

Support SB0747.pdf

Uploaded by: John O'Connor

Position: FAV

John E O'Connor
Mechanicsville, MD 20659

RE: Support SB0747

Senator Guzzone,

I am writing to express my strong support for bills SB0747 and the cross-filed bill HB165. This legislation is essential to promote transparency and accountability within the government. It aims to provide the public with more efficient and effective services by ensuring the government is accountable for its actions, spending, and collection of taxes and fees.

This legislation has undergone a rigorous process, including several workgroups, committee hearings, and redrafting from previous legislative sessions. This indicates that it is well-vetted and has been carefully reviewed. The legislative process has ensured that the bill aligns with the interests and needs of the people it serves. It is time to get this bill passed.

I acknowledge that there may be resistance to this bill from local governments. This opposition is understandable, as the bill aims to hold locally incorporated governments accountable. Please pay attention to those that are opposing the legislation. Based on testimony from the house side, you will find that most governments that testified have not turned in their audits for several years.

It is essential to emphasize the term 'incorporated' when referring to local governments, as there is a specific reason for doing so. They are incorporated by the state just like any other small business but through a different process.

As a small business owner, the state provides yearly deadlines. These deadlines include filing business personal property returns and taxes and paying fees up to \$300.00 for each business owned. It is penalized if a business owner fails to file these returns or paperwork. The business will be labeled "Not in Good Standing" and eventually forfeited.

As a business owner, one of my responsibilities is to pay taxes to the state, county, and sometimes even municipal governments. However, I have noticed that in some regions of the state, some municipal governments have yet to submit an audit to the state in the past four years. How can we trust the system we are paying into if we cannot see what the system is doing? We can't.

The failure to submit audits can cause issues for businesses operating in those areas, leading to uncertainty and potential discrepancies in the tax system. All levels of government need to ensure transparency and accountability in their tax and fee collection processes to create a fair and efficient system for everyone involved.

As a responsible member of society, a small business owner is expected to be accountable for their actions and decisions. The same level of accountability should also be applied to the government.

No notable exception should exist, and every government should be held responsible for its actions through these audits. The failure to turn audits in is simply unacceptable, reflecting a lack of transparency, poor planning, and bad governance.

It's the government's responsibility to be accountable to its people, and any failure to do so undermines the trust and confidence of the citizens in their elected officials and the democratic system. Therefore, the government must take its role seriously and be transparent in all its actions to maintain the integrity of the system and the people's trust.

As a conscientious citizen who values the principles of democracy, I firmly believe that it is the government's responsibility to provide transparent and efficient services to the people it serves. With this in mind, I strongly urge support for this bill and its cross-filed counterpart, which will help ensure that the government is held accountable for its actions and operates in the public's best interests. By supporting these bills, you can assist in creating a more equitable and just society for all citizens.

Sincerely,
John E O'Connor

SB 0747 - Testimony.pdf

Uploaded by: Jenese Jones Oden

Position: FWA



CITY OF NEW CARROLLTON

6016 Princess Garden Parkway • New Carrollton, Maryland 20784

Phone (301) 459 – 6100 Fax (301) 459 - 8172

February 12, 2024

**The Honorable Guy Guzzone, Chairman
Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, MD 21401**

Re: Support for SB 0747

Dear Chairman Guzzone,

Thank you for the opportunity to submit testimony. The City of New Carrollton supports Senate Bill 747 with the following concerns and amendments:

- **Remove the consequences of police aid being discontinued in Section (E) (1). Providing public safety to residents is of the utmost importance to local government. It is unfair to withhold vital community funding from the governing body and residents trying to work toward compliance with audit requirements.**
- **Request increased funding support to the Town Manager Circuit Rider Program. This program provides significant support for small municipalities and can help address the core concerns of ensuring there are compliant fully functioning local governments. Instead of focusing solely on punitive measures, the conversation should also focus on capacity building opportunities.**
- **Develop a mechanism for demonstrating commitment and progress toward compliance. The following amendments strive toward that aim:**
 - **Add Section (E) (3) Allow a provision for municipalities that have previously been in good standing with the state but experienced an extenuating circumstance/s preventing them from remaining current on filing of annual audits.**
 - **Add (3) (I) Provide a grace period to allow for a county, municipality, or special taxing district to be extended to 3 years if there is a sign of good faith effort happening.**



CITY OF NEW CARROLLTON

6016 Princess Garden Parkway • New Carrollton, Maryland 20784

Phone (301) 459 – 6100 Fax (301) 459 - 8172

- **Add (3) (II) Provided the county, municipality, or special taxing district submits documentation to demonstrate efforts are being taken to return to the status of good standing.**
- **Add (3) (III) If there are multiple years of audits missing, good faith efforts to return to good standing will require completing at least one (1) complete audit or providing documentation of audit services in progress by December 31 after the close of its fiscal year.**

Therefore, the City of New Carrollton respectfully requests the Committee support the proposed amendments for SB0747.

Sincerely,

Katrina R. Dodro

The Honorable Katrina Dodro
Mayor, City of New Carrollton
kdodro@newcarrolltonmd.gov

MML-SB 747 - FWA-V2.pdf

Uploaded by: Justin Fiore

Position: FWA



Maryland Municipal League
The Association of Maryland's Cities and Towns

TESTIMONY

February 14, 2024

Committee: Senate Budget & Taxation

Bill: SB 747 – Local Government – Annual Audit Reporting Requirements –
Alterations

Position: Support with amendments

Reason for Position:

The Maryland Municipal League supports Senate Bill 747 with amendments, which creates a new mandatory trigger for the reduction of state aid to local governments that are more than one year late on their annual audit.

The League, and its individual members, agree that municipalities should be doing everything in their power to comply with audit requirements as good stewards of our taxpayer dollars. However, we do have concerns that this bill would negatively impact those trying to resolve problems that may naturally arise.

[The October 4th, 2024, meeting of the Joint Committee on the Management of Public Funds](#) (JCMPF) provided a great deal of testimony to this effect. Chairs Senator Ellis and Delegate Watson heard from each jurisdiction that was more than one year late on their audits, and the stories match what we have anecdotally heard before: these perfect storms happen every so often, and they can take more than one year to resolve. Common threads from their stories included at least two or more of the following – loss of staff, loss of auditor, change in accounting systems, or recovery from fraud/embezzlement.

One jurisdiction discussed how they struggled to find any firm to take on their audit after dealing with a case of embezzlement they reported to the police. Another described how their auditor suddenly left the business of local government audits all together in the midst of staff turnover (including difficulty filling the position) while also recently switching from paper records to a new accounting system. Those testifying also shared status updates and expected future completion deadlines. Many of them bolstered staff to catch up and highlighted newly established practices to ensure future compliance as well.

This is consistent with what we've seen over the years. A jurisdiction gets behind from a perfect storm, the problems cause a few years of backed up audits, and then they catch up and regain consistency of filing. The Town of Marydel and City of Mount Rainer are great examples of jurisdictions in the past decade that ran into a perfect storm, dealt with a several-year backup, and submitted their audits on time ever since.

Further, we also tend to see spikes in late filings in the years following large-scale economic turmoil. Namely, the Great Recession and Covid – both of which had substantial adverse impacts on staffing. Based on the status reports provided to the Joint Committee, we appear to be coming out of one of those phases and jurisdictions are catching up.

Between the Joint Committee on the Management of Public Funds and the existing authority of the Executive Director of DLS/Comptroller, the current structure for oversight and penalties already functions well to ensure those submitting late audits are on a path back to compliance.



Maryland Municipal League
The Association of Maryland's Cities and Towns

MML would support a belt-and-suspenders approach to keeping a layer of mandatory penalties with certain amendments – most importantly, an off ramp. We believe it would be unfair to penalize those working in good faith to recover from a perfect financial storm. Ultimately, the penalties will fall on the residents with potentially slower police response times and worse roads.

Currently, outside of the JCMPF hearing, there is no formal process that requires a status update and plan for compliance for jurisdictions who do not file on time. We believe having those commitments in writing would be a show of good faith. This would potentially further aid the JCMPF in their oversight role and still allow for discretionary penalties from the Executive Director of DLS. If they fail to meet those basic requirements, we would understand more immediate penalties.

That said, the League also requests police aid be removed from consideration in SB 747. The transportation cuts are a significant enough penalty, and they impact all 160 of our members. Police aid cuts would only impact about half, but a delay in police response times when someone is having their worst day is an outcome we should all look to avoid.

For these reasons the League respectfully requests that this committee provide Senate Bill 747 with a favorable report with amendments.

FOR MORE INFORMATION CONTACT:

Theresa Kuhns	Chief Executive Officer
Angelica Bailey Thupari, Esq.	Director, Advocacy & Public Affairs
Bill Jorch	Director, Public Policy & Research
Justin Fiore	Deputy Director, Advocacy & Public Affairs

SKM_C36824020616181.pdf

Uploaded by: Kyle Snyder

Position: FWA



Town of Berwyn Heights

5700 Berwyn Road
Berwyn Heights, MD 20740
Tel. (301) 474-5000
Fax (301) 474-5002

MAYOR
Jodie Kulpa-Eddy

COUNCIL MEMBERS
Christopher Brittan-Powell (Mayor Pro Tem)
Shinita Hemby
Faustino Menjivar
Jason W. Papanikolas

February 5, 2024

The Honorable Marc Korman, Chairman
Environment & Transportation Committee
Room 251, House Office Building
Annapolis, MD 21401

Re: Support for HB165 Local Government – Annual Audit Reporting Requirements – Alterations

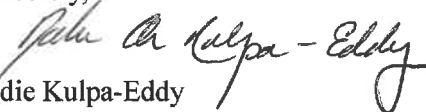
Dear Chairman Korman,

Thank you for the opportunity to submit written testimony. The Town Council for the Town of Berwyn Heights supports House Bill 165, with the following concerns and amendments.

- Remove the consequences of police aid being discontinued in Section (E) (1). Providing public safety to residents is of the utmost importance to local government. It is unfair to withhold vital community funding from the governing body and residents trying to work toward compliance with audit requirements.
- Request increased funding support to the Town Manager Circuit Rider Program. This program provides significant support for small municipalities and can help address the core concerns of ensuring there are compliant fully functioning local governments. Instead of focusing solely on punitive measures, the conversation should also focus on capacity-building opportunities.
- Develop a mechanism for demonstrating commitment and progress toward compliance. The following amendments strive toward that aim:
 - Add Section (E) (3) Allow a provision for municipalities that have previously been in good standing with the state but experienced an extenuating circumstance/s preventing them from remaining current on filing of annual audits.
 - Add (3) (I) Provide a grace period to allow for a county, municipality, or special taxing district to be extended to 3 years if there is a sign of good faith effort happening.
 - Add (3) (II) Provided the county, municipality, or special taxing district submits documentation to demonstrate efforts are being taken to return to the status of good standing.
 - Add (3) (III) If there are multiple years of audits missing, good faith efforts to return to good standing will require completing at least one (1) complete audit or providing documentation of audit services in progress by December 31 after the close of its fiscal year.

The Town of Berwyn Heights, therefore, respectfully requests the Committee support the proposed amendments for HB165.

Sincerely,


Jodie Kulpa-Eddy
Mayor,

SB747_Testimony_City of Hyattsville.pdf

Uploaded by: Laura Reams

Position: FWA

Robert S. Croslin
Mayor



Tracey E. Douglas
City Administrator

February 13, 2024

The Honorable Guy Guzzone, Chairman
The Honorable Jim Rosapepe, Vice Chairman
Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Re: Support with Amendments for SB747 - Local Government - Annual Audit Reporting Requirements - Alterations

Dear Chair Guzzone and Vice Chair Rosapepe:

Thank you for the opportunity to submit testimony. While the City of Hyattsville supports fiscal responsibility and accountability, we like many municipalities face challenges retaining reputable auditing firms that support local government. Economic conditions such as COVID-19 can also impact the availability and time commitment from auditing firms. In addition, staff capacity and turnover can affect the timely completion of annual audits for small and mid-size communities. Maximum consideration should be given to municipalities who can show a good faith effort to completing audits or who are affected by conditions outside of their control.

The City of Hyattsville therefore **supports** Senate Bill 747 but strongly encourages the following amendments.

- **Remove the consequences of police aid being discontinued in Section (E) (1).** Providing public safety to residents is of the utmost importance to local government. It is unfair to withhold vital community funding from the governing body and residents trying to work toward compliance with audit requirements. Police funding is critical to public safety.
- **Request increased funding support to the Town Manager Circuit Rider Program.** This program provides significant support for small municipalities and can help address the core concerns of ensuring there are compliant fully functioning local governments. Instead of focusing solely on punitive measures, the conversation should also focus on capacity building opportunities.

Robert S. Croslin
Mayor



Tracey E. Douglas
City Administrator

- **Develop a mechanism for demonstrating commitment and progress toward compliance.** The following amendments strive toward that aim:
 - Add Section (E) (3) Allow a provision for municipalities that have previously been in good standing with the state but experienced an extenuating circumstance/s preventing them from remaining current on filing of annual audits.
 - Add (3) (I) Provide a grace period to allow for a county, municipality, or special taxing district to be extended to 3 years if there are indications of good faith effort happening.
 - Add (3) (II) Provided the county, municipality, or special taxing district submits documentation to demonstrate efforts are being taken to return to the status of good standing.
 - Add (3) (III) If there are multiple years of audits missing, good faith efforts to return to good standing will require completing at least one (1) complete audit or providing documentation of audit services in progress by December 31 after the close of its fiscal year.

The City of Hyattsville therefore respectfully requests the Committee approve the proposed amendments for SB747.

Sincerely,

Robert S. Croslin
Mayor

cc: Hyattsville City Council
Tracey Douglas, City Administrator
Ron Brooks, City Treasurer

Senate Bill 747 Letter of Support_021324.pdf

Uploaded by: Marcus Monroe

Position: FWA



Prince George's County Municipal Association

An Association of 27 Municipalities



February 5, 2024

The Honorable Guy Guzzone, Chairman

3 West

Miller Senate Office Building

Annapolis, MD 21401

Re: Support for SB747

Dear Chairman Guzzone,

Thank you for the opportunity to submit testimony. The Prince George's County Municipal Association (PGCMA) supports Senate Bill 747 (Local Government-Annual Audit Reporting Requirements- Alterations) with the following concerns and amendments.

- Remove the consequences of police aid being discontinued in Section (E) (1). Providing public safety to residents is of the utmost importance to local government. It is unfair to withhold vital community funding from the governing body and residents trying to work toward compliance with audit requirements.
- Request increased funding support to the Town Manager Circuit Rider Program. This program provides significant support for small municipalities and can help address the core concerns of ensuring there are compliant fully functioning local governments. Instead of focusing solely on punitive measures, the conversation should also focus on capacity building opportunities.
- Develop a mechanism for demonstrating commitment and progress toward compliance. The following amendments strive toward that aim:
 - Add Section (E) (3) Allow a provision for municipalities that have previously been in good standing with the state but experienced an extenuating circumstance/s preventing them from remaining current on filing of annual audits.
 - Add (3) (I) Provide a grace period to allow for a county, municipality, or special taxing district to be extended to 3 years if there is a sign of good faith effort happening.
 - Add (3) (II) Provided the county, municipality, or special taxing district submits documentation to demonstrate efforts are being taken to return to the status of good standing.
 - Add (3) (III) If there are multiple years of audits missing, good faith efforts to return to good standing will require completing at least one (1) complete audit or providing

documentation of audit services in progress by December 31 after the close of its fiscal year.

PGCMA therefore respectfully requests the Committee support the proposed amendments for HB165.

Sincerely,

Melinda Mendoza

Melinda Mendoza

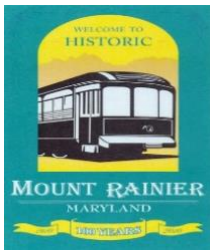
PGCMA President

MMendoza@ColmarManor.org

City of Mount Rainier SB747 Local Government – Ann

Uploaded by: Mayor Celina Benitez

Position: FWA



Office of The Mayor Celina R. Benitez

1 Municipal Place, Mount Rainier, Maryland 20712 Telephone: (301) 985-6585 MountRainierMD.org

Name: Mayor Celina Benitez

Committee: Environment & Transportation

Bill: SB 747 Local Government – Annual Audit Reporting Requirements – Alterations

Position: FWA – Favorable With Amendments

Chairman/ Senator Guy Guzzone, and Members of the Budget & Taxation Committee,

As the Mayor of the City of Mount Rainier for almost 3 years, I am uniquely positioned to share our city's transformative journey from consistently lagging behind in audit submissions to successfully meeting the deadlines for the past two years and are gear to meet it again this year. Building Infrastructure as well as Accountability is Key but I also know if the wind blows in the wrong direction you can get behind on an audit.

Just seven years ago, our city faced significant challenges in maintaining timely and accurate financial reporting. We found ourselves consistently behind by several years, failing to submit audits on time. This situation was exacerbated by a series of changes in leadership, including turnover in key positions such as finance directors and city managers.

Over the course of those seven years, Mount Rainier witnessed the appointment of five different finance directors, the tenure of three city managers, and the involvement of two additional acting city managers, including myself, as we diligently worked towards stabilizing our administrative structure. The turnover and transitions were not without their difficulties, as each change required adaptation and a renewed commitment to addressing the ongoing audit submission issues.

Furthermore, we encountered challenges with auditing firms, having to switch auditors three times. The second auditing firm, unfortunately, ceased providing services for municipal entities, necessitating yet another transition in our audit process. Despite these setbacks, we persevered and sought out a new auditing partner, ensuring that the financial integrity of our city remained a top priority.

In addition to these changes, Mount Rainier underwent at least four elections during this period, further underscoring the complexity of our journey. Each election brought with it the potential for shifts in priorities, policies, and perspectives, yet we remained steadfast in our commitment to improving our financial management and audit submission processes.

Despite the significant challenges faced over the past seven years, I am proud to report that Mount Rainier has successfully turned a new leaf. For the second consecutive year, we have met the State's deadlines for submitting our annual audits, demonstrating our dedication to transparency, accountability, and responsible financial governance. Had funding been cut while this time, We wouldn't been able to have achieved to be where we are at today. No municipality should ever be placed in a position to choose between being able to fund the safety of their city if funding is cut to our police department, Highway User Revenue or finding a way to finance the audits.

The proposed penalties should try to incentivize local governments to adhere to their fiscal responsibilities, fostering accountability and maintaining the public's trust. Additional resources should be made available to assist with short staffed human capital and limited funds. Which can also

include an increase on the circuit rider program, and additional resources for municipalities and not taking away from an already stressed government.

The City of Mount Rainier supports Senate Bill 747 with the following amendment:

- Add Section (E) (3) Allow a provision for municipalities that have previously been in good standing with the state but experienced an extenuating circumstance/s preventing them from remaining current on filing of annual audits.
 - (3) (I) Provide a grace period to allow for a county, municipality, or special taxing district to be extended to 3 years if there is a sign of good faith effort happening.
 - (3) (II) Provided the county, municipality, or special taxing district submits documentation to demonstration efforts are being taken to return to the status of good standing.
 - (3) (III) If there are multiple years of audits missing, good faith efforts to return to good standing will require completing at least one (1) complete audit or providing documentation of audit services in progress.

In conclusion, I urge the committee to consider a **favorable with amendments** position on SB 747

The lessons learned in Mount Rainier highlight the importance of the needed measures in creating a culture of accountability and transparency within local government.

Thank you for considering my testimony, and I am available to answer any questions or provide further information as needed.

Sincerely,

Celina R. Benitez

Mayor Celina Benitez, City of Mount Rainier

sb0747_support_ltr_signed_laurel.pdf

Uploaded by: Sara Green

Position: FWA



CITY OF LAUREL OFFICE OF THE MAYOR

Keith R. Sydnor
Mayor

Joseph R. Robison - Laurel Municipal Center
8103 Sandy Spring Road, Laurel, MD 20707-2502
Phone: 301-725-5300 ext. 2124 • Fax: 301-725-6831

February 9, 2024

The Honorable Guy Guzzone
Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

Re: Support for SB0747- City of Laurel

Dear Chairman Guzzone,

Thank you for the opportunity to submit testimony. The City of Laurel in concurrence with the Prince George's County Municipal Association (PGCMA) supports Senate Bill 747 with the following concerns and amendments.

- Remove the consequences of police aid being discontinued in Section (E) (1). Providing public safety to residents is of the utmost importance to local government. It is unfair to withhold vital community funding from the governing body and residents trying to work toward compliance with audit requirements.
- Request increased funding support to the Town Manager Circuit Rider Program. This program provides significant support for small municipalities and can help address the core concerns of ensuring there are compliant fully functioning local governments. Instead of focusing solely on punitive measures, the conversation should also focus on capacity building opportunities.
- Develop a mechanism for demonstrating commitment and progress toward compliance. The following amendments strive toward that aim:
- Add Section (E) (3) Allow a provision for municipalities that have previously been in good standing with the state but experienced an extenuating circumstance/s preventing them from remaining current on filing of annual audits.
 - Add (3) (I) Provide a grace period to allow for a county, municipality, or special taxing district to be extended to 3 years if there is a sign of good faith effort happening.
 - Add (3) (II) Provided the county, municipality, or special taxing district submits documentation to demonstrate efforts are being taken to return to the status of good standing.
 - Add (3) (III) If there are multiple years of audits missing, good faith efforts to return to good standing will require completing at least one (1) complete audit or providing documentation of audit services in progress by December 31 after the close of its fiscal year.

The City of Laurel therefore respectfully requests the Committee support the proposed amendments for SB0747.

Thank you for your consideration.

Sincerely,

Keith R. Sydnor
Mayor

SB0747-BT_MACo_OPP.pdf

Uploaded by: Kevin Kinnally

Position: UNF



Senate Bill 747

Local Government – Annual Audit Reporting Requirements – Alterations

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: February 14, 2024

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** SB 747, as it represents an unwarranted overreaction to a decidedly narrow policy concern.

One municipal governments' potentially concerning tax rate actions in recent years may justify some State action or oversight. Still, SB 747 represents a broad and sweeping new process that potentially jeopardizes county and municipal revenues in the hundreds of millions of dollars annually. The potential for concerning effects on local bond ratings by creating such uncertainty is hard to overstate.

Local Government Article, Section 16-306 of the Annotated Code of Maryland requires each county, incorporated city or town, and taxing district in Maryland (local governments) to file audit reports annually or once every four years under specified conditions. Nearly all local governments routinely submit timely, accurate reports. In rare cases, extenuating circumstances may inhibit a local government from meeting the reporting deadline. SB 747 requires that 20 percent of specified state aid be withheld from a jurisdiction if their local audit is over a year late.

Local governments must provide input and transparency into fiscal decision-making. The audit process is one of many measures to offer this assurance to their residents and taxpayers. Under current law, the Comptroller, on notice from the executive director of the Department of Legislative Services, may order the discontinuance of any or all money, grants, or state aid from a local government out of compliance with state audit requirements. However, the enforcement measure proposed in this bill effectively removes the Comptroller's ability to consider extenuating circumstances before taking drastic actions that would harm shared constituents.

Through voters and public participation, local accountability remains the most important and effective means to promote compliance and transparency in local fiscal decisions. There is no widespread pattern of worrisome behavior of this nature that might suggest the need for SB 747 and its dramatic potential to withhold enormous amounts of State support.

Accordingly, MACo urges an **UNFAVORABLE** report for SB 747.