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# Overhauling the State's Accounting System is Critical to a Well-Functioning State Government

## Position Statement in Support of Senate Bill 659

*Given before the Senate Budget and Taxation Committee*

Maryland's accounting system sits at the heart of state government operations, ensuring that employees, vendors, nonprofits that partner with the state, and others receive payments in a timely fashion. And, the system must also be able to respond to the government's unique needs for transparency and complying with public accounting best practices so that policymakers and the public can understand how the state is using our shared resources. **The Maryland Center on Economic Policy supports Senate Bill 659** because it would begin the process to replace the state's outdated accounting and payments system as soon as possible.

Maryland has one of the oldest accounting and payment processes in the country, relying on outdated mainframe technology rather than using modern cloud-based systems that most other states now use. Relying on outdated technology makes it harder for state agencies to perform basic functions of government and to comply with evolving transparency and reporting standards. It also creates a significant risk of delayed payments to vendors and nonprofits. This can have broader implications, as the state government is one of the largest employers in the state and its purchases of products and services help support other local businesses.

While state policymakers should address this need with urgency, replacing such a critical piece of technology must be done thoughtfully and with sufficient resources. SB 659 sets up a process to ensure all stakeholders are included in this planning process and that the state can plan to allocate appropriate funds and staff to oversee and execute this vital project.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee make a favorable report on Senate Bill 659.**

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### Equity Impact Analysis: Senate Bill 659

#### *Bill summary*

This bill directs the Comptroller's Office to lead a multi-agency effort between the State Treasurer's Office, the Secretary of the Department of Budget and Management, the Secretary of the Department of Information Technology, and the Secretary of the Department of General Services to prepare for the timely replacement of the existing accounting and payments system, determine the needs of the partner agencies involved, and finally,

develop the RFP and oversee implementation. The bill also directs the Comptroller to produce regular reports to the Legislature on the status of this effort.

### *Background*

Maryland has one of the oldest accounting and payment processes in the country, relying on outdated mainframe technology rather than using modern cloud-based systems that most other states now use. This has the potential to affect state employees, vendors, nonprofit organizations, and other stakeholders.

### *Equity Implications*

The investments and services provided by our state government are critical to opening doors to opportunity and undoing past harms. None of this is possible without well-maintained technological and financial infrastructure. To the extent that the current outdated system results in delayed payments to small businesses and nonprofit organizations that are responsible for providing services to Marylanders, having outdated financial systems can affect the well-being of Maryland families. While a different set of computer systems was involved, the state's mishandling of unemployment insurance claims during the COVID-19 pandemic illustrates how relying on outdated technology can harm Marylanders, especially workers of color. Effective financial systems are also necessary for the state to comply with tracking and transparency best practices, including tracking needed to comply with the state's goals for contracting with small, women-owned, and minority-owned businesses.

### *Impact*

Senate Bill 659 would potentially **improve racial and economic equity** in Maryland.