



THE MARYLAND GENERAL ASSEMBLY
ANNAPOLIS, MARYLAND 21401-1991

Joint Committee on the Management of Public Funds

December 18, 2021

The Honorable Bill Ferguson, Co-Chair
The Honorable Adrienne A. Jones, Co-Chair
Members of the Legislative Policy Committee

Ladies and Gentlemen:

The Joint Committee on the Management of Public Funds is pleased to present this report on its activities undertaken during the 2021 interim in the conduct of its charge to oversee the general management of State public funds. The joint committee met three times virtually and was briefed on several relevant topics, including the federal American Rescue Plan Act of 2021 (ARPA) funds, the State's economic development programs, the activities of the Comptroller's and Treasurer's offices, and audits of local governments.

A summary of the activities of the joint committee is enclosed. The joint committee recommends the formulation of a comprehensive plan to examine the amount of funding that should be set aside for maintenance and the potential savings for the State from not deferring maintenance. Furthermore, the joint committee recommends exploring alternative uses of bond premiums and making statutory changes in order to comply with the updated guidance from the State's bond counsel. Electronic copies of the written testimonies provided to the joint committee are available by request through committee staff Caleb Weiss (caleb.weiss@mlis.state.md.us) or Heather MacDonagh (heather.macdonagh@mlis.state.md.us).

The joint committee greatly appreciates the assistance of the many individuals who participated in the activities of the joint committee during the 2021 interim.

Respectfully submitted,

Senator Malcolm Augustine
Senate Chair (Presiding)

Delegate Pat Young
House Chair

MA:PY/CW:HM/cr

Enclosure

cc: Ms. Sally Robb
Ms. Alexandra Hughes
Mr. Jeremy Baker
Ms. Victoria Gruber
Mr. Ryan Bishop

Joint Committee on the Management of Public Funds 2021 Interim Report

The Joint Committee on the Management of Public Funds held three virtual meetings during the 2021 interim.

September 22 Meeting

Update on Federal American Rescue Plan Act of 2021 (ARPA) Funds

The Joint Committee on the Management of Public Funds held a joint briefing with the Senate Budget and Taxation Committee, the House Appropriations Committee, and the Joint Committee on Federal Relations to receive an update on ARPA funds from U.S. Senator Ben Cardin, U.S. Senator Chris Van Hollen, the Department of Budget and Management (DBM), and the Maryland Association of Counties (MACo). Senators Cardin and Van Hollen spoke about upcoming federal legislation and policy issues that the federal government is working on, such as infrastructure and affordable housing.

The DBM Secretary, David Brinkley, along with the Deputy Secretary, Marc Nicole, discussed how the \$11.9 billion in grant funding from ARPA has been allocated. DBM discussed allowable uses of the \$3.7 billion State Fiscal Relief Fund (SFRF) within ARPA and the SFRF spending plan.

Kevin Kinnally, MACo's Legislative Director, briefed the committees on how counties are handling the pandemic and utilizing ARPA funds. Maryland counties are expected to receive \$1.7 billion in ARPA funds, and MACo discussed how counties plan to use those funds, such as on relief for households and businesses and investments in clean drinking water.

October 7 Meeting

Update on State Economic Development Programs

Representatives of the Maryland Department of Commerce (Commerce), the Maryland Technology Development Corporation (TEDCO), and the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) addressed the joint committee regarding their economic development and small business financing programs across the State.

Maryland Department of Commerce

Commerce representatives Sarah Sheppard and Andy Fish provided a briefing on Commerce's programs and its role in the State's recovery from the COVID-19 pandemic, with a focus on two main programs: the Maryland Economic Development Assistance Authority Fund

(MEDAAF) and the Maryland Small Business Development Finance Authority (MSBDF). Commerce also provided an update on its COVID-19 relief efforts, including the Maryland Small Business COVID-19 Emergency Relief Grant Fund (\$145 million), the COVID-19 Emergency Relief Loan Fund (\$75 million), the Restaurant COVID-19 Relief Fund (\$80 million), the Hotel COVID-19 Relief Program (\$50 million), the Small Business COVID-19 RELIEF Grant Program (\$10 million), the Restaurant and Caterers COVID-19 RELIEF Grant Program (\$22 million), the Lodging and Accommodations COVID-19 RELIEF Grant Program (\$10 million), and the Online Sales and Telework Grant Program.

Maryland Technology Development Corporation

The executive director of TEDCO, Troy LeMaile-Stovall, provided an overview of the organization. The executive director emphasized that interactions at TEDCO are driven by its core values of accountability, collaboration, integrity, respect, and stewardship. TEDCO highlighted its work on the Maryland Stem Cell Research Fund, the Maryland Innovation Initiative Fund, and Federal Technology Transfer. TEDCO uses three methods to make investments in the State: pre-seed funds, seed funds, and the Maryland Venture Fund. TEDCO also presented on its new programs: the Urban Business Innovation Initiative, the Rural and Underserved Business Recovery from Impact of COVID-19, and the Agriculture and Rural Rebuild Challenge.

Maryland Agricultural & Resource-Based Industry Development Corporation

Stephen McHenry, the executive director of MARBIDCO, briefed the joint committee on the activities of the organization and the impact of COVID-19 on operations. MARBIDCO highlighted some of the challenges faced by the agriculture and rural industries in the State, which include an aging workforce, loss of rural working land, and lack of access to affordable business capital. MARBIDCO's programming falls into three categories: core rural agriculture business development, higher risk specialty lending, and rural land preservation facilitation. The COVID-19 pandemic and the related economic crisis has disrupted Maryland's agricultural and seafood industries. In particular, changes in demand at the local level has necessitated updates to equipment, such as cold storage, but some farmers do not have the financial means to purchase the necessary equipment. In response, MARBIDCO has taken the following actions: (1) deferred loan repayments on 35 loans; (2) reduced the interest rates on core loan programs by 100 basis points; and (3) administered several grant and relief funds. These funds included: the Pandemic Adjustment Equipment Grants (CARES Act), Maryland Shellfish Aquaculture Relief Grants (RELIEF Act), Maryland Urban Farmer Relief Grants (RELIEF Act), the Local Food Cold Storage Relief Grant Program (RELIEF Act), the Maryland Livestock Processing Relief Grant Program (RELIEF Act), the Maryland Wood Products Industry Equity Incentive Relief Fund, Maryland Market Money (RELIEF Act), and Pandemic Adjustment Loans (MARBIDCO funded).

October 20 Meeting

State Treasurer's Office – Update on Activities

State Treasurer Nancy Kopp provided an update on the activities of the Treasurer's

Office. Treasurer Kopp reported that in August 2021 all three rating agencies affirmed the State's AAA bond rating. Maryland is 1 of only 13 states with AAA ratings from all three rating agencies.

In October 2021, the Capital Debt Affordability Committee (CDAC) recommended \$900 million for new general obligation bond authorizations to support the fiscal 2023 capital program. CDAC further recommended \$1.125 billion, \$1.135 billion, \$1.145 billion, and \$1.155 billion in authorizations for fiscal 2024 through fiscal 2027, respectively. The committee also recommended \$30 million in Academic Facilities Bonds to be authorized for fiscal 2023.

The Treasurer's Office began a financial and insurance systems modernization project in fiscal 2017 to replace their legacy IBM system with Microsoft Dynamics 365. A variety of unforeseen issues, such as the COVID-19 pandemic and staffing shortages, have delayed the project, but implementation has continued and is now accelerating back to its originally planned trajectory. The Treasurer also discussed the State Insurance Fund and how the State procures insurance for State property. The Treasurer noted that maintenance of State facilities is important to the rates the State pays for insurance and their condition is deteriorating. Over the past few years there has been a steady increase in premiums and difficulty obtaining coverage for boilers and other machinery, specifically for educational institutions, due to a lack of carriers willing to write the coverage and the frequency of claims for water damage.

Comptroller's Office – Update on Activities

Comptroller Peter Franchot provided an update on the activities of the Comptroller's Office. The Comptroller explained how the RELIEF Act of 2021 has helped Marylanders, including individuals, businesses, and nonprofit organizations. The September revenue estimates by the Board of Revenue Estimates anticipate ending the year with approximately \$5 billion in unanticipated revenue, so the Comptroller urged allocating half of that revenue to a small business rescue and stimulus package and setting aside additional funds to fortify the State's Rainy Day Fund.

The Comptroller's Office advised that during the most recent tax season, the State collected \$19 billion in gross revenue and processed more than 3.1 million tax returns. More than 2.5 million families received tax refunds, on average within 2.5 business days. The Comptroller's Office also discussed its continued efforts to protect State taxpayers against fraud and identity theft. Lastly, the Comptroller provided the joint committee with an update on the transition into a new tax processing system, Compass.

Office of Legislative Audits – Review of Local Government Audit Reports

Robert Garman, Assistant Director of Quality Assurance in the Office of Legislative Audits (OLA), presented information on the reviews of local government audits for fiscal 2020. OLA found that the local governments generally complied with generally accepted accounting principles and auditing standards and the local governments generally appeared to be in good financial condition.

OLA's report summarized the most significant and frequent problem areas found during its annual review of local government audits, which include failing to timely file an audit report, failing to present the audit or financial statements in accordance with generally accepted auditing and accounting principles, failing to present all required statements, lacking adequate disclosures, and 15 local governments had unsecured cash deposits. Additionally, the Upper Potomac River Commission was identified as having a potential financial problem with the auditor reporting uncertainty regarding the fund's ability to continue as a going concern. The Town of Deer Park has not filed an audit report for fiscal 2018 through 2020.

Maryland Municipal League –Update on ARPA Funds

Angelica Bailey, Director of Governmental Relations for the Maryland Municipal League (MML), along with Tom Reynolds, Director of Education Services for MML, provided an overview of how municipalities are using ARPA funds, including how municipalities receive the funding, how the funding is calculated, and reporting requirements. The funds may be used generally for public health, lost revenue, premium pay, and infrastructure. Anecdotally, MML noted that many municipalities are planning to spend ARPA funds on upgrading infrastructure for cleaner water, assisting small businesses with recovery, and providing rental and household assistance.