

D05E01
Board of Public Works

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$7,509	\$6,990	\$7,659	\$669	9.6%
Deficiencies and Reductions	0	0	-3	-3	
Adjusted General Fund	\$7,509	\$6,990	\$7,656	\$666	9.5%
 Adjusted Grand Total	 \$7,509	 \$6,990	 \$7,656	 \$666	 9.5%

- The fiscal 2017 allowance for the Board of Public Works (BPW) increases by \$666,069, or 9.5%, compared to the fiscal 2016 working appropriation after adjusting for the across-the-board health insurance reduction.
- The primary sources of growth are the increases of \$192,880 to replenish the contingent fund and \$444,068 to the area of grants to private nonprofit groups, namely a new grant of \$250,000 to the Western Maryland Scenic Railroad and an increase of \$187,000 to the Historic Annapolis Foundation.

Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	9.00	9.00	9.00	0.00
Contractual FTEs	<u>0.25</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	9.25	9.00	9.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/15	1.00	11.11%

- No new regular or contractual positions are included in the fiscal 2017 allowance.

Analysis in Brief

Major Trends

Value of Procurement Contracts Increased Substantially: The total value of procurement contracts approved by BPW in fiscal 2015 was \$11.1 billion. The \$8.4 billion increase over fiscal 2014 is due to the award of \$9.0 billion in contracts for State employee health and dental benefits.

Competitiveness of Contracts: Competitive sealed bids and competitive sealed proposals constitute 45% of procurements approved by BPW. Since fiscal 2013, there has been a growing trend for “sole source” and “other” methods of procurement. **The Department of Legislative Services recommends that BPW discuss the growing trends of sole source procurements and other methods of procurement.**

Issues

Notice of Reductions: The Board of Public Works Transparency Act of 2016, as provided in HB 368 and SB 370 of the 2016 session, will require the Secretary of Budget and Management to provide public notice of at least 10 consecutive days before BPW may approve a reduction of appropriations proposed by the Governor. **BPW should comment on the impact the legislation will have on agency operations and the Administration’s ability to balance the budget.**

Maryland Zoo Operations, Financials, and Attendance: The 2015 *Joint Chairmen’s Report* (JCR) directed the Maryland Zoo to submit audited financial statements and monthly attendance reports. The zoo experienced modest attendance growth in fiscal 2015, with nearly 1,700 additional visits compared to the prior year. The general operating outlook remains stable, despite the drop in revenues and \$475,271 net loss in fiscal 2015. **The zoo should discuss its future direction and financial prospects in light of its recent performance and current economic conditions.**

Recommended Actions

Funds

1. Adopt committee narrative directing the Board of Public Works to include the annual dollar expenditure with Minority Business Enterprises (MBE) as part of its annual Managing For Results submission.
2. Delete the grant for the Western Maryland Scenic Railroad. \$ 250,000

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3. Adopt annual committee narrative directing the Maryland Zoo in Baltimore to submit attendance and financial data reports.

Total Reductions

\$ 250,000

Updates

Improving Minority Business Enterprise Participation: The 2015 JCR required BPW, in consultation with the Governor’s Office of Minority Affairs, to provide a report identifying the State’s plan for increasing the number of contracts that meet the State’s MBE participation goal. A report was submitted in September 2015.

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Board of Public Works

Operating Budget Analysis

Program Description

The Governor, Comptroller, and Treasurer comprise the Board of Public Works (BPW). The board approves the expenditure of all sums appropriated through State loans authorized by the General Assembly and funds appropriated for capital improvements, except construction contracts for State roads, bridges, and highways. The board approves leases and contracts executed by State agencies. It adopts and promulgates rules, regulations, and procedures for the administration of the State's procurement law. The board approves certain actions of the Public School Construction Program, including the funding allocations to school boards in each county and Baltimore City. The board also approves the amount and timing of bond sales.

The board is responsible for the issuance of licenses to people seeking to dredge in or to place fill on State tidal wetlands. The Wetlands Administration unit is a division of the board that conducts public hearings, prepares written recommendations, and issues licenses after approval by the board. This program also coordinates the State's wetlands licensing program with other governmental agencies, landowners, and the general public.

The budget for BPW contains funds for the administrative staff of the board, a contingency fund to supplement general fund appropriations when necessary, grant funds for private nonprofit groups, and funds to pay settlements and judgments against the State.

Performance Analysis: Managing for Results

Although BPW participates in Managing for Results (MFR), the function and distribution of the agency's budget challenge a quantitative assessment of performance. Thus, the following MFR measures are only a summary of the State's procurement actions handled by BPW.

1. Value of Procurement Contracts Increased Substantially

Exhibit 1 lists statewide contract submissions, approvals, and the dollar value of contracts approved for fiscal 2011 to 2017. In fiscal 2015, the value of contracts approved by the board increased by \$8.4 billion, or 315%. The spike in the value of approved contracts in fiscal 2015 is due to the award of \$9.0 billion in contracts for State employee health and dental benefits. Other significant contracts awarded include:

- \$220 million for video lottery terminals;
- \$146 million for Maryland Area Regional Commuter Rail Service upgrades;

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- \$116 million for the construction of Cox Creek dredged material containment facility; and
- \$105 million for the construction of a security checkpoint and connecting corridor between Concourses D and E at Baltimore/Washington International Thurgood Marshall Airport.

Exhibit 1
Procurement Contract Approvals
Fiscal 2011-2017 Est.

	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>	<u>2014-15</u> <u>% Change</u>	<u>2016</u> <u>Est.</u>	<u>2017</u> <u>Est.</u>
Contracts submitted for approval	542	551	578	784	600	-23.5%	610	610
Contracts approved	538	545	559	756	594	-21.4%	600	600
Total dollar value of contracts (\$ in billions)	\$2.9	\$5.4	\$2.3	\$2.7	\$11.1	314.9%	\$2.0	\$2.0

Source: Board of Public Works; Governor's Budget Books, Fiscal 2011-2016; Department of Budget and Management, Fiscal 2017

2. Competitiveness of Contracts

Exhibit 2 shows the distribution of procurement methods used by the State, based on contracts that come before BPW for approval. Competitive sealed bid and competitive sealed proposal are the preferred procurement methods of the State, as each attempts to achieve as much competition as possible. Competitive sealed bid and competitive sealed proposal are the most common methods, accounting for about 45% of all contracts approved by the board in fiscal 2013, 2014, and 2015. Unlike competitive sealed bidding and competitive sealed proposals, procurement by the sole source method is a process by which the board awards a contract to a vendor without competition. As shown in the exhibit, when measured as a percent of the total number of contracts awarded, sole source awards demonstrate an increasing trend, comprising 8% in fiscal 2013, 11% in fiscal 2014, and 14% in fiscal 2015. Moreover, "other" methods has grown from 10% of procurements in fiscal 2013 to 25% of procurements in fiscal 2015. **The Department of Legislative Services recommends that BPW discuss the growing trends of sole source procurements and other methods of procurement.**

Exhibit 2
BPW Contracts Approved by Procurement Method
Fiscal 2013-2017 Est.

	<u>2013</u> <u>Actual</u>	<u>% of</u> <u>Total</u>	<u>2014</u> <u>Actual</u>	<u>% of</u> <u>Total</u>	<u>2015</u> <u>Actual</u>	<u>% of</u> <u>Total</u>	<u>2016</u> <u>Est.</u>	<u>2017</u> <u>Est.</u>
Competitive sealed-bid	216	29%	225	30%	194	32%	225	225
Competitive sealed-proposals	128	17%	111	15%	80	13%	105	105
Single bid/proposal received	67	9%	93	13%	42	7%	45	45
Sole source	59	8%	84	11%	85	14%	50	50
Emergency or expedited	57	8%	66	9%	52	9%	60	60
Other	73	10%	164	22%	151	25%	120	120
Total	600		743		604		605	605

BPW: Board of Public Works

Source: Board of Public Works; Governor's Budget Books, Fiscal 2013-2016; Department of Budget and Management, Fiscal 2017

Fiscal 2016 Actions

Cost Containment

The fiscal 2016 budget contained an across-the-board general fund reduction for all State agencies, which resulted in a 2% across-the-board general fund reduction for BPW, totaling \$153,000. To accommodate this reduction, BPW reduced the operating grant to the Maryland Zoo in Baltimore by the total cost containment amount of \$153,000.

Proposed Budget

Exhibit 3 provides detail on how the Governor's fiscal 2017 allowance for BPW increases by \$666,069 in general funds, or 9.5%. The addition of a new \$250,000 grant for the Western Maryland Scenic Railroad, \$187,000 in additional grant support for the Historic Annapolis Foundation (HAF), and a \$192,880 increase in the contingent fund to maintain an initial legislative appropriation equal to fiscal 2016 of \$500,000 are the only major changes to the BPW budget.

Exhibit 3
Proposed Budget
Board of Public Works
(\$ in Thousands)

How Much It Grows:	General Fund	Total
Fiscal 2015 Actual	\$7,509	\$7,509
Fiscal 2016 Working Appropriation	6,990	6,990
Fiscal 2017 Allowance	<u>7,656</u>	<u>7,656</u>
Fiscal 2016-2017 Amount Change	\$666	\$666
Fiscal 2016-2017 Percent Change	9.5%	9.5%
Where It Goes:		
Personnel Expenses		
Employee and retiree health insurance, including back of the bill reduction		\$23
Employee retirement.....		16
Social Security contributions		7
Regular earnings		-21
Other Changes		
Western Maryland Scenic Railroad grant		250
Contingent Fund appropriation		193
Historic Annapolis Foundation grant.....		187
Council of State Governments organization dues.....		7
Other		4
Total		\$666

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

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency's share of these reductions is \$2,717 in general funds. There is an additional across-the-board reduction to abolish positions statewide, but the amounts have not been allocated by agency.

Personnel

The fiscal 2017 allowance includes funds for employee increments in the budget of the Department of Budget and Management. These funds will be distributed to agencies early in the fiscal year. The BPW share of the employee increments is \$17,348 in general funds.

Grants to Private Nonprofits

The fiscal 2017 allowance for grants to private nonprofits totals \$6,021,136 in general funds, which represents an increase of \$444,068, or 8%, over the fiscal 2016 working appropriation. The increase is largely due to a new \$250,000 grant for the Western Scenic Railroad and an additional \$187,000 in grant funding for HAF in support of its expanded operations to maintain and operate the James Brice House.

- ***Maryland Zoo in Baltimore:*** The State has provided the Maryland Zoo in Baltimore with a variety of grants to support its general operations over the past 20 years. These funds have resided in the BPW budget since 2004. The board's fiscal 2017 allowance includes a \$4,815,209 general fund operating grant to the zoo, matching the fiscal 2016 working appropriation. It should also be noted that State funding for educational organizations includes \$812,171 for zoo operations, resulting in total State operating funding of \$5,627,380. The fiscal 2017 capital budget also includes a proposed \$2,500,000 grant for capital improvements.
- ***Historic Annapolis Foundation:*** The fiscal 2017 allowance provides a \$789,000 general fund grant to HAF, an increase of \$187,000, or 31%, from the prior year. HAF leases 12 State-owned historic buildings in Annapolis and is contractually obligated to operate and maintain them. The grant funds will be used for operating expenditures to heat and maintain State properties.
- ***The Western Maryland Scenic Railroad:*** The fiscal 2017 allowance provides a new \$250,000 general fund grant to the Western Maryland Scenic Railroad. The foundation reported that the funds will be used to support ongoing maintenance needs for the railroad.
- ***Council of State Governments:*** A \$166,927 general fund grant to the Council of State Governments (CSG) provides the organization with an operating budget subsidy. CSG uses these funds to provide support services for priorities established by legislative leaders and executives through the Eastern Office of the Council of State Governments, the Southern Legislative Conference, and the Southern Governors' Association. The amount budgeted represents a \$7,068 increase above fiscal 2016, which reflects the increase in membership cost.

Issues

1. Notice of Reductions

With the exception of the Legislative and Judicial branches, K-12 education, debt service, and the salaries for constitutional officers, and with the approval of BPW, the Governor may reduce any appropriation during the fiscal year by up to 25% to address shortfalls in revenue and to maintain a balanced budget.

The budget committees included narrative in the 2015 *Joint Chairmen's Report* (JCR) expressing the intent that BPW provide the General Assembly any planned budget reductions 72 hours prior to the item's consideration for approval. As provided in HB 368 and SB 370 of the 2016 session, the Board of Public Works Transparency Act of 2016 will require the Secretary of Budget and Management to provide public notice of at least 10 consecutive days before BPW may approve a reduction. While an attempt to provide greater transparency, this legislation will delay the Governor's ability to address revenue shortfalls. According to the legislation, the submitted notice is to inform the Legislative Policy Committee, the Senate Budget and Taxation Committee, and the House Appropriations Committee and should include the following information:

- the name of the agency or program for which the appropriation is intended;
- a brief narrative summary of the impact of the proposed reduction on the agency or program;
- the amount of the proposed reduction in both dollar and percentage values;
- the fund source of the appropriation affected by the proposed reduction; and
- any projected reduction in workforce as a result of the proposed reduction.

BPW should comment on the impact the legislation will have on agency operations and the Administration's ability to balance the budget.

2. Maryland Zoo Operations, Financials, and Attendance

The 2015 JCR directed the Maryland Zoo again to submit audited financial statements and monthly attendance reports. Throughout fiscal 2015, the zoo submitted monthly attendance reports to the budget committees and provided its financial statements on October 20, 2015.

Zoo Attendance Increases in Fiscal 2015

Exhibit 4 shows zoo attendance for fiscal 2011 through 2015 by visitor group type. While attendance increased by nearly 14.0% over the five-year period, attendance grew by only 0.4%, or

1,688 visitors, in fiscal 2015 compared to fiscal 2014. Much of the growth in fiscal 2015 occurred among member admissions and visitors entering by passes. Member admissions increased by 24,446, or 18.9%, and visitors entering by passes increased by 1,573, or 8.6%. The passes category includes those entering the zoo without paying an admission fee, excluding vendors, contractors, and school groups.

Exhibit 4
Maryland Zoo in Baltimore – Attendance by Groups
Fiscal 2011-2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>#</u> <u>Change</u> <u>2014-15</u>	<u>%</u> <u>Change</u> <u>2014-15</u>	<u>%</u> <u>Change</u> <u>2011-15</u>
General	154,899	180,904	163,197	190,933	169,117	-21,816	-11.4%	9.2%
Member	123,721	137,868	126,194	129,687	154,133	24,446	18.9%	24.6%
School	81,521	87,750	88,383	85,852	83,337	-2,515	-2.9%	2.2%
Passes	14,470	3,321	22,388	18,374	19,947	1,573	8.6%	37.9%
Total	374,611	409,843	400,162	424,846	426,534	1,688	0.4%	13.9%

Source: Maryland Zoological Society

In contrast to member and pass admissions, the number of visits through general admission decreased by 11.4%, or 21,816 patrons. Those attending from school visits also decreased in fiscal 2015 with a total of 83,337 patrons attending, reflecting a decrease of approximately 3.0% from the previous year. The zoo attributes the decline in these two categories in fiscal 2015 primarily to the civil unrest in Baltimore City during the period of April 27 to May 6, 2015.

Earned Income and Expenses

Exhibit 5 shows the changes in zoo revenues and expenses from fiscal 2012 to 2015, as detailed in the audited financial statements. Notable changes in the zoo's fiscal 2015 revenues and expenditures include the following:

- **Grants and Awards:** Grants and awards decreased by nearly \$8.6 million, or 47%, in fiscal 2015. Grants and awards generally consist of public funding from State and local jurisdictions for both operating and capital funds. The zoo reports that the decrease reflects the grant of \$7.0 million that the State provided in fiscal 2014 for capital improvements, namely the Penguin Coast exhibit.

Exhibit 5
Maryland Zoo in Baltimore – Audited Financial Statements
Fiscal 2012-2015

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>\$</u>	<u>%</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Change</u>	<u>Change</u>
Revenue, Gains, and Other Support						
Grants and Awards	\$11,596,581	\$10,643,094	\$18,293,118	\$9,758,645	-\$8,534,473	-47%
Contributions	548,762	1,758,675	1,247,159	859,752	-387,407	-31%
In-kind Donations	831,749	809,567	831,463	977,081	145,618	18%
Education Programs	8,498	248,083	262,342	246,678	-15,664	-6%
Visitor Revenue	2,728,786	2,693,401	3,025,683	3,098,476	72,793	2%
Investment Income	951	15,315	24,442	705	-23,737	-97%
Membership Dues	1,210,237	1,374,096	1,372,583	1,662,475	289,892	21%
Insurance Recoveries	1,153,752	27,798	1,388,978	112,274	-1,276,704	-92%
Special Events	464,483	437,851	419,522	517,184	97,662	23%
Other Revenue	343,276	19,410	10,061	77,022	66,961	666%
Total	\$18,887,075	\$18,027,290	\$26,875,351	\$17,310,292	-\$9,565,059	-36%
Expenses						
Program Services	\$12,233,038	\$12,896,782	\$13,409,644	\$14,238,032	\$828,388	6%
Supporting Services	3,079,548	2,802,541	2,836,226	2,622,077	-214,149	-8%
Fundraising	525,135	532,203	849,149	925,454	76,305	9%
Total	\$15,837,721	\$16,231,526	\$17,095,019	\$17,785,563	\$690,544	4%
Net Income	\$3,049,354	\$1,795,764	\$9,780,332	-\$475,271	-\$10,255,603	-105%

Source: Maryland Zoological Society Consolidated Financial Statements, June 30, 2012, 2013, 2014, and 2015

- Contributions:** Contributions declined by \$387,407, or 31%, in fiscal 2015. Contributions are comprised of annual donations from individuals and corporations, excluding memberships, and are often provided in support of specific exhibit projects. The zoo reports that contributions received in fiscal 2014 included a higher number of private capital gifts related to the Penguin Coast exhibit. The fiscal 2015 decline reflects the reduced capital spending, primarily due to the conclusion of the penguin project, and the one-time nature of contributions. Fiscal 2015 contributions thus reflect a more normal flow of capital contributions. The operating component of the zoo's annual fund contributions actually increased year over year by approximately \$30,000.
- In-kind Donations:** In-kind donations increased by \$145,618, or 18%, in fiscal 2015. In-kind donations are noncash donations that the zoo received, in large part, from Baltimore City; the

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increase thus reflects general increases in rent, waste removal services, and electricity costs donated by the city.

- **Visitor Revenue:** Visitor revenue increased by \$72,793, or 2%, in fiscal 2015. Visitor revenue is obtained from admission ticket sales, concession commissions, enjoyment of rides (net of revenue sharing paid to vendors), and facility rentals. The category of visitor revenue does not include membership sales.
- **Membership Dues:** Membership dues increased by \$289,892, or 21%, in fiscal 2015. This increase is consistent with the approximately 19% increase in membership attendance in fiscal 2015. There were three changes that helped contribute to the zoo's increase in member dues for fiscal 2015. The first change was a discount program that incentivized existing members to renew their memberships before they expired, thereby increasing the retention rate of members and increasing total revenues. The second change involved restructuring membership levels to simplify the sales process. The third change was an increase in membership pricing; *e.g.*, prices for the most popular family membership levels, basic and plus, were increased by \$3 and \$10, respectively.
- **Insurance Recoveries:** Insurance recoveries decreased by \$1,276,704, or 92%, in fiscal 2015. Fiscal 2014 insurance recoveries were much higher due to the receipt of payment for the damages that developed in the Maryland Aviary and the African Aviary as a result of two snowstorms that occurred in February 2010.
- **Special Events:** Special events revenue increased by \$97,662, or 23%, in fiscal 2015. The zoo runs special events throughout the year that appeal to different age groups and demographics; with Brew at the Zoo, which takes place over the Saturday and Sunday of Memorial Day weekend, continuing to be the largest event in both revenue and attendance. Other events include Oktobearfest, Breakfast with the Animals, Bunny BonanZOO (Easter), ZooBoo (Halloween), Sex at the Zoo (Valentine's Day), and an 8K race through the zoo (Zoo Zoom event).
- **Program Expenses:** Program expenses increased by approximately \$690,544, or 4%, primarily due to increases in the cost of personnel expenses, but also due to increases in fundraising. The personnel-related expenses include the upgrading of key animal care positions, an increase in the health care costs and enrollments, the addition of revenue generating positions, and an across-the-board increase for staff related to the mandatory minimum wage increase that began in calendar 2015. Fundraising included categories that support the revenue generating activities, such as marketing, event expenses, and technology improvements.

Outlook for the Future Remains Stable, Though Revenue Loss and Negative Net Income Present an Unfavorable Financial Trend.

While there is a substantial reduction in revenues of nearly \$9.5 million in fiscal 2015, much of the reduction is due to spending and accounting for \$10,822,000 of capital funds provided by the State for capital improvements in fiscal 2014. When compared to fiscal 2012 and 2013, the revenue loss is more subtle, reflecting the variability of how the zoo raises revenue.

In contrast to the past six fiscal years of positive net income, the zoo's expenses exceeded revenues by \$475,271 in fiscal 2015. This net loss reflects an unfavorable financial trend for the zoo; successive increases in expenses since fiscal 2010 and, with the exception of fiscal 2014, successive reductions in revenues since fiscal 2012. The fiscal 2017 allowance does not increase the State grant, requiring the zoo to supplement its growing expenses with revenue sources that are not predictable, somewhat volatile, and trending downward. **The zoo should discuss its future direction and financial prospects in light of its recent performance and current economic conditions.**

Recommended Actions

1. Adopt the following narrative:

Managing for Results Minority Business Enterprise (MBE) Measures: The Board of Public Works (BPW) Managing for Results (MFR) submission for MBE attainment currently reflects the number of contracts requiring board approval and their associated MBE participation rate. Per § 14-302 of the State Finance and Procurement Article, MBE achievement reflects an overall percentage goal of the agency's total dollar value of procurement contracts. The committees request BPW include the annual dollar expenditure with MBEs for individual contracts that require board approval as part of its annual MFR submission to the General Assembly.

Information Request	Author	Due Date
Minority Business Enterprise Reporting	BPW	Annual, beginning with fiscal 2018 MFR submission

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| | <u>Amount Reduction</u> |
| 2. Delete the grant for the Western Maryland Scenic Railroad. Due to the nature of railroad maintenance, this grant will add an ongoing expense to the State budget. Additionally, the nonprofit's railroad runs only between Cumberland and Frostburg, thereby failing to meet the requirement that grants appropriated to private nonprofit groups must have statewide implication. | \$ 250,000 GF |
| 3. Adopt the following narrative: | |

Operational Reporting: In continuance of the practice that began in July 2008, the committees request that the Maryland Zoological Society submit:

- audited financial statements for fiscal 2016; and
- year-to-date monthly attendance figures for the zoo for fiscal 2017 (by visitor group).

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Information Request	Author	Due Date
Audited financials	Maryland Zoological Society	November 1, 2016
Attendance reports	Maryland Zoological Society	Monthly
Total General Fund Reductions		\$ 250,000

Updates

1. Improving Minority Business Enterprise Participation

The 2015 JCR requested BPW, in consultation with the Governor’s Office of Minority Affairs (GOMA), to provide a report identifying how the State will increase its Minority Business Enterprise (MBE) contracts to meet the MBE participation goal. The budget committees requested the report out of concern that the number of contracts awarded by BPW with 0% MBE participation increased by 51% from fiscal 2013 to 2014. BPW provided the report on September 30, 2015, as requested.

Measuring MBE Participation

As part of its annual MFR submission to the General Assembly, BPW reports the number of contract awards that it approves each year and the associated MBE participation rate for those contracts. In its fiscal 2014 MFR submission, the number of contracts approved by the board with 0% MBE participation increased by 125 contracts, or 51%, over fiscal 2013. This trend was considered unsuitable since BPW is the lead agency for overseeing State procurement and for adopting regulations to support overall MBE attainment. As previously mentioned, however, BPW, though responsible for adopting regulations to support overall MBE attainment as set by the Special Secretary of GOMA, only reports MBE statistics for contracts that require board approval, namely those exceeding \$200,000.

According to the report, the number of contracts is not the critical benchmark by which the State’s MBE success is to be measured; rather, it is the total annual dollar expenditure with MBEs that determine overall goal achievement. Additionally, though the absolute number of contracts with 0% MBE participation did increase in fiscal 2015, such a measure fails to account for the many additional contracts awarded that same year. As shown in **Exhibit 6**, when calculated as a percent of the total contracts awarded, those that the board approved with 0% MBE participation, did increase in fiscal 2014 but only by 2.8 percentage points.

Exhibit 6
MBE Participation in State Contracts Approved by BPW
Fiscal 2011-2015

	<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts</u>
No Participation	306	37%	338	50%	246	46%	371	49%	303	54%
1% to 10% Participation	128	15%	53	8%	36	7%	80	11%	56	10%
10% to 29% Participation	233	28%	197	29%	122	23%	148	20%	122	22%
>29% Participation	170	20%	90	13%	127	24%	157	21%	85	15%
Total	837		678		531		756		566	

BPW: Board of Public Works
MBE: Minority Business Enterprise

Note: Starting in fiscal 2014, the ranges reflect the new overall MBE goal of 29%. Managing for Results data reflects only the number of contract awards for which board approval is required; BPW does not review contracts under \$200,000, State Highway construction contracts, or university projects less than \$1 million for MBE participation.

Source: Governor's Budget Books, Fiscal 2013-2016; Department of Budget and Management, Fiscal 2017

Current and Prior Year Budgets

Current and Prior Year Budgets Board of Public Works (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015					
Legislative Appropriation	\$8,262	\$0	\$0	\$0	\$8,262
Deficiency Appropriation	200	0	0	0	200
Cost Containment	-165	0	0	0	-165
Budget Amendments	-120	0	0	0	-120
Reversions and Cancellations	-667	0	0	0	-667
Actual Expenditures	\$7,509	\$0	\$0	\$0	\$7,509
Fiscal 2016					
Legislative Appropriation	\$7,165	\$0	\$0	\$0	\$7,165
Budget Amendments	-175	0	0	0	-175
Working Appropriation	\$6,990	\$0	\$0	\$0	\$6,990

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

General fund expenditures for BPW totaled \$7.5 million in fiscal 2015, reflecting a decrease of approximately \$753,000 from the legislative appropriation.

- Deficiency appropriations for implementation of a statewide procurement training program increased the legislative appropriation by \$200,000, while measures taken through cost containment reduced the General Fund by \$165,000.
- Budget amendments also reduced the general fund appropriation by approximately \$120,000. An amendment for the cost-of-living adjustment (COLA) increased the appropriation by \$8,576. This increase was offset by an amendment transferring \$129,000 from the contingent fund to support various State agencies, including the Historic St. Mary's City Commission, the Interagency Committee on School Construction, the Maryland State Board of Contract Appeals, and the Maryland Department of Veterans Affairs.
- The general fund appropriation was further reduced by approximately \$667,000 in reversions, primarily due to \$277,000 in unused funds for procurement training and a balance of approximately \$206,000 in the contingent fund.

Fiscal 2016

The fiscal 2016 working appropriation increased by \$18,009 in general funds to support the restoration of salaries for State employees. This increase was offset by two contingent fund expenditures: \$75,000 to fund the Ethan Saylor Alliance for Self-Advocates as Educators and \$117,880 to fund two new positions to implement the provisions outlined in Chapter 135 of 2015, namely the establishment of the State Public Information Act Compliance Board and the Office of the Public Access Ombudsman.

**Object/Fund Difference Report
Board of Public Works**

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	9.00	9.00	9.00	0.00	0%
02 Contractual	0.25	0.00	0.00	0.00	0.0%
Total Positions	9.25	9.00	9.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 954,599	\$ 989,753	\$ 1,017,842	\$ 28,089	2.8%
02 Technical and Spec. Fees	22,350	21,750	21,750	0	0%
03 Communication	4,996	7,926	7,569	-357	-4.5%
04 Travel	2,363	4,200	5,450	1,250	29.8%
08 Contractual Services	23,254	46,772	48,720	1,948	4.2%
09 Supplies and Materials	15,193	22,400	22,400	0	0%
10 Equipment – Replacement	2,466	4,200	4,200	0	0%
11 Equipment – Additional	90	2,500	2,500	0	0%
12 Grants, Subsidies, and Contributions	6,460,783	5,884,188	6,521,136	636,948	10.8%
13 Fixed Charges	3,984	4,525	5,433	908	20.1%
14 Land and Structures	18,595	2,000	2,000	0	0%
Total Objects	\$ 7,508,673	\$ 6,990,214	\$ 7,659,000	\$ 668,786	9.6%
Funds					
01 General Fund	\$ 7,508,673	\$ 6,990,214	\$ 7,659,000	\$ 668,786	9.6%
Total Funds	\$ 7,508,673	\$ 6,990,214	\$ 7,659,000	\$ 668,786	9.6%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

**Fiscal Summary
Board of Public Works**

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
01 Administration Office	\$ 856,904	\$ 899,294	\$ 916,423	\$ 17,129	1.9%
02 Contingent Fund	0	307,120	500,000	192,880	62.8%
05 Wetlands Administration	190,986	206,732	221,441	14,709	7.1%
10 Miscellaneous Grants to Private Nonprofit Groups	5,936,475	5,577,068	6,021,136	444,068	8.0%
15 Payments of Judgments Against the State	524,308	0	0	0	0%
Total Expenditures	\$ 7,508,673	\$ 6,990,214	\$ 7,659,000	\$ 668,786	9.6%
General Fund	\$ 7,508,673	\$ 6,990,214	\$ 7,659,000	\$ 668,786	9.6%
Total Appropriations	\$ 7,508,673	\$ 6,990,214	\$ 7,659,000	\$ 668,786	9.6%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.