

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 281 (Senator Kagan)
Education, Health, and Environmental Affairs

Comptroller - Online Payment Processing Portal

This bill requires the Comptroller to maintain an online payment processing portal to track payments made to payees. It specifies both the functionalities that the portal must have and the timetable for their implementation. The portal must be operational by July 1, 2023, with certain additional features becoming operational by either January 1, 2024, or July 1, 2024. By January 1, 2023, the Comptroller must report to specified committees of the General Assembly on the development and implementation of the portal. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: General fund expenditures increase in FY 2023 and 2024, likely by tens of millions of dollars, to upgrade existing financial management and/or procurement systems, as discussed below. No effect on revenues.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill defines “payee” as an entity, including a nonprofit corporation or local government, that is owed money for goods provided or services rendered to the State under an agreement.

The online payment processing portal must:

- enable a payee to confirm receipt by the State of any required documents that the payee must submit to receive payment;

- notify the payee when its request for payment has been received, approved, and paid;
- provide contact information for the individual responsible for reviewing and approving the payment;
- by January 1, 2024, be integrated with eMaryland Marketplace (eMM); and
- by July 1, 2024, allow the public to search payments, as specified.

The Comptroller may (1) consult with the Department of Information Technology (DoIT) and (2) adopt regulations to carry out the bill.

Current Law: The [Maryland Transparency Portal](#) (MTP), mandated by the Maryland Funding Accountability and Transparency Act of 2008 (Chapter 659), as amended, is an Internet-based portal that allows any individual to search State payments to vendors and grantees by year and agency. It is operated and maintained by DoIT.

eMM is an Internet-based procurement system managed by the Department of General Services (DGS). In general, procurements using competitive sealed bids or competitive sealed proposals must post notice of the solicitation on eMM at least 20 days before bids or proposals are due. Notification requirements for other types of procurements vary but many also require notification on eMM. Notice of contract awards valued at more than \$50,000 must also, in general, be posted on eMM. In fiscal 2019, the State awarded a contract to substantially upgrade eMM's functionality, and many of those upgrades have been made; release 2.0 of the new system, which includes more functional upgrades, is planned for later in fiscal 2022.

Article VI of the Maryland Constitution establishes the position of Comptroller, to be elected by the qualified voters of the State. Under Article VI, the Comptroller is responsible, among other duties, for preserving all public accounts, and, if authorized by the General Assembly, granting all warrants for money to be paid out of the Treasury.

The Financial Management Information System (FMIS), operated by the Comptroller's Office, is the official accounting system of record for the State, consisting of accounting, purchasing, inventory, and reporting applications. FMIS was adopted in the mid-1990s, but the State has begun the process of replacing it with a modern accounting system. The estimated cost of the replacement is currently \$127 million, with expected completion by the end of fiscal 2024.

State Expenditures: DGS, which operates eMM, and the Comptroller's Office, which operates FMIS, advise that each system either currently or will shortly include some of the features required by the bill. However, some features required by the bill are not available on either system, although some may be available on MTP.

DGS advises that eMM release 2.0 will allow (1) vendors to confirm receipt by the State of required documents; (2) notifications to payees when their payments are under review, approved for payment, and paid by the State; and (3) provide the name and address (but not the telephone number) of the individual who is responsible for reviewing and approving payments. However, eMM is strictly a procurement tool and, therefore, includes capabilities related only to State contracts that have been awarded. It is, thus, unable to provide these services to any payee (*e.g.*, a nonprofit grantee or local government) that is not a vendor on a State contract. Moreover, DGS advises that eMM does not allow public searches of payments to payees. However, MTP does allow such searches, including for grantees and other payees.

Neither eMM nor MTP, however, is operated by the Comptroller's Office, which advises that FMIS is unable to perform these tasks. Establishing a portal capable of performing all tasks required by the bill requires a significant upgrade to FMIS, similar to the effort already underway to replace it with a more modern accounting system. However, that system is not expected to be operational until, at the earliest, July 2024, and the bill requires the portal to be operational a year earlier. Given that the full upgrade of FMIS is estimated to cost \$127 million, general fund expenditures by the Comptroller's Office increase, likely by tens of millions of dollars, in fiscal 2023 to accelerate the completion of the upgrade to FMIS by one year. Additional costs are likely incurred in fiscal 2024 for the remaining functionality required in the following year. The Department of Legislative Services notes that any such acceleration may compromise the security and functionality of the new system.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 308 (Delegate Lierman) - Health and Government Operations.

Information Source(s): Department of Information Technology; Comptroller's Office; Department of Budget and Management; Department of General Services; Department of Legislative Services

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