



Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Michael L. Higgs, Jr., Director

**Department of Assessments and Taxation
Fiscal Year 2021 Operating Budget
Response to Department of Legislative Services Budget Analysis**

**Senate Budget and Taxation Committee
Senate Health and Human Services Subcommittee Hearing
Senator Melony Griffith
February 21, 2020**

**House Appropriations Committee
House Public Safety & Administration Subcommittee
Delegate Keith Haynes
March 2, 2020**

Thanks to the dedication and hard work of the Department's staff, a continued focus on improved customer service by management, and inspired leadership by the Governor's team, 2019 was an excellent year for the Maryland State Department of Assessments and Taxation (SDAT). SDAT's Real Property and Taxpayer Services teams realized significant accomplishments and related efficiencies in 2019. Some of these key accomplishments include:

Charter Services:

- *Maryland Business Express*: Since its launch in March 2018, the site has won 7 national awards and greatly improved the quality of service provided to the Department's Charter customers, while decreasing processing times. The multiple, new online services offered in FY19 have made it more convenient to conduct business in the State, while receiving an astounding 96% customer satisfaction rating. The filing of charter documents online through Maryland Business Express has been the centerpiece thus far, and today more than two-thirds of all charter transactions occur online. Thanks to Maryland Business Express and SDAT's outstanding Charter Staff, improved processing has reduced the time it takes to start a business from 10 weeks to 4 weeks or less.

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- *Customer Service Call Center:* The Department's Taxpayer Services division is working to centralize and bolster customer service further by implementing a call center, which will have its own supervisor, customer service training, and measureable standards for success. SDAT takes customer satisfaction seriously, and expects feedback to remain solid.

Tax Credit Programs:

- *Significant Tax Savings:* The Homestead, Homeowners', and Renters' Tax Credit Programs help save Marylanders more than \$265 million in taxes each year.
- *Homeowners' Tax Credit Awareness Campaign:* Mailed more than 150,000 postcards to low-income Maryland homeowners who may be eligible for the Homeowners' Tax Credit, but have not previously applied.
- *Homestead Tax Credit Awareness Campaign:* Over 35,000 applications were approved for the homestead credit in 2019. Application instructions were included in all 769,688 reassessment notices.
- The processing of Tax Credit applications has been modernized thanks to the agency's new tax credit filing system. It allows Marylanders to complete and submit applications for the Homeowners' and Renters' Tax Credits entirely online. This has not only improved the customer's experience, but will provide a more organized and efficient method of processing applications for SDAT's employees.

Real Property:

- *Assessment Metrics Remain Strong:* The Agency works hard to ensure that all of its assessment metrics continue to fall well within industry standards measuring accuracy: assessment-to-sales ratio, coefficient of dispersion, and price related differential.
- *Enterprise Zone Tax Credit Program:* While the number of new participants to the program have not been increasing, the size and scope of many of the projects has been growing. These large investments in the State and the associated new construction has increased market value of surrounding properties in those zones, which in turn increases the tax credits paid to all participants in those zones. We have also seen tax credits

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increase as the robust economy leads more businesses to expand operations and physical plant facilities, thus improving their assessed values and increasing the value of Enterprise Zone credits.

- The overall statewide increase for 769,668 “Group 2” residential and commercial properties was 8.9% over the past three years. All 23 counties and Baltimore City experienced an increase in residential and commercial properties for the second consecutive year. The overall statewide increase nearly matched 2018’s 9.1% increase. This represents an average increase in value of 7.3% for all residential properties and 13.5% for all commercial properties since the last Group 2 reassessment in 2017.
- In September 2019, The Department promoted Charlotte Rogers to State Supervisor of the Real Property Division.

Office of Information Technology:

- *New Tax Credit Online Program (Project SEAN):* Phase I went live in 2019 and provided an online portal to allow applicants to submit Homeowners’ and Renters’ Tax Credit applications online. Phase II includes redeveloping and moving the mainframe back-end system to a modern, cloud-based platform with data checks and automated processing and response capabilities, and vastly improved auditing functionality, which is scheduled to go live in February 2021.
- *Technological Achievements:*
 - Migrated the Department’s State Center and Anne Arundel County offices to Voice over Internet Protocol (VoIP).
 - Implemented a new inventory system known as “WASP” that allows radio-frequency identification tags to be scanned into the new inventory system. This system will be submitted to the Department of General Services for approval.
 - Implemented a new user account database to manage user account information in a centralized location.

Human Resources:

- *Successful Employee Training Programs:* The Department implemented new training programs on leadership training for management, grammar and email etiquette, and active shooter scenarios.

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Customer Service and Employee Appreciation:

- *Increased Customer Satisfaction Surveys:* SDAT continues to promote customer feedback, either by paper or online, and saw the number of customer satisfaction surveys received increase to 2,044; 89.36% of which were either somewhat or very satisfied with the service received.
- An average of 120 “Super Star Shout-out” cards were distributed to employees each month who received positive feedback from customers, which is a 27.5% increase from FY18.
- SDAT Connection Newsletter is created and distributed monthly, keeping our employees engaged with other programs and our collective mission. More than \$8,500 raised for the Maryland Charity Campaign.

In its analysis, DLS asks the Department to comment on the Real Property program’s hiring progress and challenges, the number of qualified applicants being received, and its impact on PTAAB hearing postponements.

A. Progress, Challenges, and the Annual Salary Review

To supplement hiring efforts in the Real Property program, in July 2019 SDAT hired an employee dedicated to recruitment, and then increased its headcount with the hire of an additional staff member in November 2019. Currently, the Department has 81 vacant positions; nine of these are in frozen status, and ten are scheduled to be eliminated in the FY21 budget. The two staff members in Human Resources are now actively recruiting 57 of the vacant positions in Real Property. Human Resources also has four new hires beginning employment on February 26, 2020, all in Real Property. The Department continues to place a high priority on hiring staff.

B. Lack of Hiring Progress Given a Large Amount of Qualified Applicants

The Department respectfully disagrees with the suggestion that it receives as many as 400 applications for each position, with 95% of applicants meeting the necessary qualifications. In one instance, Human Resources did receive over 400 applications, but it was also recruiting for

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office services clerks (not assessors) for three different counties in one posting. For every job posted, Human Resources is responsible for grading the applicants as “not qualified”, “qualified”, “better qualified”, “best qualified”, and “preferential treatment”. While 95% of such a list may be graded “qualified” or better, the Department rarely interviews below “better qualified”. Logistically speaking, if the Department had interviewed 380 Office Service Clerk applicants from a pool of 400, it would have taken a panel of three interviewees 26 full business days to interview all of them, at a pace of 15 interviews per day. The normal operations of the Department would be crippled.

However, the Department does try to interview every “better qualified” and “best qualified” applicant, and uses these lists of interviewees to the best of its ability in order to fill subsequent vacancies quickly. Often applicants have found other positions, or are no longer interested. Many times, the Department successfully hires from prior lists. In a recent hiring for Office Service Clerks in Baltimore and Anne Arundel Counties, 194 applications were received; 47 are “best qualified” and 91 are “better qualified”. From that process, seven vacancies will be filled, and the list will be utilized again over the next 12 months.

C. Progress Regarding PTAAB Hearing Postponements

Postponements for any hearings for the Property Tax Assessment Appeals Boards (PTAAB) come in part from a difficulty in retaining new Commercial Assessors. In a job market with the lowest unemployment rate in 50 years, it has proven difficult to recruit new talent. Some smaller county offices do not have a dedicated Commercial Assessor. Commercial Assessor recruitments require a minimum of three years of assessment-related experience, and completion of IAAO courses. We are actively recruiting for this more specialized position, but our best resource for Commercial Assessors is from among our Residential Assessor staff.

Our Supervisor of Commercial Assessments is training an additional Commercial Assessor to take on a supervisory role in the counties experiencing backlog in PTAAB. Staffing issues along with the current appeal process have resulted in a backlog of over 1,200 PTAAB cases in Prince George’s County alone. Residential appeals have been presented in a timely fashion; the backlog of cases are commercial properties, and there are only two commercial assessors for the county. PTAAB typically schedules hearings of 15 to 20 cases per day to allow time for the board to hear the case and make a decision. As these are complicated cases that require time for the staff to prepare, the Commercial Assessors can only attend about 30 to 40 cases per week, resulting in a 30 week backlog if no other cases are filed and no other time is spent on assessment work, supervisor level appeals, or Maryland Tax Court cases.

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In its analysis, DLS asks the Department to comment on data sets that may be part of the Ombudsman's Annual Report, and if tax sale breakdowns by county will be included.

The Department is planning on including, at a minimum, all the items outlined in Tax Property Article §14-879 in its Annual Report, and will include county breakdowns for each item. SDAT was prepared to send a survey to the counties to collect this information this month, but is now waiting after session in case additional legislation would require us to collect more information (i.e. HB 1181). The Department has also created a form to be filled out by staff responding to tax sale inquiries, which collects the customer's name and address; how the customer heard about the Ombudsman's Office; their age, veteran, spousal, and disability status (to determine eligibility for certain tax relief programs); and the final resolution of the call. After reviewing HB 1181, additional questions have been added that ask, "Did you help the customer apply for the Homeowners' Property Tax Credit?" and "Did you help the customer apply for other discount programs or public benefits?", for example. A summary of this information collected will be included in the Annual Report.

The Department would be happy to provide the Committees with an additional report on tax lien sale information that will include the property tax delinquency thresholds, the length of the jurisdiction's tax lien sale redemption period (if any), and the total number of property tax lien sales, all broken down by jurisdiction. The Department will not be able to provide the neighborhood of each property, and requests that the Committees not include this in the requested report.

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