

E50C
Department of Assessments and Taxation

Operating Budget Data

(\$ in Thousands)

	FY 08	FY 09	FY 10	FY 09-10	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$101,378	\$102,463	\$104,939	\$2,476	2.4%
Contingent & Back of Bill Reductions	0	0	-35,441	-35,441	
Adjusted General Fund	\$101,378	\$102,463	\$69,498	-\$32,965	-32.2%
Special Fund	4,980	5,266	5,708	441	8.4%
Contingent & Back of Bill Reductions	0	0	35,017	35,017	
Adjusted Special Fund	\$4,980	\$5,266	\$40,724	\$35,458	673.3%
Reimbursable Fund	0	3,537	0	-3,537	-100.0%
Adjusted Reimbursable Fund	\$0	\$3,537	\$0	-\$3,537	-100.0%
Adjusted Grand Total	\$106,358	\$111,266	\$110,223	-\$1,043	-0.9%

- The allowance includes a deficiency appropriation of \$626,247. The deficiency will be allocated as follows: (1) \$486,247 in general funds for a court-ordered judgment that requires the State to pay back wages and interest due to the unlawful termination of an employee; (2) \$113,628 in special funds due to a local funding cost shift that transfers three positions previously budgeted as general funds to the Homestead Tax Credit Program; and (3) \$26,372 in special funds to supplement the fiscal 2009 special fund appropriation for the Supplemental Homeowners' Tax Credit Program. Under the program, certain counties provide homeowners with additional tax credits.
- The fiscal 2010 allowance decreases by \$1,043,425, or 0.9%, when funds are adjusted for contingent and across-the-board reductions.
- The allowance for the tax credit programs increases by \$1.8 million. This increase is due to a decline of \$1.9 million in the Homeowners' and Renters' Tax Credit programs and a \$3.7 million increase in the Urban Enterprise Zone Tax Credit Program.
- Personnel expenses increase mostly due to employees' retirement, pay-as-you-go retiree and health insurance costs, and a reduction in turnover expectancy. However, when these costs are adjusted for contingent and across-the-board reductions, personnel expenditures increase by \$1.1 million, or 2.64%.

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

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- Special funds increase by a net \$35,458,067, or 673%, primarily due to budget reconciliation and financing legislation that shifts a portion of the costs associated with activities performed by the Real Property Valuation, Business Valuation, and Office of Information Technology programs to the counties.
- Reimbursable funds decline by \$3.5 million, or 100%, due to funding associated with the implementation of the Assessment Administration and Valuation System (AAVS). The Major Information Technology Development Project Fund includes \$2.2 million for AAVS in fiscal 2010.

Personnel Data

	<u>FY 08 Actual</u>	<u>FY 09 Working</u>	<u>FY 10 Allowance</u>	<u>FY 09-10 Change</u>
Regular Positions	675.00	628.00	626.00	-2.00
Contractual FTEs	<u>2.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	677.00	629.00	626.00	-2.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	29.20	4.65%
Positions and Percentage Vacant as of 12/31/08	20.00	3.18%

- Across-the-board reductions reduce the agency's position complement by two.
- Turnover expectancy is reduced from 6.16 to 4.65%.
- As of December 31, 2008, the vacancy rate was 3.18%. Four of these vacancies have subsequently been filled, thereby reducing the vacancy rate to 2.55%.

Analysis in Brief

Major Trends

Assessment Values Are within the Acceptable Range: The department’s accuracy measures are within an acceptable range of performance.

Timeliness Measures within the Charter Unit Decline Slightly: Despite a decrease in the number of filings, the percentage of regular requests processed in seven days and expedited requests processed within 24 hours declined by 5.1 and 3 percentage points in fiscal 2008, respectively.

Issues

The Real Property Division: The Real Property Valuation Division is responsible for performing assessments on one-third of all real property in the State every year. Although budget reductions have resulted in the elimination of numerous positions within the division, the performance of this function is instrumental to both the State and local jurisdictions as property tax revenues are not only used to support debt service on State general obligation bonds but also serves as the local jurisdictions’ primary source of revenue. **The department should comment on the impact of personnel reductions on its ability to conduct real property valuation assessments.**

Recommended Actions

	<u>Funds</u>
1. Reduce allowance for postage based on fiscal 2008 actual expenditures plus inflation.	\$ 22,209
2. Delete funding for security counter enhancements within the Charter Unit.	24,300
Total Reductions	\$ 46,509

Updates

Report on Homestead Tax Credit Applications: In order to reduce fraud, Chapters 564 and 565 of 2007 were enacted to require homeowners to apply to the department for the homestead tax credit. Last winter, the department sent out 476,000 applications with the triennial assessment notices and mailed out another 28,819 applications to purchasers of residential properties during calendar 2008. According to the department, approximately 391,000, or 77%, of the homestead applications have been received.

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Department of Assessments and Taxation

Operating Budget Analysis

Program Description

The State Department of Assessments and Taxation (SDAT) supervises the assessment of all property in the State. The department performs assessments on one-third of all real property and all personal property in the State every year and certifies to the local taxing authorities the assessment of every piece of property. The department also administers three tax credit programs: the Homeowners' Property Tax Credit Program, the Renters' Tax Credit Program, and the Urban Enterprise Zone Tax Credit Program. The homeowners' and renters' programs provide property tax relief to all eligible homeowners and renters. The enterprise zone program reimburses local governments for property tax credits given to businesses, which are located in, or expand into, enterprise zones. The department collects public service franchise taxes and assesses all public utility companies in the State. It also serves as the filing place for businesses operating in the State. The department registers companies, corporations, and partnerships in Maryland and generates certificates and certified documents. The various forms that businesses must file with the department are available to the public for inspection.

The goals of the department are to:

- provide a consistently accurate property valuation system;
- run efficient and effective programs for property tax relief and business services; and
- operate convenient and professional facilities.

Performance Analysis: Managing for Results

Fiscal 2008 Assessment Values Are within the Acceptable Assessment-to-sales Ratio

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

The assessment-to-sales ratio (ASR) is a ratio of the assessed value to the sales price of the property. The closer the ratio is to 100%, the closer the assessment is to the sales price. A ratio over 100% indicates assessments were higher, and a ratio under 100% indicates assessments were lower than market values. The IAAO range for acceptable performance for ASR is 90 to 110%. As illustrated in **Exhibit 1**, the department's fiscal 2008 ASR of 96.2% was within the acceptable performance range.

Exhibit 1
Accuracy Measures
State Department of Assessments and Taxation
Fiscal 2004-2010

<u>Measure</u>	<u>Goal</u>	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2006</u>	<u>Actual</u> <u>2007</u>	<u>Actual</u> <u>2008</u>	<u>Est.</u> <u>2009</u>	<u>Est.</u> <u>2010</u>	<u>Annual</u> <u>% Chg.</u> <u>2004-08</u>
Assessment-to-sales ratio	90%-110%	87%	86%	89%	89.5%	96.2%	90%	90%	2.43%
Coefficient of dispersion	Less than 15.00	11.25	13.25	11.25	11.00	11.00	11.00	11.00	-0.56%
Price-related differential	.98-1.03	1.01	1.00	1.00	1.00	1.01	1.00	1.00	0.00%

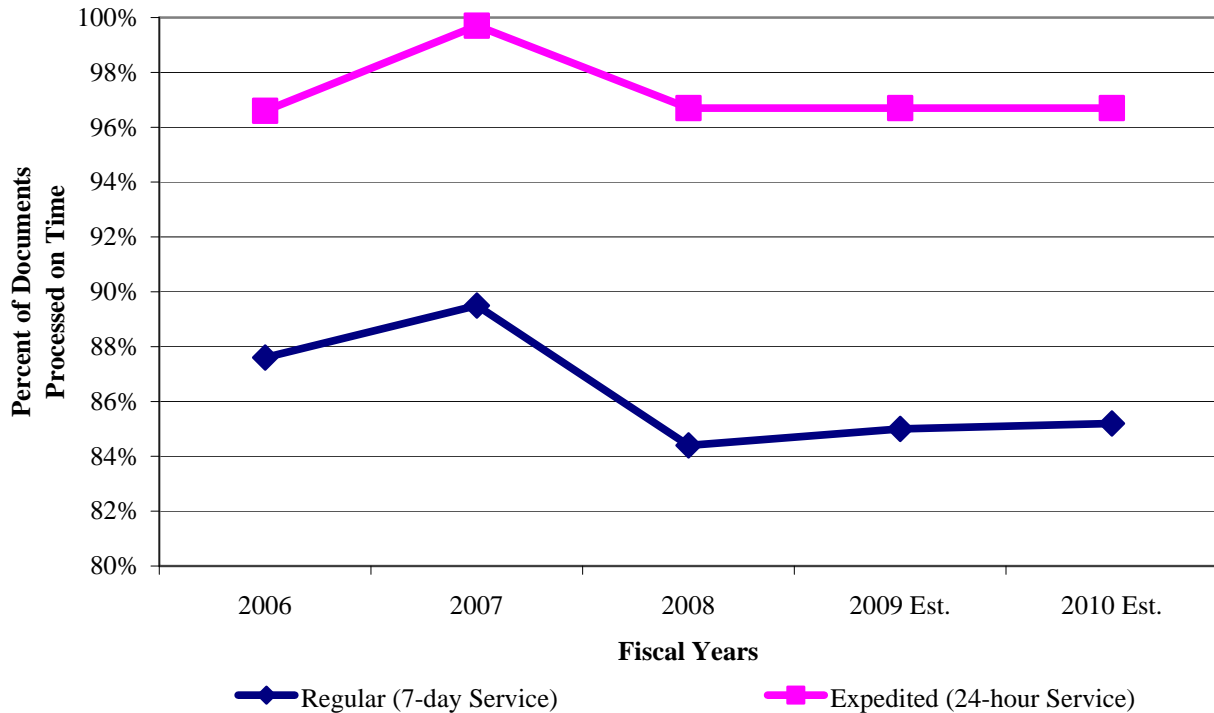
Source: State Department of Assessments and Taxation

The department is also performing within its goals for the remaining two measures. The coefficient of dispersion (COD) measures how close individual ASRs are to the median ASR for an area. A large COD indicates a wide range of assessment values in a particular area. The lower the COD, the more closely the ASRs are to the median ASR value; a COD under 15 is considered reasonable. The third measure is the price-related differential (PRD). The PRD measures bias in the ASR. A bias is when the assessments for the assessed properties are higher or lower than they should be, based on the ASR. The ideal PRD is 1, indicating perfectly unbiased assessments. A PRD in excess of 1 indicates underestimated appraisals for high dollar properties, and a PRD less than 1 indicates underestimated appraisals for low dollar properties. In general, the department is performing well under these industry standards.

Timeliness Measures within the Charter Unit Decline Slightly

The Charter Unit serves as the central repository of all records of business entity formation and filings (e.g., charters, limited liability companies, limited partnerships, and business trusts). The unit strives to turnaround “regular” business documents (i.e., non-expedited business filings) within a seven-day period. By contrast, the department strives to process requests for expedited service within 24 hours. Despite a decrease in the number of filings, the percentage of regular requests processed within seven days and expedited requests processed within 24 hours declined by 5.1 and 3.0 percentage points in fiscal 2008, respectively. (See Exhibit 2). **The department should comment on why the percentage of regular and expedited requests processed within a timely manner declined in fiscal 2008.**

Exhibit 2
Timeliness Measures
State Department of Assessments and Taxation
Fiscal 2006-2010



Source: State Department of Assessments and Taxation

Fiscal 2009 Actions

Proposed Deficiency

The fiscal 2010 allowance includes a deficiency appropriation of \$626,247. The deficiency will be allocated as follows: (1) \$486,247 in general funds for a court-ordered judgment that requires the State to pay back wages and interest due to the unlawful termination of an employee; (2) \$113,628 in special funds due to a local funding cost shift that transfers three positions previously budgeted as general funds to the Homestead Tax Credit Program due to increased workload within the program; and (3) \$26,372 in special funds to supplement the fiscal 2009 special fund appropriation for the Supplemental Homeowners' Tax Credit Program. Under the program, certain counties provide homeowners with additional tax credits. The department is reimbursed by the counties for costs associated with administering these supplemental programs.

Impact of Cost Containment

SDAT was required to reduce the total budget by \$8.6 million due to cost containment actions taken by the Board of Public Works (BPW) in fiscal 2009. Cost savings were primarily achieved by:

- relinquishing \$5.0 million under the Homeowners' Property Tax Credit Program based on lower than expected utilization of the credit;
- abolishing 41 vacant positions within the department. Twenty-four of the positions eliminated were local property assessor positions (\$1.6 million);
- across-the-board reductions in health insurance, Other Post Employment Benefits, travel, and vehicles (\$1.3 million);
- reducing overhead and administrative costs within the department (\$598,229); and
- shifting the cost of three positions previously budgeted as general funds to the Homestead Tax Credit Program due to increased workload within the program (\$113,628).

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2010 allowance decreases by \$1,043,425, or 0.9%, when funds are adjusted for contingent and across-the-board reductions.

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

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
2009 Working Appropriation	\$102,463	\$5,266	\$3,537	\$111,266
2010 Allowance	<u>104,939</u>	<u>5,708</u>	<u>0</u>	<u>110,647</u>
Amount Change	\$2,476	\$441	-\$3,537	-\$619
Percent Change	2.4%	8.4%	-100.0%	-0.6%
Contingent Reductions	-\$35,441	\$35,017	\$0	-\$424
Adjusted Change	-\$32,965	\$35,458	-\$3,537	-\$1,043
Adjusted Percent Change	-32.2%	673.3%	-100.0%	-0.9%

Where It Goes:

Personnel Expenses

Across-the-board position reductions (2).....	-\$91
Employee and retiree health insurance pay-as-you-go costs.....	1,212
Turnover adjustments.....	564
Employees' retirement.....	250
Workers' compensation.....	154
Social Security contributions.....	-102
Deferred compensation (after reducing fiscal 2010 for contingent reductions).....	-278
Reduction in Other Post Employment Benefits' unfunded liability.....	-294
Other adjustments.....	-234

Other Changes

Tax Credit Programs

Increase in expected Enterprise Zone Tax Credits.....	3,663
Decrease in expected Homeowners' Tax Credits.....	-1,600
Decline in expected Renters' Tax Credits.....	-300

Contingent and Across-the-board Reductions

Across-the-board reduction in contractual employee services (Section 23).....	-7
Across-the-board reduction in contractual services (Section 24).....	-48

Where It Goes

Administrative Expenses

Increase in rent	215
Increase in postage	77
Valuation cost tables	70

Information Technology

Contractual services for Assessment Administration and Valuation System	-3,263
Annapolis data center savings due to rollout of Assessment Administration and Valuation System	-800
Other miscellaneous reductions	-231

Total **-\$1,043**

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

Budget Reconciliation and Financing Legislation

Budget reconciliation and financing legislation shifts a portion of the costs associated with the activities performed by the Real Property Valuation, Business Valuation, and Office of Information Technology programs to the counties (see **Appendix 5**). The cost shift will result in an estimated general fund cost savings of \$35 million (excluding the Assessment Administration and Valuation System (AAVS) funding budgeted within the Major Information Technology Fund). The cost shift consists of the following:

- a \$33 million fund swap, which allows the department to use special funds in lieu of general funds for expenditures associated with the Real Property and Business Valuation programs. This action shifts 90% of the programs’ costs to the local jurisdictions based on the premise that 90% of property and business tax revenues for which the department conducts the assessment accrue to the local jurisdictions; and
- a \$2 million fund swap, which allows the department to use special funds in lieu of general funds for expenditures associated with the Information Technology (IT) program. This action shifts 75% of the program’s costs to the local jurisdictions based on the premise that local jurisdictions benefit indirectly from the department’s IT systems. For example, as will be discussed later in the analysis, homestead tax credit applicants are allowed to submit applications electronically on the department’s web site. The 75 to 25% ratio was determined after excluding functions for which only the State derives a benefit (e.g., the Charter Unit).

It should also be noted that 75%, or \$1.6 million, of the fiscal 2010 allowance for AAVS, which is currently budgeted within the Major Information Technology Development Project Fund will be allocated to the local jurisdictions. (See **Appendix 2** for AAVS funding.)

Tax Credit Programs

The fiscal 2010 allowance for the tax credit programs increases by \$1.8 million. This increase is due to a decline of \$1.9 million in the Homeowners' and Renters' Tax Credit programs and a \$3.7 million increase in the Urban Enterprise Zone Tax Credit Program.

Homeowners' and Renters' Tax Credit Programs

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

As shown in **Exhibit 4**, the allowance reflects a decline of \$1.9 million in the Homeowners' and Renters' Tax Credit programs. While the decline in funding for the Homeowners' Tax Credit Program appears to be in line with fiscal 2008 actual expenditures of \$45.2 million, the decline in funding for the Renters' Tax Credit Program appears to be driven by a slight reduction in eligible participants. **SDAT should comment on how the department determines the projected number of annual program participants for the Homeowners' and Renters' Tax Credit programs. The department should also comment on how it determines its annual tax credit projections for the aforementioned programs.**

Exhibit 4
Homeowners' and Renters' Tax Credit
Fiscal 2009-2010

	2009	2010	
	<u>Working Appropriation</u>	<u>Allowance</u>	<u>Difference</u>
Homeowners' Tax Credit Program	\$47,200,000	\$45,600,000	-\$1,600,000
Renters' Tax Credit Program	2,600,000	2,300,000	-\$300,000
Total	\$49,800,000	\$47,900,000	-\$1,900,000

Source: State Department of Assessments and Taxation

The Urban Enterprise Zone Tax Credit Program

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

As shown in **Exhibit 5**, the number of businesses locating in enterprise zones is projected to decrease from 793 to 752 between fiscal 2009 and 2010. Despite this decrease, the amount of enterprise tax credits is anticipated to increase by approximately \$3.7 million. According to the department, the amount of the enterprise tax credit is not determined based on the number of participating businesses, but the projected increase in the assessment value of the properties due to renovations and capital improvements. As shown, the Baltimore City Enterprise Zone appears to be driving much of the fiscal 2010 increase. According to SDAT, new developments in the Canton area are driving most of Baltimore City's increase.

Exhibit 5 Enterprise Zone Property Tax Credit Fiscal 2009-2010

<u>Enterprise Zones</u>	2009		2010	
	<u>Number of Businesses</u>	<u>State's Share of Credit</u>	<u>Number of Businesses</u>	<u>State's Share of Credit</u>
Allegany	24	\$168,290	27	\$324,069
Baltimore City	241	3,656,336	234	7,129,720
Baltimore	42	505,881	36	474,096
Calvert	17	46,219	16	44,791
Cecil	19	1,142,790	22	860,784
Dorchester	17	94,150	15	81,514
Garrett	25	107,939	24	90,116
Harford	165	1,748,970	143	1,622,078
Montgomery	98	1,367,840	66	1,165,802
Prince George's	23	664,456	36	631,807
St. Mary's	23	41,547	23	49,206
Somerset	4	2,799	2	8,132
Washington	45	445,178	44	529,924
Wicomico	44	73,015	57	117,185
Worcester	6	12,849	7	11,726
Total	793	\$10,078,259	752	\$13,140,950

Note: Although the fiscal 2009 working appropriation totals \$9,478,259, program costs are anticipated to total \$10,078,259.

Source: State Department of Assessments and Taxation

Other Expenditures

Other significant increases/decreases include the following: (1) \$214,717 in additional rent expenditures for debt and administrative fees associated with the St. Mary's and Calvert counties multi-service centers; (2) \$76,670 in additional postage expenditures; (3) an additional \$69,662 in applications software expenditures for cost tables that are used to value commercial properties across the State; and (4) a \$4.1 million reduction in information technology expenditures due to the implementation of AAVS.

Impact of Cost Containment

Contingent and across-the-board reductions further reduce the fiscal 2009 allowance by \$392,368. These reductions include the following:

- the deletion of two vacant positions (\$90,930);
- a reduction in contractual services (\$48,121);
- a reduction in deferred compensation (\$278,362); and
- a reduction in contractual employee services (\$6,736).

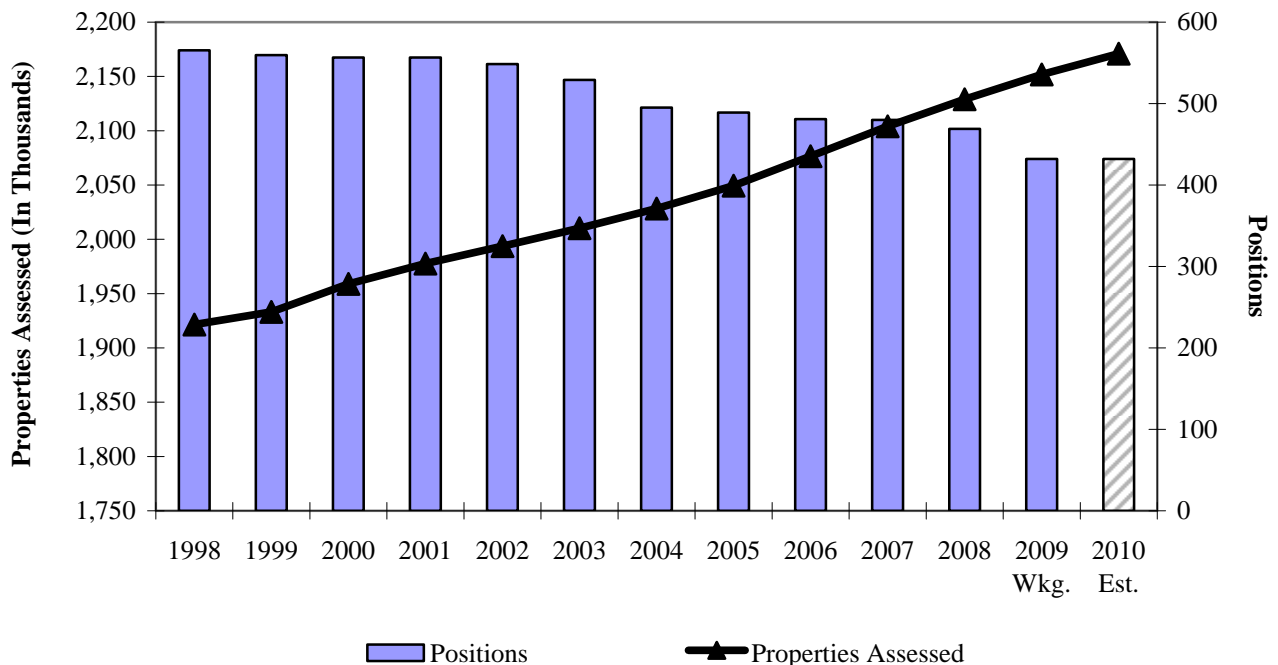
Issues

1. The Real Property Division

The Real Property Valuation Division is responsible for performing assessments on one-third of all real property in the State every year. Although budget reductions have resulted in the elimination of numerous positions within the division, the performance of this function is instrumental to both the State and local jurisdictions as property tax revenues are not only used to support debt service on State general obligation bonds but also serve as the local jurisdictions' primary source of revenue.

Exhibit 6 shows that between fiscal 1998 and 2009, the number of positions within the department has declined by approximately 2.4% annually. However, during the same time frame, the number of properties assessed increased by approximately 1.0% annually. According to the department, approximately 200, or 46.0%, of the division's position complement consists of local assessor positions. According to SDAT, staff reductions have impacted local assessors' ability to conduct physical inspections of properties.

Exhibit 6
Real Property Division
Position and Property Value Assessment History
Fiscal 1998-2010



Source: State Department of Assessments and Taxation; the Governor's Budget Books

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It should also be noted that as a cost containment measure, Section 18 of the fiscal 2010 budget bill further reduces the department's overall position allocation by two positions, a cost savings of \$90,930.

SDAT should comment on the impact of personnel reductions on its ability to conduct real property valuation assessments.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce allowance for postage based on fiscal 2008 actual expenditures plus inflation. This reduction will appropriate \$841,720. This reduction shall be allocated amongst the divisions.	\$ 12,439	GF
	9,770	SF
2. Delete funding for security counter enhancements within the Charter Unit. While noting the department's safety concerns, there have been no prior safety incidents that warrant a new security counter.	24,300	SF
Total Reductions	\$ 46,509	
Total General Fund Reductions	\$ 12,439	
Total Special Fund Reductions	\$ 34,070	

Updates

1. Report on Homestead Tax Credit Applications

Chapters 564 and 565 of 2007 require SDAT, in consultation with the Comptroller, to conduct a two-part study on the implementation of the homestead property tax credit application process. The findings of the first summary are summarized below.

Background

Since its inception in 1977, the fundamental purpose of the homestead property tax credit has been to limit the amount of property taxes paid by a residential homeowner due to property tax assessment increases. The credit was designed to provide a cumulative or year-over-year protection to longtime homeowners against significant appreciations in property values.

The Homestead Tax Credit Program provides tax credits against property taxes for residential properties for the amount of property taxes resulting from an annual assessment increase that exceeds a certain percentage or “cap” in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to lower the rate. Currently, 20 of the 24 local jurisdictions have assessment caps below 10% as illustrated in **Exhibit 6**.

Exhibit 6 Counties with Assessment Caps Below 10% in Fiscal 2009

<u>County</u>	<u>Cap</u>	<u>County</u>	<u>Cap</u>	<u>County</u>	<u>Cap</u>
Allegany	7%	Charles	7%	Prince George’s	5%
Anne Arundel	2%	Dorchester	5%	Queen Anne’s	5%
Baltimore City	4%	Frederick	5%	St. Mary’s	5%
Baltimore	4%	Garrett	5%	Talbot	0%
Caroline	5%	Harford	9%	Washington	5%
Carroll	7%	Howard	5%	Worcester	3%
Cecil	8%	Kent	5%		

Source: State Department of Assessments and Taxation

Chapters 564 and 565 of 2007

Over the past decade, there has been a significant increase in the number of properties receiving the credit and the average amount of each credit. In recent years, the increasing number of recipients and the inability to verify eligibility has prompted concern over potential abuses or fraud. In response to this concern, Chapters 564 and 565 of 2007 were enacted to require homeowners to apply to the department for the credit. No longer is the credit automatically applied against owners' assessments. All those seeking the credit must apply by December 31, 2012.

Education and Outreach

According to the department, the most significant method of outreach utilized by the department to notify homeowners of the application process has been to include a copy of the homestead application with the triennial assessment notices. Additionally, every purchaser of a residential property after December 2007 received a special mailing containing the application form. Currently, filers are allowed to submit applications by mail or online via the department's web site.

Last winter, the department sent out 476,000 applications with the triennial assessment notices and mailed out another 28,819 applications to purchasers of residential properties during calendar 2008. According to the department, approximately 391,000, or 77%, of the homestead applications have been received. Although qualifying homeowners have until December 2012 to submit an application, the department will be sending out additional mailings to target homeowners that failed to submit a homestead application subsequent to receiving a notice with their triennial assessments.

Homestead Credit Removal

The department reports that audits of the applications processed to date have resulted in the removal of nearly 2,000 homestead credits for the July 2008 tax year. According to the department, none of the credit removals were attributed to homeowners' failure to submit homestead tax credit applications.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2008					
Legislative Appropriation	\$107,341	\$4,253	\$0	\$0	\$111,594
Deficiency Appropriation	664	543	0	0	1,207
Budget Amendments	653	2,252	0	0	2,905
Cost Containment	-2,371	0	0	0	-2,371
Reversions and Cancellations	-4,909	-2,069	0	0	-6,978
Actual Expenditures	\$101,378	\$4,979	\$0	\$0	\$106,357
Fiscal 2009					
Legislative Appropriation	\$110,423	\$5,241	\$0	\$0	\$115,664
Cost Containment	-8,609	-32	0	0	-8,641
Budget Amendments	649	57	0	3,537	4,243
Working Appropriation	\$102,463	\$5,266	\$0	\$3,537	\$111,266

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

Fiscal 2008

In fiscal 2008, the total budget for SDAT decreased by approximately \$5.3 million. The general fund appropriation decreased by a net \$6.0 million due to the following: (1) a \$664,000 deficiency appropriation to provide property tax relief to eligible participants of the Homeowners' Property Tax Credit Program; (2) a \$653,000 cost-of-living adjustment (COLA) that was centrally budgeted in the Department of Budget and Management; and (3) a \$2.4 million reduction in expenditures due to cost containment actions taken by BPW. Cost savings were realized due to higher than expected vacancies; abolishing five positions; and a lower than expected utilization of the Homeowners' Property Tax Credit Program. Additionally, there was a general fund reversion of \$4.9 million primarily due to unexpended funds from the Homeowners' Property Tax Credit Program.

The special fund appropriation increased by a net \$727,000 due to the following: (1) a \$2.2 million increase in special funds from the Major Information Technology Development Fund for the design and development of the Assessment Administration and Valuation Computer System; (2) a \$543,000 deficiency to cover additional costs associated with administering the ground rent registry and the homestead tax credit; and (3) a \$52,000 COLA. Additionally, there was a special fund cancellation of \$2.1 million primarily due to the deferral of project funding for the Assessment Administration and Valuation System.

Fiscal 2009

The fiscal 2009 total budget for the department decreased by a net \$4.4 million. This decrease is the net result of the following: (1) a \$3.5 million increase in reimbursable funds due to receipt of information technology funds transferred from the Major Information Technology Development Project Fund; (2) a \$706,354 general and special fund COLA; (2) a \$5.0 million reduction in the Homeowners' Property Tax Credit Program based on lower than expected utilization of the credit; (3) the abolishment of 41 vacant positions within the department (\$1.6 million); (4) across-the-board reductions in health insurance, Other Post Employment Benefits, travel, and vehicles (\$1.3 million); (5) a reduction in overhead and administrative costs within the department (\$598,229); and (6) shifting the cost of three positions previously budgeted as general funds to the Homestead Tax Credit Program due to increased workload within the program (\$113,628).

Major Information Technology Projects

State Department of Assessments and Taxation Assessment Administration and Valuation System

Project Description:	To consolidate two existing data systems (<i>i.e.</i> , the Real Property Administration Data System and the Valuation System) into a single relational database management system.							
Project Business Goals:	The goal of this project is to create a single integrated statewide database that will be accessible by all of the 24 assessments offices. It is anticipated that consolidating the two systems will result in better functionality of the current land and valuation systems as well as system processing efficiencies.							
Estimated Total Project Cost:	\$8,793,950				New/Ongoing Project:		Ongoing	
Project Start Date:	December 2006			Projected Completion Data:		February 2011		
Schedule Status:	The contract for the project was approved by the Board of Public Works in December 2006. Project initiation began in February 2007 and the GAP analysis was completed in June 2007. The project is currently in the design/development phase of the system development life cycle and is anticipated to take two years to fully implement.							
Cost Status:	None.							
Scope Status:	None.							
Project Management Oversight Status:	None.							
Identifiable Risks:	User interface issues are present with regard to the Homeowners' Tax Credit Program in addition to two local jurisdictions. The department is currently working with all of the relevant parties to resolve these issues.							
Additional Comments:	None.							
Fiscal Year Costs (\$ in Thousands)	Prior Years	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Balance to Complete	Total
Personnel Services	115.0	0.0	0.0	0.0	0.0	0.0	0.0	115.0
Professional and Outside Services	4,392.2	2,151.6	1,715.1	0.0	0.0	0.0	0.0	8,258.9
Other Expenditures	340.0	40.0	40.0	0.0	0.0	0.0	0.0	420.0
Total Costs	\$4,847.2	\$2,191.6	\$1,755.1	\$0.0	\$0.0	\$0.0	\$0.0	\$8,794.0

**Object/Fund Difference Report
Department of Assessments and Taxation**

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	675.00	628.00	628.00	0	0%
02 Contractual	2.00	1.00	1.00	0	0%
Total Positions	677.00	629.00	629.00	0	0%
Objects					
01 Salaries and Wages	\$ 41,317,157	\$ 41,341,256	\$ 42,800,804	\$ 1,459,548	3.5%
02 Technical and Spec. Fees	97,508	55,132	38,113	-17,019	-30.9%
03 Communication	1,441,620	1,468,424	1,604,170	135,746	9.2%
04 Travel	464,446	368,032	399,700	31,668	8.6%
06 Fuel and Utilities	12,704	14,278	15,445	1,167	8.2%
07 Motor Vehicles	119,414	86,976	85,143	-1,833	-2.1%
08 Contractual Services	3,464,504	6,316,959	2,229,108	-4,087,851	-64.7%
09 Supplies and Materials	387,665	307,638	362,241	54,603	17.7%
10 Equipment – Replacement	626,671	321,464	156,150	-165,314	-51.4%
12 Grants, Subsidies, and Contributions	56,326,871	59,278,259	61,040,950	1,762,691	3.0%
13 Fixed Charges	2,099,232	1,707,749	1,915,087	207,338	12.1%
Total Objects	\$ 106,357,792	\$ 111,266,167	\$ 110,646,911	-\$ 619,256	-0.6%
Funds					
01 General Fund	\$ 101,378,055	\$ 102,463,016	\$ 104,939,002	\$ 2,475,986	2.4%
03 Special Fund	4,979,737	5,266,412	5,707,909	441,497	8.4%
09 Reimbursable Fund	0	3,536,739	0	-3,536,739	-100.0%
Total Funds	\$ 106,357,792	\$ 111,266,167	\$ 110,646,911	-\$ 619,256	-0.6%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Fiscal Summary
Department of Assessments and Taxation**

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk Approp</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
01 Office of the Director	\$ 2,554,832	\$ 2,097,159	\$ 2,629,087	\$ 531,928	25.4%
02 Real Property Valuation	33,501,258	32,402,623	33,253,208	850,585	2.6%
04 Office of Information Technology	3,694,819	3,393,821	2,730,897	-662,924	-19.5%
05 Business Property Valuation	3,282,726	3,301,036	3,413,679	112,643	3.4%
06 Tax Credit Payments	56,316,871	59,278,259	61,040,950	1,762,691	3.0%
08 Property Tax Credit Programs	2,343,767	2,629,714	2,817,846	188,132	7.2%
09 Major Information Technology Development Projects	516,077	3,536,739	0	-3,536,739	-100.0%
10 Charter Unit	4,147,442	4,626,816	4,761,244	134,428	2.9%
Total Expenditures	\$ 106,357,792	\$ 111,266,167	\$ 110,646,911	-\$ 619,256	-0.6%
General Fund	\$ 101,378,055	\$ 102,463,016	\$ 104,939,002	\$ 2,475,986	2.4%
Special Fund	4,979,737	5,266,412	5,707,909	441,497	8.4%
Total Appropriations	\$ 106,357,792	\$ 107,729,428	\$ 110,646,911	\$ 2,917,483	2.7%
Reimbursable Fund	\$ 0	\$ 3,536,739	\$ 0	-\$ 3,536,739	-100.0%
Total Funds	\$ 106,357,792	\$ 111,266,167	\$ 110,646,911	-\$ 619,256	-0.6%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

Budget Reconciliation and Financing Legislation
Cost Shift Distribution by County
Fiscal 2010

<u>County</u>	<u>Total Cost Allocation</u>
Allegany	\$670,176
Anne Arundel	3,475,571
Baltimore City	3,766,167
Baltimore	4,822,574
Calvert	651,799
Caroline	259,500
Carroll	1,048,139
Cecil	753,033
Charles	1,091,017
Dorchester	345,714
Frederick	1,365,589
Garrett	434,206
Harford	1,515,905
Howard	1,697,908
Kent	199,204
Montgomery	5,479,929
Prince George's	4,654,341
Queen Anne's	381,296
St. Mary's	732,975
Somerset	262,261
Talbot	309,321
Washington	963,210
Wicomico	776,429
Worcester	1,035,821
Total	\$36,692,086

Source: Department of Budget and Management