MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

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All State Spending Should Be Subject to Transparency Standards

Position Statement in support of House Bill 71

Given before the House Appropriations Committee

Maryland's budget is a moral document that has the power to move us toward broadly shared prosperity if invested wisely, and just as much power to move us in the wrong direction if not. Transparency is essential to ensure our shared investments benefit every Marylander, not just the powerful few. Extending transparency standards to require timely disclosure of all external state payments is the right choice. For these reasons, the Maryland Center on Economic Policy supports House Bill 71.

Under the Maryland Funding Accountability and Transparency Act of 2008, the state is required to publish a searchable database of state payments to external entities whenever those payments exceed $25,000 in a given fiscal year. However, the current law leaves out payments from non-budgeted funds—public resources used for public purposes but not subject to the usual appropriations process—and does not include clear safeguards on when records must be made public.

House Bill 71 would improve Maryland's transparency law by applying its requirements equally to non-budgeted funds and requiring that records be published monthly.

Maryland provides a number of public services, supported with public resources, through financial arrangements outside the state budget. Examples of non-budgeted expenditures include:

- The **Maryland Transportation Authority** collected nearly $800 million in tolls, concession revenue, and payments from state agencies in FY 2019 and invested this money in maintenance and improvement of our bridge and tunnel infrastructure.
- The **Maryland Stadium Authority** manages a wide range of properties and infrastructure projects with significant public support. Most prominently, the authority is intimately involved in financing school construction in Baltimore City, and that responsibility would expand to the entire state under House Bill 1, the Built to Learn Act of 2020.
- **Local health departments** receive significant state as well as local support to provide legally mandated public health services, often delivered by workers on the state's payroll. Certain state-supported activities, as well as compensation of employees on state payroll, are reported as non-budgeted state expenditures.

Each of these bodies provides a vital public service, and does it with the support of state resources. They should be subject to the same transparency standards as every other state expenditure. Public disclosure of state payments brings benefits, such as making it harder for state or local officials to self-deal and enabling public accountability for the equitable investment of state procurement dollars. These benefits are just as important, regardless of a public agency's accounting structure.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Appropriations Committee make a favorable report on House Bill 71.

Equity Impact Analysis: House Bill 71

Bill summary

House Bill 71 expands requirements regarding the public disclosure of state payments to apply equally to non-budgeted agencies. The bill also requires these records to be published every month.

Background

The General Assembly passed the Maryland Funding Accountability and Transparency Act in 2008, requiring the state to publish information on most external payments by the state in a searchable online database. This requirement applies to all external payments of general, special, or federal funds to an entity other than a state employee, if the entity receives at least $25,000 in a given fiscal year. In current practice, these records are published after the end of the applicable fiscal year. However, the law does not include any specific timeliness requirement.

The state operates a number of public agencies and authorities that receive public support and provide public services, but are not subject to the ordinary appropriations process. Some of these agencies issue revenue bonds not backed by the state's full faith and credit, such as the Maryland Transportation Authority. Others are funded by user fees—in many cases paid by other state agencies—such as the Maryland Environmental Service. These agencies' expenditures are not subject to disclosure requirements under the Maryland Funding Accountability and Transparency Act of 2008.

Equity Implications

Strengthening transparency standards could bring a number of equity benefits:

- Greater transparency will allow the public to determine whether the state is equitably awarding contracts to small, minority, and women-owned businesses.
- Greater transparency will allow the public to determine whether the state does business with companies that violate labor law or avoid or evade their tax responsibilities.
- Greater transparency will allow more effective monitoring of officials' ethical and legal compliance, ensuring that our shared investments benefit all Marylanders, not just the powerful few.

Impact

House Bill 71 would likely **improve racial and economic equity** in Maryland.