



THE MARYLAND GENERAL ASSEMBLY
ANNAPOLIS, MARYLAND 21401-1991

Joint Committee on the Management of Public Funds

December 14, 2022

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

Dear President Ferguson, Speaker Jones, and Members:

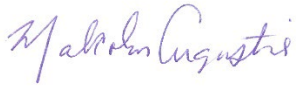
The Joint Committee on the Management of Public Funds is pleased to present this report on its activities undertaken during the 2022 interim in the conduct of its charge to oversee the general management of State public funds. The joint committee met twice and was briefed on several relevant topics, including 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 will sponsor legislation for the Treasurer's Office relating to the notice requirement for bond sales, the format of denial of claims, and its investment policy on commercial paper. Additionally, the joint committee recommends local governments that are delinquent in timely filing their audit reports as required by State law report to the joint committee regarding their noncompliance. Furthermore, the joint committee recommends that the General Assembly look into the possibility of creating a center for fraud detection, spearheaded by the Comptroller's Office.

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The joint committee greatly appreciates the assistance of the many individuals who participated in the activities of the joint committee during the 2022 interim.

Respectfully submitted,



Senator Malcolm Augustine
Senate Chair (Presiding)



Delegate Pat Young
House Chair

MA:PY/HM:MS/cr

Enclosure

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

Joint Committee on the Management of Public Funds 2022 Interim Report

The Joint Committee on the Management of Public Funds held two meetings during the 2022 interim.

October 12 Meeting

State Treasurer's Office – Update on Activities

State Treasurer Dereck Davis provided an update on the activities of the Treasurer's Office. Treasurer Davis reported on his three-pronged approach to improving agency operations, which focuses on hiring and retaining employees, modernizing information technology (IT) systems, and promoting the presence of the State Treasurer's Office through education and social media. In May 2022 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. Since taking office in December 2021, Treasurer Davis has filled key vacancies and improved the delivery of core services through various modernization efforts.

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. The new system will consist of four modules. A variety of unforeseen issues, such as the COVID-19 pandemic and staffing shortages, have delayed the project; however, the accounting module is fully operational, and the insurance claims module and the citizen and agency portal are currently being implemented, with plans for the final module, the Treasury Management System (banking module), to begin implementation in the third quarter of fiscal 2023.

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 Workgroup on Pandemic Spending was formed and how it allowed to see how taxpayer dollars were spent and the challenges faced by interest groups. Maryland's economy remains strong, as the September revenue estimates by the Board of Revenue Estimates anticipate ending the year with approximately \$1.6 billion in surplus revenue along with increasing the revenue forecast by \$1.2 billion for fiscal 2023.

During the most recent tax season through October 1, the State collected \$4.5 billion in gross income tax revenue and processed more than 3.1 million tax returns. More than 2.3 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. The Comptroller recommended creating a center for fraud detection, spearheaded by the Comptroller's Office, to prevent fraud across all State agencies. Thus, the joint committee recommends that the General Assembly explore that issue further. Lastly, the Comptroller

provided the joint committee with an update on the transition to Compass, a new tax processing system.

Office of Legislative Audits – Review of Local Government Audit Reports

The Office of Legislative Audits (OLA) presented information on the reviews of local government audits for fiscal 2021. 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 unsecured cash deposits. 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. Additionally, the auditor's report for one local government contained a qualified opinion for one unit. The Town of Deer Park has not filed an audit report for fiscal 2019 through 2021. Failing to timely submit local government audit reports has been an ongoing issue for a number of years. Thus, the joint committee requests local governments that are delinquent in filing audit reports to report to the joint committee on their failure to timely submit audit reports.

November 16 Meeting

State Treasurer's Office – Request for Sponsoring Legislation

Representatives of the State Treasurer's Office requested that the joint committee introduce three bills on its behalf. First, the Treasurer's Office would like to remove an obsolete reference and allow for electronic posting of the notice requirement for bond sales. Second, State law requires the Treasurer's Office to deny a claim made under the Maryland Tort Claims Act by certified mail, and the Treasurer would like to allow for electronic (email) denial of a claim. Lastly, the Treasurer's Office proposes to repeal the statutory threshold of 10% for commercial paper and instead require the adoption of regulations to establish proportions for all of the types of investments allowed under the law. The proposed legislation would also require the Treasurer's Office to notify local governments that are required to have specified local investment policies of the changes contained in the bill so that they would have the opportunity to review, revise, and report any changes in those policies.

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 Andy Fish and Jennifer LaHatte provided a briefing on Commerce's programs, with a focus on two main programs: the Maryland Economic Development Assistance Authority Fund (MEDAAF), which is used for job creation and retention, and the Maryland Small Business Development Finance Authority (MSBDFA). They also discussed the Small, Minority and Women-Owned Businesses Account funded through video lottery terminal revenues and the demographics of program participants. Another goal held by Commerce is to continue to support businesses with their growth, workforce development, and networking across both government and international sectors.

Maryland Technology Development Corporation

The executive director of TEDCO, Troy LeMaile-Stovall, provided an overview of the organization and emphasized that interactions at TEDCO are driven by its core values of accountability, collaboration, integrity, respect, and stewardship. The executive director also provided an overview of TEDCO's funding programs by stage. Much of the presentation was focused on the collaborations TEDCO has with local colleges, the stem cell research fund, and the investments in communities that would otherwise be overlooked for funding sources through their social impact fund.

Maryland Agricultural & Resource-Based Industry Development Corporation

Stephen McHenry, the executive director of MARBIDCO, briefed the joint committee on the activities of the organization. MARBIDCO highlighted some of the challenges faced by the agriculture and rural industries in the State, which include an aging and seasonal workforce, loss of rural working land, and lack of access to affordable business capital. One of the focuses of MARBIDCO is the Great Maryland Outdoors Act which will support next generation programs and incentivize young farmers to buy farms. Much of the focus of this program is also to target women, minority, and first-time farmers to get into the profession. By targeting farmers through advertisements in agricultural newspapers and attending annual conferences, MARBIDCO hopes to continue to reach and communicate financial programs to support the industry.