



FEBRUARY 24, 2021

All State Spending Should Be Subject to Transparency Standards

Position Statement in support of House Bill 1003

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. Ensuring timely and meaningful oversight of purchases during a state of emergency is in line with existing state transparency guidelines. For these reasons, the Maryland Center on Economic Policy supports House Bill 1003.

Maryland appropriately provides flexibility for the governor to address urgent and unexpected state needs during a state of emergency with spending outside of the approved budget. As the state responded to the coronavirus pandemic, this ensured we could purchase protective equipment and increase staffing in key areas like public health and unemployment to meet Marylanders' needs. However, such purchases should still be subject to reasonable oversight and transparency to ensure that state resources were used appropriately and effectively.

As Maryland and other states experienced in 2020, the speed and urgency of large state purchases of essential supplies during an emergency can create opportunities for price gouging, fraud, and other challenges. House Bill 1003 would provide basic oversight for purchases made during a state of emergency by providing prompt notice to the Legislative Policy Committee of the purchase and the reasons for it. It would also institute an auditing process for such purchases.

This is a balanced approach that ensures that state agencies can still respond quickly to specific needs during a state of emergency while also ensuring that the legislature can properly perform its oversight of the use of public funds and respond to questions from constituents about how public funds are being used to respond to the emergency. Having an audit process afterward could help resolve issues and refine best practices for future emergency procurement.

All state expenditures should be subject to transparency and accountability standards as every other state expenditure. 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. Transparency and accountability remain important values even as situations like the COVID-19 pandemic or a natural disaster require quick action outside of normal state procurement processes, .

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Appropriations Committee make a favorable report on House Bill 1003.

Equity Impact Analysis: House Bill 1003

Bill summary

House Bill 1003 requires notice to the Legislative Policy Committee within 72 hours of executing emergency procurements during a state of emergency. It also requires the Office of Legislative Audit to audit emergency procurement one year after the procurement.

Equity Implications

Strengthening transparency and accountability standards brings 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 1003 would likely **improve racial and economic equity** in Maryland.