the Tax – General Article

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With regard to equity and fairness, the Comptroller advised that a common interpretation of fairness in price or interest rate is the competitive market price or interest rate. However, the report expressed concern due to the fact that interest rates are conditions of debt instruments, which are and should be tailored to the debtor in the market. The Comptroller indicated that tailoring of the rate and rate setting policy should:

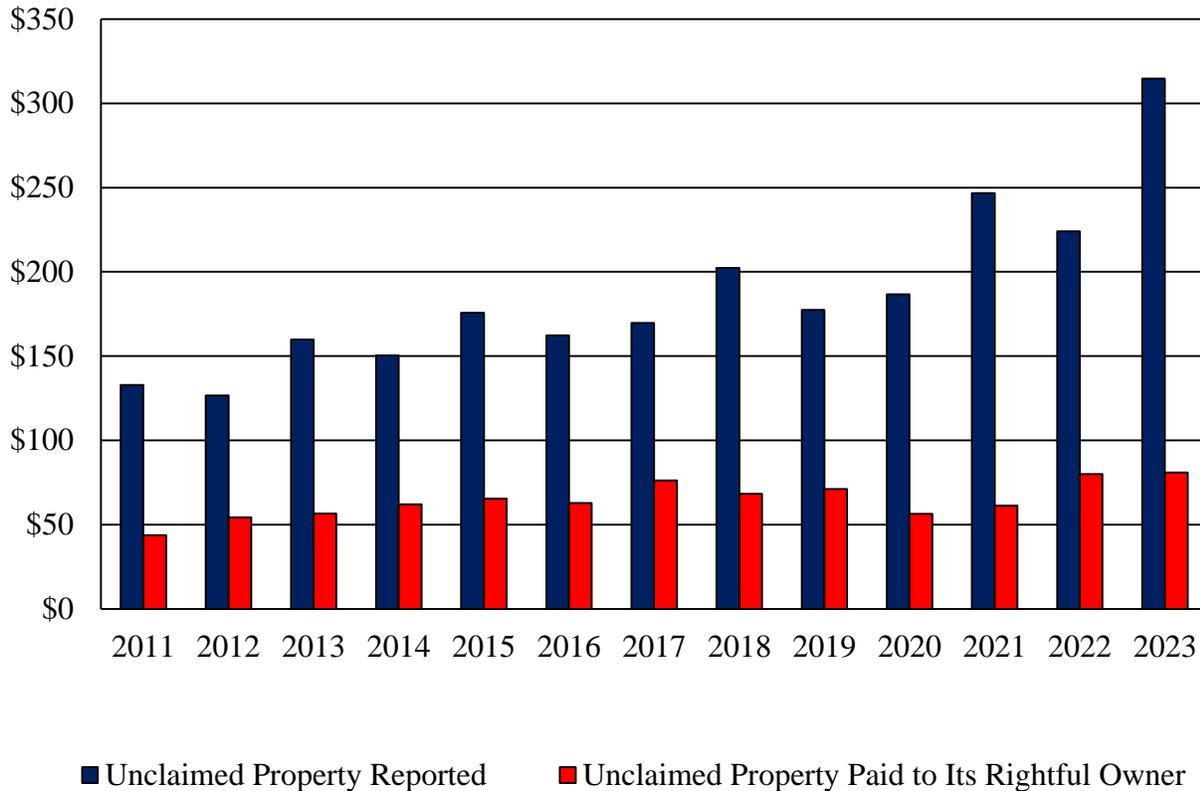
- incentivize payment by being comparable to or greater than rates of other debt instruments so that it can be properly placed at a high priority;
- include a provision for compounding, in order to compare with other interest rates;
- cover opportunity cost of earnings that could have been made through investing the unpaid amount;
- offset the cost of collection; and
- be a real as opposed to a nominal design in order to adjust to varying inflation rates.

The Comptroller suggested that while setting the rate as equal for both the State and taxpayers may appear equitable, it does not consider the difference in credit risk usually factored into rate setting in the market. Section 13-606 of the Tax – General Article also provides the Comptroller the authority to issue grace periods and waive interest on unpaid tax for a reasonable cause.

## **2. Chapter 648 and the Collection of Unclaimed Property**

In March 2023, an independent office for unclaimed and abandoned property was established in the Comptroller’s Office. The Comptroller has a statutory responsibility to take possession of any piece of unclaimed or abandoned property and attempt to locate a rightful owner. This property includes financial assets such as payroll checks, bank accounts, insurance proceeds, stock shares and dividends, and safe deposit boxes. **Exhibit 14** shows how the amount of dollars reported and paid to owners has increased over time, reflecting overall increasing numbers of unclaimed property reports accumulated. The increase in reported dollars from fiscal 2022 to 2023 represents the largest increase over the time period, rising by 40.5% from \$224 million to \$314.7 million. This is while dollars returned to a rightful owner increased by 1% to \$81 million.

**Exhibit 14**  
**Unclaimed Property Collected and Paid to Owner**  
**Fiscal 2011-2023**  
**(\$ in Millions)**



Source: Department of Budget and Management

Chapter 648 modified Section 17-101 of the Commercial Law Article with respect to the method for determining which specified property held by a banking or financial organization or a business association in the State is presumed to be abandoned. In accordance with Chapter 648, a property is now considered to be abandoned three years after the later of (1) the date the holder is deemed to no longer have a valid address for the owner of the property or (2) pursuant to current law, the date the owner has last interacted with the banking or financial organization.

Committee narrative in the 2023 JCR requested that the Comptroller review Chapter 648 and provide an analysis of its current or potential impacts on the number of accounts considered abandoned, the average length of time to complete the abandonment determination process, and Unclaimed Property Fund revenues. The Comptroller was also asked to consider options and make recommendations for the improvement of unclaimed property collection in Maryland.

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The changes have only been in effect since October 1, 2022, with the change not impacting the public until the following reporting period starting October 31, 2023. As a result, the report indicated that there has not been sufficient time to determine any impacts to the volume of reports. However, the Comptroller’s office expressed concern that the change will effectually extend the dormancy period by three years and, thereby, the ability of the State to collect and store the property. This will further impact both the amount that may be recovered and the amount paid out to property owners.

The Comptroller’s Office recommends considering the Revised Uniform Unclaimed Property Act (RUUPA) of 2016 for guidance on policy changes to adapt to the current era and to amend statute to address electronic assets, such as gift cards and virtual currency. The office notes that Maryland adopted the original 1954 version of this Act but has yet to adopt revised versions of the Act since then as many other U.S. states have done. The office also reports that while unclaimed property revenues have increased 109% and claims paid have increased 30% over the last 10 years, staffing in the Comptroller’s office for the unclaimed property division has not kept pace. The office received 2 new positions in fiscal 2024 that have been filled and commented on the need for additional positions. DLS notes that personnel information reported by the Department of Budget and Management and from the Comptroller show an additional 8 positions budgeted in the Unclaimed and Abandoned Property division in the fiscal 2025 allowance.

## Operating Budget Recommended Actions

	<b>Amount Change</b>	
1. Reduce funding for increased health insurance costs as a technical correction. These expenditures are double budgeted, as funding is already budgeted in the Statewide Account within the Department of Budget and Management for this purpose.	-\$ 1,037,484	GF
	-\$ 157,991	SF

2. Adopt the following narrative:

**Performance Measures for Tax Filing by Tax Year:** Each year, the Comptroller submits data on electronic and paper tax filing volume and timeliness in its Managing for Results (MFR) performance submission. The Comptroller has historically reported this data on a fiscal year basis but reported that timeframe can distort taxpayer and Comptroller activity that is based on the tax year cycle. For the fiscal 2026 MFR submission, the committees request that the Comptroller submit performance data related to tax filings on a tax year basis and on a fiscal year basis separately to allow comparison to prior years with the fiscal 2026 budget.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
MFR tax filing data on a tax year and fiscal year basis	Comptroller of Maryland	With submission of the fiscal 2026 budget
<b>Total Net Change</b>		<b>-\$ 1,195,475</b>
<b>Total General Fund Net Change</b>		<b>-\$ 1,037,484</b>
<b>Total Special Fund Net Change</b>		<b>-\$ 157,991</b>

**Appendix 1**  
**2023 Joint Chairmen’s Report Responses from Agency**

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

- ***Report on the Fines, Penalties, and Interest Rates of the Comptroller’s Office:*** The Comptroller submitted this report on December 11, 2023. The report described how the interest rate on money owed to the State and paid by the State in refunds is the same in a given year for both late refunds owed by the Comptroller and late payments owed by the taxpayer. Further discussion of this topic can be found in Issue 1 of this analysis.
  
- ***Quarterly Report on the Status of the ITS MITDP:*** The Comptroller has submitted three of four quarterly reports requested on the status of the ITS development project. Updates have discussed delays and re-baselining due to lack of sufficient staff and for project scope expansion to incorporate new taxes on cannabis sales. Business tax functionality is being released in time for use in the next tax filing in spring 2024. Further discussion of the ITS project can be found in **Appendix 4** of this analysis.
  
- ***Report on Collection of Unclaimed Property:*** This report was submitted by the Comptroller on January 8, 2024. The report discussed the current and potential future impact of Chapter 648 on unclaimed property revenues, in particular a negative impact resulting from the effective extension of the dormancy period for abandoned property. The Comptroller recommended considering the RUUPA for guidance on policy changes to adapt to the current era and to amend statute addressing electronic assets such as gift cards and virtual currency. Further discussion of this topic can be found in Issue 2 of this analysis.

**Appendix 2**  
**Audit Findings**  
**Comptroller of Maryland – Revenue Administration Division**

Audit Period for Last Audit:	September 21, 2018 – September 30, 2021
Issue Date:	January 2024
Number of Findings:	9
Number of Repeat Findings:	2
% of Repeat Findings:	22.2%
Rating: (if applicable)	n/a

**Finding 1:** RAD did not conduct all required reviews of declaration credits (tax overpayments that taxpayers chose to apply to the next tax year), and the reviews performed were not sufficiently comprehensive.

**Finding 2:** RAD did not ensure that refund replacement checks, which totaled \$29.5 million during calendar 2021, were reviewed by supervisory personnel as required by its policy.

**Finding 3:** RAD did not ensure that current death records were obtained and loaded into the Comptroller of Maryland’s automated State of Maryland Tax System (SMART), resulting in potential improper tax returns and refunds going undetected.

**Finding 4:** RAD did not determine the cost benefit of expanding the use of its existing individual taxpayer data analytics vendor to help identify corporate and business tax fraud.

**Finding 5:** SMART – Redacted cybersecurity-related finding.

**Finding 6:** Compass Program – Redacted cybersecurity-related finding.

**Finding 7:** RAD had not established sufficient controls over checks for tax payments received in the mail at its Annapolis location, as certain documentation used to account for batches of checks processed was not retained prior to May 2021.

**Finding 8:** Information Systems Security and Control – Redacted cybersecurity-related finding.

**Finding 9:** Information Systems Security and Control – Redacted cybersecurity-related finding.

\*Bold denotes item repeated in full or part from preceding audit report.

**Appendix 3**  
**Financial Management Information Systems Modernization**  
**Major Information Technology Development Project**  
**Comptroller of Maryland**

<b>New/Ongoing:</b> Ongoing								
<b>Start Date:</b> July 2022					<b>Est. Completion Date:</b> October 2030			
<b>Implementation Strategy:</b> Agile								
<b>(\$ in Millions)</b>	<b>Prior Year</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>Remainder</b>	<b>Total</b>
<b>GF</b>	\$0.000	\$10.000	\$4.000	\$68.423	\$53.000	\$125.25	\$0.000	<b>\$260.673</b>
<b>Total</b>	<b>\$0.000</b>	<b>\$10.000</b>	<b>\$4.000</b>	<b>\$68.423</b>	<b>\$53.000</b>	<b>\$125.25</b>	<b>\$0.000</b>	<b>\$260.673</b>

- Project Summary:** Maryland’s accounting system, the Financial Management Information System (FMIS), is managed and operated under the Comptroller for the purposes of accounting, purchasing, inventory, and reporting. The FMIS platform, utilized by all State agencies, has two applications, referred to as (1) ADPICS and (2) R\*STARS. The former is used to manage statewide procurement and an accounts payable subledger, and the latter serves as a general ledger and financial accounting platform. The replacement system, now referred to as the 21st Century Financial Systems Enterprise, will be more efficient in operation and cost and allow for easier interfacing with other IT systems used by the Comptroller and other agencies. The development plan is organized in five phases, with estimated completion dates in June 2024, March 2025, June 2029, and June 2030, and project closeout in October 2030.
- Need:** The legacy FMIS system utilizes software or hardware that is no longer supported by the modern, most widely used computer or software architecture. While the current system is still functional, it is reported to function at “high risk,” which requires more costly maintenance and is inefficient in interfacing with other systems employed by State agencies.
- Observations and Milestones:** Project research began in fiscal 2023. In accordance with Chapter 23 of 2023, a program administration team and key leadership roles have been established and a financial management program initiated. The team is working to establish, by the end of calendar 2024, a fully operational Enterprise Project Management Office for central oversight and quality assurance. One chief performance officer has been onboarded to lead the operational transformation process, which will involve the coordinated training of State personnel toward use of the new system.
- Concerns:** The build and transition process is a significant undertaking in both time and cost for the State. Every State agency is integrated into the current FMIS system, and integration entails in-house policy and operations that will need to be considered in design of the new system and then modified to adapt to the new system. The current FMIS system

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stores a range of sensitive information, creating security risks that must be managed consistently according to standards through the multi-year development process. Project phases involve multiple subprojects, vendors, and consultants, all of which will be procured and engaged over time and entail costs and conditions that are presently uncertain.

- ***Other Comments:*** Chapter 23 mandates that the Comptroller submit a report to the General Assembly on the status of the development project every six months starting December 31, 2023, and ending on or before January 1, 2027.

**Appendix 4**  
**Integrated Tax System (Compass)**  
**Major Information Technology Development Project**  
**Comptroller of Maryland**

<b>New/Ongoing:</b> Ongoing								
<b>Start Date:</b> Fiscal 2016				<b>Est. Completion Date:</b> Fiscal 2027				
<b>Implementation Strategy:</b> Agile								
(\$ in Millions)	Prior Year	2024	2025	2026	2027	2028	Remainder	Total
GF	\$53.445	\$12.510	\$15.193	\$12.897	\$8.619	\$5.507	\$0.000	\$108.171
SF	59.285	8.229	10.590	0.000	1.785	3.671	0.000	83.561
RF	13.145	0.000	0.000	0.000	0.000	0.000	0.000	13.145
<b>Total</b>	<b>\$125.875</b>	<b>\$20.739</b>	<b>\$25.783</b>	<b>\$12.897</b>	<b>\$10.404</b>	<b>\$9.178</b>	<b>\$0.000</b>	<b>\$204.877</b>

- Project Summary:** The Compass ITS will replace SMART, the Computer Assisted Collections System (CACCS), and other outdated tax processing systems. It will integrate with a data warehouse to continue revenue generating projects and provide enhanced reporting functionality. The ITS will create uniformity in processing across tax types and facilitate compliance by taxpayers.
- Need:** The SMART and CACCS systems are nearly 30 years old and outdated. The two systems are not integrated and utilize two separate databases. 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:** In calendar 2022, a new vendor was selected to provide management and support staff services as project scope expanded, including the incorporation of the cannabis sales tax and restructuring of the Alcohol and Tobacco Commission and new Maryland Cannabis Administration. In calendar 2023, electronic filing for fiduciary income tax was released. The release of business tax functionality is expected in February 2024.
- Changes:** A lack of human capital to support the original timeline along with the legalization of adult cannabis usage resulted in the need to rebaseline the development plan. The changes will add two years to the timeline and approximately \$31.2 million to estimated total project costs.
- Concerns:** Notices to business taxpayers of the new online filing system are expected to be mailed in February 2024 and will include identification numbers for use in enrolling in the new system. Because this release is close to the tax filing deadline in April, this creates concern for mail delivery delays that could impact taxpayer ability to utilize the new system. To address this, a guest filing feature has been implemented, and taxpayers will be able to call taxpayer services to be informed of their identification number.

**Appendix 5**  
**Central Payroll Bureau System Replacement**  
**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>
GF	\$0.000	\$2.000	\$2.000	\$0.580	\$8.420	\$0.750	\$0.250	\$14.000
<b>Total</b>	<b>\$0.000</b>	<b>\$2.000</b>	<b>\$2.000</b>	<b>\$0.580</b>	<b>\$8.420</b>	<b>\$0.750</b>	<b>\$0.250</b>	<b>\$14.000</b>

- **Project Summary:** CPB currently operates a legacy mainframe but intends on selecting a cloud-based integrated software to support all essential payroll processing activities. The new system will process payroll for all employees of the Executive, Judicial, and Legislative branches and the University System of Maryland (USM).
- **Need:** The existing system was implemented in the mid-1990s. The system is described as inflexible and requires expensive development work, in particular in the outdated COBOL programming language, to maintain compliance with 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 USM.
- **Observations and Milestones:** A technical writer was hired in July 2022 to detail CPB requirements. Requirement documents for the request for proposals (RFP) were completed. An RFP was published, and vendor Navitas Business Consulting, Inc., in Columbia, Maryland, was approved by BPW on October 4, 2023. The project charter was submitted on January 16, 2024.
- **Changes:** A fiscal 2024 budget amendment of \$2 million in general funds was approved in August 2023 for this project, with \$95,238 dedicated to project oversight. Interviews and selection processes for a contractual senior project manager have been ongoing, and a candidate was selected and was scheduled to begin February 12, 2024.

**Appendix 6  
Object/Fund Difference Report  
Comptroller of Maryland**

<u>Object/Fund</u>	<u>FY 23 Actual</u>	<u>FY 24 Working Appropriation</u>	<u>FY 25 Allowance</u>	<u>FY 24 - FY 25 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1,081.90	1,132.90	1,212.10	79.20	7.0%
02 Contractual	51.58	46.77	31.25	-15.52	-33.2%
<b>Total Positions</b>	<b>1,133.48</b>	<b>1,179.67</b>	<b>1,243.35</b>	<b>63.68</b>	<b>5.4%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 108,735,584	\$ 118,535,633	\$ 130,327,004	\$ 11,791,371	9.9%
02 Technical and Special Fees	3,000,200	2,188,746	1,786,026	-402,720	-18.4%
03 Communication	6,727,241	7,913,186	7,926,992	13,806	0.2%
04 Travel	224,058	240,911	241,745	834	0.3%
06 Fuel and Utilities	71,494	72,691	71,493	-1,198	-1.6%
07 Motor Vehicles	197,171	922,380	276,595	-645,785	-70.0%
08 Contractual Services	71,956,655	76,616,479	58,951,599	-17,664,880	-23.1%
09 Supplies and Materials	2,869,830	2,311,063	3,203,486	892,423	38.6%
10 Equipment – Replacement	2,516,172	5,135,171	4,750,721	-384,450	-7.5%
11 Equipment – Additional	314,360	448,856	818,786	369,930	82.4%
12 Grants, Subsidies, and Contributions	1,886,300	1,035,000	785,000	-250,000	-24.2%
13 Fixed Charges	2,967,562	2,665,813	2,992,554	326,741	12.3%
14 Land and Structures	140,325	535,000	520,000	-15,000	-2.8%
<b>Total Objects</b>	<b>\$ 201,606,952</b>	<b>\$ 218,620,929</b>	<b>\$ 212,652,001</b>	<b>-\$ 5,968,928</b>	<b>-2.7%</b>
<b>Funds</b>					
01 General Fund	\$ 113,136,537	\$ 126,930,815	\$ 132,538,774	\$ 5,607,959	4.4%
03 Special Fund	45,315,429	45,131,506	47,215,579	2,084,073	4.6%
05 Federal Fund	154,120	0	0	0	0.0%
09 Reimbursable Fund	43,000,866	46,558,608	32,897,648	-13,660,960	-29.3%
<b>Total Funds</b>	<b>\$ 201,606,952</b>	<b>\$ 218,620,929</b>	<b>\$ 212,652,001</b>	<b>-\$ 5,968,928</b>	<b>-2.7%</b>

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

**Appendix 7  
Fiscal Summary  
Comptroller of Maryland**

<u>Program/Unit</u>	<u>FY 23 Actual</u>	<u>FY 24 Wrk Approp</u>	<u>FY 25 Allowance</u>	<u>Change</u>	<u>FY 24 - FY 25 % Change</u>
01 Executive Direction	\$ 5,520,103	\$ 5,772,590	\$ 6,274,545	\$ 501,955	8.7%
02 Financial and Support Services	6,990,232	7,547,896	7,960,516	412,620	5.5%
01 Accounting Control and Reporting	6,548,128	7,047,975	7,901,191	853,216	12.1%
01 Estimating of Revenues	1,270,794	1,373,689	1,588,063	214,374	15.6%
01 Revenue Administration	29,314,269	31,597,699	31,826,520	228,821	0.7%
03 Taxpayer Services	13,175,857	13,403,362	15,627,317	2,223,955	16.6%
60 Relief Act	1,401,300	250,000	0	-250,000	-100.0%
01 Compliance Administration	25,215,154	29,266,185	32,663,636	3,397,451	11.6%
01 Field Enforcement Bureau	5,280,731	6,498,283	7,081,226	582,943	9.0%
02 Legal, Special Litigation, and Appeals	4,052,270	5,481,535	6,014,798	533,263	9.7%
03 Unclaimed and Abandoned Property	5,621,275	7,358,746	8,235,109	876,363	11.9%
01 Public Engagement & Communications	3,619,578	3,452,371	4,287,349	834,978	24.2%
01 Payroll Management	4,558,168	4,623,003	4,837,270	214,267	4.6%
01 Annapolis Data Center Operations	22,254,093	28,081,499	28,213,413	131,914	0.5%
02 Comptroller IT Services	33,935,226	40,824,819	39,550,611	-1,274,208	-3.1%
03 Major IT Development Projects	32,849,774	26,041,277	10,590,437	-15,450,840	-59.3%
<b>Total Expenditures</b>	<b>\$ 201,606,952</b>	<b>\$ 218,620,929</b>	<b>\$ 212,652,001</b>	<b>-\$ 5,968,928</b>	<b>-2.7%</b>
General Fund	\$ 113,136,537	\$ 126,930,815	\$ 132,538,774	\$ 5,607,959	4.4%
Special Fund	45,315,429	45,131,506	47,215,579	2,084,073	4.6%
Federal Fund	154,120	0	0	0	0.0%
<b>Total Appropriations</b>	<b>\$ 158,606,086</b>	<b>\$ 172,062,321</b>	<b>\$ 179,754,353</b>	<b>\$ 7,692,032</b>	<b>4.5%</b>
Reimbursable Fund	\$ 43,000,866	\$ 46,558,608	\$ 32,897,648	-\$ 13,660,960	-29.3%
<b>Total Funds</b>	<b>\$ 201,606,952</b>	<b>\$ 218,620,929</b>	<b>\$ 212,652,001</b>	<b>-\$ 5,968,928</b>	<b>-2.7%</b>

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