

F10A
Secretary
Department of Budget and Management

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$7,976	\$8,389	\$8,392	\$3	
Contingent & Back of Bill Reductions	0	0	-9	-9	
Adjusted General Fund	\$7,976	\$8,389	\$8,383	-\$5	-0.1%
Special Fund	11,145	13,128	12,869	-259	-2.0%
Contingent & Back of Bill Reductions	0	0	-15	-15	
Adjusted Special Fund	\$11,145	\$13,128	\$12,854	-\$274	-2.1%
Reimbursable Fund	170	176	188	11	6.5%
Adjusted Reimbursable Fund	\$170	\$176	\$188	\$11	6.5%
Adjusted Grand Total	\$19,291	\$21,693	\$21,425	-\$267	-1.2%

- The agency's fiscal 2014 allowance decreases \$0.3 million, or 1.2%, compared to the fiscal 2013 working appropriation when accounting for the across-the-board reduction to health insurance.
- The decrease in spending is largely attributed to additional funding in the fiscal 2013 working appropriation for the Central Collection Unit (CCU) to assume collections for the Division of Parole and Probation; however, legislation allowing for that did not pass, and the spending is not in the fiscal 2014 allowance. Other reductions occur in statewide cost allocations for the Office of Attorney General, Telecommunications, and Administrative Hearings.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Allowance</u>	<u>FY 13-14 Change</u>
Regular Positions	189.80	192.80	192.80	0.00
Contractual FTEs	<u>7.70</u>	<u>11.50</u>	<u>12.00</u>	<u>0.50</u>
Total Personnel	197.50	204.30	204.80	0.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.87	1.49%
Positions and Percentage Vacant as of 12/31/12	13.00	6.74%

- The overall number of regular positions does not change from fiscal 2013 to 2014. A 0.5 contractual full-time equivalent was added to the fiscal 2014 allowance to allow for assistance in the procurement area.
- The agency has 13.0 positions vacant, but turnover is budgeted at 1.5%, requiring 2.9 vacant positions.

Analysis in Brief

Major Trends

Debt Collections Decline: The dollar value of the debt collected by CCU decreased in fiscal 2012 even though the percentage of debt outstanding collected increased. Moving forward, the dollar value and the percentage of the debt outstanding are expected to increase due to Maryland Transportation Authority unpaid tolls, increased wage garnishments, and improved handling of telephone calls.

Issues

Potential Future Vehicle Fleet Costs: The Maryland Electric Vehicle Infrastructure Council was created by legislation and was tasked with developing an action plan to expand the adoption of plug-in electric vehicles, an infrastructure plan to help guide the development of a statewide charging infrastructure network, and various policy and programmatic recommendations. One recommendation was to have 10% of the State’s fleet be zero-emission vehicles by 2020 and 25% by 2025. The additional cost of a zero-emission vehicle is \$21,885, meaning that to reach the 25% goal would cost the State an additional \$2.2 million annually. **The Department of Legislative (DLS) recommends that the agency discuss the council’s goal and how it intends to meet the goals expressed. DLS also recommends that the agency discuss how it will evaluate if the infrastructure is in place to make the purchase of zero-emission vehicles viable.**

Recommended Actions

1. Amend Section 17 to add tracking structure necessary for legislative audits.
2. Add a section that applies the across-the-board Executive Branch reductions to Higher Education.
3. Add a section requiring monthly reporting on the Chesapeake Employers’ Insurance Company.
4. Add a section requiring reporting on federal funds received by the State.
5. Add a section defining the usage of federal funds in the budget.
6. Add a section requiring indirect cost recovery reporting.
7. Add a section requiring a long-term forecast.

8. Add a section requiring a consistent presentation of budget data and organization charts.
9. Add a section requiring reporting on interagency agreements.
10. Add a section defining the budget amendment process.
11. Add a section defining maintenance of accounting systems.
12. Add a section limiting salary payments to Executive nominees rejected by the Senate.

Updates

Central Collection Fund Balance to Provide Revenue to General Fund: CCU collects delinquent debts, claims, and accounts due to State government. Sections 3-301 to 3-306 of the State Finance and Procurement Article require that its collections be deposited into the Central Collections Fund and that collections support CCU operations. As balances accumulate, the funds collected in excess of 15% of the actual operating expenses are to be automatically transferred to the general fund, as detailed in Section 3-306. In fiscal 2014, it is expected that \$4.1 million will be transferred to the general fund.

CCU Incentive Pay: The fiscal 2012 *Joint Chairmen’s Report* requested that the Department of Budget and Management (DBM) report to the budget committees on the criteria used to award incentive pay to the staff of CCU. Incentive pay for collection staff can be made available in any fiscal year that total collections exceed those from the prior fiscal year. HB 1365 was introduced at the 2012 session and would have transferred the Division of Parole and Probation collections to CCU; the legislation did not pass.

Audit Closeout Findings Are Addressed in Allowance: Every fiscal year, the Office of Legislative Audits (OLA) conducts an audit of the State’s closeout transactions. For several fiscal years, there have been several repeat audit findings requiring general funds to replace overstated federal or special funds. As part of its baseline process, DLS has identified these items as deficiencies that need to be addressed. In the fiscal 2014 allowance, DBM has submitted deficiency appropriations of \$28.3 million to address three longstanding findings.

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Department of Budget and Management

Operating Budget Analysis

Program Description

The Department of Budget and Management (DBM) is responsible for managing the expenditure of State resources. DBM's programs are described below:

- **Executive Direction** manages the department. It includes executive staff, Attorneys General, and the Equal Employment Opportunity Program.
- **Division of Finance and Administration** is responsible for the accounting, budgeting, payroll, and purchasing functions of the department.
- **Central Collection Unit (CCU)** collects delinquent debts, claims, and accounts due to State government.
- **Division of Procurement Policy and Administration** provides centralized review and approval or rejection of procurement of services for Executive Branch agencies. The administration also procures vehicles and manages State fleet operations.
- **Office of Budget Analysis** analyzes State agency programs, expenditures, revenues, and performance. The office recommends funding allocations and develops the operating budget with legal requirements and the Administration's directions.
- **Office of Capital Budgeting** develops an annual capital budget, prepares a five-year *Capital Improvement Program*, and reviews the master plans of State agencies.

DBM also has an Office of Personnel Services and Benefits (F10A02) which provides State personnel policy direction and support. This budget and related issues are discussed in a separate analysis.

Performance Analysis: Managing for Results

Managing for Results (MFR) is an Executive Branch initiative that measures State agency performance. The initiative requires agencies to develop strategic plans which include missions, visions, goals, objectives, and performance measures. With respect to DBM, CCU data is evaluated. MFR data relating to the Office of Capital Budgeting is discussed in the Capital Budget Overview.

1. Debt Collections Decline

CCU collects delinquent debts, claims, and accounts due to State government. Its mission is to collect these receivables in the “quickest and most effective manner while employing the highest professional standards.” Typical debts collected include student tuition and fees, restitution for damage to State property, reimbursement for institutional care, local health department fees, workers’ compensation premiums, and State grant overpayments. It does not collect nontax debts, such as unpaid child support payments. Collections are deposited into the Central Collection Fund (CCF).

The unit tracks two objectives that relate to the percentage of debt owed to the State that is actually collected. The two objectives are to collect some or all of the debt of at least 40% of the accounts and to collect at least 40% of the debt from the total value of referrals received. CCU has exceeded both objectives for the last several fiscal years. The dollar value of the debt collected was increasing from fiscal 2009 to 2011, as shown in **Exhibit 1**. In fiscal 2012, the dollar value of debt collections declined \$9.3 million while the percentage of debts outstanding collected increased. CCU indicates that the reason for this was that the large number of small dollar speed zone citations, \$46.00 each, handled in fiscal 2012. In addition, CCU accepted repayment plans that required a lower down payment and longer repayments when financial hardship was demonstrated.

Exhibit 1
Central Collection Unit Activities
Fiscal 2009-2014

<u>Fiscal Year</u>	<u>Dollar Value of Debt Collected</u>	<u>% of Outstanding Total Collected</u>	<u>Annual Percent Change</u>
2009	\$136,605,112	46.1%	5.7%
2010	131,651,220	41.9%	-3.6%
2011	135,024,904	42.5%	2.6%
2012	125,717,129	45.9%	-6.9%
2013 (proj.)	134,000,000	47.0%	6.5%
2014 (proj.)	142,000,000	49.0%	6.0%

Source: Department of Budget and Management

In fiscal 2013 and 2014, CCU shows that the dollar value of the debt collected and the percentage of the outstanding debt collected will increase. Immediate actions to allow for this improvement include improved handling of phone calls and increasing wage garnishments in light of audit findings. Long term, there is a modernization effort underway to replace the legacy collection system. In addition, SB 67 of 2013 has been introduced to authorize CCU to monitor and record inbound telephone calls. CCU indicates that the legislation will allow it to improve the efficiency and effectiveness of call center agents.

Fiscal 2013 Actions

Section 25 of Chapter 1 of the First Special Session of 2012 (the Budget Reconciliation and Financing Act of 2012) required the Governor to abolish at least 100 vacant positions as of January 1, 2013, saving at least \$6.0 million in general funds. This agency’s share of the reduction was \$42,538 in general funds. No positions were reduced, just funding.

Proposed Budget

The fiscal 2014 allowance decreases by \$267,000, as shown in **Exhibit 2**. There are several personnel-related increases. The largest increase is for the retirement system (\$295,000). Contribution rates for the regular employees, teachers, State Police, and Law Enforcement Officers pension plans increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. Other large increases are for health insurance net of an across-the-board reduction (\$142,000) and the annualization of the cost-of-living adjustment (COLA) (\$128,000).

Exhibit 2
Proposed Budget
Department of Budget and Management – Secretary
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
2013 Working Appropriation	\$8,389	\$13,128	\$176	\$21,693
2014 Allowance	<u>8,392</u>	<u>12,869</u>	<u>188</u>	<u>21,449</u>
Amount Change	\$3	-\$259	\$11	-\$244
Percent Change	0.0%	-2.0%	6.5%	-1.1%
Contingent Reductions	-\$9	-\$15	\$0	-\$24
Adjusted Change	-\$5	-\$274	\$11	-\$267
Adjusted Percent Change	-0.1%	-2.1%	6.5%	-1.2%

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Where It Goes:

Personnel Expenses

Employee retirement	\$295
Employee and retiree health insurance, net of across-the-board reductions	142
Annualized salary increase.....	128
Workers’ compensation premium assessment	27
Other fringe benefit adjustments	-11
Reclassification	-51
Accrued leave payout.....	-65
Increments and other compensation.....	-99

Other Changes

Postage usage based upon actual.....	87
Contractual full-time equivalents to improve wage garnishments.....	64
Replacing old computers per DoIT recommendation	47
Office of Attorney General Fee.....	17
DoIT Services allocation.....	15
Statewide personnel	-21
In-state services.....	-38
Retirement administrative fee	-40
DBM paid telecommunications based upon actual	-151
Administrative hearing.....	-290
Spending for legislation last session on Parole and Probation debts that failed	-321
Other.....	-2

Total **-\$267**

DBM: Department of Budget and Management

DoIT: Department of Information Technology

Note: Numbers may not sum to total due to rounding.

Nonpersonnel-related increases include increased postage expenditures based upon actual spending, contractual positions to respond to an audit finding relating to wage garnishment, and computer replacement. One of the major decreases in spending relates to spending that was included in the fiscal 2013 appropriation that was tied to legislation allowing for CCU to collect Parole and Probation debts. That legislation failed, and the funding is not included in the fiscal 2014 allowance. This decrease totals \$321,000. Other decreases include the fee paid to the Office of Administrative Hearings and telecommunication services.

Issues

1. Potential Future Vehicle Fleet Costs

Maryland’s Electric Vehicle Infrastructure Council was created by Chapter 400 of 2011 and tasked with developing an action plan to expand the adoption of plug-in electric vehicles, an infrastructure plan to help guide the development of a statewide charging infrastructure network, and various policy and programmatic recommendations. The council’s overarching goal was to provide sufficient support to have 60,000 plug-in electric vehicles in Maryland by 2020. As of November 2012, there were 778 registered electric vehicles in the State.

Of the various recommendations the council made, one related to the State’s vehicle fleet. Specifically, the council recommended that goals be established for the State vehicle fleet to increase the number of its zero-emission vehicles through the normal course of vehicle fleet replacement. The goal is to have 10% of light duty vehicles purchased annually be zero emission by 2020 and 25% by 2025.

According to DBM, the State has been purchasing approximately 400 vehicles a year for the past several years. If this trend continues, by 2025, the State would have to purchase 100 zero-emission vehicles a year. The only zero-emission vehicle that the State has under contract to purchase is the Nissan Leaf, which costs \$36,419. This is compared to a regular sedan that costs \$14,534 or \$21,885 less than zero-emission vehicles. Reaching the 25% goal would cost the State an additional \$2.2 million annually. **The Department of Legislative Services (DLS) recommends that DBM discuss the council’s goal and how it intends to meet the goals expressed. DLS also recommends that the agency discuss how it will evaluate if the infrastructure is in place to make the purchase of zero-emission vehicles viable.**

Recommended Actions

1. Amend the following section:

Section 17 Using Funds for Their Intended Purpose

SECTION 17. AND BE IT FURTHER ENACTED, That funds appropriated to the various State agency programs and subprograms in Comptroller Objects 0152 (Health Insurance), 0154 (Retirees Health Insurance Premiums), 0175 (Workers' Compensation), 0305 (DBM Paid Telecommunications), 0322 (Capital Lease Telecommunications), 0874 (Office of Attorney General Administrative Fee), 0876 (DoIT IT Services Allocation), 0894 (State Personnel System Allocation), and 1303 (rent paid to DGS) are to be utilized for their intended purposes only. The expenditure or transfer of these funds for other purposes requires the prior approval of the Secretary of Budget and Management. Notwithstanding any other provision of law, the Secretary of Budget and Management may transfer amounts appropriated in Comptroller Objects 0152, 0154, 0305, and 0322 between State departments and agencies by approved budget amendment in fiscal year 2013 and fiscal year 2014. All funds budgeted in or transferred to Comptroller Objects 0152 and 0154, and any funds restricted in this budget for use in the employee and retiree health insurance program that are unspent shall be credited to the fund as established in accordance with Section 2-516 of the State Personnel and Pensions Article of the Annotated Code of Maryland.

Further provided that each agency that receives funding in this budget in any of the restricted Comptroller Objects listed within this section shall establish within the State's accounting system a structure of accounts to separately identify for each restricted Comptroller Object, by fund source, the legislative appropriation, monthly transactions, and final expenditures. It is the intent of the General Assembly that an accounting detail be established so that the Office of Legislative Audits may review the disposition of funds appropriated for each restricted Comptroller Object as part of each closeout audit to ensure that funds are used only for the purposes for which they are restricted and that unspent funds are reverted or canceled.

Explanation: This amendment makes it possible for the Office of Legislative Audits to track the disposition of funds in restricted statewide subobjects.

2. Add the following section:

Section XX Across-the-board Reductions and Higher Education

SECTION XX. AND BE IT FURTHER ENACTED, That all across-the-board reductions applied to the Executive Branch, unless otherwise stated, shall apply to current unrestricted and general funds in the University System of Maryland, St. Mary's College of Maryland, Morgan State University, and Baltimore City Community College.

Explanation: This section explicitly applies reductions intended for the full Executive Branch to the University System of Maryland, St. Mary’s College of Maryland, Morgan State University, and Baltimore City Community College, unless their exclusion is specifically stated.

3. Add the following section:

Section XX Chesapeake Employers’ Insurance Company Fund Accounts

SECTION XX. AND BE IT FURTHER ENACTED, That the Comptroller of Maryland General Accounting Division shall establish a subsidiary ledger control account to debit all State agency funds budgeted under subobject 0175 (workers’ compensation coverage) and to credit all payments disbursed to the Chesapeake Employers’ Insurance Company (CEIC) via transmittal. The control account shall also record all funds withdrawn from CEIC and returned to the State and subsequently transferred to the General Fund. CEIC shall submit monthly reports to the Department of Legislative Services concerning the status of the account.

Explanation: This section provides continuation of a system to track workers’ compensation payments to the CEIC Fund for payment of claims, current expenses, and funded liability for incurred losses by the State.

Information Request	Author	Due Date
Report on status of ledger control account	CEIC	Monthly beginning on July 1, 2013

4. Add the following section:

Section XX Reporting Federal Funds

SECTION XX. AND BE IT FURTHER ENACTED, That the Governor’s budget books shall include a summary statement of federal revenues by major federal program sources supporting the federal appropriations made therein along with the major assumptions underpinning the federal fund estimates. The Department of Budget and Management (DBM) shall exercise due diligence in reporting this data and ensure that they are updated as appropriate to reflect ongoing congressional action on the federal budget. In addition, DBM shall provide to the Department of Legislative Services (DLS) data for the actual, current, and budget years listing the components of each federal fund appropriation by Catalog of Federal Domestic Assistance number or equivalent detail for programs not in the catalog. Data shall be provided in an electronic format subject to the concurrence of DLS.

Explanation: This annual language provides for consistent reporting of federal monies received by the State.

Information Request	Author	Due Date
Report of components of each federal fund appropriation	DBM	With submission of fiscal 2015 budget

5. Add the following section:

Section XX Federal Fund Spending

SECTION XX. AND BE IT FURTHER ENACTED, That in the expenditure of federal funds appropriated in this budget or subsequent to the enactment of this budget by the budget amendment process:

- (1) State agencies shall administer these federal funds in a manner that recognizes that federal funds are taxpayer dollars that require prudent fiscal management, careful application to the purposes for which they are directed, and strict attention to budgetary and accounting procedures established for the administration of all public funds.
- (2) For fiscal 2014, except with respect to capital appropriations, to the extent consistent with federal requirements:
 - (a) when expenditures or encumbrances may be charged to either State or Federal Fund sources, federal funds shall be charged before State funds are charged except that this policy does not apply to the Department of Human Resources with respect to federal funds to be carried forward into future years for child welfare or welfare reform activities;
 - (b) when additional federal funds are sought or otherwise become available in the course of the fiscal year, agencies shall consider, in consultation with the Department of Budget and Management, whether opportunities exist to use these federal revenues to support existing operations rather than to expand programs or establish new ones; and
 - (c) the Department of Budget and Management shall take appropriate actions to effectively establish the provisions of this section as policies of the State with respect to the administration of federal funds by executive agencies.

Explanation: This annual language defines the policies under which federal funds shall be used in the State budget.

6. Add the following section:

Section XX Indirect Costs Report

SECTION XX. AND BE IT FURTHER ENACTED, That the Department of Budget and Management (DBM) shall provide an annual report on indirect costs to the General Assembly in January 2014 as an appendix in the Governor’s fiscal 2015 budget books. The report shall detail by agency for the actual fiscal 2013 budget the amount of statewide indirect cost recovery received, the amount of statewide indirect cost recovery transferred to the General Fund, and the amount of indirect cost recovery retained for use by each agency. In addition, it shall list the most recently available federally approved statewide and internal agency cost recovery rates. As part of the normal fiscal/compliance audit performed for each agency once every three years, the Office of Legislative Audits shall assess available information on the timeliness, completeness, and deposit history of indirect cost recoveries by State agencies. Further provided that for fiscal 2014, excluding the Maryland Department of Transportation, the amount of revenue received by each agency from any federal source for statewide cost recovery may only be transferred to the General Fund and may not be retained in any clearing account or by any other means, nor may DBM or any other agency or entity approve exemptions to permit any agency to retain any portion of federal statewide cost recoveries.

Explanation: This is annual language that requires a report on indirect costs and disallows waivers of statewide cost recovery.

Information Request	Author	Due Date
Annual report on indirect costs	DBM	With submission of the Governor’s fiscal 2015 budget books

7. Add the following section:

Section XX Executive Long-term Forecast

SECTION XX. AND BE IT FURTHER ENACTED, That the Governor’s budget books shall include a forecast of the impact of the Executive budget proposal on the long-term fiscal condition of the General Fund, Transportation Trust Fund, and higher education Current Unrestricted Fund accounts. This forecast shall estimate aggregate revenues, expenditures, and fund balances in each account for the fiscal year last completed, the current year, the budget year, and four years thereafter. Expenditures shall be reported at such agency, program or unit levels, or categories as may be determined appropriate after consultation with the Department of Legislative Services. A statement of major assumptions underlying the forecast shall also be provided, including but not limited to general salary increases, inflation, and growth of caseloads in significant program areas.

Explanation: This annual language provides for the delivery of the Executive’s general fund, transportation, and higher education forecasts and defines the conditions under which they are to be provided.

Information Request	Author	Due Date
Executive forecasts	DBM	With submission of the Governor’s fiscal 2015 budget books

8. Add the following section:

Section XX Reporting on Budget Data and Organizational Charts

SECTION XX. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that all State departments, agencies, bureaus, commissions, boards, and other organizational units included in the State budget, including the Judiciary, shall prepare and submit items for the fiscal 2015 budget detailed by Comptroller subobject classification in accordance with instructions promulgated by the Comptroller of the Treasury. The presentation of budget data in the State budget books shall include object, fund, and personnel data in the manner provided for in fiscal 2014 except as indicated elsewhere in this Act; however, this shall not preclude the placement of additional information into the budget books. For actual fiscal 2013 spending, the fiscal 2014 working appropriation, and the fiscal 2015 allowance, the budget detail shall be available from the Department of Budget and Management (DBM) automated data system at the subobject level by subobject codes and classifications for all agencies. To the extent possible, except for public higher education institutions, subobject expenditures shall be designated by fund for actual fiscal 2013 spending, the fiscal 2014 working appropriation, and the fiscal 2015 allowance. The agencies shall exercise due diligence in reporting this data and ensuring correspondence between reported position and expenditure data for the actual, current, and budget fiscal years. This data shall be made available upon request and in a format subject to the concurrence of the Department of Legislative Services (DLS). Further, the expenditure of appropriations shall be reported and accounted for by the subobject classification in accordance with the instructions promulgated by the Comptroller of Maryland.

Further provided that due diligence shall be taken to accurately report full-time equivalent counts of contractual positions in the budget books. For the purpose of this count, contractual positions are defined as those individuals having an employee-employer relationship with the State. This count shall include those individuals in higher education institutions who meet this definition but are paid with additional assistance funds.

Further provided that DBM shall provide to DLS with the allowance for each department, unit, agency, office, and institution, a one-page organizational chart in Microsoft Word or Adobe PDF format that depicts the allocation of personnel across operational and administrative activities of the entity.

Explanation: This annual language provides for consistent reporting of fiscal 2013, 2014, and 2015 budget data, and provides for the submission of department, unit, agency, office, and institutions’ organizational charts to DLS with the allowance.

9. Add the following section:

Section XX Interagency Agreements

SECTION XX. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that on or before August 1, 2013, each State agency and each public institution of higher education shall report to the Department of Budget and Management (DBM) any agreements in place for any part of fiscal 2013 between State agencies and any public institution of higher education involving potential expenditures in excess of \$100,000 over the term of the agreement. Further provided that DBM shall provide direction and guidance to all State agencies and public institutions of higher education as to the procedures and specific elements of data to be reported with respect to these interagency agreements, to include at a minimum:

- (1) a common code for each interagency agreement that specifically identifies each agreement and the fiscal year in which the agreement began;
- (2) the starting date for each agreement;
- (3) the ending date for each agreement;
- (4) a total potential expenditure, or not-to-exceed dollar amount, for the services to be rendered over the term of the agreement by any public institution of higher education to any State agency;
- (5) a description of the nature of the goods and services to be provided;
- (6) the total number of personnel, both full-time and part-time, associated with the agreement;
- (7) contact information for the agency and the public institution of higher education for the person(s) having direct oversight or knowledge of the agreement; and
- (8) the amount and rate of any indirect cost recovery or overhead charges assessed by the institution of higher education related to the agreement.

Further provided that DBM shall submit a consolidated report to the budget committees and the Department of Legislative Services by December 1, 2013, that contains information on all agreements between State agencies and any public institution of higher education involving potential expenditures in excess of \$100,000 that were in effect at any time during fiscal 2013.

Explanation: The language requires all State agencies and public institutions of higher education to report on all interagency agreements between State agencies and public institutions of higher education having a total potential expenditure over the term of the agreement in excess of \$100,000. This applies only to agreements for the purchase of goods and/or services and does not apply to grants or space agreements between State agencies and public institutions of higher education. Further, it requires that DBM submit a consolidated report on all agreements by December 1, 2013, to the budget committees and the Department of Legislative Services. A new provision was added to request information on higher education cost recovery for interagency agreements.

Information Request	Author	Due Date
Consolidated report on all interagency agreements	DBM	December 1, 2013

10. Add the following section:

Section XX Budget Amendments

SECTION XX. AND BE IT FURTHER ENACTED, That any budget amendment to increase the total amount of special, federal, or higher education (current restricted and current unrestricted) fund appropriations, or to make reimbursable fund transfers from the Governor’s Office of Crime Control and Prevention or the Maryland Emergency Management Agency, made in Section 1 of this Act shall be subject to the following restrictions:

- (1) This section shall not apply to budget amendments for the sole purpose of:
 - (a) appropriating funds available as a result of the award of federal disaster assistance; and
 - (b) transferring funds from the State Reserve Fund – Economic Development Opportunities Fund for projects approved by the Legislative Policy Committee.
- (2) Budget amendments increasing total appropriations in any fund account by \$100,000 or more may not be approved by the Governor until (i) that amendment has been submitted to the Department of Legislative Services (DLS); and (ii) the budget

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committees or the Legislative Policy Committee have considered the amendment or 45 days have elapsed from the date of submission of the amendment. Each amendment submitted to DLS shall include a statement of the amount, sources of funds and purposes of the amendment, and a summary of impact on budgeted or contractual position and payroll requirements.

- (3) Unless permitted by the budget bill or the accompanying supporting documentation or by other authorizing legislation, and notwithstanding the provisions of Section 3-216 of the Transportation Article, a budget amendment may not:
 - (a) restore funds for items or purposes specifically denied by the General Assembly;
 - (b) fund a capital project not authorized by the General Assembly provided, however, that subject to provisions of the Transportation Article, projects of the Maryland Department of Transportation shall be restricted as provided in Section 1 of this Act;
 - (c) increase the scope of a capital project by an amount 7.5% or more over the approved estimate or 5.0% or more over the net square footage of the approved project until the amendment has been submitted to DLS and the budget committees have considered and offered comment to the Governor or 45 days have elapsed from the date of submission of the amendment. This provision does not apply to the Maryland Department of Transportation; and
 - (d) provide for the additional appropriation of special, federal, or higher education funds of more than \$100,000 for the reclassification of a position or positions.
- (4) A budget may not be amended to increase a Federal Fund appropriation by \$100,000 or more unless documentation evidencing the increase in funds is provided with the amendment and fund availability is certified by the Secretary of Budget and Management.
- (5) No expenditure or contractual obligation of funds authorized by a proposed budget amendment may be made prior to approval of that amendment by the Governor.
- (6) Notwithstanding the provisions of this section, any federal, special, or higher education fund appropriation may be increased by budget amendment upon a declaration by the Board of Public Works that the amendment is essential to maintaining public safety, health, or welfare, including protecting the environment or the economic welfare of the State.
- (7) Budget amendments for new major Information Technology (IT) projects, as defined by Sections 3A-301 and 3A-302 of the State Finance and Procurement Article, must

include an Information Technology Project Request, as defined in Section 3A-308 of the State Finance and Procurement Article.

- (8) Further provided that the fiscal 2014 appropriation detail as shown in the Governor’s budget books submitted to the General Assembly in January 2014 and the supporting electronic detail shall not include appropriations for budget amendments that have not been signed by the Governor, exclusive of the Maryland Department of Transportation pay-as-you-go capital program.
- (9) Further provided that it is the policy of the State to recognize and appropriate additional special, higher education, and federal revenues in the budget bill as approved by the General Assembly. Further provided that for the fiscal 2015 allowance, the Department of Budget and Management shall continue policies and procedures to minimize reliance on budget amendments for appropriations that could be included in a deficiency appropriation.

Explanation: This annual language defines the process under which budget amendments may be used. A new provision is added requesting that any budget amendment for an information technology project include an information technology project request.

11. Add the following section:

Section XX Maintenance of Accounting Systems

SECTION XX. AND BE IT FURTHER ENACTED, That:

- (1) The Secretary of Health and Mental Hygiene shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2013 in program M00Q01.03 Medical Care Provider Reimbursements have been disbursed for services provided in that fiscal year and shall prepare and submit the periodic reports required under this section for that program.
- (2) The State Superintendent of Schools shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2013 to program R00A02.07 Students With Disabilities for Non-public Placements have been disbursed for services provided in that fiscal year and to prepare periodic reports as required under this section for that program.
- (3) The Secretary of Human Resources shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2013 in program N00G00.01 Foster Care Maintenance Payments have been disbursed for services provided in that fiscal year and to prepare the periodic reports required under this section for that program.

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- (4) For the programs specified, reports shall indicate total appropriations for fiscal 2013 and total disbursements for services provided during that fiscal year up through the last day of the second month preceding the date on which the report is to be submitted and a comparison to data applicable to those periods in the preceding fiscal year.
- (5) Reports shall be submitted to the budget committees, the Department of Legislative Services, the Department of Budget and Management, and the Comptroller on November 1, 2013; March 1, 2014; and June 1, 2014.
- (6) It is the intent of the General Assembly that general funds appropriated for fiscal 2013 to the programs specified that have not been disbursed within a reasonable period, not to exceed 12 months from the end of the fiscal year, shall revert.

Explanation: This annual language requires the maintenance of accounting systems for certain programs, states the intent of the General Assembly that general funds not disbursed be reverted, and requires reporting of disbursements by the Department of Health and Mental Hygiene (DHMH), the Maryland State Department of Education (MSDE), and the Department of Human Resources (DHR).

Information Request	Authors	Due Date
Report on appropriations and disbursements in M00Q01.03, R00A02.07, and N00G00.01	DHMH MSDE DHR	November 1, 2013 March 1, 2014 June 1, 2014

12. Add the following section:

Section XX Secretary’s or Acting Secretary’s Nomination and Salary

SECTION XX. AND BE IT FURTHER ENACTED, That no funds in this budget may be expended to pay the salary of a Secretary or Acting Secretary of any department whose nomination as Secretary has been rejected by the Senate or an Acting Secretary who was serving in that capacity prior to the 2013 session whose nomination for the Secretary position was not put forward and approved by the Senate during the 2013 session unless the Acting Secretary is appointed under Article II, Section 11 of the Maryland Constitution prior to July 1, 2013.

Explanation: This language ensures that the intentions of the General Assembly are reflected in the payment of executive salaries.

Updates

1. Central Collection Fund Balance to Provide Revenue to General Fund

CCU collects delinquent debts, claims, and accounts due to State government. Sections 3-301 to 3-306 of the State Finance and Procurement Article require that its collections be deposited into the CCF and that collections support CCU operations. As balances accumulate, the funds collected in excess of 15% of the actual operating expenses are to be automatically transferred to the general fund, as detailed in Section 3-306.

Transfers from the Fund Decrease after Fiscal 2013

Prior to the 2009 session, legislation was required each time that a transfer of surplus funds from the CCF balance was required for use in the budget process, as was the case in fiscal 2004, 2008, and 2009. The 2009 law change provided for automatic transfers of this excess revenue to the general fund beginning in fiscal 2011. As **Exhibit 3** shows, an automatic balance transfer from the CCF to the general fund is scheduled for both fiscal 2013 (\$5,156,753) and fiscal 2014 (\$4,066,295).

Exhibit 3
Central Collection Fund – Cash Flows and Fund Balance
Fiscal 2010-2014
(\$ in Thousands)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Est. Revenues</u>	<u>Operating Expenditures</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Ending Balance</u>
2010	\$20,070	\$20,807	-\$11,437	\$0	-\$11,600	\$17,840
2011	17,840	19,199	-10,823	-1,290	-23,110	1,817
2012	1,817	18,526	-11,144	-1,010	-6,364	1,823
2013 Est.	1,823	20,710	-12,846	-2,263	-5,157	2,268
2014 Est.	2,268	20,898	-12,750	-4,118	-4,066	2,230

Source: Department of Budget and Management

The balance available for transfer has been lessened over the past four fiscal years due to the cash flow requirements of the CCU System Modernization information technology (IT) project. Details on this project are included in the Department of Information Technology analysis because it forms part of the Major Information Technology Development Project Fund. As the total expenses utilized to calculate the statutorily required balance fall due to the absence of IT expenses, the transfer will grow.

2. CCU Incentive Pay

The fiscal 2012 *Joint Chairmen’s Report* requested that DBM report to the budget committees on the criteria used to award incentive pay to the staff of CCU. Incentive pay for collection staff can be made available in any fiscal year that total collections exceed those from the prior fiscal year. HB 1365 was introduced at the 2012 session and would have transferred the Division of Parole and Probation collections to CCU. In doing so, total collections would have exceeded the prior year simply due to the inclusion of the new collections regardless of what was achieved by the current staff. Since HB 1365 failed, there was no need to revise the criteria.

3. Audit Closeout Findings Are Addressed in Allowance

Every fiscal year, the Office of Legislative Audits (OLA) conducts an audit of the State’s closeout transactions. For several fiscal years, there have been several repeat audit findings requiring general funds to replace overstated federal or special funds. As part of its baseline process, DLS has identified these items as deficiencies that need to be addressed. In the fiscal 2014 allowance, DBM has submitted deficiency appropriations of \$28.3 million to address three longstanding findings, as shown in **Exhibit 4**.

Exhibit 4
Audit Closeout Findings Addressed
(\$ in Millions)

<u>Year</u>	<u>Agency</u>	<u>Reason</u>	<u>Amount</u>
2002	Maryland State Department of Education	Unrealized Temporary Assistance for Needy Families	\$12.9
2005	State Police	Replace funds incorrectly reverted in 2005	5.8
2009	Department of Human Resources	Title IV-E funds disallowed from fiscal 2009	9.6
Total			\$28.3

Source: Department of Legislative Services

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Budget and Management – Secretary’s Office (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$7,926	\$11,078	\$0	\$134	\$19,138
Deficiency Appropriation	\$0	0	0	0	0
Budget Amendments	220	84	0	40	344
Reversions and Cancellations	-170	-17	0	-4	-191
Actual Expenditures	\$7,976	\$11,145	\$0	\$170	\$19,291
Fiscal 2013					
Legislative Appropriation	\$8,389	\$12,786	\$0	\$176	\$21,351
Budget Amendments	0	342	0	0	342
Working Appropriation	\$8,389	\$13,128	\$0	\$176	\$21,693

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

Fiscal 2012 actual expenditures totaled \$19.3 million and were \$0.2 million higher than the legislative appropriation. General fund budget amendments totaled \$0.2 million, with less than \$0.1 million to align budgeted expenditures with actual expenditures and approximately \$0.2 million for the \$750 employee bonus. General fund reversions totaled \$0.2 million due to savings from vacancies and unspent Annapolis Data center charges and supplies.

Special fund budget amendments total \$0.1 million to fund the one-time \$750 bonus for State employees. Reversions total approximately \$17,000 due to savings in salaries and wages from vacancies.

Reimbursable funds increased \$40,000 to fund a part-time Attorney General position in the Employee Benefit Division, and reversions totaled approximately \$4,000 due to excess from the transfer.

Fiscal 2013

The fiscal 2013 working appropriation increases \$342,095 in special funds to fund the COLA.

Audit Findings

Audit Period for Last Audit:	March 1, 2008 – May 22, 2011
Issue Date:	June 2012
Number of Findings:	4
Number of Repeat Findings:	2
% of Repeat Findings:	50%
Rating: (if applicable)	n/a

Finding 1: **Wage garnishments were not adequately pursued.**

Finding 2: Certain accounts were improperly excluded from the tax intercept refund program and not actively pursued for collection.

Finding 3: **CCU did not ensure the validity of signatures authorizing account adjustments received from State agencies.**

Finding 4: Controls over system access and transfers of critical data were not adequate.

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
Department of Budget and Management – Secretary**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	189.80	192.80	192.80	0.00	0%
02 Contractual	7.70	11.50	12.00	0.50	4.3%
Total Positions	197.50	204.30	204.80	0.50	0.2%
Objects					
01 Salaries and Wages	\$ 14,410,567	\$ 15,975,135	\$ 16,365,016	\$ 389,881	2.4%
02 Technical and Spec. Fees	220,281	209,343	310,408	101,065	48.3%
03 Communication	1,156,564	1,220,166	1,121,479	-98,687	-8.1%
04 Travel	21,343	24,500	21,600	-2,900	-11.8%
07 Motor Vehicles	23,159	5,652	24,075	18,423	326.0%
08 Contractual Services	2,704,234	3,684,142	2,946,685	-737,457	-20.0%
09 Supplies and Materials	107,655	108,000	111,000	3,000	2.8%
10 Equipment – Replacement	208,819	20,000	86,100	66,100	330.5%
13 Fixed Charges	438,446	445,881	462,588	16,707	3.7%
Total Objects	\$ 19,291,068	\$ 21,692,819	\$ 21,448,951	-\$ 243,868	-1.1%
Funds					
01 General Fund	\$ 7,976,201	\$ 8,388,600	\$ 8,391,982	\$ 3,382	0%
03 Special Fund	11,144,811	13,128,029	12,869,297	-258,732	-2.0%
09 Reimbursable Fund	170,056	176,190	187,672	11,482	6.5%
Total Funds	\$ 19,291,068	\$ 21,692,819	\$ 21,448,951	-\$ 243,868	-1.1%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

Fiscal Summary
Department of Budget and Management – Secretary

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
01 Executive Direction	\$ 1,576,868	\$ 1,611,889	\$ 1,771,800	\$ 159,911	9.9%
02 Division of Finance and Administration	1,321,843	1,721,606	1,248,851	-472,755	-27.5%
03 Central Collection Unit	11,144,811	12,846,479	12,869,297	22,818	0.2%
04 Division of Procurement Policy and Administration	2,005,253	2,105,700	2,136,356	30,656	1.5%
01 Budget Analysis and Formulation	2,335,403	2,478,771	2,448,751	-30,020	-1.2%
01 Capital Budget Analysis and Formulation	906,890	928,374	973,896	45,522	4.9%
Total Expenditures	\$ 19,291,068	\$ 21,692,819	\$ 21,448,951	-\$ 243,868	-1.1%
General Fund	\$ 7,976,201	\$ 8,388,600	\$ 8,391,982	\$ 3,382	0%
Special Fund	11,144,811	13,128,029	12,869,297	-258,732	-2.0%
Total Appropriations	\$ 19,121,012	\$ 21,516,629	\$ 21,261,279	-\$ 255,350	-1.2%
Reimbursable Fund	\$ 170,056	\$ 176,190	\$ 187,672	\$ 11,482	6.5%
Total Funds	\$ 19,291,068	\$ 21,692,819	\$ 21,448,951	-\$ 243,868	-1.1%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.