



House Bill 165

Local Government – Annual Audit Reporting Requirements – Alterations

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: March 26, 2024

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** HB 165, as it represents an unwarranted overreaction to a decidedly narrow policy concern.

One municipal government’s potentially concerning tax rate actions in recent years may justify some State action or oversight. Still, HB 165 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. HB 165 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 HB 165 and its dramatic potential to withhold enormous amounts of State support.

Accordingly, MACo urges an **UNFAVORABLE** report for HB 165.