MIZRAHI
Family Charitable Fund

In Support of [SB 426] the Procurement Reform Act of 2025
Before the Budget and Taxation Committee
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Testimony of Jennifer Laszlo Mizrahi, co-founder of Mizrahi Family Charitable Fund

Commissioner, Maryland Climate Change Commission* (for identification only)

Esteemed Chairman Senator Guy Guzzone, Vice Chair Rosapepe and members of the Budget and Taxation Committee -

Thank you for the opportunity to testify in support of the **Procurement Reform Act of 2025**. My name is Jennifer Laszlo Mizrahi and I am the cofounder of the Mizrahi Family Charitable Fund and serve as a representative of philanthropy on the Maryland Climate Change Commissioner. For decades I served as a CEO of companies and nonprofits. Thus, I know the importance of accurate financial forecasts, budgets, tracking and accountability. As an advocate for fiscal responsibility, climate accountability, and inclusive policymaking, I am here today to emphasize the urgent need for standardized, transparent tracking of climate-related expenditures within Maryland's budget and procurement processes.

The Need for Reform

As mandated by **Maryland law §2–1304**, the Maryland Commission on Climate Change must report annually on the state's spending on measures to reduce greenhouse gas (GHG) emissions and the percentage of those funds benefiting disproportionately affected communities. However, **the current reporting framework lacks clear methodology and coding, leading to significant inaccuracies and potential overstatements in climate-related spending.**

The **2024 State Spending on Greenhouse Gas Reduction in Maryland Report** attempted to assess state spending on GHG reductions, but its methodology allowed agencies to count entire programs as climate-related spending even when emissions reductions were incidental or secondary benefits. The report, which well-intentioned but sadly misleading, states:

- **$3.1 billion** was reported as spent on GHG reductions in FY 2024, representing **10% of surveyed agencies' budgets** and **7.8% of the state's total budget.**
- Agencies were instructed to count programs as GHG reduction spending even if **their primary purpose was not climate-related.**
- Spending included items such as **mass transit, traffic management, nutrient management, forest management, and water quality projects**—many of which would have been funded regardless of climate considerations.

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The Importance of Accurate Cost Accounting

To ensure that climate-related expenditures reflect real investments in emissions reductions, Maryland must **adopt a "marginal cost" approach** to budgeting for GHG reduction measures. This means tracking **only the additional cost** incurred specifically for emissions reduction, rather than counting the entire cost of projects that would have been undertaken anyway.

For example:

- If an agency **purchases an electric vehicle (EV)**, only the **cost difference** between the EV and a comparable gasoline vehicle should be counted as climate spending.
- If an agency **installs a high-efficiency heat pump**, only the **incremental cost** above replacing an existing system with a standard alternative should be counted.
- If a program is primarily **for Chesapeake Bay restoration** but has secondary GHG benefits, only the **additional expenses specifically aimed at reducing GHGs** should be included.

  Note that in all three cases doing the right thing for climate may also be the cheapest way to do things, especially as costs for clean technologies are going down.

This approach is **essential for fiscal transparency and accountability,** ensuring that reported climate expenditures reflect actual investments in emissions reductions rather than inflated figures that could be misrepresented as excessive spending.

Tracking Climate Damage and Resiliency Costs

Currently, Maryland has **no state requirement to track the costs of climate damages or the costs of resiliency measures.** This is a critical oversight that leaves the state financially unprepared for the growing burden of climate-related disasters.

For example:

- **Hurricane Isabel (2003)** caused **$462 million** in damages across Maryland, requiring extensive emergency response, infrastructure repairs, and rebuilding efforts.
- **The 2016 Ellicott City flood** resulted in **$22.4 million** in damages, with subsequent storms necessitating additional massive and expensive mitigation projects.
- **The 2023 Canadian wildfire smoke event** led to increased hospital visits, emergency responses, and economic disruptions, imposing hidden costs on public health systems.

Additionally, climate adaptation investments—such as **reinforcing bridges against extreme flooding, upgrading stormwater systems for heavier rainfall, or strengthening electrical grids for higher heat waves**—are significant expenditures that should be tracked and reported.

If Maryland fails to document these costs, we risk underestimating the true financial impact of climate change on state resources and local communities. **By adding a dedicated category for**

climate damage and resiliency costs in our financial tracking systems, we can ensure better preparedness, resource allocation, and justification for future mitigation investments.

Proposed Solutions: Implementing Climate Budget Tagging

To correct these issues, Maryland should integrate **Climate Budget Tagging (CBT)** into its financial reporting system. CBT is a globally recognized best practice that allows governments to systematically track climate-related expenditures within public budgets.

Implementation Steps:

1. **Establish Standardized Climate Cost Codes:** Modify budget and procurement systems to include unique codes for climate-related expenditures, ensuring uniform tracking across agencies.
2. **Develop Clear Criteria for Climate Spending:** Define eligible expenditures based on the **marginal cost principle**, preventing overstatement and ensuring accurate assessment of climate investments.
3. **Enhance Interagency Coordination:** Require agencies to coordinate with **MDE and the Comptroller's Office** to refine data collection and reporting methodologies.
4. **Improve Public Accountability:** Publish detailed annual reports that separate **direct climate spending** from spending with **incidental climate benefits** to prevent misclassification.
5. **Track Climate Damage and Resiliency Costs:** Implement a separate category in financial reports to document **disaster recovery spending and resilience investments**, providing a comprehensive picture of Maryland's climate-related financial burden.
6. **Provide Training and Capacity Building:** Equip procurement and finance officers with tools to assess and categorize expenditures correctly.

Why This Matters Now

Maryland is facing **serious budget challenges**, making **fiscal integrity in climate spending more critical than ever.** If people believe that **10% of the state budget is being spent on climate action alone – they would be quite mistaken.**

Additionally, **accurate data is essential for legal action** against fossil fuel companies that have both lied about the damages their products cause and contributed to climate damages. If Maryland seeks to hold these corporations accountable, it must present **credible, defensible numbers** that withstand scrutiny in court.

Conclusion

By refining our financial tracking systems to include specific codes and guidelines for climate-related spending, damages, and resiliency measures, Maryland can achieve a more accurate and transparent understanding of its investments and liabilities concerning climate change. **These measures will ensure fiscal responsibility, enhance climate preparedness, and strengthen Maryland's ability to hold polluters accountable.**

I urge the General Assembly to pass the **Procurement Reform Act of 2025** and incorporate these essential reforms into Maryland's budget and procurement processes. Thank you for your time and consideration.

Sincerely,

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