2023 • MARYLAND

ANNUAL COMPREHENSIVE FINANCIAL REPORT

ON THE COVER

A Great Egret flies over Assateague marsh on the outer shores of Maryland.

The Great Egret (Ardea alba**)** is a wading bird with long, lacy plumes on its back. It visits the Chesapeake Bay region's marshes and wetlands from spring through autumn.

Great Egrets were hunted nearly to extinction for their plumage in the 19th century. Their Conservati on Status is now stable.

The Great Egret is the symbol of the National Audubon Society, which was founded to protect birds for being killed for their feathers.

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Adrienne A. Jones
Speaker of the House of Delegates

JUDICIAL

Matthew J. Fader
Chief Judge
Court of Appeals of Maryland

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2023

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GENERAL ACCOUNTING DIVISION

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Director

ACCOUNTING OPERATIONS AND FINANCIAL REPORTING

LUTHER DOLCAR
Deputy Director

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Marcus Heimann, CPA
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A MESSAGE FROM COMPTROLLER BROOKE LIERMAN

As the 34th Comptroller of the State of Maryland, I am pleased this year to present the first Annual Comprehensive Financial Report (ACFR) of my term. This document is Maryland's official financial report and is foundational to all that we do as a state government. Although my name is on the report, the real work was done by our fantastic General Accounting Division, which once again earned national recognition for excellence in financial reporting in 2022 by the Government Finance Officers Association. I am grateful to the team for their diligence and dedication, and to their director, Sandy Zinck, for her leadership throughout the years.

As Maryland's Comptroller, I am clear on the challenges facing our state but also confident in our ability to turn those challenges into opportunities. As an agency, we have adopted a vision to guide our priorities and work for the people of Maryland: we work each and every day to be a partner in creating a state that is more equitable, more resilient, and more prosperous so that every Marylander can reach their full potential.

Every year the agency picks a theme for this report – this year, we are focusing on climate and highlighting some of the challenges that climate change is bringing to Maryland. Already climate change is bringing huge costs to our state by way of more powerful storms and rising waters. As the state's elected chief financial officer, I must ensure that the state is preparing now to meet the challenges, bend the curve, and readying ourselves for the costs associated with what's to come. My Transition Report laid out core priorities that outline our agency goals and initiatives, which all incorporate aspects of climate resilience.

Our agency takes the challenge of climate change seriously and, we are tackling it head on. We have hired the Comptroller's first-ever Climate Resilience Director. This position is our agency's subject matter expert on climate change and environmental sustainability. She will lead efforts to incorporate climate change considerations into the work of the Board of Public Works, Maryland State Retirement and Pension System, and other key and relevant boards I serve on.

Through my roles on these boards, I am ensuring that we are vigilant about environmental issues. As Vice Chair of the Maryland State Retirement and Pension Board, my role as an advocate for mitigating climate risk goes hand-in-hand with my role as a fiduciary. As climate change continues to impact our world, it will also continue to impact investment returns. Our state must consider the impact of climate change on our pension investments. Major institutional investors throughout the country recognize the risk of climate-related consequences and increasingly consider sustainability and environmental risk within investment decisions. Given our stated commitment to climate risk analysis, we're well-positioned to lead and are doing just that.

As one of three members of the Board of Public Works, I'm also focused on ensuring that Maryland is spending in ways that advance our overall resilience. The BPW reviews, approves, and monitors roughly $400 million in state contracts every month, including various projects that affect our climate, from building construction and wetlands preservation to energy use. Agencies are now routinely informing Board members and the public of the sustainability aspects of their

Comptroller Lierman addresses the 2023 class of the Chesapeake Conservation and Climate Corps, at the Chesapeake Bay Environmental Center in Grasonville, MD, August 15, 2023. Photo: Corey Jennings, staff photographer

projects and soon we hope that every project before us will have a sustainability or resilience comment. In this way, agencies will do the additional work to ensure our tax dollars go farther and last longer.

Finally, I'm excited to chair the Climate Catalytic Capital (C3) Fund's Oversight Committee. This fund is a project of the Maryland Clean Energy Center, our state's green bank. The C3 Fund will lead our state's investment in technology deployment designed to reduce greenhouse gases and mitigate the effects of climate change. We know financing must be available to individuals, small businesses, and nonprofits ready to seize opportunities in a new, green and just economy. The C3 Fund will leverage state, federal, and private dollars to invest in essential state projects in transportation, construction, energy, and other sectors.

Climate change doesn't respect zip codes or state boundaries and our historic systemic disinvestments mean many long-neglected or disadvantaged communities will feel a greater brunt of the impact. We may all be in the same storm – but we are not all in the same boat. That's why it's essential that all agencies keep an eye towards identifying ways to build climate resilience into our state-administered programs.

I'm so pleased to present this deep dive into our state's finances for you to review – and know that the future of our state finances is intricately entwined with our response to, mitigation of, and preparedness for climate change. Now is the time for our state to ensure every community benefits from decarbonization strategies and solutions, that we nimbly adapt to the opportunities that climate change and a greener economy will bring, and that we all work together to build a more climate-resilient state.

My best,

MARYLAND'S PREPAREDNESS FOR CLIMATE CHANGE

With more than 3,000 miles of coastline, Maryland is uniquely sensitive to the impacts of climate change. In addition to the threat of coastal flooding, many of our state's key industries, including our fishing, agricultural, and housing industries, are keenly attuned to fluctuations in tide, temperature, and other aspects that can be affected by global warming. We've felt an onslaught of heatwaves – a 200-fold increase in extremely hot days over the past 50 years. Our state's average temperature has risen nearly 4 degrees Fahrenheit (about 2 Celsius) above the average pre-industrial temperatures. A warmer climate increases the amount of rain we get, which now more often falls as downpours of several inches in a very short time period, leading to flooding like the two catastrophic floods in Ellicott City.

Pollution and greenhouse gas emissions, in particular, air pollution from fuel-burning sources, remains a grave threat to our communities, with disproportionate effects being born out on our minority communities. Environmental health disparities abound in Maryland. Under-resourced communities are more likely to be exposed to poor air and water quality, Children in those neighborhoods are at greater risk for asthma and other lifelong health conditions, missing out on days in school and earning potential, and with a shortened life expectancy.

In recognition of these stark facts, our state's leaders are acting now to mitigate the worst parts of climate change and position our economy to take advantage of the changes to come. Thanks to the courageous leadership of the Maryland General Assembly, our state passed the Climate Solutions Now Act of 2022, which has set greenhouse reduction goals of 60% based on 2006 levels by 2031 and net-zero emissions by 2045.* The landmark legislation also:

- Created a Building Energy Performance Standard for 25,000 square feet and larger buildings to reduce emissions from state-owned buildings to net zero by 2035 and privately-owned buildings to net zero by 2040.
- Created a pilot program for net-zero schools.
- Mandated that by 2030, all state facilities will have to get at least 75% of their electricity from low– or zero-carbon sources.
- Established a Building Energy Transition Implementation Task Force to study and make recommendations regarding reducing global warming pollution from buildings and retrofits of existing buildings through tax credits, subsidies, and other state support.
- Helped transition state government vehicles, transit buses, and school buses to clean, electric vehicles while requiring Maryland to electrify its fleet of cars by 2031 and light-duty trucks by 2036.
- Incentivized Community Solar through tax incentives for low- and moderate-income (LMI) customers.

There are other areas where Maryland is showing leadership as we prepare to ward off the worst impacts of climate change. Our state participates in the Regional Greenhouse Gas Initiative (RGGI), a cooperative, market-based effort among 12 East Coast states to cap and reduce CO2 emissions from the power sector. Maryland's share of allowance sales goes to the State's Strategic Energy Investment Fund (SEIF) managed by the Maryland Energy Administration (MEA). SEIF funds a variety of clean energy investments, including the Low-to-Moderate Income Energy Efficiency Grant Program, the Electric Vehicle Supply Equipment Program, and more.

For more information on Maryland's Preparedness for Climate Change, visit environmentamerica.org/maryland/articles/climate-solutions-now-act-whats-new-law/

SOLAR ENERGY DEVELOPMENT

Maryland's strides in solar energy deployment stand as a testament to its commitment to renewable energy sources, particularly in recent years. The state has seen a noteworthy surge in solar capacity, boasting an installation of 1,775 megawatts (MW) that can power over 200,000 homes and has generated approximately 5,000 jobs. This shift toward solar energy comes at a significant juncture, marked by the milestone of solar power becoming the most cost-effective source of electricity in history.

The passing of House Bill (HB) 908 in April 2023 reinforced Maryland's dedication to renewable energy by establishing the Community Solar Energy Generating Systems Program, making a successful seven-year pilot program permanent. Effective July 1, 2023, this legislation eliminates capacity limits, permitting unlimited community solar capacity while stipulating that 40% of each project's output serves low- to moderate-income subscribers. Notably, municipal and cooperative utilities can now partake in this program, a privilege initially exclusive to investor-owned utilities.

The pilot program, initiated in 2015 and extended in 2019, provided solar capacity for approximately 90,000 Maryland consumers. The recent legislation, HB 908, builds upon this foundation by removing statewide capacity caps, allowing contiguous development in challenging areas like industrial zones and farmlands, and emphasizing equity by mandating 40% output for low- to moderate-income subscribers. Moreover, measures introduced within the bill, such as consolidated billing and simplified eligibility criteria, aim to facilitate greater accessibility and ease of participation.

Maryland's strategic advancements in solar energy infrastructure and legislative support exemplify the state's preparedness to embrace a future reliant on clean and renewable energy sources. As Maryland continues its trajectory toward sustainable energy adoption, these milestones signify a deliberate and factual stride toward a more diversified and eco-friendly energy landscape.

For more information on Solar Energy Development, visit ilsr.org/marylands-community-solar-program/#:~:text=The%20law%2C%20which%20took%20effect,-%20to%20moderate-income%20subscribers

Solar panels on the roof of a home in a subdivision in Maryland. This image is used under license from Shutterstock.com.

WIND ENERGY DEVELOPMENT

Maryland's embrace of wind energy, spanning land-based and offshore initiatives, reflects a strategic commitment to diversifying its energy portfolio while fostering economic growth and environmental sustainability. As of June 1, 2017, the state demonstrated its dedication to wind energy with over 191 megawatts (MW) of installed land-based wind capacity, contributing 1.4% to in-state electricity generation—enough to power around 49,000 average Maryland homes.

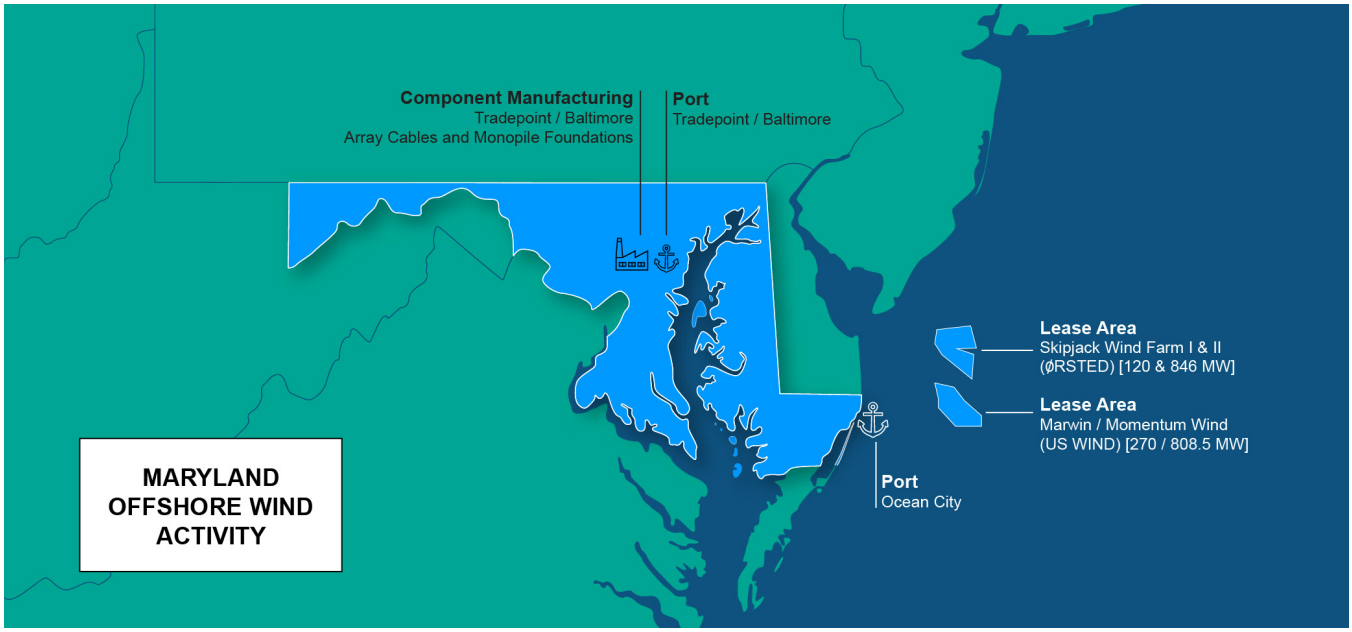
The Maryland Energy Administration (MEA) is crucial in supporting wind energy expansion, offering incentives through programs like the Residential and Community Wind Grant Programs and aiding wind resource site assessments via the Anemometer Loan Program. These initiatives facilitate the adoption of residential and community-scale wind turbines while providing essential technical resources for engagement in wind energy initiatives.

Maryland's offshore wind endeavors hold vast promise, heralding monumental economic and environmental benefits. Recognizing offshore wind's potential, the state enacted the Maryland Offshore Wind Energy Act of 2013, setting ambitious targets within the Renewable Portfolio Standard (RPS) to derive 25% of electricity from renewables by 2020, with a specific carve-out for offshore wind not exceeding 2.5%. This legislation paved the way for Maryland's engagement in offshore wind projects.

Building upon these achievements, the Clean Energy Jobs Act (CEJA) of 2019 propelled Maryland's commitment further, increasing the RPS goal to 50% by 2030 and removing limits on offshore wind development. This accelerated timeline positions Maryland to surpass its offshore wind development goal by over 400 MW, four years ahead of schedule, upon commercial operation in 2026.

Maryland is developing four substantial offshore wind projects to provide adequate capacity to power roughly 600,000 homes. This forward-looking approach emphasizes the state's commitment to sustainable energy and foresees the creation of approximately 12,000 jobs, signaling a positive economic impact. These projects will bolster Maryland's offshore wind supply chain with an estimated $1.5 billion in-state expenditures, including substantial investments in port infrastructure, steel fabrication, foundation manufacturing, cable manufacturing, and turbine tower manufacturing. Both project developers have committed to inclusion goals for small,

Upcoming Wind Energy Projects in Maryland



minority, woman, and veteran-owned businesses, enhancing diversity and economic inclusivity. Furthermore, the imminent establishment of a wind turbine factory in Sparrows Point, Baltimore, underscores Maryland's dedication to fostering domestic wind energy infrastructure. The factory's operation, expected to employ 125 union construction workers and create professional staff jobs, represents a significant step towards localizing wind turbine manufacturing and contributing to employment growth.

Maryland's strategic focus on land-based and offshore wind energy development showcases its determination to diversify its energy portfolio while fostering job creation and economic expansion. As these wind projects continue to unfold, Maryland stands poised to leverage wind energy's potential for sustainable and reliable electricity generation while bolstering its economy through job opportunities.

For more information on Wind Energy Development, visit energy.maryland.gov/Pages/Info/renewable/offshorewind.aspx

MARYLAND COMPTROLLER WINS AWARD FROM GOVERNMENT FINANCE OFFICERS ASSOCIATION

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Presented to

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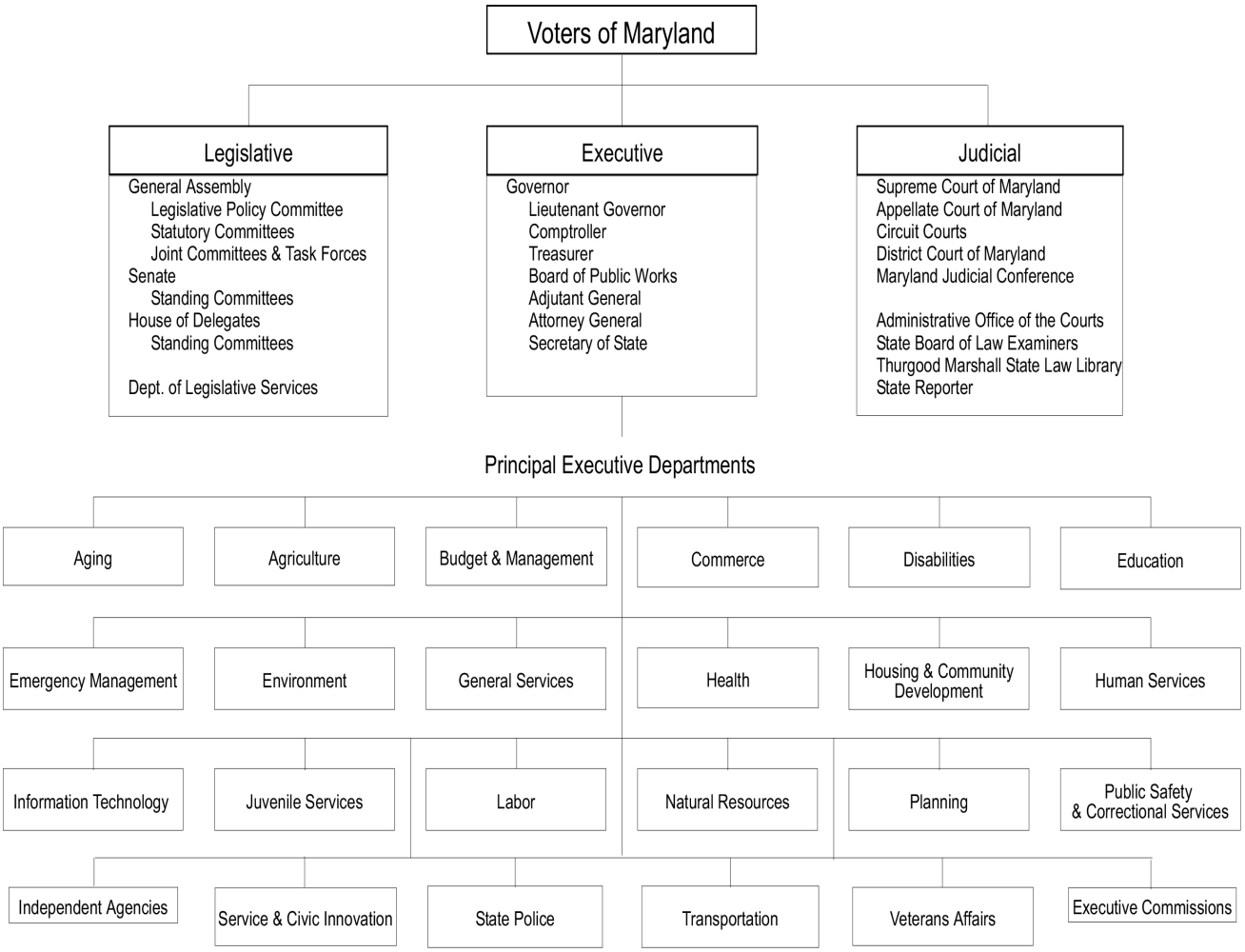
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

OVERVIEW OF MARYLAND STATE GOVERNMENT



Maryland Manual On-Line
Maryland State Archives, 9 May 2023

Maryland State Government
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