

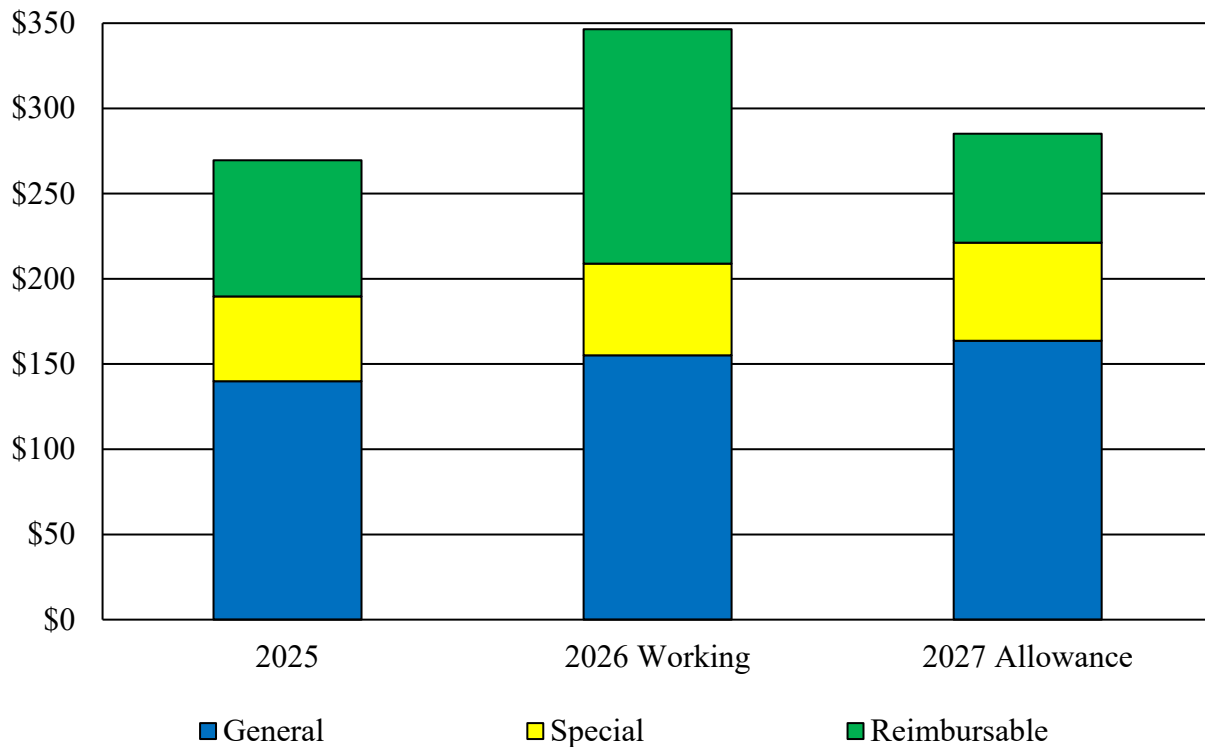
E00A
Comptroller of Maryland

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 2027 Budget Decreases \$61.2 Million, or 17.7%, to \$285.2 Million
(\$ in Millions)**



Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

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- The overall decrease of \$61.2 million in the fiscal 2027 allowance compared to the fiscal 2026 working appropriation, after accounting for deficiencies, is mainly attributed to a decrease of \$73.6 million in reimbursable funds. Of the decrease in reimbursable funds, \$73.9 million is attributable to the Comptroller’s Major Information Technology Development Projects (MITDP), namely the Financial Management Information System (FMIS) modernization, the Integrated Tax System (ITS) project, and the Central Payroll Bureau (CPB) System Replacement project. In fiscal 2027, funding for the Comptroller’s three MITDPs is budgeted within the agency’s budget as reimbursable funds. The total reimbursable funding for the MITDPs decrease by \$73.9 million in fiscal 2027 when compared to fiscal 2026 due to changes in project estimates.

Key Observations

- ***Amount Collected from Delinquent Business Tax Cases Drops Significantly:*** The amount collected from delinquent business tax cases decreased by 76.6%, from \$254.4 million in fiscal 2024 to \$59.5 million in fiscal 2025. This is the lowest amount collected from delinquent business tax cases between fiscal 2013 and 2025. However, the amount collected from unpaid income tax cases reached its highest level of \$594.8 million in fiscal 2025, up from \$558.2 million in fiscal 2024.
- ***Statutory Requirement for Bi-annual Status Report on FMIS Ends on January 1, 2027:*** Chapters 22 and 23 of 2023 require the Comptroller to submit status updates for the FMIS project every six months, but this requirement will end on January 1, 2027. The next due date is June 30, 2026.

Operating Budget Recommended Actions

1. Amend contingent language on the general fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.
2. Amend contingent language on the special fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.

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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 Operations

The Revenue Administration Division (RAD) is responsible for receiving and processing 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. The Compliance Division also oversees the whistleblowing program.

Law and Oversight

The Office of Law and Oversight oversees the Field Enforcement Bureau (FEB) as well as two programs dedicated to Legal, Special Litigation and Appeals and Unclaimed and 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 comply with recordkeeping regulations.

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

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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

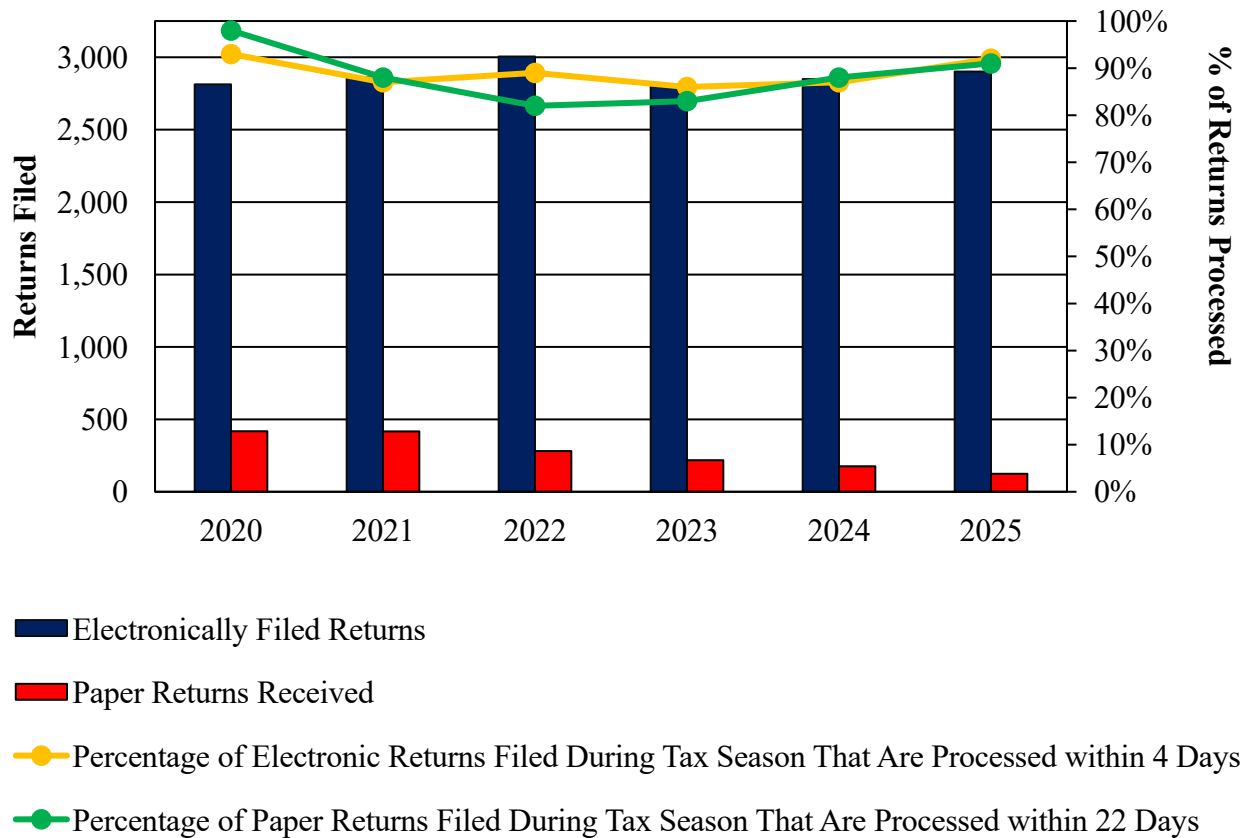
The Comptroller’s office also provides other accounting and fiscal services to the State. The General Accounting Division is responsible for maintaining the State’s general ledger and accounting for all the State funds that are received and disbursed. The Bureau of Revenue Estimates (BRE) provides economic 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, CPB is responsible for the State’s payroll needs, including providing salaries and wages to all State employees

Performance Analysis: Managing for Results

1. Tax Return Processing Times Improve

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. In fiscal 2025, the number of electronically filed returns increased by 52,535, or 1.8%, and the number of paper returns received decreased by 51,762, or 29.5%, compared to fiscal 2024. The percentage of electronic returns that were processed within 4 days increased from 87% in fiscal 2024 to 92% in fiscal 2025, 1 percentage point short of reaching the highest percentage of electronic returns processed timely in fiscal 2020. The percentage of paper returns processed within 22 days increased from 88% in fiscal 2024 to 91% in fiscal 2025. A total of 3,025,508 tax returns were filed with the Comptroller in fiscal 2025, an increase of 773 tax returns compared to fiscal 2024.

**Exhibit 1
Personal Income Tax Returns Received and Processed
Fiscal 2020-2025**



Source: Department of Budget and Management

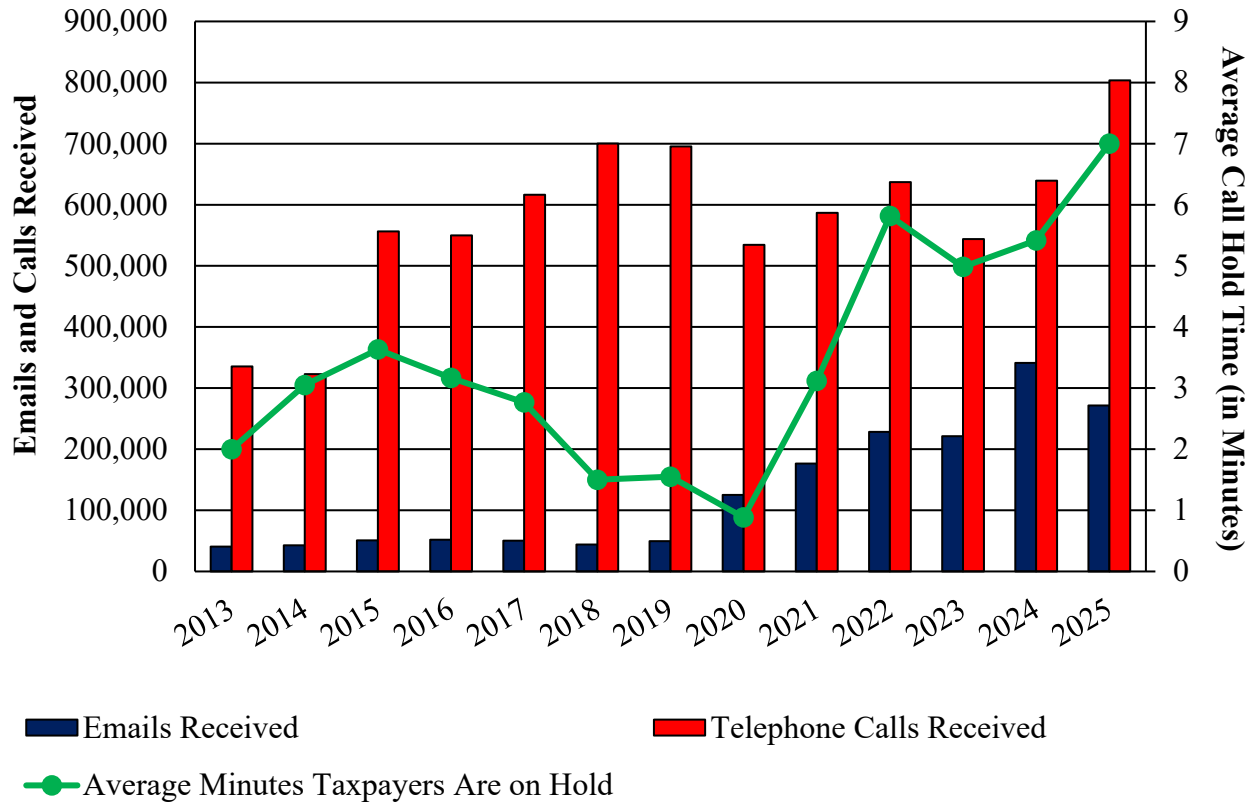
The Comptroller has previously reported that since a fiscal year spans two different tax years, data reporting on a fiscal year basis can distort trends that follow the tax year timeline. Filing activity shown by tax year reflects the year for which the taxes were filed, though the filing takes place in the following calendar year. For example, tax returns for tax year 2024 are filed in calendar 2025. Two variables that were previously measured only in fiscal years are now also measured in tax years, namely the percentage of electronic returns filed during tax season that are processed within 4 days and the percentage of paper returns filed during tax season that are processed within 22 days. However, no data is reported for tax year 2024 in the fiscal 2027 Managing for Results (MFR) submission. **The Comptroller should comment on the reason for the unavailability of tax year data for the two performance measures and provide a timeline for when the data will be reported in the MFR submission.**

2. Significant Increase in Calls to the Taxpayer Services Division

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

Exhibit 2 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. Telephone calls are still the more common method for communication with the division, which increased by 25.7% in fiscal 2025, from 639,280 telephone calls in fiscal 2024 to 803,602 in fiscal 2025. This is the highest number of telephone calls the division has received between fiscal 2013 and 2025. The number of emails dropped by 20.4% in fiscal 2025 from 341,315 in fiscal 2024 to 271,522 in fiscal 2025. The average number of minutes taxpayers are on hold before their telephone call is received by a Comptroller representative increased to 7 minutes, which is also the highest between fiscal 2013 and 2025. The fiscal 2026 working appropriation includes \$2.9 million in one-time funding for a third-party call center to assist with implementing the new tax system, currently focused on business owners, and to staff phone lines during periods of high demand. The fiscal 2027 budget as introduced does not include funding for this call center contract. **The Comptroller should provide an update on how the call center contract is supporting outreach and customer service activities in fiscal 2026 and if year-to-date trends reflect lower hold times. The Comptroller should also comment on how it plans to manage telephone calls during high demand in fiscal 2027 since additional funding for the call center contract is not included in the fiscal 2027 budget.**

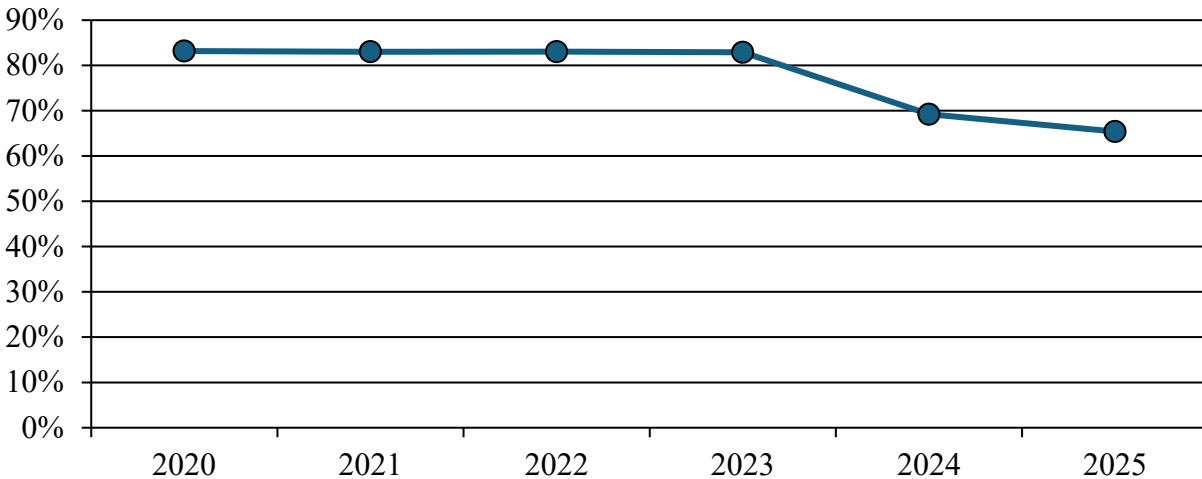
Exhibit 2
Emails and Phone Calls Received
Fiscal 2013-2025



Source: Department of Budget and Management

Exhibit 3 shows the percentage of customers surveyed who were either satisfied or very satisfied with web-based services. From fiscal 2020 to 2023, customer satisfaction was consistent at approximately 83%. This rate fell 13.7 percentage points from fiscal 2023 to 2024, reaching 69.2%, and has further decreased by 3.8 percentage points to 65.4% in fiscal 2025. In the fiscal 2026 budget hearing testimony, the Comptroller noted that one of the objectives of implementing a new customer relationship manager system called MyCOMConnect beginning in March 2025 was to improve taxpayer experiences and reduce the time needed to resolve complaints. **The Comptroller should comment on the reasons for the decreased customer satisfaction in fiscal 2024 and 2025.**

Exhibit 3
Customer Satisfaction with Web-based Services
Fiscal 2020-2025

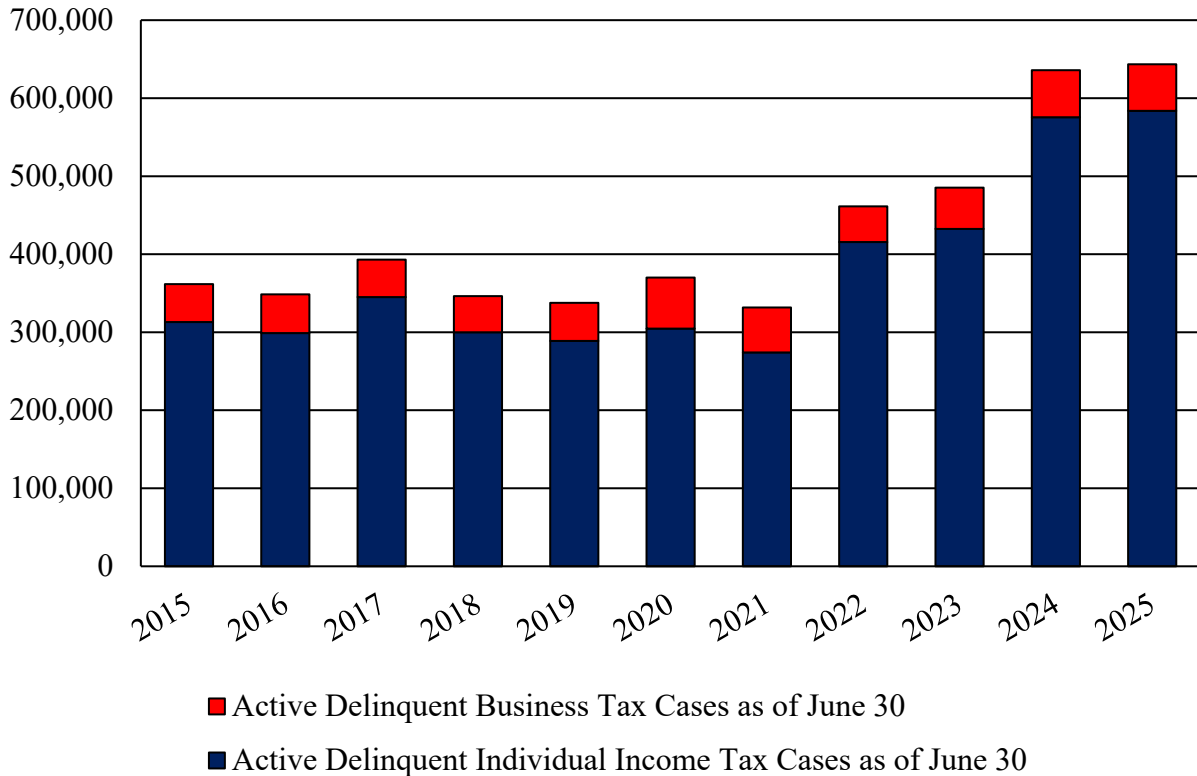


Source: Department of Budget and Management

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 active delinquent individual and business tax accounts as of June 30 of each year for fiscal 2015 through 2025. The number of active delinquent individual income tax accounts increased from 575,618 in fiscal 2024 to 583,850 in fiscal 2025, or by 1.4%. The number of active delinquent business tax accounts decreased from 60,168 in fiscal 2024 to 59,680 in fiscal 2025, or by 0.8%. In its fiscal 2026 budget testimony, the Comptroller highlighted that it launched a remote seller program that identified out-of-state retailers selling products in the State and not collecting sales tax. **The Comptroller should comment on its efforts to strictly enforce tax laws and fees to reduce the number of active delinquent cases.**

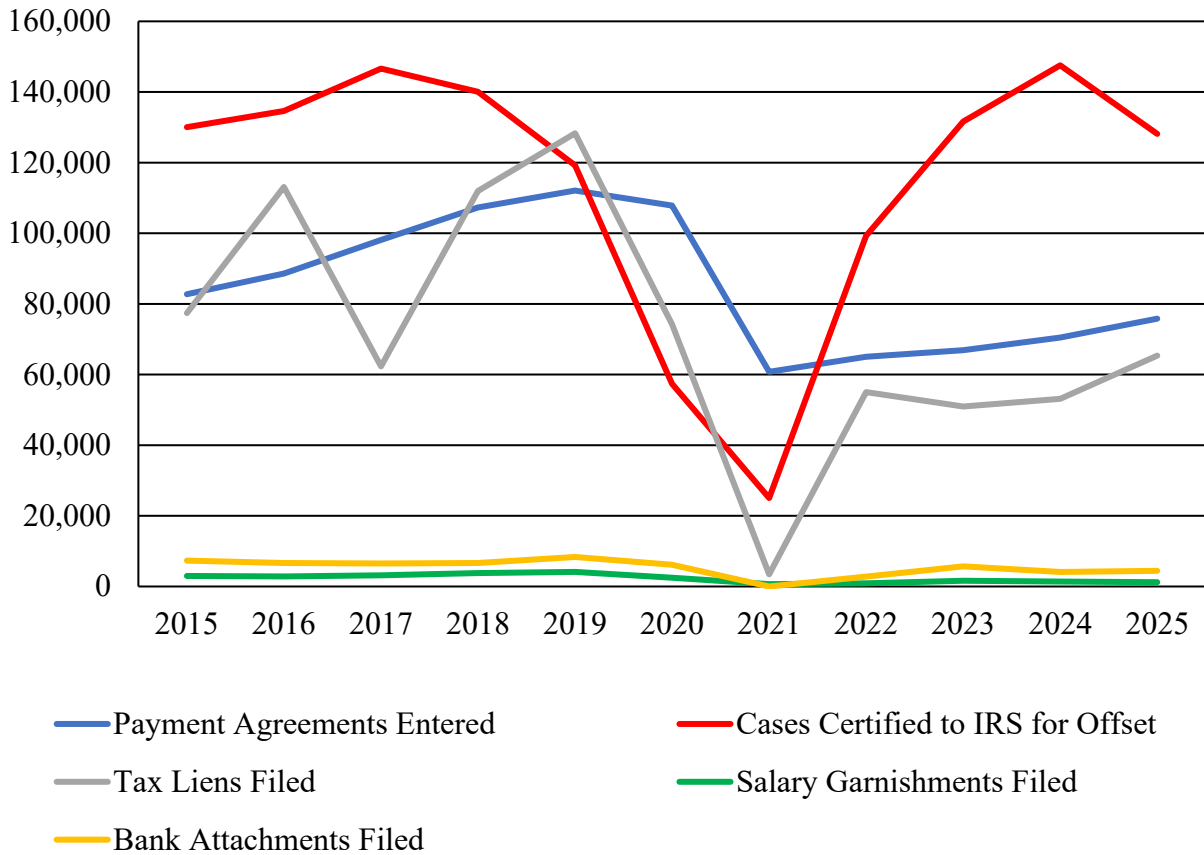
**Exhibit 4
Delinquent Tax Cases
Fiscal 2015-2025**



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 2015 through 2025. 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. Reestablishing these operations took time, particularly as many taxpayers with delinquent accounts continued to face financial hardship from COVID-19. Of the five methods the Comptroller uses to pursue payment or recovery of unpaid taxes, only cases offset by IRS have returned to its prepandemic level of 128,153 cases in fiscal 2025 as compared to 119,201 cases in fiscal 2019. The remaining four methods are well below the prepandemic levels. **The Comptroller should comment on why the recoveries of unpaid taxes through payment agreements, tax liens, bank attachments, and salary garnishments remain below prepandemic levels.**

**Exhibit 5
Methods of Unpaid Tax Collection
Fiscal 2015-2025**

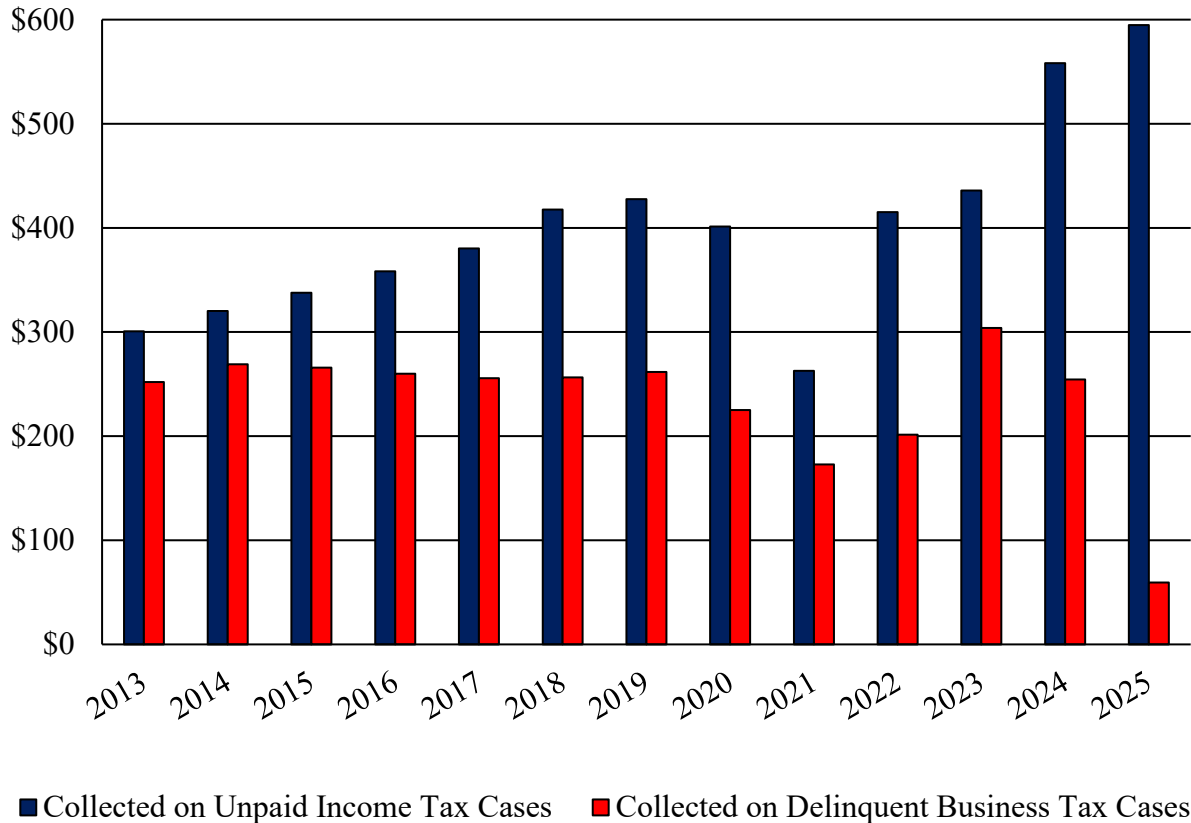


IRS: Internal Revenue Service

Source: Department of Budget and Management

Exhibit 6 shows that the amount collected for unpaid individual income tax increased by \$36.6 million, or 6.6%, from fiscal 2024 to 2025. In contrast, the amount collected for unpaid business tax in fiscal 2025 decreased significantly by \$194.9 million, or 76.6%, from fiscal 2024. In fiscal 2025, the Compliance Division collected \$59.5 million from delinquent business tax cases, which is the lowest amount collected from fiscal 2013 through 2025. This reduction of 76.6% in the amount collected for delinquent business tax cases falls well below the 0.8% decrease in the number of active delinquent business tax cases in fiscal 2025 shown in Exhibit 4. **The Comptroller should comment on the reason for the significant drop in the amount collected from delinquent business tax cases and how it plans to recover the pending amounts.**

Exhibit 6
Amount Collected on Delinquent Tax Cases
Fiscal 2013-2025
(\$ in Millions)

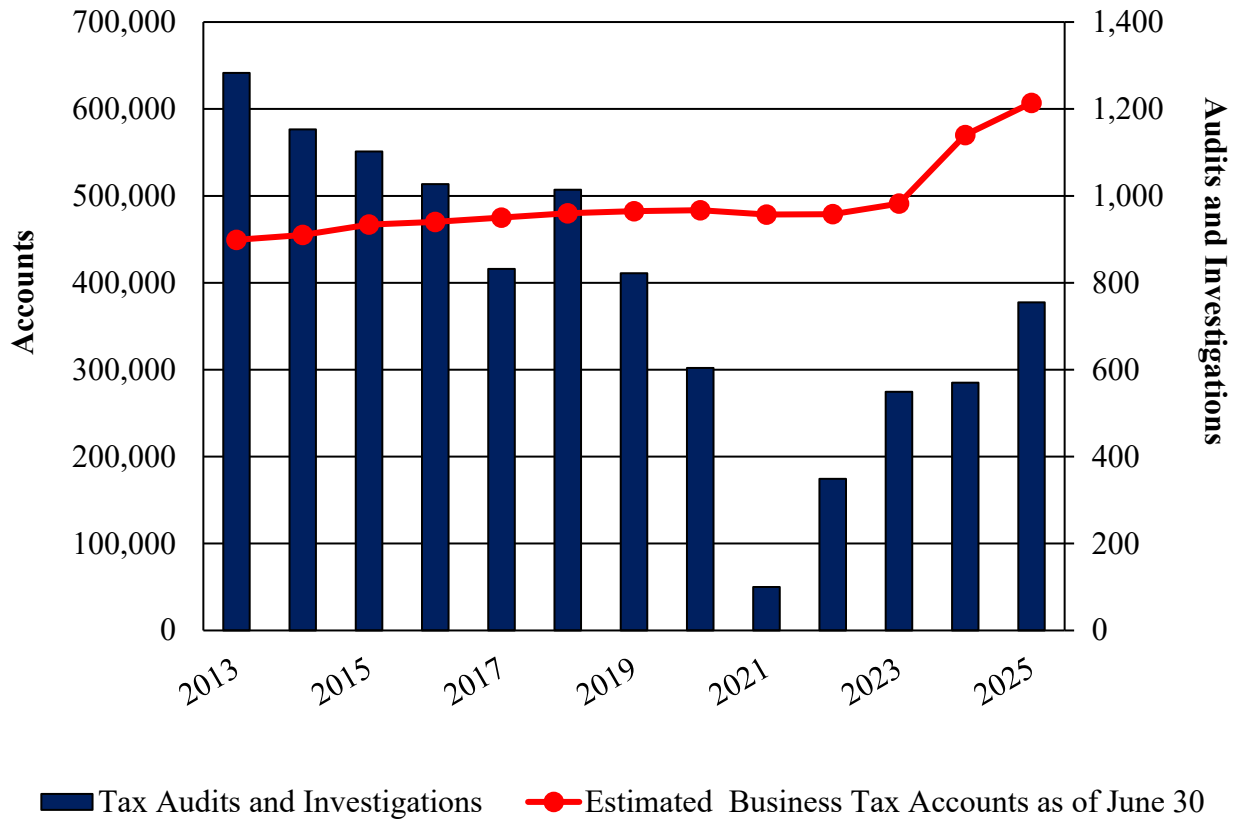


Source: Department of Budget and Management

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 2013 through 2023, the number of business tax audits and investigations was on a downward trajectory even before the sharp decline reported in fiscal 2021 during the COVID-19 pandemic. In fiscal 2025, the number of estimated business tax accounts increased by 607,000, or 6.5%, as compared to fiscal 2024, and the number of tax audits and investigations increased significantly by 185, or 32.5%, in fiscal 2025, surpassing the fiscal 2020 level but not returning to prepandemic levels.

**Exhibit 7
Business Tax Accounts and Audits
Fiscal 2013-2025**



Source: Department of Budget and Management

The Comptroller has reported 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. From fiscal 2016 to 2022, 31 positions were transferred out of the Compliance Division to other units within the Comptroller’s office based on the most urgent needs. No positions were transferred out of the Compliance Division in fiscal 2023 or 2024. In the fiscal 2026 budget, 1 position was transferred to the Compliance Division, and \$1 million was added to fund 8 auditor positions to establish a high value audit team to complete complex business audits. The fiscal 2027 budget includes a total of 54 business tax auditor positions, which includes 53 financial compliance auditor positions and 1 revenue field auditor position.

Fiscal 2026

Status of Legislative Additions

Section 21 of the fiscal 2026 Budget Bill (Chapter 602 of 2025) added a total of \$1.3 million of general funds to the Comptroller’s budget to add 11 regular positions, which include:

- \$1 million to add 8 auditor positions in the Compliance Administration Division to establish a high value audit team to complete complex business audits. According to the Comptroller, as of January 2026, 2 positions have been filled, 4 positions have been accepted by the candidates, and 2 positions are pending candidate acceptance;
- \$195,849 to add 1 human resource specialist trainee position in the Office of Human Resources, which has been filled, and 1 administrator position in the Office of Equity and Transportation, which has been accepted by the candidate; and
- \$99,586 to add 1 research statistician position in the Office of Policy, Public Works, and Investment. According to the Comptroller, recruitment for this position is scheduled to be posted by the end of February 2026.

Proposed Deficiency

The fiscal 2027 budget includes two proposed fiscal 2026 deficiency appropriations totaling \$2.3 million for the Comptroller, which include:

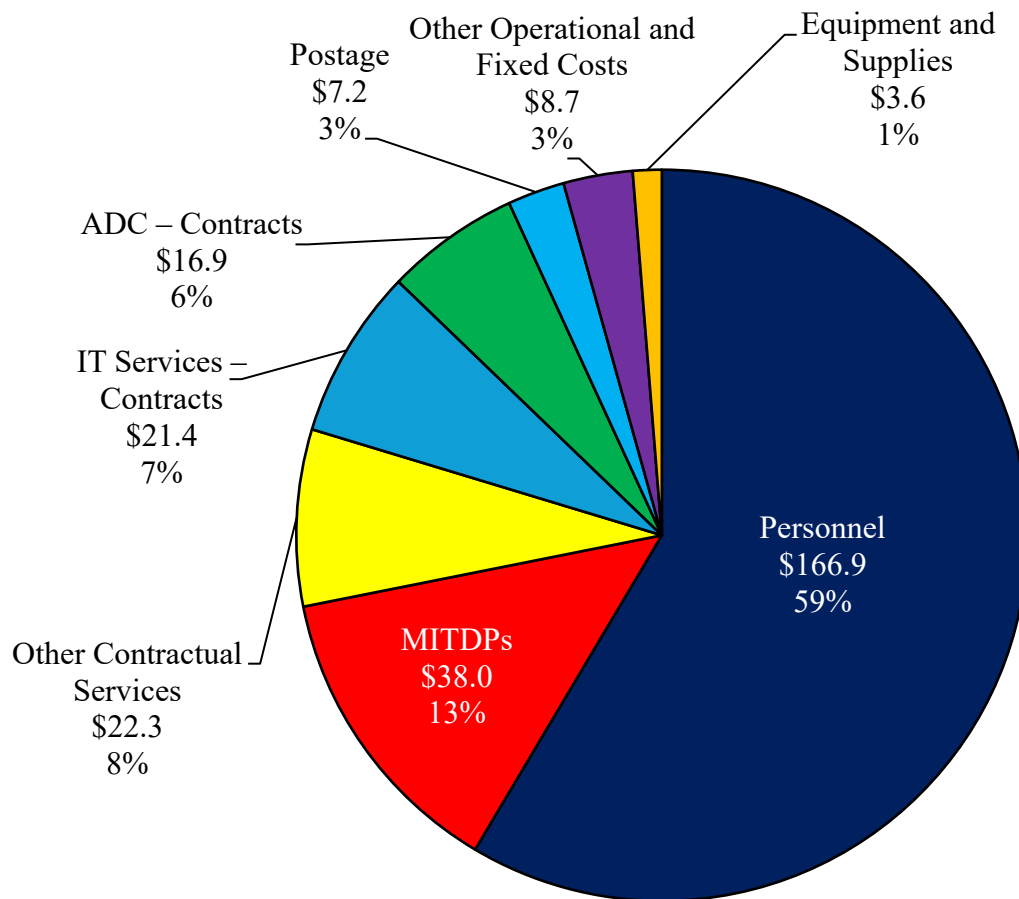
- \$2 million in general funds for shortfalls related to lower-than-expected vacancy savings; and
- \$270,000 in special funds from the Strategic Energy Investment Fund (SEIF) to conduct a study on the total assessed cost of greenhouse gas emissions in the State as required by Chapters 2 and 12 of 2025. The fiscal 2026 Budget Bill as passed by the General Assembly added \$500,000 in special funds from the SEIF contingent on the enactment of HB 128/SB 149 of 2025. The line item in the budget and the legislation were vetoed by the Governor, but the General Assembly overrode the veto of the legislation during the 2025 special session.

Fiscal 2027 Overview of Agency Spending

The Comptroller’s fiscal 2027 allowance is \$285.2 million. As shown in **Exhibit 8**, \$166.9 million, or 59% of the fiscal 2027 allowance, is budgeted for personnel expenses. Approximately \$76.4 million, or 26%, is attributable to contractual services for MITDPs, the

Annapolis Data Center (ADC), and other information technology (IT) services. Other contractual services, excluding MITDPs, ADC, and IT services, account for \$22.3 million, or 8%. The remaining 7% of the allowance is a combination of postage, other operational and fixed costs, equipment, and supplies.

Exhibit 8
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)



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

Note: The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2027 Budget Books

Proposed Budget Change

As shown in **Exhibit 9**, the fiscal 2027 allowance for the Comptroller’s Office decreases by \$61.2 million, or 17.7%, compared to the fiscal 2026 working appropriation after accounting for proposed deficiency appropriations and a contingent reduction. The largest driver of the overall decrease in spending is a reduction of \$73.9 million in reimbursable funds due to the timing of the appropriation of funds for MITDPs that are initially budgeted in DoIT’s budget as general funds and will be reflected in the Comptroller’s Office as reimbursable funds in fiscal 2027. When excluding this reduction, the fiscal 2027 allowance increases by \$12.7 million, which is driven by increases of \$7.7 million for salary adjustments and fringe benefits and \$6.9 million for employee and retiree health insurance.

Exhibit 9
Proposed Budget
Comptroller of Maryland
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
Fiscal 2025 Actual	\$139,899	\$49,803	\$79,879	\$269,581
Fiscal 2026 Working	155,100	53,797	137,515	346,412
Fiscal 2027 Allowance	163,616	57,619	63,945	285,180
Fiscal 2026-2027 \$ Change	\$8,516	\$3,822	-\$73,570	-\$61,232
Fiscal 2026-2027 % Change	5.5%	7.1%	-53.5%	-17.7%

Where It Goes:	Change
Personnel Expenses	
Salary adjustments and associated fringe benefits	\$7,722
Employee and retiree health insurance.....	6,930
Wages paid to temporary employees.....	870
Deferred compensation match due to change in statewide budgeting	309
Workers’ compensation.....	51
Shift differential.....	8
Overtime earnings	-54
Accrued leave payments.....	-106
Turnover rate increases from 6.7% to 8.3%.....	-2,326
Other Changes	
Expenses for licensing and maintenance of various software and applications used by the IT Services Division	1,760

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Where It Goes:	<u>Change</u>
Contractual personnel salaries and fringe benefits, driven by an increase of 12.6 FTEs that were previously funded through contracts	1,713
Projects to improve the Compliance Division’s processes and technology	1,500
Third-party collection services to collect funds owed by taxpayers to the State ..	1,440
Annapolis Data Center contractual expenses	571
Data warehouse expenses for tax compliance and data analytics	395
Travel, fuel, and utilities expenses, including replacement costs for 4.0 vehicles ...	229
Contracts for banking services awarded by the State Treasurer.....	227
MOU with the State of Kentucky to process all motor carrier tax returns for the International Fuel Tax Agreement member states	160
Contractual services for unclaimed property.....	78
Upgrade expenses for cables and networks.....	37
Statewide independent audit of the State’s comprehensive financial reports	22
Translation services	-50
Office equipment, supplies, and materials	-60
One-time expense for expert witness testimony for the digital advertising lawsuit.....	-130
Fixed charges, including rent	-172
One-time expense to study total assessed cost of greenhouse gas emissions as required by Chapters 2 and 12 of 2025	-270
One-time fiscal 2026 appropriation for personal income tax and EITC outreach and education programs related to the new personal income tax system	-300
Cost allocations, mainly driven by DoIT IT service allocations	-586
Communication expenses, including postage.....	-631
One-time fiscal 2026 fund transfer from the Dedicated Purpose Account to update and improve cybersecurity infrastructure and systems	-2,218
One-time fiscal 2026 appropriation for a third-party call center to assist with the Integrated Tax System.....	-2,887
Reimbursable funds for 3 MITDPs that are budgeted as general funds in DoIT’s budget and will be transferred to the Comptroller’s budget in fiscal 2027	-73,917
Other expenses.....	-1,548
Total	-\$61,232

DoIT: Department of Information Technology
EITC: Earned Income Tax Credit
FTE: full-time equivalent

IT: information technology
MITDP: Major Information Technology Development Project
MOU: memorandum of understanding

Note: Numbers may not sum to total due to rounding. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Budget Reconciliation and Financing Act

A provision in the Budget Reconciliation and Financing Act (BRFA) of 2026 as introduced expands the purposes and allowable uses of the SEIF to include programs and applicable initiatives related to State climate change mitigation and climate change resiliency efforts. The fiscal 2027 budget as introduced includes a \$125,051 reduction in general funds and a SEIF special fund appropriation for the same amount contingent upon the enactment of legislation expanding the allowable uses of the SEIF. The SEIF fund swap would support 1 existing climate resilience director position, who will serve as a subject matter expert on climate change, resilience, and environmental sustainability, and assist the Comptroller’s goal of identifying and creating climate resiliency opportunities. This position will serve as the Comptroller’s liaison in State government policy discussions on climate and lead efforts to incorporate climate change mitigation and environmental sustainability strategies in State contracting, procurement, and investment; the Maryland Commission on Climate Change; the Coast Smart Council; and the Climate Catalytic Capital Investment Oversight Committee. **The Department of Legislative Services (DLS) recommends adding more specificity to the contingent language so that it more closely matches the applicable BRFA provision.**

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	1,242.10	1,350.10	1,350.10	0.00
Contractual FTEs	88.78	10.10	22.70	12.60
Total Personnel	1,330.88	1,360.20	1,372.80	12.60

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	112.06	8.30%
Positions and Percentage Vacant as of 12/31/2025	96.00	7.11%
Vacancies Below Turnover	16.06	

- In October 2025, BPW approved the abolition of 502.7 positions statewide, which include 170.7 vacant positions and 332.0 positions associated with the Voluntary Separation Program (VSP). In the Comptroller’s Office, 10 positions were abolished, of which 3 positions were vacant, and 7 positions were due to the VSP, resulting in total salary savings of \$1.0 million.

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- The fiscal 2027 allowance includes a net increase of 12.6 contractual full-time equivalent (FTE) positions. Of the 12.6 contractual FTEs, 10 positions were previously funded through contracts and will support the State financial modernization initiative, 1 position will support the preparation of a statutorily mandated personal income tax report by BRE, and the remaining 1.6 positions will support ADC and the ITS MITDP.
- As of December 31, 2025, the Comptroller’s Office reported 96 vacant positions. Of these vacancies, 10 positions have been vacant for less than 6 months, 44 positions have been vacant for 6 months to a year, 2 positions have been vacant for more than a year, and 40 positions have never been filled. The Comptroller’s Office indicates that of the 40 positions that had never been filled, as of February 12, 2026, 7 positions have been filled, 7 positions have been accepted by candidates, 3 positions have been offered to candidates, 11 positions are in different recruitment stages, 5 positions are being reclassified, 5 positions will be filled as requirement arises, and 2 positions are planned for abolishment. The 2 positions that are planned for abolishment are administrative positions within the Office of State Financial Innovation and will result in total savings of \$302,066 in reimbursable funds including fringe benefits. **The Comptroller should comment on the expected timing for abolishing the 2 positions.**

Issues

1. Financial Management Information System Modernization

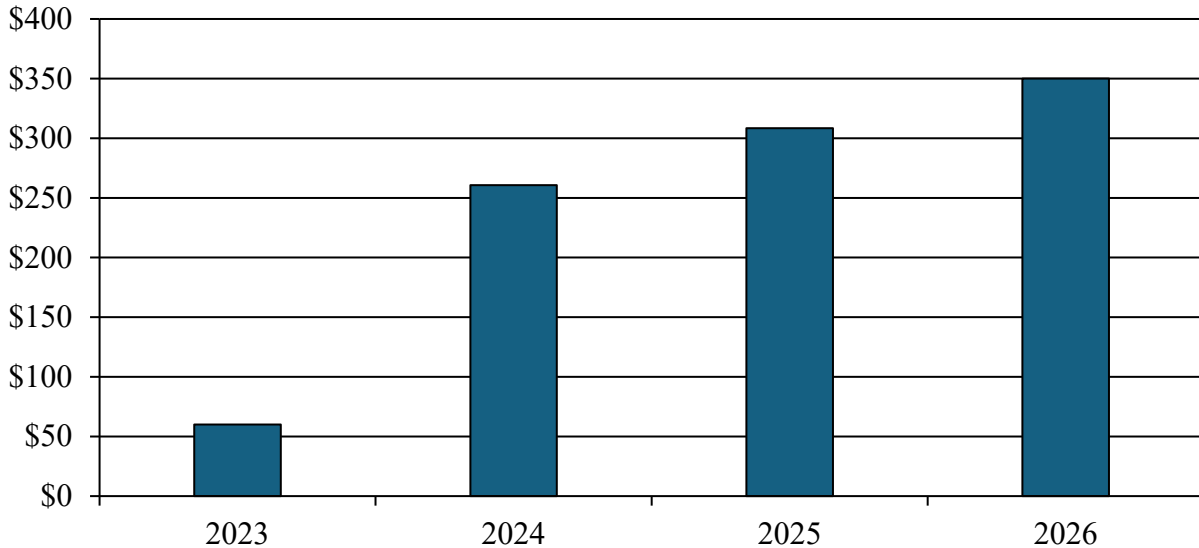
The Comptroller’s largest ongoing MITDP aims to modernize the State’s FMIS. While this MITDP is budgeted under the Comptroller, the project has wide ranging impacts on other State agencies. Chapters 22 and 23 required the following agencies, collectively called the governance bodies, to oversee the transformation of the State’s FMIS into the 21st Century Financial Systems Enterprise (21CFSE):

- Office of the Comptroller;
- Office of the State Treasurer;
- Department of Budget and Management (DBM);
- DoIT; and
- Department of General Services.

FMIS was implemented in the mid-1990s and encompasses accounting, purchasing, inventory, and reporting applications. Its two primary applications are known as ADPICS, which controls statewide procurement and accounts payable subledger functions, and R*STARS, which serves as the general ledger and financial accounting platform for State agencies. FMIS is antiquated and makes it difficult for agencies to implement new legislative mandates. It also has certain finance functions separated in multiple systems with limited capability to integrate across the State’s technology ecosystem, which leads to a lack of standardization between agencies and within departments.

Exhibit 10 shows the total projected cost for FMIS as of each of the past four legislative sessions. The estimated total project costs have risen from \$60 million in the 2023 session to a higher estimated total cost of up to \$350 million in the 2026 session. The project is currently in the planning phase, and the Comptroller has indicated that the total projected costs for FMIS modernization have increased due to the scale and complexity of the initiative. The project is estimated to be completed by fiscal 2032.

Exhibit 10
Total Estimated FMIS Project Costs as of Each Legislative Session
Fiscal 2023-2026
(\$ in Millions)



FMIS: Financial Management Information Systems

Note: These costs are as of the beginning of each respective legislative session. The total estimated project cost for calendar 2026 shows the highest range of the total estimated project cost reported in the Governor’s Fiscal 2027 Budget Books.

Source: Governor’s Budget Books, Fiscal 2024-2027

Chapters 22 and 23 require the Comptroller to submit status updates for the FMIS project every six months, beginning with the initial submission due on December 31, 2023, and ending with a final report on or before January 1, 2027. The next due date is June 30, 2026. As of February 2026, the Comptroller has engaged with 88 agencies, including the University System of Maryland (USM) and the Maryland Department of Transportation, in a statewide discovery process that included mapping of business processes, system analysis, and financial resources of each agency involved in the process. Various deficiencies in the current FMIS application were identified through the discovery process such as lack of unified and standardized charts of accounts across financial systems; lack of automation across payment, accounting, and reporting systems; incompatible system interfaces between payroll and financial management systems; workforce constraints; inconsistent data across reporting systems; and significant reliance on manual processes. Furthermore, the Comptroller launched the Maryland Accounting Academy on July 31, 2025, which functions as the State’s central training platform for financial and accounting workforce development and standardization. According to the Comptroller’s Office, more than

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1,110 financial staff from 87 State agencies have enrolled and completed over 1,800 courses. Additionally, due to data integrity issues with eMaryland Marketplace Advantage (eMMA), procurement activities conducted post contract award through eMMA reverted to FMIS. This transfer was initiated in fiscal 2024 and completed by December 2025.

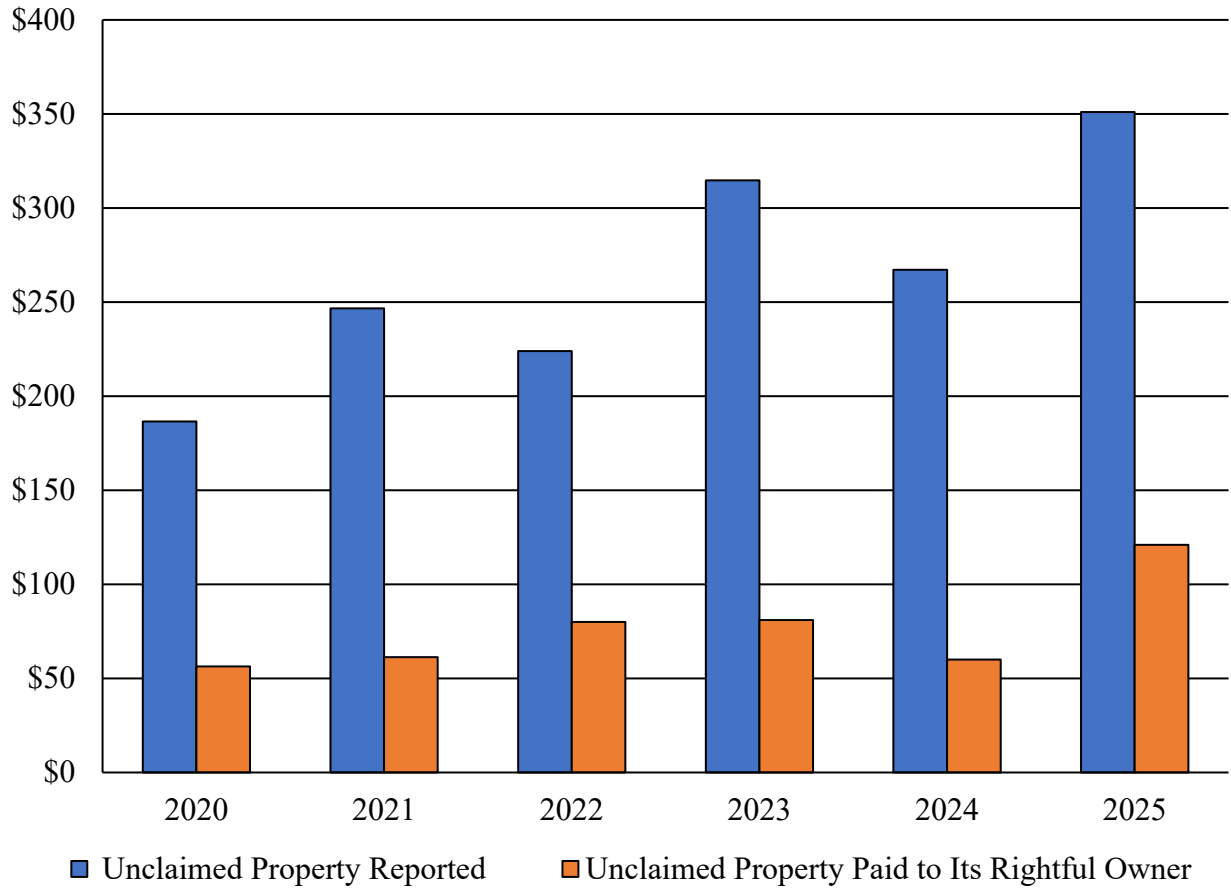
According to the Comptroller’s Office, design for the future state financial management processes is scheduled to begin by July 2027, including acquiring a modern enterprise resource planning (ERP) solution that will replace FMIS and serve as the consolidated cloud-based platform for all core financial and administrative operations. The Comptroller also expects to begin solicitation for a systems integrator by July 2027. **The Comptroller should brief the committees on the expected timeline for completion of the project.**

2. Modernization of Unclaimed Property Process

The Maryland Uniform Disposition of Abandoned Property Act (Title 17 of the Commercial Law Article) provides a legal framework for identifying, reporting, and reuniting owners with unclaimed property. Chapters 635 and 636 of 2025 made various revisions to the Maryland Uniform Disposition of Abandoned Property Act to modernize the State’s unclaimed property program. Some of the most notable revisions include the inclusion of digital assets like cryptocurrency and simplifying the claims process by introducing a “Quick Pay” option for claims under \$5,000. Additionally, the Comptroller launched a new unclaimed property website and system called the Kelmar Abandoned Property System in October 2025 that allows people to submit claims online for the first time. The system integrates the new provisions of Chapters 635 and 636. The Comptroller anticipates requiring an additional \$4.1 million in fiscal 2027 for expenses related to the maintenance of the new unclaimed property system, services for the data analytics team, phase II of the customer relations management platform, and other IT projects. **The Comptroller should provide an update on the implementation of Chapters 635 and 636, including the planned fund source for the estimated \$4.1 million for system maintenance and IT expenses in fiscal 2027.**

As shown in **Exhibit 11**, in fiscal 2025 the amount of unclaimed property reported was \$351 million, and the amount of unclaimed property paid to its rightful owner was \$121 million. Both of these measures were the highest reported between fiscal 2020 and 2025. The amount of unclaimed property reported grew by 88% in fiscal 2025 as compared to fiscal 2020, and the amount of unclaimed property paid to its rightful owner increased by 115% in fiscal 2025 as compared to fiscal 2020.

Exhibit 11
Amount of Unclaimed Property Reported and Paid
Fiscal 2020-2025
(\$ in Millions)



Source: Department of Budget and Management

Operating Budget Recommended Actions

1. Amend the following language on the general fund appropriation:

, provided that this appropriation shall be reduced by \$125,051 upon enactment of legislation expanding the allowable uses of the Strategic Energy Investment Fund to include programs and applicable initiatives related to State climate change mitigation and climate change resiliency efforts

Explanation: This language adds specificity to contingent language on the general fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.

2. Amend the following language on the special fund appropriation:

, provided that \$125,051 of this appropriation is contingent upon enactment of legislation expanding the allowable uses of the Strategic Energy Investment Fund to include programs and applicable initiatives related to State climate change mitigation and climate change resiliency efforts

Explanation: This language adds specificity to contingent language on the special fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.

Appendix 1
2025 Joint Chairmen’s Report Responses from Agency

The 2025 Joint Chairmen’s Report (JCR) requested that the Comptroller of Maryland prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Requirements to Accept Cryptocurrency Payments:*** The committees requested that the Comptroller submit a report on the desirability and feasibility of the agency to receive payments for taxes, fees, and fines in the form of cryptocurrencies. The Comptroller recommended deferring implementation of crypto payment options and advised securing a legal opinion on statutory authority along with conducting preliminary vendor research. The Comptroller reported that significant cost, risk, and legal uncertainties related to crypto payments currently outweigh the limited potential of accepting cryptocurrency through third-party vendors. According to the Comptroller, the estimated upfront investment requires a range of \$300,000 to \$400,000 in addition to an ongoing annual cost ranging between \$200,000 and \$375,000. Furthermore, the Comptroller highlights that utilization of crypto payment options in other states that have implemented them, like Colorado, Ohio, and Utah, have reported transaction volumes below 0.1% of total revenue. However, Louisiana’s department-level pilot model for phased implementation provides promising results.
- ***Baby Bond Accounts:*** Baby bonds are government-funded accounts that are established at a child’s birth and provide money for future asset-building investments such as college education and home purchases. The committees requested a report on the feasibility and fiscal impact of implementing baby bond accounts in the State. The Comptroller recommends three administrative structures for further exploration that include (1) a single agency administrative structure, in which an existing State agency plans, operates, and manages the entire program; (2) a multi-agency administrative structure, in which existing capacities and infrastructure of various agencies are leveraged to limit the need for creating new systems or capabilities; and (3) a new entity administrative structure, in which a new entity is created that oversees the entire program. The Comptroller estimates a minimum fund investment of \$567 million if the proposed program aims to support five cohorts of babies whose births were covered by Medicaid or a minimum of \$104 million to support five cohorts of babies in the lowest income scale scenario. Other administrative costs are estimated at \$1.8 million for the startup period, followed by \$925,000 annually during the predistribution phase, and \$1.3 million annually during the distribution phase. The Comptroller advises additional discussion and analysis to determine the structure, scale, and investment level that best fits the State; estimated projections of long-term savings to the State for safety net programs; and increased State income, sales, and tax revenues.

Appendix 2
Audit Findings
FMIS Centralized Operations

Audit Period for Last Audit	April 28, 2020 – August 31, 2024
Issue Date	April 2025
Number of Findings	0
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating (if applicable)	n/a

The Office of Legislative Audits did not report any findings.

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

More discussion of this project can be found in Issue 1 of this analysis.

New/Ongoing: Ongoing					
Start Date: July 2021			Est. Completion Date: 2032		
Implementation Strategy: Agile					
(\$ in Millions)	Prior Year	2026	2027	Remainder	Total
GF	\$17.850	\$32.400	\$15.678	\$259.072-\$284.072	\$325.000-\$350.000
Total	\$17.850	\$32.400	\$15.678	\$259.072-\$284.072	\$325.000-\$350.000

- Project Summary:** Maryland’s accounting 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 21CFSE, aims to be more efficient in operation and cost and allow for easier interfacing with other IT systems used by the Comptroller and other agencies.
- Need:** The legacy FMIS system utilizes software or hardware that is no longer supported by the modern, most widely used computer and 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:** The project completed its first two major phases of discovery and analysis. The third discovery is currently underway. According to the Comptroller, over 2,700 financial business processes and more than 230 shortcomings in the current FMIS application and business processes were identified and documented through the discovery processes. This will support system design and assist the upcoming ERP and system integrator procurements scheduled in the next six to 12 months.
- Changes:** As this project is still in its planning phase, it is likely that the total project cost may increase in the future. At the beginning of the 2023 session, the initial projected total cost was \$60 million, which has increased five times to a higher estimated total cost of up to \$350 million at the beginning of the 2026 session.
- 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

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of the new system and then modified to adapt to the new system. The current FMIS system 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:*** Chapters 22 and 23 mandate 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

New/Ongoing: Ongoing					
Start Date: July 2015				Est. Completion Date: 2030	
Implementation Strategy: Agile					
(\$ in Millions)	Prior Year	2026	2027	Remainder	Total
GF	\$91.832	\$15.278	\$8.955	-\$4.588-\$5.906	\$111.477-\$121.973
SF	71.985	10.503	12.377	-6.342-8.164	88.523-103.027
Total	\$163.817	\$25.781	\$21.332	-\$10.930-\$14.070	\$200.000-\$225.000

- Project Summary:** The ITS (Compass) will replace the State of Maryland Integrated Tax System (SMART), the Computer Assisted Collections 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. The ITS (Compass) will create uniformity in processing across tax types and facilitate compliance by taxpayers.
- Need:** The SMART and CACS systems are nearly 30 years old. 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:** The project implementation is progressing through phased releases. Between calendar 2020 and 2021, the first release deployed covered alcohol and corporate income taxes. The second release deployed in February 2024 included major tax types like employer withhold, sales and use, tobacco, and motor fuel, including fees and surcharges. The third release is scheduled for August 2026 and will complete rollout with personal and miscellaneous taxes. The project is estimated to be completed in fiscal 2030.
- Changes:** The higher range of the estimated total project cost has decreased by \$6 million in fiscal 2027 as compared to the beginning of the 2025 session, which reported the estimated total project cost at \$231 million. However, the fiscal 2027 budget includes an increase of \$7.9 million over what was projected to be required at the beginning of the 2025 session for fiscal 2027.
- Concerns:** Various legislative requirements enacted in the 2025 session, such as a 2% capital gain surtax, additional personal income tax brackets, changes or repeals of tax credits, earned income tax credit notice, and alterations to the sales and use tax, require updates to the ITS for tax year 2025. DoIT anticipates these updates to increase costs by \$653,818.

Appendix 5
Central Payroll Bureau System Modernization
Major Information Technology Development Project
Comptroller of Maryland

New/Ongoing: Ongoing					
Start Date: July 2021				Est. Completion Date: 2028	
Implementation Strategy: Agile					
(\$ in Millions)	Prior Year	2026	2027	Remainder	Total
GF	\$20.433	\$19.008	\$5.746	-\$5.187-\$4.813	\$40.000-\$50.000
Total	\$20.433	\$19.008	\$5.746	-\$5.187-\$4.813	\$40.000-\$50.000

- **Project Summary:** CPB currently operates a legacy mainframe but intends on moving to 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 USM.
- **Need:** The existing system was implemented in the mid-1990s. The system is described as inflexible and requires expensive development work, in particular the outdated COBOL programming language, to maintain compliance with law, policy, and standards. Adopting a new system for CPB is intended to support Maryland in following standardized industry best practices for the employees of the State, including all branches of government and USM.
- **Changes:** Due to discrepancies in data between DBM and CPB, the project has modified its approach to combine both cohort one and two and is expected to transition payroll processing for all regular, monthly, contractual, and USM employees to Workday by January 2027.
- **Concerns:** While the estimated total project cost range is consistent with the estimated total project cost reported at the beginning of January 2025, the delay in production release of the first cohort may impact the total project cost. According to DoIT’s mid-year report on the major IT projects, data quality and system integration with the FMIS are some concerns for the project.

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

<u>Object/Fund</u>	<u>FY 25 Actual</u>	<u>FY 26 Work Approp.</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
Positions					
01 Regular	1,242.10	1,350.10	1,350.10	0.00	0.0%
02 Contractual	88.78	10.10	22.70	12.60	124.8%
Total Positions	1,330.88	1,360.20	1,372.80	12.60	0.9%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$143,230,560	\$150,614,381	\$164,143,843	\$13,529,462	9.0%
02 Technical and Special Fees	5,394,991	1,194,334	2,907,399	1,713,065	143.4%
03 Communications	8,298,347	9,325,028	8,694,081	-630,947	-6.8%
04 Travel	143,084	200,030	187,389	-12,641	-6.3%
06 Fuel and Utilities	63,634	91,108	95,735	4,627	5.1%
07 Motor Vehicle Operation and Maintenance	191,903	315,682	552,947	237,265	75.2%
08 Contractual Services	98,183,626	174,454,785	98,701,766	-75,753,019	-43.4%
09 Supplies and Materials	2,023,975	2,764,612	2,622,856	-141,756	-5.1%
10 Equipment – Replacement	6,522,208	822,517	914,061	91,544	11.1%
11 Equipment – Additional	331,197	105,000	95,000	-10,000	-9.5%
12 Grants, Subsidies, and Contributions	1,265,250	1,335,000	1,335,000	0	0.0%
13 Fixed Charges	3,732,100	5,189,762	5,017,738	-172,024	-3.3%
14 Land and Structures	200,452	100	37,255	37,155	37,155.0%
Total Objects	\$269,581,327	\$346,412,339	\$285,305,070	-\$61,107,269	-17.6%
Funds					
01 General Funds	\$139,899,204	\$155,100,354	\$163,741,163	\$8,640,809	5.6%
03 Special Funds	49,803,154	53,796,857	57,618,822	3,821,965	7.1%
09 Reimbursable Funds	79,878,969	137,515,128	63,945,085	-73,570,043	-53.5%
Total Funds	\$269,581,327	\$346,412,339	\$285,305,070	-\$61,107,269	-17.6%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.

**Appendix 7
Fiscal Summary
Comptroller of Maryland**

<u>Program/Unit</u>	<u>FY 25 Actual</u>	<u>FY 26 Work Approp.</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
A01 Office of the Comptroller	\$16,652,070	\$18,232,583	\$19,796,959	\$1,564,376	8.6%
A02 General Accounting Division	8,445,899	8,665,204	8,916,036	250,832	2.9%
A03 Bureau of Revenue Estimates	1,877,840	1,674,221	2,148,399	474,178	28.3%
A04 Revenue Operations	52,358,362	60,371,373	62,189,447	1,818,074	3.0%
A05 Compliance Division	36,814,686	39,219,062	43,831,770	4,612,708	11.8%
A06 Law and Oversight	20,841,470	22,067,965	24,248,016	2,180,051	9.9%
A08 Offices of Policies, Public Engagement, Communications, and Government Affairs	4,313,591	4,740,039	5,105,778	365,739	7.7%
A09 Central Payroll Bureau	5,566,444	5,017,621	5,260,721	243,100	4.8%
A10 Information Technology Division	122,710,965	186,424,271	113,807,944	-72,616,327	-39.0%
Total Expenditures	\$269,581,327	\$346,412,339	\$285,305,070	-\$61,107,269	-17.6%
General Funds	\$139,899,204	\$155,100,354	\$163,741,163	\$8,640,809	5.6%
Special Funds	49,803,154	53,796,857	57,618,822	3,821,965	7.1%
Total Appropriations	\$189,702,358	\$208,897,211	\$221,359,985	\$12,462,774	6.0%
Reimbursable Funds	\$79,878,969	\$137,515,128	\$63,945,085	-\$73,570,043	-53.5%
Total Funds	\$269,581,327	\$346,412,339	\$285,305,070	-\$61,107,269	-17.6%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.