

# HOUSE BILL 165

L6

(4lr0510)

## ENROLLED BILL

— *Environment and Transportation/Budget and Taxation* —

Introduced by **Delegate J. Lewis**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

\_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
Speaker.

### CHAPTER \_\_\_\_\_

1 AN ACT concerning

#### 2 **Local Government – Annual Audit Reporting Requirements – Alterations**

3 FOR the purpose of requiring a certain amount of State aid to be discontinued if a county,  
4 municipality, or special taxing district does not submit a certain audit report within  
5 a certain period of time after the deadline for the report, subject to a certain  
6 condition; and generally relating to local government reporting requirements.

7 BY repealing and reenacting, without amendments,

8 Article – Local Government

9 Section 16–304

10 Annotated Code of Maryland

11 (2013 Volume and 2023 Supplement)

12 BY repealing and reenacting, with amendments,

13 Article – Local Government

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#### EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

*Italics indicate opposite chamber/conference committee amendments.*



1 Section 16–306  
2 Annotated Code of Maryland  
3 (2013 Volume and 2023 Supplement)

4 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
5 That the Laws of Maryland read as follows:

6 **Article – Local Government**

7 16–304.

8 (a) (1) Except as provided in paragraph (2) of this subsection, on or before  
9 October 31 after the close of its fiscal year, each county, municipality, and special taxing  
10 district shall file with the Department of Legislative Services a financial report for that  
11 fiscal year.

12 (2) (i) A county, municipality, or special taxing district with a  
13 population of over 400,000 may file its financial report on or before December 31 after the  
14 close of its fiscal year.

15 (ii) Unless subparagraph (i) of this paragraph applies, Howard  
16 County may file its financial report on or before November 30 after the close of its fiscal  
17 year.

18 (iii) Allegany County, Calvert County, Caroline County, Charles  
19 County, Frederick County, Garrett County, Queen Anne’s County, St. Mary’s County,  
20 Somerset County, Talbot County, and Wicomico County may file the county’s financial  
21 report on or before December 31 after the close of the county’s fiscal year.

22 (b) The financial report required under subsection (a) of this section shall be:

23 (1) prepared on the form established by the Department of Legislative  
24 Services; and

25 (2) verified by the chief executive officer of the county, municipality, or  
26 special taxing district.

27 (c) If a county, municipality, or special taxing district does not comply with  
28 subsection (a) of this section, the Comptroller, on notice from the Executive Director of the  
29 Department of Legislative Services, may order the discontinuance of all money, grants, or  
30 State aid that the county, municipality, or special taxing district is entitled to receive under  
31 State law, including money from:

32 (1) the income tax;

33 (2) the tax on racing;

- 1           (3)    the recordation tax;
- 2           (4)    the admissions and amusement tax; and
- 3           (5)    the license tax.

4 16–306.

5           (a)    The county, municipality, or special taxing district shall report the results of  
6 the audit required under § 16–305 of this subtitle to the Legislative Auditor:

7                   (1)    on the form and in the manner that the Legislative Auditor requires;  
8 and

9                   (2)    on or before the date the financial report of the county, municipality, or  
10 special taxing district must be filed under § 16–304(a) of this subtitle.

11           (b)    An audit report filed by a county, municipality, or special taxing district with  
12 the Legislative Auditor shall include financial statements of the county, municipality, or  
13 special taxing district that are:

14                   (1)    prepared in accordance with generally accepted accounting principles;  
15 and

16                   (2)    audited in accordance with generally accepted auditing standards.

17           (c)    An audit report filed with the Legislative Auditor is a public record.

18           (d)    **[If] EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, IF** a  
19 county, municipality, or special taxing district does not comply with subsection (a) or (b) of  
20 this section, the Comptroller, on notice from the Executive Director of the Department of  
21 Legislative Services, may order the discontinuance of all money, grants, or State aid that  
22 the county, municipality, or special taxing district is entitled to receive under State law  
23 that are distributed by the Comptroller, the clerks of the court, or any other unit of State  
24 government.

25           **(E) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IF A COUNTY,**  
26 **MUNICIPALITY, OR SPECIAL TAXING DISTRICT DOES NOT COMPLY WITH SUBSECTION**  
27 **(A) OR (B) OF THIS SECTION WITHIN ~~1 3/2~~ 2 CALENDAR ~~YEAR~~ YEARS AFTER THE**  
28 **DEADLINE DESCRIBED IN SUBSECTION (A)(2) OF THIS SECTION, THE EXECUTIVE**  
29 **DIRECTOR OF THE DEPARTMENT OF LEGISLATIVE SERVICES SHALL NOTIFY THE**  
30 **COMPTROLLER AND THE COMPTROLLER SHALL ORDER THE DISCONTINUANCE OF**  
31 **20% OF ALL STATE AID FOR ~~POLICE AID,~~ THE CURRENT FISCAL YEAR FOR HIGHWAY**  
32 **USER REVENUES AND DISPARITY GRANTS, ~~AND DISPARITY GRANTS~~ THAT THE**  
33 **COUNTY, MUNICIPALITY, OR SPECIAL TAXING DISTRICT IS OTHERWISE ENTITLED TO**

1 RECEIVE UNDER STATE LAW THAT IS DISTRIBUTED BY THE COMPTROLLER, THE  
2 CLERKS OF THE COURT, OR ANY OTHER UNIT OF STATE GOVERNMENT.

3 (2) (I) A DISCONTINUANCE OF FUNDS UNDER PARAGRAPH (1) OF  
4 THIS SUBSECTION SHALL REMAIN IN EFFECT FOR A COUNTY, MUNICIPALITY, OR  
5 SPECIAL TAXING DISTRICT UNTIL THE COUNTY, MUNICIPALITY, OR SPECIAL TAXING  
6 DISTRICT SUBMITS THE AUDIT REPORT REQUIRED UNDER THIS SECTION.

7 (II) 1. SUBJECT TO SUBSUBPARAGRAPH 2 OF THIS  
8 SUBPARAGRAPH, THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF  
9 LEGISLATIVE SERVICES SHALL NOTIFY THE COMPTROLLER AND THE  
10 COMPTROLLER SHALL ORDER THE ~~CONTINUANCE~~ REINSTATEMENT OF THE FUNDS  
11 DISCONTINUED UNDER PARAGRAPH (1) OF THIS SUBSECTION PROMPTLY AFTER THE  
12 COUNTY, MUNICIPALITY, OR SPECIAL TAXING DISTRICT SUBMITS THE AUDIT  
13 REPORT REQUIRED UNDER THIS SECTION.

14 2. A. ~~IF A CONTINUANCE~~ REINSTATEMENT OF FUNDS  
15 IS ORDERED UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH, ONLY THE  
16 DISCONTINUED FUNDS FOR THE CURRENT FISCAL YEAR SHALL BE RELEASED.

17 B. ~~FOR ANY FISCAL YEAR IN WHICH~~ IF A COUNTY,  
18 MUNICIPALITY, OR SPECIAL TAXING DISTRICT FAILED TO SUBMIT THE AUDIT  
19 REPORT REQUIRED UNDER THIS SECTION IN THE SAME FISCAL YEAR IN WHICH IT  
20 WAS DUE, THE DISCONTINUED FUNDS FOR THAT FISCAL YEAR SHALL REVERT TO  
21 THE GENERAL FUND OF THE STATE FOR DISCONTINUED DISPARITY GRANTS AND TO  
22 THE TRANSPORTATION TRUST FUND FOR DISCONTINUED HIGHWAY USER  
23 REVENUES.

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply beginning  
25 with the fiscal year 2024 audits that are required to be submitted under § 16-306 of the  
26 Local Government Article, enacted by Section 1 of this Act.

27 SECTION ~~2.~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
28 July 1, 2025.