HB 1064

Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1064 (Delegate Bagnall, *et al.*)
Government, Labor, and Elections

Maryland Office of the Inspector General - Establishment

This bill establishes the Maryland Office of the Inspector General (OIG) as an independent unit of the State to investigate complaints of waste, mismanagement, misconduct, abuse, fraud, or corruption in units of the Executive Branch of State Government. The bill transfers the OIG for Education (OIGE) and the OIG for Health (OIGH) to OIG. OIG must include the Inspector General (IG), staff as provided in the State budget, OIGH, and OIGE.

Fiscal Summary

State Effect: Net general fund expenditures for OIG increase by $1.82 million in FY 2027, which represents the costs associated with 32 additional positions beyond the 58 positions transferred from OIGE and OIGH to OIG. In total, general fund expenditures for OIG increase by $6.72 million in FY 2027 and general fund expenditures for OIGE and OIGH decrease by at least $2.16 million and $2.74 million, respectively. Federal fund expenditures increase for OIG and correspondingly decrease for OIGH; thus federal fund expenditures remain unchanged. Future years reflect annualization, inflation, and ongoing costs. Revenues are likely not materially affected.

($ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	$0	$0	$0	$0	$0
GF Expenditure	1.82	0.72	0.77	0.80	0.83
FF Expenditure	0	0	0	0	0
Net Effect	($1.82)	($0.72)	($0.77)	($0.80)	($0.83)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not materially affect the operations or finances of the circuit courts. Otherwise, the bill does not directly affect local governments.

Small Business Effect: None or minimal.

Analysis

Bill Summary: The bill specifies the eligibility conditions, term, qualifications, job responsibilities, and appointment and removal processes for the IG. The IG is entitled to the salary and specified expense reimbursements provided in the State budget. The IG may establish office space that the State must maintain and equip, and funding for OIG must be as provided in the State budget.

The IG may employ staff as specified and the bill outlines their duties and responsibilities.

The IG must receive and may investigate complaints of waste, mismanagement, misconduct, abuse, fraud, or corruption in units of the Executive Branch and establish a toll-free hotline number and website through which anonymous complaints may be filed.

If the IG receives a complaint, the IG must determine whether the complaint should be investigated. If the IG discovers evidence of criminal activity, the IG must notify the appropriate law enforcement agency. Additionally, the IG may refer matters to the appropriate State or federal enforcement officials as specified. The IG must take steps to ensure that a person or unit subject to OIG's jurisdiction is not subject to duplicative investigations or audits.

The IG may conduct audits of units in the Executive Branch and must cooperate with investigations by other State or federal agencies. The bill specifies disclosures prohibitions and requirements of sources. An individual who discloses specified protected records is guilty of a misdemeanor and is subject to a fine of up to $2,000 and/or imprisonment of up to one year.

The IG must review the policies and procedures of units of the Executive Branch and make recommendations to improve them. Units must cooperate fully with the IG as specified.

The IG may serve a subpoena or *subpoena duces tecum* with the approval of a circuit court judge, and the bill specifies the process for issuing and serving subpoenas, along with issuing orders and granting appropriate relief.

The IG may adopt regulations to carry out the bill. The IG must develop an operations manual, make it publicly available on OIG's website, and provide training and education for units in the Executive Branch. IG must annually report to the Governor and the General Assembly as specified and must issue a final report on an investigation or completed audit as specified, and these reports must be posted on OIG's website.

Employees of units in the Executive Branch who make complaints or provide information to OIG relating to waste, mismanagement, misconduct, abuse, fraud, or corruption are protected under Maryland's Whistleblower Law.

The Governor may transfer positions and appropriate funds for those positions from State agencies, departments, or units of the Executive Branch to OIG, and all transferred employees must be transferred without diminution of their rights, benefits, employment, or retirement status.

Current Law: The Office of Legislative Audits (OLA) operates a fraud hotline and investigates allegations of fraud, waste, and abuse of State resources within the scope of its authority. OIGE and OIGH serve as independent agencies in the State to investigate instances of fraud, waste, and abuse in State and local education and health agencies. respectively.

Audits Conducted by the Office of Legislative Audits

Generally, OLA must conduct a fiscal/compliance audit of each unit of the State government (except for units of the Legislative Branch) at an interval ranging from three to four years, unless the Legislative Auditor determines, on a case-by-case basis, that more frequent audits are required. Each agency or program may be audited separately or as part of a larger organizational unit of State government. OLA must also conduct performance audits or financial statement audits when authorized by the Legislative Auditor, directed by the Joint Audit and Evaluation Committee (JAEC), or the Executive Director of the Department of Legislative Services (DLS), or otherwise required by law. A report must include OLA's findings, any appropriate recommendations, and any response from the unit subject to the audit.

The Executive Director of DLS or JAEC may direct OLA to undertake a review to determine the extent to which action has been taken by a unit to implement a report recommendation.

Additionally, OLA must maintain a fraud hotline for the reporting of allegations of fraud, waste, and abuse of State resources. OLA may (1) investigate an allegation received from the fraud hotline within the scope of its authority or (2) refer the allegation to the appropriate federal, State, or local agencies responsible for the enforcement or administration of the matter for investigation. Information obtained by OLA in relation to an act or allegation of fraud, waste, or abuse is confidential and may not be disclosed except under specified conditions.

Maryland Office of the Inspector General for Education

OIGE is an independent unit of State government established by Chapter 771 of 2019. The office promotes accountability and transparency in the use of public education funds by examining and investigating matters related to county boards of education, local education agencies, public schools, and nonpublic schools that receive State funding, as well as the Maryland State Department of Education (MSDE) and the Interagency Commission on School Construction. OIGE receives and investigates complaints involving alleged civil rights violations, compliance with laws governing the prevention and reporting of child abuse and neglect, and potential instances of fraud, waste, and abuse of public funds or property.

With the exception of certain protected, confidential, and privileged documents, the IG must have access to records, data, reports, contracts, correspondence, and other documents of the entities it may investigate. The office may serve a subpoena in the same manner as does a circuit court. Funding for the office, including the IG salary, is as provided in the annual State budget. The office must annually report on its goals and priorities; activities; the number and nature of incidents it reports to specified State and federal entities; and findings and recommendations related to (1) instances of fraud, waste, and abuse; (2) civil rights violations; and (3) specified policy matters.

Even though OIGE is an independent agency, its budget was initially allocated to MSDE; in fiscal 2026 it began operating under a new, independent budget code.

Maryland Office of the Inspector General for Health

Chapter 70 of 2006 authorized OIG within the Maryland Department of Health (MDH). Chapter 325 of 2021 renamed it to OIGH and made it an independent unit of the State.

Pursuant to the Health-General Article, the IG for Health may investigate fraud, waste, and abuse of departmental funds. The IG must cooperate and coordinate investigative efforts with the Medicaid Fraud Control Unit, departmental programs, and other State and federal agencies to ensure a provider is not subject to duplicative audits. The IG (or a designated assistant IG) may subpoena any person or evidence, administer oaths, and take depositions and other testimony as part of an investigation of (1) fraud, waste, or abuse of departmental funds or (2) behavior in MDH that threatens public safety or demonstrates negligence, incompetence, or malfeasance.

Within 30 business days after receiving a complaint or allegation, the IG, the compliance officer, or a designated assistant IG must respond to the individual who filed the complaint or allegation with (1) a preliminary indication of whether OIGH is able to investigate the complaint or allegation and (2) if not, the reason for not being able to do so (unless doing

so would have a negative impact on or jeopardize a specified investigation) and the contact information for the OLA Fraud Hotline.

State Expenditures: The bill makes OIGE and OIGH units within OIG and authorizes positions to be transferred from State agencies, departments, or units of the Executive Branch to OIG. The fiscal 2027 budget as introduced appropriates $2.9 million of general funds, including funding for 16 positions, to OIGE. Additionally, the fiscal 2027 budget as introduced contains $3.6 million of general funds and $2.4 million of federal funds for 42 permanent positions and 3.5 contractual positions at OIGH. This analysis assumes both OIGE and OIGH funds and positions are transferred to OIG on the bill's effective date of October 1, 2026. Thus, general fund expenditures for OIGE decrease by $2.2 million, reflecting three-fourths of a year. Likewise, OIGH general fund and federal fund expenditures decrease by $2.7 million and $1.8 million, respectively, reflecting three-fourths of a year, as a result of transferring the unit to OIG. Future years reflect annualization and projected growth in the units.

The bill requires OIG to ensure that Executive Branch agencies are not subject to duplicative investigations or audits. As OLA already is responsible for conducting audits of all Executive Branch agencies, operating a fraud hotline, and investigating accusations of waste, fraud, and abuse, this analysis assumes that OIG requires limited additional resources beyond those transferring from OIGE and OIGH to carry out its duties without duplicating OLA's work. In addition to the 58 regular positions and 3.5 contractual positions transferring from OIGE and OIGH, this analysis therefore assumes that OIG requires only an additional 32 positions, for a total of 90 regular positions, to carry out its duties with respect to other Executive Branch agencies.

Thus, general fund expenditures increase by at least $6,715,890 and federal fund expenditures increase by at least $1,807,899, totaling $8,523,789 for OIG, in fiscal 2027, which accounts for the bill's October 1, 2026 effective date. This estimate reflects the cost of hiring 90 employees to staff OIG, which includes 58 regular positions transferred from OIGE and OIGH and 32 additional positions. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. This represents a net increase of $1,815,789 in general funds above the amounts transferred from OIGE and OIGH.

Positions	90.0
Salaries and Fringe Benefits	$7,701,121
Operating Expenses	822,668
Total FY 2027 State Expenditures	**$8,523,789**

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Other State agencies may incur additional expenses to support OIG. However, any additional costs cannot be estimated absent experience under the bill.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Office of the Attorney General; Governor's Office; Maryland State Treasurer's Office; Judiciary (Administrative Office of the Courts); Maryland State's Attorneys' Association; Maryland State Department of Education; Department of Budget and Management; Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2026
caw/mcr

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