



# COMPTROLLER of MARYLAND

BROOKE E. LIERMAN

## Comptroller of Maryland Fiscal Year 2026 Operating Budget Response to Department of Legislative Services Analysis

Senate Budget & Taxation Committee  
Public Safety, Transportation, and Environment Subcommittee  
February 20, 2025

House Appropriations Committee  
Public Safety and Administration Subcommittee  
February 24, 2025

Thank you for the opportunity to present the Fiscal Year 2026 budget request and response to the DLS Analysis for the Office of the Comptroller of Maryland. It has been an honor to serve as Comptroller for the past two years and to lead our agency's 1200 dedicated and talented state employees.

When I last appeared before this Subcommittee, I spent much of my time discussing the modernizing, hiring and reorganizing taking place in our agency. Thanks to the resources allocated in the FY2025 budget, we have reduced vacancies, begun converting many of our long-term contractual workers to permanent positions, and are in the midst of rapid and much-needed modernization across the agency.

We have also worked to continue to rebuild the agency, significantly upgrading much of our aging infrastructure, and launching robust public engagement strategies to make the office more accessible to Marylanders of all backgrounds throughout our state. Our agency continues to work hand-in-hand with the General Assembly and the Moore-Miller Administration to execute our shared goals of creating a state that is equitable, resilient, and prosperous, and ensuring all Marylanders can reach their full potential. I am delighted to share some of our early results.

As I discuss our accomplishments and key goals over the next year, I'd like to begin by restating our agency's core priorities. These are the guiding principles that inform everything we do here at the Office of the Comptroller:

1. Implement critical agency-wide improvements to help state government work better;
2. Ensure the resources of the Office create opportunities for and make a positive impact on Maryland families, communities, and businesses; and
3. Ensure Maryland is well-positioned for responsible long-term economic growth and success.

Together, these core priorities will help us realize our new vision: To work in partnership to create a state that is more equitable, more resilient and more prosperous so that every Marylander can reach their full potential.



## **CORE PRIORITY 1: MAKE GOVERNMENT WORK BETTER**

In many ways, the Comptroller's Office functions as the backbone of our state government. You might not even realize that we're there, but we are – processing tax returns and bringing in state revenue; maintaining the state ledger, accounting for all state funds received and disbursed; handling payment of salaries and wages of state employees (over 100,000 people every two weeks); providing mainframe computer services to over 50 state agencies; and forecasting, analyzing and monitoring state revenues and the state and national economies.

### Agency Reorganization

I realized early on in my tenure that to make government work better, we must modernize the Comptroller's Office – internally and externally. This work includes solidifying our agencywide reorganization effort. With the support of the General Assembly and the Administration, we have repurposed existing positions to restructure the agency and our leadership team. We are now separated into several operational divisions, each of which is overseen by one of our Deputy Comptrollers. This structure provides clear lines of decision-making and responsibility and gives our leadership team the flexibility to develop and pursue strategic goals within their operational division. Please see the attached organizational chart for more information.

### Modernization

We have worked in parallel to modernize the agency's outdated legacy systems, many of which have been in operation for almost three decades. This past year has seen many improvements in this space, the most significant of which is the launching of Maryland Tax Connect last February. This new system is both a back-end modernization for our team members, and it provides an online portal will allow taxpayers to file returns, make online payments, retrieve tax information and filing history, update personal information, and more.

Maryland Tax Connect is available publicly for all business taxes, including corporate income, sales & use, withholding, alcohol, tobacco and cannabis taxes. The agency has provided numerous webinars, video tutorials, and user guides as part of its rollout to ease deployment. There are over 160,000 registered business taxpayers, and the system has accepted well over 1 million returns. Next up: moving personal income taxes to Maryland Tax Connect (for more than 3 million taxpayers)!

In addition to Maryland Tax Connect, the Comptroller's Office has 70 modernization efforts in progress or that have been recently completed. Below is a summary of some of our more recent accomplishments<sup>1</sup>:

- Made numerous back-end improvements to our IT infrastructure, providing a more secure and streamlined system for processing returns;
- Fully implemented the 2024 BRFA requirements by July 1, 2024;
- Begun the process of transition to a new state-of-the-art platform for the administration and maintenance of unclaimed property in Maryland, with an expected go-live date of Fall 2025;
- Launched My COMConnect, a new customer relationship management portal, that is a true one-stop-shop for all taxpayer needs, tracking every interaction while providing easily discoverable, knowledge-based articles to walk them through myriad complex tax processes. Visitors will soon be able to track their returns more accurately, minimizing frustration and phone calls;

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<sup>1</sup> For more information about the status of our modernization efforts, please see the attached one-pager on these projects.

- Building a brand-new, dynamic, public-facing content management system that will replace the dated Marylandtaxes.gov website. Set to launch in March, this vibrant doorway to the agency will welcome Marylanders with attractive, easily navigable content that is engaging, relevant, and 508 compliant;
- Updated our security enhancements and cybersecurity protections; and
- Relocated our Baltimore City offices from the dated State Center complex to a newly renovated space at the heart of the downtown central business district in Baltimore.

#### Direct File

In addition, I am proud that Maryland is one of 25 states participating in the IRS Direct File program. In partnership with Code for America, individual filers can use Direct File to submit their federal and Maryland state returns in one place, saving taxpayers money, time, and effort. Maryland's Congressional Delegation was instrumental in securing funding for Direct File, which will allow 30 million Americans – including an estimated 870,000 eligible Marylanders – to file their state and federal taxes online via a secure platform, for free.

### **CORE PRIORITY 2: SHARE RESOURCES OF THE AGENCY**

Another key to making government work better is ensuring that our resources are available and accessible to the public. Over the last year and a half, the Comptroller's Office has been implementing a robust public engagement strategy to better connect families, communities, local governments, and businesses across Maryland with the agency.

#### Public Engagement Team

Our newly established public engagement team is now fully staffed with a director, four regional public engagement officers (RPEOs), and a statewide public engagement officer for New American and Immigrant communities. Each of our RPEOs covers a region within the state, and they have been assigned a statewide focus area – working with older Marylanders, veterans, colleges and universities, and the list goes on. Together, this team works to make sure that every part of our state – from Western Maryland to the Shore – knows that they have a point of contact within our agency who is knowledgeable about their community and laser focused on their needs. In addition to their day-to-day outreach, our public engagement team also hosts roundtables, webinars, and briefings – often in partnership with other state agencies and external partners – and are eager to identify new ways to connect with community partners. So please keep them in mind if you hear of events out in your communities.

#### EITC Research Project and Marketing Campaign

The EITC is the government's most effective anti-poverty and economic mobility program, and yet the state has not invested in a comprehensive strategy to encourage people to claim these credits if they are eligible. As part of our agencywide public engagement strategy, we have also launched a proactive and coordinated effort around the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC).

Our EITC effort has two components: (1) a new research partnership with the Urban Institute to better understand the barriers that prevent low-income Marylanders from accessing individual income tax credits and create a playbook that COM can use in future years to increase uptake; (2) #EarnedIt, a social media campaign that aims to reframe the narrative about the EITC and CTC by using clear and concise messaging to educate the public about these credits. We are partnering with the Governor's Office of Children, which is coordinating across several state agencies, including the Maryland Department of Health, the Maryland Health Benefits

Exchange, Maryland Department of Labor, and the Department of Human Services, to reach potential applicants across the state.

#### Office of Taxpayer Advocate

During the 2023 legislative session, the Maryland General Assembly passed HB707/SB660, establishing the Office of the Taxpayer Advocate (OTA), a department within the Office of the Comptroller of Maryland (replacing the Ombudsman's Office) dedicated to serving as the voice of Maryland taxpayers across the agency and externally. Our OTA office launched in January 2025. The director of OTA, Elena Fowles, and her team have begun working across the agency with the dual role of helping to resolve complex tax issues, while also regularly compiling and examining data and making recommendations to address challenges faced by taxpayers.

Specifically, OTA is responsible for:

- providing timely resolution to complex tax inquiries that have not been resolved through ordinary channels;
- identifying and solving systemic challenges faced by taxpayers through interagency collaboration;
- regularly surveying taxpayers to obtain their feedback on the quality of services received and suggestions for improvements;
- compiling data on the types of taxpayer complaints and develop policy recommendations to address systemic issues;
- conducting research around emerging best practices in the field; and
- making recommendations regarding potential policy-based and legislative solutions to improve the taxpayer experience and quality of services provided by COM.

#### **CORE PRIORITY 3: SUPPORTING MARYLAND'S ECONOMIC GROWTH**

Ensuring Maryland is well-positioned for responsible, long-term economic growth and success requires strong collaboration with our state and local government partners and close analysis of the data available to us. The Comptroller's Office has been working to support this growth through the Comptroller's positions on several state boards and our data, as well as revenue operations work.

First, over the last year, we have worked to leverage two of our greatest assets – our data and internal expertise within the Comptroller's Office – to assist policymakers in making data-driven decisions. Last January we released the agency's first-ever research report – the [State of Maryland's Economy](#). This report provided a comprehensive analysis of Maryland's economic competitiveness compared to our neighboring states and the U.S. overall. Key challenges include a shallow labor pool, slowing population growth, and high housing costs.

Since then, we have released the following other reports:

- In April 2024, we released a [report](#) on the role of immigrants in Maryland's economy, highlighting the significant contributions of foreign-born Marylanders to our state's population, labor force, and revenues. Immigrants make up 21% of our state's population and 17% of our labor force, significantly higher percentages than surrounding states and the U.S. overall.
- In June 2024, we unveiled the [Maryland Procurement Playbook](#), a comprehensive assessment of the state's public procurement landscape. Developed in collaboration with the Nowak Metro Finance Lab at Drexel University, the Playbook evaluates federal, state,

and local contracting activities within Maryland to better understand the procurement economy's size and its impact on the state's economic growth.

- In December 2024, we released a [report](#) on the importance of child care to Maryland's economy and to helping to boost the state's depressed labor force participation rate, especially for mothers with young children. The report found that Maryland's licensed child care industry has been undergoing massive changes in recent years due to a confluence of factors, including the pandemic, expansion of Pre-Kindergarten as part of the Blueprint for Maryland's Future, and increases in child care scholarships.
- Also in December 2024, we released a [report](#) on the important role of nonprofits in Maryland, discussing the fact that the nonprofit industry in Maryland experienced significant growth during the pandemic and through 2024, including a 33% increase in the number of nonprofits operating within the state and a 40% growth in revenues.

In addition to this work, our agency's work on the **Board of Public Works** seeks to set Maryland up for current and long-term success by working and supporting our small businesses and minority business enterprises (MBEs). We have strived to increase transparency of the key decisions made by the BPW and to account for the funds approved by the BPW by publishing on our [website](#) summaries of each meeting and BPW quarterly reports. We are preparing to launch a public, searchable BPW web site later this year, and we also working with our counterparts on the BPW to more formally incorporate climate impact considerations into our state spending decision making process.

And, as the **Vice Chair of the State Retirement and Pension System**, I am tasked with ensuring that our 415,000+ state employees and retirees have access to their full benefits upon reaching eligibility. This year, as Investment Committee Chair, I led the process to codify our Emerging Manager program to ensure that we are leveraging assets from smaller, more nimble managers to lead to excess returns and more alpha in our plan. Additionally, recognizing that climate risk is investment risk, we created the system's first Climate Advisory Council, tasked with keeping our investment managers up to date on new opportunities and challenges with our investment portfolio.

On the **revenue operations side, our long-term growth means that we must fairly, equitably and robustly enforce compliance with our tax laws**. As noted last year, we have a smaller compliance team than other states our size<sup>2</sup>. We are grateful that the General Assembly and Governor allocated an additional 28 PINs and \$3 million for technology in the FY25 budget to start building our compliance capabilities. A key request for our Compliance work is that the Governor and MGA recognize that compliance programs are generally multi-year efforts, and we request that, to maximize the value, the funding for these types of programs should be approved with that in mind.

Some highlights of our work in 2024 include:

- Launching remote seller program. This program, live in September 2024, identifies out-of-state retailers making sales into the State and not collecting sales tax. Early results are encouraging, and better, this revenue is ongoing as the businesses stay in compliance. We were funded for one year but anticipate that this program should run for three years before re-evaluation, the annual ongoing cost is \$1M per year.

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<sup>2</sup> Within our Compliance Division are four units: Business Tax Audits (69 FTEs), Individual Tax Audits (48 FTEs), Business Tax Collections (75 FTEs), and Individual Tax Collections (59 FTEs).

- RFP for Online Economy Public Data Mining System. In 2023 and 2024, we participated in a successful pilot project with an IT services vendor that scraped and analyzed publicly available online data and matched it to our taxpayer financial records. This project identified “new economy” sources of income that often go under-reported (e.g., digital currency capital gains, short-term rentals, etc...). We have since issued a request for proposal to expand and scale this program – with the expected cost of \$3 million annually – and are currently reviewing responses
- New PINs for FY25 (hired in January 2025 due to BPW-approved six month hiring freeze). These additional PINs are being filled with auditors and collectors. While the latter require substantial training, they are progressing well and will help identify pieces of the unknown tax gap. The collectors are having an immediate impact as we seek to close the active delinquent cases.
- Other Identified Opportunities Under Review:
  - Intelligent Mail Barcodes (IMBs) – IMBs improve an agency’s ability to update taxpayers’ addresses, creating greater operational efficiency and higher collection rates. This initiative has generated several millions in several states at an implementation cost of about \$500k and minimal ongoing costs.
  - Dedicated Data Scientists – We would like to increase the number of data miners that would work in conjunction with the Compliance Division to identify large taxpayer anomalies for audit and increase collection efficiency, this concept would cost about \$1M annually, with multi-million dollar potential returns that would grow exponentially.
  - Financial Institution Data Match (FIDM) – FIDM would enable the Compliance Division to work directly with the banks so that we can match debtors with bank account holders. This would be high yield leads that will enable additional bank attachments that recover these funds owed to the State. States that have undertaken this initiative has seen significant related returns and the cost is estimated at \$1.5M.

In 2024, our compliance activities resulted in collection of \$800 million – the highest in many years. Our audit units completed 570 business tax audits and sent over 138,000 notices. Our collections units, managing approximately 60,000 delinquent business tax accounts and 575,000 delinquent individual income tax cases, collected \$254 million on delinquent business accounts and \$558 million on delinquent individual tax accounts.

**Money to continue these programs, and to take advantage of new opportunities, is not included in the FY26 budget. Therefore, the Comptroller of Maryland will need to determine a way to budget for these costs going forward if it can.**

### **FY 2026 BUDGET REQUEST**

We submitted our FY2026 Budget Requests to the Governor, Speaker, and Senate President in August 2024, after months of working closely with our agency leaders and division directors to examine our budget, refine our projections, and identify our most urgent needs. Our goal was to continue to build upon our past successes and identify those areas most in need of additional state support with the greatest potential to benefit our entire state government and Marylanders. We looked to the following core priorities to guide our decision-making:

## **1. Right-sizing and adequately resourcing our customer service divisions to improve the overall quality of services provided (including moving contractors to PINs)**

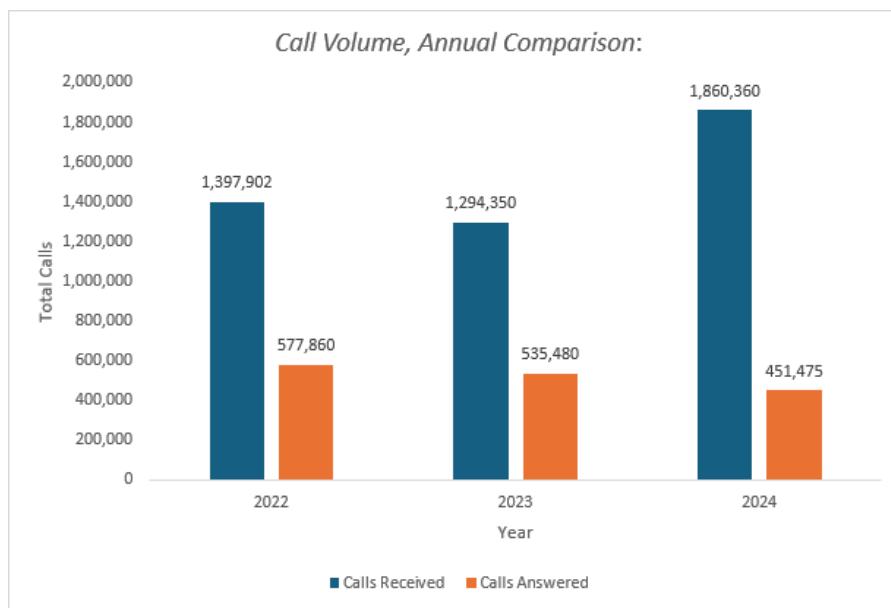
### **Customer Service Divisions**

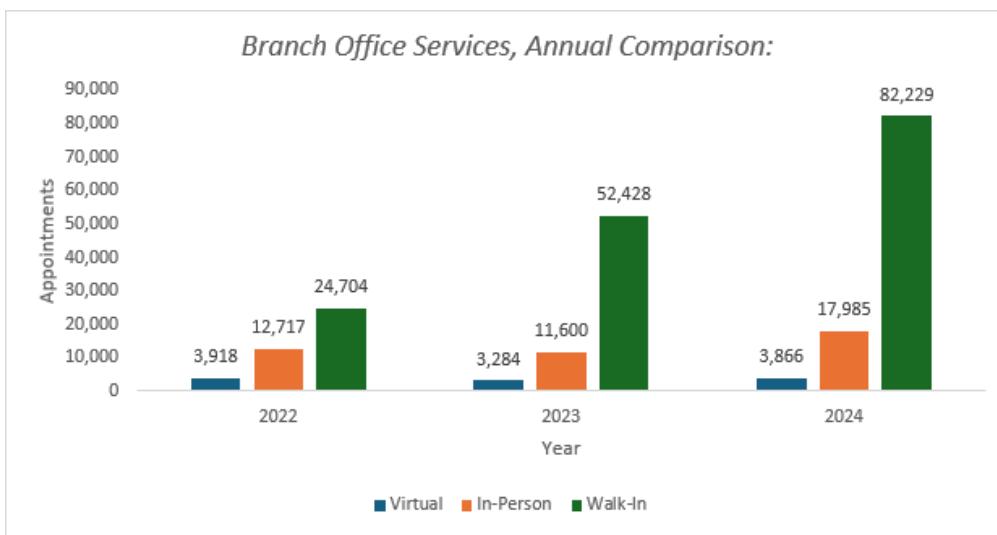
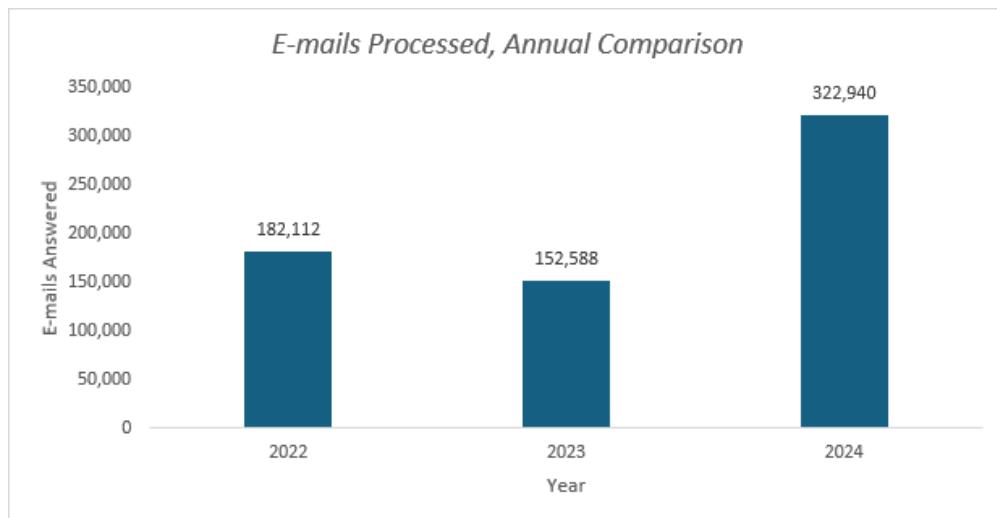
The Office of the Comptroller has four divisions – Taxpayer Services Division (TSD), Compliance, Unclaimed Property, and the newly established Office of Taxpayer Advocate (OTA) – that are responsible for assisting Maryland taxpayers and tax preparers who contact the agency regarding taxes, fees and permits administered and enforced by the Comptroller of Maryland. Of those divisions, TSD provides an overwhelming majority of the agency's customer service support to the public.

TSD staff oversee the agency's call centers and branch offices located throughout the state. The call centers, located Salisbury and Hagerstown, provide phone assistance to taxpayers who require information about their Maryland tax refund. They also provide assistance to taxpayers who have a Motor Vehicle License holds and generally need to set up a payment plan to have their license holds released. Our 11 branch offices provide a full range of walk-in services to taxpayers and tax preparers on matters relating to all tax types administered by the Comptroller's Office, including:

- providing free income tax preparation;
- providing blank Maryland state tax forms and/or tax booklets;
- answering general tax questions;
- accepting completed Maryland tax returns and/or requested documents;
- providing additional IFTA decals to carriers in good standing and new carriers whose applications have been approved;
- providing certified copies of previously filed Maryland tax returns for individuals with identification.

For many years, TSD has experienced high call and email volume, with numbers that increase significantly during tax season. The charts below illustrate this challenge (Jan-Nov 2024):





Despite our best efforts, we are unable to meet taxpayer demand with our current staffing levels.<sup>3</sup> Callers experience extremely long waits and are frequently unable to even enter the queue to speak with an agent for assistance. Similarly, the written correspondence response time is over 20 days, and taxpayers often have to wait over a month to secure an appointment with branch office staff. **As a result, we regularly receive complaints from the public about the wait times in the office, on the phone lines, and email. These complaints can also lead to early burnout by staff members.**

Our existing, largely contractual workforce has grown frustrated with our inability to transition them into permanent state PINs, which provide quality state benefits and greater job security. With the planned expansion of Maryland Tax Connect in the fall of 2025 to include all personal

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<sup>3</sup> While our call, email, appointment and walk-in volume has increased significantly over the last several years, the division's staffing level has not been increased commensurate to the volume of service requests. Thus, we have had to rely on our long-term contractual workforce to meet our most pressing staffing needs in TSD.

income taxes, we expect our call and email volume to increase again, exceeding previous numbers.

**Our CompStat team analyzed our data and concluded that – using 2022 and 2023 information – to answer 80% of the calls we receive, we would require an additional 129 PINs.**

We are grateful the Governor's budget proposal allocated 25 new PINs and 34 contractual conversions in our Taxpayer Services Division (i.e. we will have an additional 25 new people on the phones and answering emails). These added positions will have a positive effect on our customer service and responsiveness. These PINs will be responsible for responding to taxpayer inquiries by email, phone, and in-person and virtual appointments.

#### Call Center – MD Tax Connect Rollout

During the transition to Maryland Tax Connect for businesses – from February to May 2024 – the agency experienced a huge spike in calls, over 400,000+ more calls during the tax season, along with emails and requests for appointments, as businesses familiarized themselves with the new portal. During that time, the agency lacked the capacity to meet the demand for services.

We plan to expand Maryland Tax Connect before the 2026 tax season to include all personal income taxes, and we anticipate an even greater influx of calls. For this reason, we are requesting a third-party contract (no more than one year) for an external call center, which will allow us to temporarily expand our capacity as needed to address short-term spikes in demand. It is important to note that this third-party contract would be temporary to meet the spike in demand. We are grateful that the Governor's budget proposal would allow us \$2,887,000 to fund this critical temporary call center.

#### **2. Launching a comprehensive and strategic outreach plan that leverages Maryland's participation in the IRS Direct File program and seamlessly transition personal income tax into Maryland Tax Connect, the state's new tax processing system**

As noted above, the Office of the Comptroller has recent launched several new initiatives aimed at streamlining and simplifying the tax filing process and ensuring that working families receive the refundable tax credits for which they qualify. These programs have the potential to impact each of Maryland's 3.4 million taxpayers. However, the agency has limited means (or funding) to conduct the extensive outreach and public education needed to ensure the success of these programs.

We are pleased that funding is included in the Governor's budget proposal to launch a tax education and outreach program, which will focus on the following areas:

- **MD Tax Connect - Personal Income Tax Outreach.** This educational outreach campaign aims to use a variety of communication channels – post cards, bus shelters, digital billboards, radio public service announcements, and others – to inform Maryland taxpayers about the transition to Maryland Tax Connect and the option to use Direct File.
- **EITC Outreach.** Building upon our existing EITC efforts – from #EarnedIt to our research partnership with the Urban Institute – we aim to launch a comprehensive statewide marketing and public education campaign around the EITC targeting low to

moderate income Marylanders and communities with low uptake, including counties on the Eastern Shore.

### **3. Continuing our investment to modernize the agency's aging and outdated IT infrastructure**

The Office of the Comptroller has multiple ongoing and upcoming IT modernizations initiatives. Many of you are aware, I inherited an agency with significantly outdated technological infrastructure. One of my primary goals of this office was to bring the agency's technology in alignment with, and one day ahead of, most other US states. We have 70 modernization projects underway, including 3 MITDPs and multiple system overhauls. These were details above and include:

- Central Payroll Bureau: Moving all 100,000+ state and university system personnel to WorkDay. This will happen in two phases, on January 1, 2026, and July 1, 2026.
- New Website: Our new 508-compliant website will launch next month with an embedded...
- Customer Relationship Management system (MyCOMConnect): This new system from ServiceNow will be a gamechanger for internal management of cases and external work.
- Unclaimed Property: We hope to be in a brand-new backend and frontend system for our unclaimed property needs – the same system that is used by 40 other states – by the end of this calendar year. This will allow us to send out funds proactively and more easily bring in unclaimed property. It is critical that we pass the legislation we filed this legislative session to ensure we can take full advantage of the abilities of the new system.
- Compliance: We are modernizing our compliance programs to ensure we are collecting owed and uncollected taxes. We just closed an RFP for a digital discovery service.
- Fiber Upgrades: Our existing fiber is crumbing and in need of upgrades to prevent periodic outages.
- Maryland Tax Connect: The upcoming roll-out will incorporate personal income tax and pass-through entity taxes.
- FMIS Replacement: Replacing the backbone of the state's fiscal services through a new system, launching the Maryland Accounting Academy to ensure compliance with Maryland's accounting practices, and more.

These projects will be managed and implemented by in-house and consultant resources. By developing expertise in house to manage these systems, the ongoing operations and further enhancements will rely less on vendor and consultant resources and are more cost effective for the state now and in the future. **We are hoping to bring in two additional PINs in FY26 to help oversee our MyCOMConnect program so that we do not need to pay as much to outside contractors.**

## **CONCLUSION**

At the core of every adjustment the Comptroller's Office is making is the goal of creating a more equitable, more resilient, and more prosperous state. I appreciate your time and partnership in this effort, and I respectfully ask for your support of the Comptroller of Maryland's Fiscal Year 2026 Budget.

My best,



Brooke E. Lierman  
Comptroller of Maryland

## **ATTACHMENT: DLS COMMENTS & COMPTROLLER ANSWERS**

### **Taxpayer Services Division: The Comptroller should comment on how much it estimates that these new contracts will reduce average wait times.**

These services just went live this week, and we will not have any usable data for at least 90 days. We anticipate reducing call volume and email contacts significantly over the next two years but do not have data to share at this time.

### **CRM: The Comptroller should comment on the implementation of ServiceNow, the platform's capabilities, and how its use will improve web-based services for taxpayers.**

The first phase of the ServiceNow implementation – what we are calling MyCOMConnect – went live on February 10, 2025, internally and will be live externally when we roll out our new website in March.

Current Capabilities of MyCOMConnect include the following:

- All incoming calls and emails create a data point that enables the longitudinal tracking of interactions with the taxpayer. Prior to release, all points of contact were discrete interactions, and we had no data on how many or what contacts we had with taxpayers (unless notes were entered in the mainframe system).
- Enabling call center staff to know the taxpayer's interaction history greatly improves the taxpayer experience and improves time to resolution.
- Management can identify and track agent interactions with taxpayers.
- Many taxpayers send an email and call; the platform enables those modes of contact to integrate on the account, therefore improving staff efficiency.
- An email is generated to the taxpayer so that they have record of the interaction.
- Should the taxpayer require support beyond the call center staff, staff create a case.
  - The case is allocated to certain staff in the various operational divisions
  - The case can be tracked to completion – a capability that does not currently exist; this will greatly enhance our ability to manage workloads and identify systemic opportunities for improvement
  - Taxpayers get update emails as their case moves forward

In March, the taxpayer portal that will allow the taxpayer to login and track their case will launch. It will also enable the taxpayer to securely share correspondence. The lack of correspondence tracking is a major opportunity for improvement!

In the future, we will add other information:

- Cases may be auto-routed
- Integration with the Compass tax system so that ALL interactions, whether through taxpayer service or through regular tax system operations, will be apparent when serving the taxpayer
- There may be other features of interest, but these are the current plan

### **Compliance: The Comptroller should comment on the reasons why the number of active delinquent individual income tax cases has increased substantially since fiscal 2021 and what is being done to reduce the number of cases.**

None of the Comptroller's compliance programs ran during COVID. Technically, they started running in August 2021 – after a 17-month hiatus. In reality, the staff of the Compliance Division had mostly moved to other areas during COVID to take calls, etc. Therefore, very few staff remained to restart the programs. A new Compliance director started in January 2023, and the division began rebuilding. Now that our office has caught up on running our programs and issuing our assessments, in FY24 Compliance actually collected \$558M, which represents a 113% increase over FY21 collections.

**FMIS REPLACEMENT: The Comptroller should comment on what future costs still need to be taken into consideration and any project updates that have occurred since its December 2024 report.**

This project may be the largest IT project the state confronts for the next 30 years because it will impact every agency in the state. Furthermore, this goes beyond IT and is a full transformation of our State's financial operations affecting the people, processes, technology, and data. To address the scale and complexity of this endeavor, the Comptroller has established the Office of State Financial Innovation (OSFI) under our CIO to oversee and execute this statewide project. Under this office, the FMIS modernization project will completely replace our state's payment and accounting system, called FMIS (for Financial Management Information System). Included in this modernization are the two component systems comprising FMIS; R\*STARs, the state's financial system and general ledger, and ADPICS, the state's procurement and accounts payable sub-ledger.

This FMIS modernization project is mandated by State Government Article § 4-113, Modernization of State Financial Systems, and strategically run by a Governance Council that includes the Comptroller, Treasurer, Secretary of DGS, Secretary of DoIT, Secretary of DBM, and Chief Procurement Officer.

In this past year, we established our Project Management Office (PMO) and several parallel workstreams to ensure a holistic, successful transformation of our State's financial people, processes, technology, and data. These workstreams include:

- 1. Discovery & Modernization** – This workstream is focused on the statewide discovery of agencies financial and procurement processes and will produce the future system requirements and roadmap to modernization (including future potential systems, timeline, budget).
- 2. Organization Change Management (OCM)** – This workstream is focused on the transitioning our people into a modernized system and processes. We are currently launching the Maryland Accounting Academy (MDAA) as a statewide learning center for our financial and accounting staff to begin addressing OCM.
- 3. Statewide Data Strategy** - This workstream is focused on developing a statewide financial data strategy, which will inform the strategic direction to manage financial data across the state.

On December 4, 2024, the Board of Public Works unanimously approved the PMO Services contract to Guidehouse for this project. Importantly, Guidehouse committed to meeting Maryland's Minority Business Enterprise (MBE) and Veteran-Owned Small Business Enterprise (VSBE) goals of 29% and 3%.

Next steps include:

- **Alerting all agencies** – In the next several months, a comprehensive phased launch plan will begin the bi-directional communication with all agencies. This will include a letter from the Comptroller to all agency secretaries and executives, livestream launch with the Comptroller, email communications, and townhall events with agency leaders.
- **Discovery sessions** with state agencies will commence by the end of this fiscal year and occur over 12-14 months. These discovery efforts will inform requirements and determine a full roadmap for modernization in FY27.
- **Expanding Maryland Accounting Academy (MDAA)** – Over the next several months we will be surveying the accounting and financial leadership to understand the needs for future course and curriculum development.

Future costs to be considered in this modernization of the State's financial management system include the remaining costs of statewide discovery, requirements gathering, and procurement for (1) the system technology and (2) System Implementor (SI) as noted above. Furthermore, the State will need to assess the staffing costs to ensure we can allocate the appropriate resources to this project without sacrificing ongoing state operations. Our PMO services partner, Guidehouse, will provide a more exact forecast of these cost elements in FY27.

As noted, there are several factors that will continue to drive these modernization costs including the age of the legacy system (FMIS), manual processes built around this system, and workforce operating to the legacy system and processes.

We provide reports every six months on the project to DLS and the budget committees. If you ever have any interest in review our work, please let us know – we would love to share what we are doing!

**Compliance Modernization: The Comptroller should comment on what publicly available data this technology uses and how it is validated for accuracy.**

The contractor's related algorithms are proprietary. However, inputs to the process include data scraped from publicly-available websites such as Air BnB, Turo, and Youtube. As part of the audit process, Compliance staff request records from the taxpayer related to the income found to be unreported. This step allows us to verify the accuracy of the data. Once an assessment is issued, the taxpayer has an opportunity to appeal so that an independent hearing officer can affirm that the tax was charged appropriately. These steps ensure fairness and accuracy.

Another technology resource the Comptroller is interested in utilizing is known as the automated Financial Institution Data Match (FIDM). The Comptroller reports that FIDM, in unison with additional staff, would enable the agency to attach accounts from nontraditional financial institutions (such as CashApp, PayPal, Square, etc.), that may not be included under a traditional data match. The estimated cost for FIDM is \$1.0 million annually.

**1099G Error: The Comptroller should comment on the budgetary impacts of the mailing error, including how much funding is needed to provide one year of credit monitoring for taxpayers who have been affected.**

On February 3, 2025, the Comptroller became aware that it had accidentally mailed approximately 6,700 tax forms to incorrect addresses, thus compromising the identity of an equivalent number of taxpayers. This occurred when a printer malfunctioned and when it began printing again, it was misaligned by one page. The agency sends out over 800,000 1099 forms

each year. The Comptroller is planning to implement several changes to ensure that this error does not happen again and has offered affected taxpayers a year of credit monitoring for free through a company called Kroll. We believe the total cost will be \$20,000. We sent letters to affected taxpayers on February 18 with the credit monitoring information.