

Joint Committee on the Management of Public Funds
2024 Interim Report

State Government Article, Section 2-806(b)

Joint Committee on the Management of Public Funds

December 14, 2024

SENATOR ARTHUR ELLIS
SENATE CHAIR

SENATOR PAMELA G. BEIDLE
SENATOR PAUL D. CORDERMAN
SENATOR MARY-DULANY JAMES

DELEGATE COURTNEY WATSON
HOUSE CHAIR

DELEGATE EMILY SHETTY
DELEGATE JOSHUA STONKO



MARYLAND GENERAL ASSEMBLY
JOINT COMMITTEE ON THE MANAGEMENT OF PUBLIC FUNDS

December 14, 2024

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 2024 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.

The joint committee will sponsor legislation to increase the annual audit waiver threshold from \$250,000 to \$700,000 for local governments under § 16-305 of the Local Government Article and to require minimum qualifications for municipal employees with specified financial responsibilities.

The joint committee greatly appreciates the assistance of the many individuals who participated in the activities of the joint committee during the 2024 interim.

Respectfully Submitted,

Handwritten signature of Arthur Ellis in black ink.

Arthur Ellis
Senate Chair

Handwritten signature of Courtney Watson in black ink.

Courtney Watson
House Chair

AE:CW/HM/EW/bal

Enclosure

cc: Sally Robb
Matthew Jackson
Victoria L. Gruber
Ryan Bishop

Joint Committee on the Management of Public Funds 2024 Interim Report

The Joint Committee on the Management of Public Funds held two meetings during the 2024 interim.

September 18 Meeting

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

Maryland Agricultural and Resource-Based Industry Development Corporation

Stephen McHenry, the executive director of MARBIDCO, briefed the joint committee on MARBIDCO's mission and on Maryland agriculture. MARBIDCO recently received \$3.8 million from the U.S. Department of Agriculture to establish a revolving loan fund for livestock processing facilities, which are unable to keep up with demand in the State. The program complements MARBIDCO's Livestock Processing Equipment Grant Program and MARBIDCO hopes these programs will increase processing capacity for livestock and seafood, including the invasive blue catfish. In 2006, the General Assembly passed the Agriculture Stewardship Act, which provided MARBIDCO with annual funding for core programming and required the agency to become self-sustaining. Fiscal 2025 is the final year of state payments for the program and the agency is on track to become fully self-sustaining by the end of the fiscal year. In response to a question regarding whether MARBIDCO is making investments in empty warehouse or greenhouse spaces, Executive Director McHenry said that indoor food production is eligible for MARBIDCO's programs and provided an example of an indoor mushroom growing operation in Bladensburg that the agency recently funded.

Maryland Technology Development Corporation

Troy LeMaile-Stovall, chief executive officer of TEDCO, provided an overview of TEDCO's investment programs, which invest only in Maryland, and work as venture capital programs to support businesses in the early stages of their establishment. TEDCO's new programs include the Institute for Women Entrepreneur Excellence, the Cyber Maryland program, the Equitech Growth Fund, and the Human Relevant Research Fund. In addition, TEDCO has begun distributing federal State Small Business Credit Initiative (SSBCI) funds through its existing

programs to provide start-up funding and company investments, deploying more than \$15 million in SSBCI funding in fiscal 2024.

Maryland Department of Commerce

Andy Fish, senior director of the Office of Finance Programs for the Department of Commerce (Commerce), provided an update on the department's business development programs, including the Port of Baltimore Emergency Business Assistance Program. The program, which provided assistance to businesses impacted by the Key Bridge collapse, has awarded \$10 million to 126 recipients as of September 2024. Senator Ellis and Delegate Watson commended the department on its efforts assisting and retaining businesses affected by the bridge collapse. Other relatively new programs administered by Commerce include:

- the Maryland New Start Microloan Program, which has received one application;
- the Build Our Future Grant Pilot Program, which awarded \$9.0 million to 11 grantees in fiscal 2024;
- the Cannabis Business Assistance Fund, which provided \$45.6 million to 9 entities in fiscal 2024; and
- the Child Care Capital Support Revolving Loan Fund, which provided \$9.5 million in loans to 50 child care businesses in fiscal 2024.

In addition, Commerce updated the joint committee on three other programs: the Maryland Small Business Development Financing Authority (MSBDF) managed by MMG; the Small, Women, and Minority-Owned Businesses Account funded through video lottery terminal revenues; and the Maryland Economic Development Assistance Authority and Fund, which provides below-market, fixed-rate financing for businesses in priority funding areas in the State.

Meridian Management Group

Stanley Tucker, Executive Director of MMG, and Tim Smoot, Chief Operating Officer, presented information about two of MMG's programs, MSBDF and the Maryland Casino Business Investment Fund (MCBIF), both of which promote entrepreneurs in Maryland, particularly women- and minority-owned businesses. Senator Ellis noted a lack of transactions in Charles, St. Mary's, and Calvert counties and offered to reach out to discuss improving outreach to businesses in those areas. Mr. Smoot said MMG would welcome the assistance.

October 30 Meeting

The joint committee received written testimony from the State Treasurer and heard from the Comptroller, the Office of Legislative Audits (OLA), and local governments.

State Treasurer's Office – Update on Activities

State Treasurer Dereck Davis provided written testimony on the activities of the Treasurer's Office. The testimony highlighted the Maryland 529 Program, which has received several accolades since the Treasurer's Office has assumed oversight of the program. Priorities for 2025 include securing funding to support the State Treasurer's Office's major information technology project and other operational needs.

Comptroller's Office – Update on Activities

Comptroller Brooke Lierman provided an update on the activities of the Comptroller's Office. The Comptroller explained how the agency is launching Maryland Tax Connect, a new online portal for taxpayers, and is joining IRS Direct File in 2025. The Comptroller discussed the need for additional staffing for customer service in the Taxpayer Services Division and the priority of fortifying the agency's Compliance Division to help close the tax gap.

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 2023. 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. However, OLA's report summarized the most significant and frequent problem areas found during its annual review of local government audits, which included failing to timely submit audit reports.

Failing to timely submit local government audit reports has been an ongoing issue for a number of years so the joint committee requested local governments that were delinquent in filing audit reports to report to the joint committee on their failure to timely submit the reports. The joint committee heard from Dorchester County, the Town of Barclay, the Town of Forest Heights, the City of Hyattsville, the Town of Lonaconing, the Town of Rock Hall, the City of Seat Pleasant, and the Town of Sudlersville on their failures to timely submit audit reports. The joint committee also heard from the Town of Princess Anne regarding the disclaimer of opinion on its financial statements. The joint committee discussed the need to exempt more small local governments from the annual audit requirements and agreed to sponsor legislation to increase the annual audit waiver threshold from \$250,000 to \$700,000 for local governments under § 16-305 of the Local Government Article. In addition, the joint committee noted issues with municipalities hiring qualified employees in their accounting or finance departments and agreed to sponsor legislation to require minimum qualifications for municipal employees with specified financial responsibilities.