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House Appropriations Committee
House Public Safety and Administration Subcommittee
Delegate Tony Bridges, Chair
Delegate Susie Proctor, Vice Chair
February 9, 2022

Senate Budget and Taxation Committee
Senate Health and Human Services Subcommittee
Senator Melony Griffith, Chair
February 10, 2022

FY 2023 OPERATING BUDGET TESTIMONY

A core mission of the Maryland State Department of Assessments and Taxation (SDAT) is to continuously focus on the delivery of stellar customer service to its customers through the fulfillment of the Hogan-Rutherford Administrations' Customer Service Promise. SDAT has also increased customer service efficiency over the last year through the implementation of more streamlined processes and enhanced communications across the department, the *details of which are outlined below*. The Department looks forward to finding new and improved ways to keep changing Maryland for the better.

Real Property:

- All assessment metrics remain strong (assessment-to-sales ratio, coefficient of dispersion, and price-related differential); these metrics continue to fall well within industry standards measuring accuracy.
- Annual Real Property Reassessment Notices were updated to notify homeowners whether or not they are receiving the Homestead Tax Credit and how they can apply. The

language “HOMESTEAD APPLICATION APPROVAL - YES(NO)” and “If this property is your principal residence and the Homestead Application Approval is NOT shown as approved in the box above, you are encouraged to email sdat.homestead@maryland.gov to apply.” was added to the reassessment notices.

- Throughout the past three years, the overall statewide increase for 704,430 “Group 1” residential and commercial properties (concluding on January 1, 2022) was 12.0%. All 23 counties and Baltimore City experienced an increase in residential property values. Further, 22 of the 24 jurisdictions experienced increased commercial property values. The overall statewide increase exceeded 2021’s 8.1% triennial increase, representing an average triennial increase in value of 12.7% for all residential properties and 9.7% for all commercial properties since the last Group 3 reassessment in 2019.
- Despite COVID restrictions, Real Property processed 31,302 assessment appeals and 235,639 property owner transfers during the 2021 calendar year. The Program also added new construction valued at \$8,544,567,200 to 14,422 taxable accounts during the 2021 tax year.
- The SDAT Real Property headquarters staff has initiated live online training sessions for all staff levels using Google Meet. The training sessions are presented by SDAT Real Property headquarters staff or the Office of the Attorney General for legal topics.

Business Services Unit:

- Successfully reorganized and merged Charter Services, Business Personal Property Assessments, and the CSCC into the Business Services Unit (BSU); resulting in improved communication between teams, the streamlining of processes that promote online filings, and faster response times to customer inquiries.

Business Services Unit (BSU) Management:

- In response to 2021 legislation signed into law, the BSU integrated improvements into the customer experience. These include the elimination of base filing fees for all filings that formally close a business’s registration with SDAT; the requirement that all filed trade names be associated with the corresponding business’s SDAT ID; the option for qualifying foreign corporations to choose SDAT as the Maryland resident agent; the formal adoption of a one-year grace period for all domestic annual reports; and the drafting of a report on the status of state annual report filing fees across the country to determine Maryland’s relative standing and opportunities to enhance the Maryland’s competitiveness.
- Successfully transitioned from a 0% telework environment to a hybrid work environment (70%+ telework) that promotes the efficient delivery of services to SDAT’s customers and maintains processing speeds commensurate with pre-pandemic operations. Through the careful adjustment of internal procedures, the BSU responded to and addressed a significantly increased volume of business filings during the first half of 2021. These successes have resulted in SDAT continuing to set records for the number of businesses in Good Standing in Maryland (473,110 as of 2/1/22 - For comparison: 2/1/21: 426,387; 2/1/20: 401,150; 2/1/19: 384,755; 2/1/18: 372,899).

- Equipped all applicable staff with laptops and softphone applications (which are used for answering calls remotely using laptops), including assigning 59 monitors for home use (dual monitors).

Charter Services:

- Scanning and document digitization volume has greatly increased, with over 400,000 newly scanned documents available for immediate download at no charge.
- Began scanning the current year of Annual Reports / Business Personal Property Returns as they are received, and rejected Charter Filings as they are mailed back to customers. This new procedure allows for quicker access to the documents for completing assessments and handling customer inquiries.

Business Assessments:

- As required by Governor Hogan's Executive Order, automatically extended the 2020 Annual Report deadline from April 15 to July 15 for all businesses. Considered all filings submitted in 2020 as eligible for the "good cause" requirement for abating late penalties in response to the pandemic.
- Created a dedicated shared email address to make processes and communication with other BS Units efficient and transparent, and facilitate business's return to Good Standing status necessary to be eligible for various forms of COVID relief.
- An upcoming Interactive Voice Response (IVR) system will replace the old system, allowing franchise and utility tax customers to make their payments over the phone via ACH. Testing and completion of the project is expected in April 2022.

Customer Service Contact Center:

- This program was established to provide best-in-class, first-interaction customer service with customers contacting the department via phone and email. The team has been selected to be the central hub for our Business Services Unit to extend first-interaction responsibilities and to collaborate with programs to streamline and simplify how we interact with customers overall. This includes customer service and skills training, tracking customer-related interactions to track their journey, and monitoring workflow and calls for quality assurance purposes.
- The Customer Service Contact Center (CSCC) was the primary team responsible for implementing a Customer Relationship Management system on a trial basis to create unique profiles for customers contacting the Department by phone and email, with plans to expand these services to other teams in FY22.
- Trained new and existing employees to answer the most frequently asked questions about Business Services and reduced call transfers by 50%.
- Inbound calls routed to the contact center decreased by 44% due to automated messages put in place to promote new and existing self-serve options.
- The average wait time to reach an agent was reduced from 8 minutes to less than 45 seconds.
- All inbound calls are now recorded and stored for quality assurance purposes so supervisors can relisten to the recordings with agents to help reduce the handling time.

- A call flow was established that improved our average talk time and hold time which improved the speed and quality of our customer interactions.
- Calls and emails that come to the contact center are immediately ticketed and linked to a number and customer contact for reference. As a result, more than 8,000 tickets were resolved and 98% were within the expected service level agreement.
- More than 30 automated responses/templates have been generated for commonly asked questions to send as a summary for customer interactions and to reduce repeat contacts.
- A call flow was established that improved our average talk time and hold time which improved the speed and quality of our customer interactions.

Tax Credits Programs:

- The use of online applications, instituted as a part of project CRIS in late 2019, continued to remain strong.

Year	Homeowners' Applications Submitted Online	Renters' Applications Submitted Online
2019	8% (4,909 out of 65,549)	3% (307 out of 10,953)
2020	26% (17,196 out of 65,042)	20% (2,278 out of 11,239)
2021	30% (17,511 out of 58,823)	16% (1,557 out of 9,466)

- Annual Real Property Reassessment Notices were updated to more clearly notify homeowners whether or not they have been approved for the Homestead Tax Credit, and how they can apply.
- Tax Credit Awareness Campaigns: Postcards sent to Maryland residents who may be eligible but haven't yet applied (119,228 sent to homeowners and 6,124 to renters).
- Collaborated extensively with the House Ways and Means Committee and the Office of the Comptroller on the study required by Chapter 610 of 2021 Laws to identify ways the Homeowners' Tax Credit can be made more effective.
- Contracted with Towson University in performing a usability study to review all of the public informational materials and forms produced by SDAT's Tax Credit Programs and recommend ways they can be made more usable, especially for socioeconomically diverse communities. Some recommendations have been implemented, and the Department expects to implement most if not all of them by the 2023 Tax Credit Applications.
- Extended the deadline for all homeowners' and renters' applications to the maximum extent allowable by law (October 1 to October 31) due to the pandemic.

State Tax Sale Ombudsman's Office:

- Since launching on January 1, 2020, the State Tax Sale Ombudsman's Office (TSO) has helped over 3000 Maryland homeowners navigate the tax sale process; apply for tax

credits and other benefits; connect with legal services, housing & financial counseling; and resolve tax and related issues. TSO efforts help homeowners pay their property taxes, improve their financial situations, and keep their homes.

- Created an all-new, fully paperless, and remote-capable program that includes the Tax Sale Help Center website (dat.maryland.gov/taxsale), providing resources and county-by-county tax sale dates and important news as it becomes available.
- In FY21, the TSO tripled the FY20 number of resources it made available to help homeowners facing tax sale to over 150 resources statewide.
- Provided homeowners access to personal, individualized assistance by phone on the TSO's toll-free Tax Sale Help Line and by email.
- Partnered with over 50 state and local service providers and community organizations to continually promote and grow our service to homeowners.
- Created a new Tax Sale Email Subscription system, providing email subscribers important tax sale news and updates, as well as reminders about tax due dates, late fees, and application deadlines for tax credits.
- Created strategic new state tax sale legislation SB 325 (2021) that was passed and signed into law, and now praised by service providers and homeowners for how it makes redemptions easier, saves homeowners money, and prevents foreclosures.
- Planned for implementing the new Homeowner Protection Program as described in HB 852 of the 2021 Laws, which will provide for increased homeowner assistance including a loan program and payment plan for homeowners facing tax sale. Full launch of the program will occur in FY23.
- Participated in the Attorney General's Office's Access to Justice Task Force's Housing Security Committee and Homeowners' Subcommittee, as well as the Maryland Government Finance Officers Association's Tax Affinity Group meetings, where county finance officers share updates and discuss with the TSO strategies for issues that counties and homeowners face.
- Conducted the 2021 Maryland Annual Tax Sale Survey of the counties, collecting extensive information on each county's tax collection processes, detailed data on their tax sale, bid balance fund information, and redemption and foreclosure data for that year.
- Published and presented to the General Assembly the 2021 Maryland Annual Tax Sale Report, which summarizes and analyzes county survey data, details TSO activities, and provides insights and recommendations based on the TSO's experiences helping homeowners.

Office of Information Technology:

- Project CRIS (formerly project SEAN) is currently in Phase 4, with a deployment date of the completed Renters Tax Credit System (for UAT) planned for July 1, 2022, a complete Homestead System application deployment date (for UAT) on September 1, 2022, and the final, Homeowners' Tax Credit System in December 2022.
- In addition to the Tax Credits' phases, SDAT made progress on Project CRIS' modernization of the Maryland Business Entity System, with an procurement expected to be released in Spring of 2022, and project completion by FY25.

- Continued converting offices from a public switched telephone network (PTSN) to Voice over Internet Protocol (VoIP), with the final phase expected to be completed in FY23.

Office of the Director:

- The Agency continues to use Linked-In Learning to its advantage; in 2021 4,771 training videos were completed, as well as 294 Learning courses. Employees are learning intrapersonal skills, time management, career management, and customer service skills through the courses assigned by their program managers during PEP reviews. Both managers and staff enjoy the diverse content and ease of use.
- Customer Service Training and Supervisors and Managers Training were both conducted in 2021 through Community College of Baltimore County (CCBC), with plans to expand these offerings and continue this training twice a year. A total of 97 staff completed Customer Service Training, and 35 completed Supervisors and Managers Training.
- During the 2021 fall charity drive, \$11,818.00 was raised for the Maryland Charity Campaign. That amount equaled 180.05% of the department's set goal of \$ 6,553.00, and a \$2,379.00 increase from 2020's donations.

Procurement and Telecommunications:

- With some prescient foresight by Executive Management, the Agency is actively sourcing and procuring Office supplies, Personal Protection Equipment, and teleworking equipment well in advance to ensure that daily work functions are not interrupted due to the delayed national supply chain.
 - SDAT Procurement Officers have acquired the required Procurement certification through the Certified Maryland Procurement Officer Training Program in 2021 while still maintaining day-to-day operations for the agency and its customers.
 - SDAT Procurement submitted the required proposal to the Department of Budget and Management (DBM) Fleet Division to participate in the State's Electric Vehicle Integration Program that requires agencies to have at least 25% of passenger cars purchased for the State vehicle fleet to be zero-emission vehicles. SDAT has acquired three electric vehicles to replace three existing fuel vehicles, which will be delivered in the summer of 2022.
 - Procurement has reconciled past inventory data and streamlined SDAT's inventory process to be in compliance with the Department of General Services' future audits.
 - SDAT continues to improve upon its Minority Business Enterprise (MBE) and Small Business Reserve (SBR) goals each year by continuing to convey the importance in utilizing MBE and SBR owned businesses when procuring commodities and services.
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Real Property Assessor Vacancies

SDAT should comment on its progress and challenges in hiring assessors, including detailing the hiring process, the number of qualified applicants that the agency receives, and the impact of staffing levels on the Property Tax Assessment Appeal Board's (PTAAB) hearing postponements. SDAT should also discuss how the reduction in the turnover adjustment will improve its ability to fill these positions.

SDAT Real Property remains challenged in recruiting and retention of staff. We continue to lose trained clerical staff and assessors to other local and state government positions. For example, the department lost five of its assessor staff just in January 2022. One assessor left for private industry, one assessor was hired by the District of Columbia Office of Tax and Revenue, and three assessors left for positions at MDOT.

According to exit interviews, the primary reason for staffing losses is directly related to salary. The FY20 salary review indicated SDAT assessor salaries were below surrounding jurisdictions; this has not improved since the survey was completed. The department is hopeful that recently announced step increases and COLAs will help the retention of staff.

Staffing levels have not caused residential PTAAB hearing postponements, but commercial PTAAB hearings may be affected in the larger jurisdictions. SDAT commercial assessor staff currently devotes about 70% of their time to appeal hearings due to a large number of commercial appeals and the time required to handle each appeal. For 2021 the commercial first-level appeals accounted for 52% of all appeals and 57% of all PTAAB appeals while the number of authorized commercial assessor positions only makes up 25% of the assessor staff. Many of these properties are appealed annually by professional tax representatives. There are times during the year when there is no option but to postpone PTAAB appeal hearings for commercial accounts in order to complete other required tasks such as inspecting properties with building permits for new construction.

The SDAT Real Property headquarters staff has initiated live online training sessions using Google Meet. Training sessions held this year include:

- Agricultural Use Assessment Guidelines (2 sessions)
- Assessment Appeal Hearings – Customer Service Considerations (2 sessions)
- Commercial Assessor Introduction
- Enterprise Zone Tax Credit Administration
- Real Property Tax Exemptions (2 sessions)

New assessors are now enrolled in International Association of Assessing Officers (IAAO) online appraisal classes within their first 60 days of hire. By doing so, assessors who onboard can assist county supervisors faster and with better understanding of the work they produce. The

department continues to strengthen its training processes toward a standardized approach that holds new hires accountable to learning materials and helps supervisors quickly identify each assessor's weaknesses.

As of January 31, 2022, the Real Property division has 36 vacancies; however, these are not static positions left unfilled, but revolving PINs in active stages of recruitment. Of the 36 PINs currently vacant, six have candidates selected and are waiting for acceptance from the candidate, eleven have interviews scheduled, and another five are awaiting interview dates. Five PINs have applications received and ready to be annotated by Human Resources, two PINs are waiting for a classification approval, and two still have an open recruitment posted. Four are positions that were very recently made vacant due to in-house promotions. Of the total 36 vacancies in Real Property, only one PIN is currently on hold and awaiting direction from the State Supervisor.

SDAT was able to increase hiring efforts in January 2022 by bringing on a second full time recruiter. The reduction in turnover in FY23 will allow the agency to continue these efforts. We look forward to meeting a 5% turnover rate in FY23.

Recommended Actions:

1. Adopt committee narrative requesting a quarterly update on Real Property Valuation staffing.
2. Adopt committee narrative requesting a report on the decline in eligible individuals for the Homeowners' and Renters' Tax Credits in FY 2021.

Agency Response:

SDAT has no objection to this recommended action.