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**House Bill 741 - Maryland Environmental Service - Officers, Board of Directors, and Responsibilities –
Alterations**

Position: Support

House Appropriations Committee

February 24, 2021

Keiffer Mitchell, Chief Legislative Officer & Senior Counselor, Governor's Office
Andrew Cassilly, Senior Advisor, Governor's Office
Erin Chase, Deputy Legislative Officer, Governor's Office

Chair McIntosh, Vice Chair Chang, Members of the Committee:

House Bill 741 is an emergency bill that would bring meaningful reforms to the Maryland Environmental Service (MES) by instituting a number of systemic changes to bring accountability, transparency, and oversight to the board of directors.

Since taking office, Governor Hogan has been committed to restoring integrity and accountability to our state government and to ensure that the best interests of Marylanders are being represented honestly and fairly. House Bill 741 builds upon that promise and record by making a number of reforms.

Alters the executive leadership of MES

This bill removes the deputy director as an officer of the service, and instead gives the board of directors the discretion to appoint one to assist the director. Under the bill, the Governor would be responsible for appointing the Director, Secretary, and Treasurer, all of whom would be subject to Senate advice and consent. The Governor would also select the chair from among the members.

Alters the number and type of appointments to the Board of Directors

Under current law, the Board of Directors consists of nine members. This legislation increases the board to a total of 12 members, which accounts for the addition of the Secretary of the Department of Budget and Management (DBM), State Treasurer, as well as an ethics expert and one additional seat for a private sector member with a water or wastewater management background that specifically has financial management experience. The director of MES

remains a member of the board but will now serve in a non-voting role, resulting in 11 voting members on the board. All appointees to the board of directors will be subject to Senate advice and consent.

Establish Term Limits

Currently, there are no term limits imposed for board members. This bill establishes staggered terms and term limits that allow for a member to serve a maximum of two four-year terms. The Governor's recent appointments, such as retired federal Judge Frederic N. Smalkin, would be allowed to be reappointed to the board.

Accountability, Transparency, and Ethics

The Governor's bill adds numerous provisions to strengthen and enhance accountability, transparency, and ethics. Under the bill, the director would be subject to an annual performance review and the criteria and procedures for conducting the evaluation would be required to be posted on the MES website. In addition to an evaluation of the director, the Board of Directors would be subject to an independent assessment once every three years that would review the board's functions and operations to ensure that they are operating in an efficient manner. The independent assessment would evaluate factors such as the structure of the board; dynamics and functions of the board; the board's role in MES' short-term and long-term strategy; the financial reporting process, internal audit, and internal controls; board's role in monitoring the Services' policies, strategies, and systems; and the role of the chair of the board. The evaluation of the board is also required to be posted to the MES website.

This bill also requires MES to submit a detailed budget to DBM that is to include the sources of revenue, which will greatly increase fiscal transparency.

The Board of Directors will be required to file full financial disclosure with the State Ethics Commission, which will codify existing practices and regulations. Further, the board will have to adopt a conflict of interest policy.

In addition to the annual audit that is to be conducted, an audit would need to also look into potentially misallocated funds and unauthorized spending. The audit(s) would also be submitted to the Governor, Legislature, DBM, and posted on the MES website. To complement the additional oversight through the audit process, the bill requires MES to provide a one-time report by December 31, 2021 recommending and adopting policies related to expense reimbursements, severance and bonuses, and travel.

Creation of the State Transparency and Reform Commission

In addition to House Bill 741, which will bring immediate reforms to MES, Governor Hogan issued Executive Order 01.01.2020.05 in December 2020 creating the State Transparency and Accountability Reform (STAR) Commission. This commission will be working diligently throughout the year to find commonalities among the various quasi-independent agencies, including MES, and recommend further best practices that could be implemented across all of the agencies, which will result in more responsive, transparent, and accountable agencies.

For these reasons, the Administration respectfully requests a favorable report on House Bill 741.