HB 1223

Department of Legislative Services

Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1223 (Delegate Novotny)
Appropriations

Study on REFUND - Re-Engineer Finances Under New Direction

This bill requires the Department of Public Safety and Correctional Services (DPSCS), the Department of State Police (DSP), and the Military Department to conduct a study on budgeting practices of State agencies. The study must include (1) a summary of the current rules regarding State agency spending of appropriations and the reversion of unspent funds; (2) a summary of total spending and reversions at DPSCS, DSP, the Military Department, and the 10 largest State agencies for the last two fiscal years; and (3) an analysis of the feasibility of allowing DPSCS, DSP, and the Military Department to spend 90% or less of each agency's respective annual appropriation in order to return 5% of unspent funds to employees as bonuses and 5% or the remainder of unspent funds to State taxpayers. DPSCS, DSP, and the Military Department must submit a specified report with the results of the study to the Governor and the General Assembly by December 31, 2023. **The bill takes effect July 1, 2022, and terminates June 30, 2024.**

Fiscal Summary

State Effect: General fund expenditures for DPSCS, DSP, and/or the Military Department likely increase in fiscal 2023 and 2024 for contractual assistance to complete the required study, as discussed below. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: To gather additional data about the potential budget process contemplated in the bill, DPSCS, DSP, and the Military Department must collect specified data for a hypothetical three fiscal years while allowing for the following rules:

- a State agency that has successfully reduced spending by at least 10% in the first fiscal year must receive an appropriation at least equal to the appropriation received in the prior fiscal year; and
- each agency may increase or decrease the percentage of the unspent funds that it returns to employees or taxpayers under the 10% threshold.

The final report submitted to the Governor and the General Assembly must include specified data and analysis, including the implications of State agencies pursuing reduced spending and increased compensation to employees and taxpayers.

Current Law: State law generally requires that, at the end of a fiscal year, the unspent balance of each appropriation that was made for that fiscal year to an officer or unit of the State government or to an institution reverts to the State general fund. Many special funds are exempt from this requirement, however.

State Expenditures: DPSCS, DSP, and the Military Department lack the data and expertise required to conduct the study and, thus, likely require assistance from the Department of Budget and Management (DBM), which develops and manages the annual State budget, and the Comptroller's Office to obtain the State spending and reversions data necessary to complete the required study. It is assumed that DBM and the Comptroller's Office can supply this data with existing budgeted resources. To the extent that DBM and/or the Comptroller's Office can provide *sufficient additional* assistance and expertise to DSPCS, DSP, and the Military Department in completing the study, the bill's requirements can potentially be handled with existing resources. Otherwise, DPSCS, DSP, and the Military Department require contractual assistance; thus, general fund contractual expenditures for DPSCS, DSP, and/or the Military Department may increase in fiscal 2023 and 2024 only. However, a precise estimate of the potential costs cannot be reliably estimated at this time, as costs depend on the ultimate scope of the study conducted under the bill and the extent to which other agencies (such as DBM) are available to provide assistance in completing the required study.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of State Police; Department of Public Safety and Correctional Services; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - March 14, 2022
fnu2/mcr

Analysis by: Elizabeth J. Allison

Direct Inquiries to:
(410) 946-5510
(301) 970-5510