

F10A
Secretary
Department of Budget and Management

Operating Budget Data

(\$ in Thousands)

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$7,935	\$8,892	\$8,850	-\$41	-0.5%
Contingent & Back of Bill Reductions	0	-216	-85	132	
Adjusted General Fund	\$7,935	\$8,675	\$8,766	\$90	1.0%
Special Fund	12,415	12,986	13,691	705	5.4%
Contingent & Back of Bill Reductions	0	0	-109	-109	
Adjusted Special Fund	\$12,415	\$12,986	\$13,582	\$596	4.6%
Reimbursable Fund	165	188	214	26	13.9%
Adjusted Reimbursable Fund	\$165	\$188	\$214	\$26	13.9%
Adjusted Grand Total	\$20,515	\$21,849	\$22,562	\$712	3.3%

- There is a withdrawn appropriation in fiscal 2014 of \$50,000 for increased turnover. This is part of the cost containment actions taken in fiscal 2014 by the Administration.
- The fiscal 2015 allowance increases \$712,000, or 3.3%, compared to the fiscal 2014 working appropriation when adjusting for contingent and across-the-board reductions to health insurance and retirement contributions.
- The largest increase in the allowance is for personnel-related expenditures, which increase approximately \$942,000 to cover the costs associated with annualized salary increases, new positions, and accrued leave payouts.

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

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Personnel Data

	<u>FY 13 Actual</u>	<u>FY 14 Working</u>	<u>FY 15 Allowance</u>	<u>FY 14-15 Change</u>
Regular Positions	192.80	192.80	197.80	5.00
Contractual FTEs	<u>11.85</u>	<u>12.00</u>	<u>12.90</u>	<u>0.90</u>
Total Personnel	204.65	204.80	210.70	5.90

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.80	2.49%
Positions and Percentage Vacant as of 12/31/13	12.00	6.22%

- The fiscal 2015 allowance includes 5.0 new regular positions. Two of the positions are for contractual conversions in the Central Collection Unit (CCU) as well as 3.0 new assistant attorneys general at CCU to focus on legal measures to meet collection targets.
- Even with the 2.0 contractual conversions, the number of contractual full-time equivalents (FTE) increases by 0.9 FTEs. In CCU, 2.9 new contractual FTEs are being added in error.
- The department's budgeted turnover amount is 2.49%, requiring 4.8 vacant positions. As of December 31, 2013, the agency had 12.0 vacant positions for a vacancy rate of 6.22%. Most of these vacant positions are in CCU, with 3.0 planned to be filled to deal with legal issues associated with wage garnishment.
- There is an Annual Salary Review (ASR) for budget analysts at the Department of Budget and Management. There has been a high degree of turnover in these positions. The ASR provides for a one-grade increase for analysts.

Analysis in Brief

Major Trends

Debt Collections Increase: In fiscal 2013, the value of the debt collected by CCU increased \$12.8 million despite the percentage of outstanding debts collected decreasing. One activity that CCU is looking to increase in fiscal 2015 to improve collections is wage garnishment. The fiscal 2015 allowance includes 3 new assistant attorneys general to help file legal cases.

Issues

Cost Recovery Limit for Interagency Agreements: In fiscal 2013, there were 342 interagency agreements totaling \$443.9 million, with cost recovery for those contracts totaling \$30.1 million, or 6.8%, of the total value. The average cost recovery rate used for the agreements was 13.6%. Most of the contracts fall within the 20.0% or less cost recovery rate; however, there were approximately 71 contracts with a cost recovery rate greater than 20.0%. **The Department of Legislative Services recommends that the annual budget bill language on interagency agreements be amended to include a limit of 15% on the cost recovery rate that a higher education institution can assess a State agency**

Recommended Actions

	<u>Funds</u>
1. Delete funding for 3 contractual full-time equivalents.	\$ 86,381
2. Amend Section 17 to add tracking structure necessary for legislative audits.	
3. Add a section requiring a long-term forecast.	
4. Add a section that applies the across-the-board Executive Branch reductions to Higher Education.	
5. Add a section requiring monthly reporting on the Chesapeake Employers' Insurance Company.	
6. Add a section requiring reporting on federal funds received by the State.	
7. Add a section defining the usage of federal funds in the budget.	

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

Total Reductions

\$ 86,381

Updates

Central Collection Fund Balance to Provide Revenue to General Fund: In fiscal 2009, statute was changed to provide an automatic transfer of excess revenue from the Central Collection Fund into the general fund. A transfer is expected to occur in fiscal 2014 totaling \$4.4 million and in fiscal 2015 totaling \$2.3 million.

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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 Increase

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 2010 to 2011, as shown in **Exhibit 1**. In fiscal 2012, the dollar value of debt collections declined, even though the percentage of outstanding debts collected increased. The reason for this was that there were a number of small-dollar speed zone citations. In addition, repayment plans were structured with lower down payments and longer repayments when financial hardship was demonstrated.

Exhibit 1
Central Collection Unit Activities
Fiscal 2009-2015

<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	47.5%	-6.9%
2013	138,492,905	46.9%	10.2%
2014 (Proj.)	141,262,763	48.0%	2.0%
2015 (Proj.)	144,088,018	49.0%	2.0%

Source: Department of Budget and Management

In fiscal 2013, the value of the debt collected increased \$12.8 million despite the percentage of outstanding debts collected decreasing. There were several high-dollar debts collected. In fiscal 2014 and 2015, CCU shows that the dollar value of the debt collected and the percentage of the outstanding debt collected will increase.

To assist in debt collection, CCU is looking to increase its activity in legal measures. This had been an area identified in prior legislative audits. By having more debtors move through the legal process, CCU hopes to have more judgments, and ultimately, more debts collected through wage garnishments and voluntary payments. Currently, there are about 50,000 debtor accounts where wages have been identified, but before wages can be garnished, there is a legal process. To assist in the legal process, 3 new assistant attorneys general are included in the allowance. The current value of the suits brought by CCU is about \$8 million, and it is expected that number will increase to \$17 million.

Fiscal 2014 Actions

There are three across-the-board withdrawn appropriations that offset the increase in deficiency appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology (IT) system, and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel, the Department of Information Technology (DoIT), and the State Retirement Agency (SRA), respectively. There is also a \$50,000 withdrawn appropriation in turnover. This action is part of the larger cost containment actions taken by the Administration.

Proposed Budget

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA.

As shown in **Exhibit 2**, the allowance increases by \$0.7 million, or 3.3%, compared to the working appropriation. Personnel-related expenditures increase by \$0.9 million in the allowance. The largest increase is the cost of the step increase in fiscal 2014 and other compensation increases, which total \$0.5 million. The new positions in the allowance increase spending by \$0.2 million. Other major personnel increases include \$0.2 million for accrued leave payout and \$0.1 million for reclassifications. The allowance does include reductions for health insurance and turnover.

Nonpersonnel-related expenditures generally are down in the fiscal 2015 allowance. Most of the decreases in the allowance are for centrally budgeted statewide cost allocations for items such as retirement, personnel, and DoIT.

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

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2014 Working Appropriation	\$8,675	\$12,986	\$188	\$21,849
2015 Allowance	<u>8,766</u>	<u>13,582</u>	<u>214</u>	<u>22,562</u>
Amount Change	\$90	\$596	\$26	\$712
Percent Change	1.0%	4.6%	13.9%	3.3%
Where It Goes:				
Personnel Expenses				
Annualized salary increase.....				\$464
New positions.....				235
Accrued leave payout.....				155
Increments and other compensation.....				141
Retirement contribution				122
Above base reclassification.....				114
Other fringe benefit adjustments				-7
Employee and retiree health insurance				-139
Turnover adjustments.....				-143
Other Changes				
Legal costs increase for more wage garnishments to increase debt collection				104
Contractual services				97
Administrative hearings				66
Rent to the Department of General Services.....				21
Telephone.....				20
Other				3
Statewide personnel allocation.....				-43
Department of Budget and Management paid telecommunications				-75
Postage based upon historical spending				-105
Department of Information Technology cost allocation				-117
Retirement administrative fee				-201
Total				\$712

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

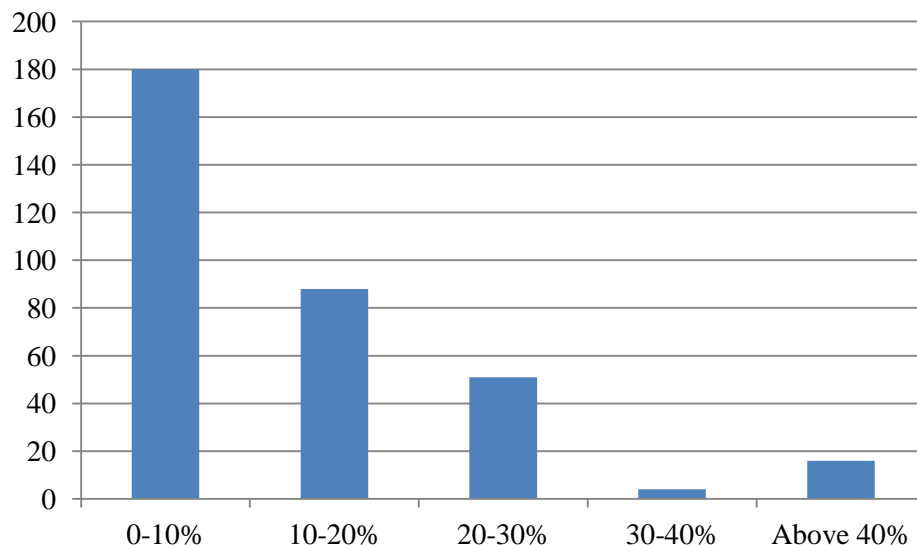
Issues

1. Cost Recovery Limit for Interagency Agreements

During the 2013 session, annual budget bill language relating to interagency agreements was amended to require additional reporting on the cost recovery rates used for interagency agreements during fiscal 2013. DBM submitted the annual interagency agreement report with the additional information on cost recovery as required. In fiscal 2013, there were 342 interagency agreements totaling \$443.9 million, with cost recovery for those contracts totaling \$30.1 million, or 6.8%, of the total value. The average cost recovery rate used for the agreements was 13.6%.

As shown in **Exhibit 3**, the cost recovery rate can vary a great deal depending on the contract. Most of the contracts fall within the 20% or less cost recovery rate; however, there were approximately 71 contracts with a cost recovery rate greater than 20%. The highest cost recovery rate was 69% for a contract between the Department of Public Safety and Correctional Services and the University of Maryland, College Park. **To avoid potentially higher than necessary cost recovery rates, the Department of Legislative Services recommends that the annual budget bill language on interagency agreements be amended to include a limit of 15% on the cost recovery that a higher education institution can assess a State agency.**

Exhibit 3
Count of Interagency Agreements Certain Cost Recovery Percentages
Fiscal 2013



Source: Department of Budget and Management

Recommended Actions

	<u>Amount Reduction</u>	<u>Position Reduction</u>
1. Delete funding for 3 contractual full-time equivalents (FTE). The allowance includes 3 new contractual FTEs in the Central Collection Unit in error. This action deletes funding for those positions.	\$ 86,381	SF

2. 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 2014 and fiscal year 2015. 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.

3. 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 4 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	Department of Budget and Management	With the submission of the Governor’s fiscal 2016 budget books

4. 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.

5. Add the following section:

Section XX Chesapeake Employers' Insurance Company Fund Accounts

SECTION XX. AND BE IT FURTHER ENACTED, That the General Accounting Division of the Comptroller of Maryland 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, 2014

6. 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
Reporting components of each federal fund appropriation	DBM	With submission of fiscal 2016 budget

7. 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 2015, 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 (DBM), whether opportunities exist to use these federal revenues to support existing operations rather than to expand programs or establish new ones; and
 - (c) DBM 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.

8. 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 2015 as an appendix in the Governor’s fiscal 2016 budget books. The report shall detail by agency for the actual fiscal 2014 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 3 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 2015, 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 2016 budget books

9. 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 2016 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 2015 except as indicated elsewhere in this Act; however, this may not preclude the placement of additional information into the budget books. For actual fiscal 2014 spending, the fiscal 2015 working appropriation, and the fiscal 2016 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 2014 spending, the fiscal 2015 working appropriation, and the fiscal 2016 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 on 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 2014, 2015, and 2016 budget data and provides for the submission of department, unit, agency, office, and institutions' organizational charts to DLS with the allowance.

10. Add the following section:

Section XX Interagency Agreements

SECTION XX. AND BE IT FURTHER ENACTED, *That an interagency agreement between a State agency and an institution of higher education shall not have an indirect cost recovery rate greater than 15%.* On or before August 1, 2014, 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 2014 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, 2014, 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 2014.

Explanation: The language requires that the maximum indirect cost recovery role shall not be greater than 15% for an interagency agreement between a State agency and an institution of higher education. The language also 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, 2014, to the budget committees and the Department of Legislative Services.

Information Request	Author	Due Date
Consolidated report on all interagency agreements	DBM	December 1, 2014

11. 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:
 - (a) that amendment has been submitted to the Department of Legislative Services (DLS); and
 - (b) the budget 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 any 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 (MDOT) 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 MDOT; and

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- (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 2015 appropriation detail as shown in the Governor's budget books submitted to the General Assembly in January 2015 and the supporting electronic detail shall not include appropriations for budget amendments that have not been signed by the Governor, exclusive of the MDOT 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 2016 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.

12. 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 2014 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 2014 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 2014 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.
- (4) For the programs specified, reports shall indicate total appropriations for fiscal 2014 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, 2014; March 1, 2015; and June 1, 2015.
- (6) It is the intent of the General Assembly that general funds appropriated for fiscal 2014 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).

F10A – Department of Budget and Management – Secretary

Information Request	Authors	Due Date
Report on appropriations and disbursements in M00Q01.03, R00A02.07, and N00G00.01	DHMH MSDE DHR	November 1, 2014 March 1, 2015 June 1, 2015

13. 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 an 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 2014 session whose nomination for the Secretary position was not put forward and approved by the Senate during the 2014 session unless the Acting Secretary is appointed under Article II, Section 11 of the Maryland Constitution prior to July 1, 2014.

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

Total Special Fund Reductions **\$ 86,381**

Updates

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

CCU collects delinquent debts, claims, and accounts owed to State government. Sections 3-301 to 3-306 of the State Finance and Procurement Article require that the 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 4** shows, an automatic balance transfer from the CCF to the general fund is scheduled for both fiscal 2014 (\$4.4 million) and fiscal 2015 (\$2.3 million).

Exhibit 4
Central Collection Fund – Cash Flows and Fund Balance
Fiscal 2010-2015 Est.
(\$ 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	1,823	19,901	-12,159	-1,943	-5,507	2,115
2014 Est.	2,115	20,050	-12,986	-2,500	-4,357	2,322
2015 Est.	2,322	20,448	-13,795	-4,000	-2,306	2,669

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 IT project. Details on this project are included in the DoIT analysis because it forms part of the Major IT Development Project Fund.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2013					
Legislative Appropriation	\$8,389	\$12,786	\$0	\$176	\$21,351
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-10	342	0	10	342
Reversions and Cancellations	-443	-713	0	-21	-1,178
Actual Expenditures	\$7,935	\$12,415	\$0	\$165	\$20,515
Fiscal 2014					
Legislative Appropriation	\$8,383	\$12,854	\$0	\$188	\$21,425
Budget Amendments	508	132	0	0	640
Working Appropriation	\$8,892	\$12,986	\$0	\$188	\$22,066

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

Fiscal 2013 actual expenditures for DBM – Secretary totaled \$20.5 million and were \$0.8 million less than the legislative appropriation. Budget amendments increased the appropriation by a net of \$0.3 million for the following purposes:

- Special funds increased by \$0.3 million to fund the general salary increase for State employees.
- General fund spending was reduced by \$10,000.
- There was also a reimbursable fund amendment of \$10,000 to support spending in the Secretary's office.

This spending was offset by reversions and cancellations totaling \$1.2 million. There was \$0.4 million in general funds due to reversions in statewide allocation objects that were less than expected and less spending being required from State agencies who were assessed a fee for development of a new Statewide Personnel System. In fiscal 2013, the State spent approximately 48% of this major IT project's appropriated budget, with the remainder reverted to the general fund. Special fund cancellations totaled \$0.7 million, mostly for CCU spending for salaries, postage, and various contract costs, as well as the statewide allocation for DoIT. The reimbursable fund cancellation was due to 1 attorney general position remaining vacant.

Fiscal 2014

In fiscal 2014, budget amendments have increased the appropriation by \$0.7 million. This includes an additional \$0.5 million in general funds and \$0.1 million in special funds to fund the general salary increase, Annual Salary Review, and increment for State employees.

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

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	192.80	192.80	197.80	5.00	2.6%
02 Contractual	11.85	12.00	12.90	0.90	7.5%
Total Positions	204.65	204.80	210.70	5.90	2.9%
Objects					
01 Salaries and Wages	\$ 15,114,077	\$ 16,600,474	\$ 17,606,041	\$ 1,005,567	6.1%
02 Technical and Spec. Fees	255,466	310,408	408,787	98,379	31.7%
03 Communication	959,018	1,191,227	1,030,771	-160,456	-13.5%
04 Travel	34,131	21,600	32,300	10,700	49.5%
07 Motor Vehicles	28,555	24,075	11,680	-12,395	-51.5%
08 Contractual Services	3,206,021	3,258,292	2,996,527	-261,765	-8.0%
09 Supplies and Materials	118,839	111,000	115,000	4,000	3.6%
10 Equipment – Replacement	349,732	86,100	70,500	-15,600	-18.1%
13 Fixed Charges	448,897	462,588	483,811	21,223	4.6%
Total Objects	\$ 20,514,736	\$ 22,065,764	\$ 22,755,417	\$ 689,653	3.1%
Funds					
01 General Fund	\$ 7,935,299	\$ 8,891,688	\$ 8,850,336	-\$ 41,352	-0.5%
03 Special Fund	12,414,615	12,986,404	13,691,294	704,890	5.4%
09 Reimbursable Fund	164,822	187,672	213,787	26,115	13.9%
Total Funds	\$ 20,514,736	\$ 22,065,764	\$ 22,755,417	\$ 689,653	3.1%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
Department of Budget and Management – Secretary

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
01 Executive Direction	\$ 1,657,153	\$ 1,794,599	\$ 2,037,908	\$ 243,309	13.6%
02 Division of Finance and Administration	1,553,152	1,637,935	1,014,992	-622,943	-38.0%
03 Central Collection Unit	12,165,437	12,986,404	13,691,294	704,890	5.4%
04 Division of Procurement Policy and Administration	1,884,341	2,168,990	2,209,330	40,340	1.9%
01 Budget Analysis and Formulation	2,310,366	2,488,410	2,804,730	316,320	12.7%
01 Capital Budget Analysis and Formulation	944,287	989,426	997,163	7,737	0.8%
Total Expenditures	\$ 20,514,736	\$ 22,065,764	\$ 22,755,417	\$ 689,653	3.1%
General Fund	\$ 7,935,299	\$ 8,891,688	\$ 8,850,336	-\$ 41,352	-0.5%
Special Fund	12,414,615	12,986,404	13,691,294	704,890	5.4%
Total Appropriations	\$ 20,349,914	\$ 21,878,092	\$ 22,541,630	\$ 663,538	3.0%
Reimbursable Fund	\$ 164,822	\$ 187,672	\$ 213,787	\$ 26,115	13.9%
Total Funds	\$ 20,514,736	\$ 22,065,764	\$ 22,755,417	\$ 689,653	3.1%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.