

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 593

(Senator Ellis)(By Request - Joint Committee on the
Management of Public Funds)

Budget and Taxation

**Municipalities and Special Taxing Districts - Annual Audit Waiver - Threshold
Increase**

This bill increases the annual revenue threshold, from \$250,000 to \$700,000, for a municipality or State-created special taxing district to qualify for a waiver from an annual audit. The waiver, if granted by the Office of Legislative Audits (OLA), would require the municipality or State-created special taxing district to be audited every four years instead of annually. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances. OLA can handle the bill's requirements with existing resources.

Local Effect: Minimal reduction in local government audit expenditures for a limited number of municipalities and State-created special taxing districts that may qualify for an audit report waiver under the bill. Local government revenues are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Generally, municipalities and State-created special taxing districts are required to have an independent audit conducted by a certified public accountant each year. However, municipalities and State-created special taxing districts with annual revenues of less than \$250,000 in the prior four fiscal years may submit a request to OLA for a waiver allowing an audit to be conducted once every four years instead of annually. The current

threshold of \$250,000 was increased from the previous threshold of \$50,000 by Chapters 32 and 33 of 2009. OLA granted audit waiver approvals for 15 jurisdictions that were in affect during their review of fiscal 2023 local government audits.

All municipalities and State-created special taxing districts are required to submit an annual financial report, also known as the Uniform Financial Report, to the Department of Legislative Services by October 31 each year. This includes municipalities and State-created special taxing districts that have received a waiver from the annual audit requirement.

Additional Comments: OLA advises that during their review of fiscal 2023 local government audits, 22 entities were eligible to receive an audit report waiver under the current law threshold and 15 of these 22 entities requested and received waivers. OLA further advises that approximately 45 local governments would qualify for an audit report waiver under the bill's higher threshold.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Legislative Services – Office of Legislative Audits; City of Annapolis; Maryland Municipal League; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2025
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