

D15A05
Executive Department – Boards, Commissions, and Offices

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$6,933	\$7,289	\$7,243	-\$47	-0.6%
Adjustments	0	0	-22	-22	
Adjusted General Fund	\$6,933	\$7,289	\$7,221	-\$68	-0.9%
Special Fund	675	683	689	5	0.8%
Adjustments	0	20	0	-20	
Adjusted Special Fund	\$675	\$703	\$689	-\$15	-2.1%
Federal Fund	4,373	4,456	5,350	893	20.0%
Adjustments	0	292	-1	-294	
Adjusted Federal Fund	\$4,373	\$4,749	\$5,348	\$600	12.6%
Reimbursable Fund	437	572	513	-59	-10.3%
Adjusted Reimbursable Fund	\$437	\$572	\$513	-\$59	-10.3%
Adjusted Grand Total	\$12,418	\$13,313	\$13,770	\$457	3.4%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2017 working appropriation includes two deficiencies: \$292,174 in federal funds for the Governor's Office of Service and Volunteerism for the Regional National Service in Training Conference and \$20,000 in special funds for conference related expenses in the Governor's Grants Office.
- The fiscal 2018 budget allowance increases by \$457,227, or 3.4%, net of back of the bill reductions. This increase is attributable to additional federal funds for programming in the Governor's Office of Community Initiatives (GOCI).
- General fund expenditures decrease \$68,468, or 0.9%, due to lower than anticipated personnel expenditures.

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

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Personnel Data

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>
Regular Positions	64.10	64.10	64.10	0.00
Contractual FTEs	<u>4.50</u>	<u>4.00</u>	<u>7.50</u>	<u>3.50</u>
Total Personnel	68.60	68.10	71.60	3.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New
Positions
Positions and Percentage Vacant as of 12/31/16

0.48 0.81%
5.80 9.05%

- The fiscal 2018 allowance includes 64.1 regular positions, the same as the fiscal 2017 working appropriation.
- The fiscal 2018 request includes 7.5 contractual full-time equivalents (FTE), an increase of 3.5 FTEs above the fiscal 2017 working appropriation for the following purposes:
 - 2.5 FTEs in GOCI for federally funded National Service Training programs; and
 - 1.0 FTE in the Governor's Office of Minority Affairs (GOMA) to comply with Chapter 119 of 2016, which increased agency regulatory responsibility over the Small Business Reserve Program (SBR).
- Turnover expectancy for this agency is set at 0.81%, requiring 0.5 vacancies. As of December 31, 2016, there were 5.8 vacant positions and a vacancy rate of 9.1%.

Analysis in Brief

Major Trends

Money for Community-based Organizations Continues to Grow: The Governor’s Office of Community Initiatives maintained strong gains in funding for community organizations, service hours contributed to communities through the Volunteer Maryland Program, and AmeriCorps participation.

Health Care Alternative Dispute Resolution Office Excels in High Demand Year: The Health Care Alternative Dispute Resolution Office (HCARDO) arbitrates medical malpractice claims over \$30,000 in the State and has developed into a clearinghouse that reports on claims against physicians. In fiscal 2016, HCARDO closed 22.9% more cases than it had in the previous year and due to an increasing number of doctor relocations, and health care facility consolidations saw an increase of 38.8% in the number of requests for physician credentialing information. Despite these increases, the agency was able to maintain or improve its response time.

GOMA Reports Lower Minority Business Enterprise and Small Business Reserve Contract Attainment: GOMA reported a significant decrease in the State’s attainment of the 29% Minority Business Enterprise (MBE) and 10% SBR goals in State procurement. The MBE participation rate decrease was expected due to the impact of Chapter 605 of 2013, which removed not-for-profit organizations from MBE eligibility. Unexpected, though, was a sharp decline in SBR attainment, which GOMA reports was the result of a software error that improperly identified noneligible business as part of the program. **The Department of Legislative Services (DLS), recommends that the agency provide an explanation regarding the incorrect reporting on SBR eligibility including remedial action taken to correct the problem. The agency should also report to the committees any impact that these corrections might have on contractors who were included in the SBR in error. Finally, DLS recommends that the agency discuss how it intends to improve participation in both programs going forward and how it will meet the established attainment goals.**

Issues

Executive Branch Misses Deadline to Launch Maryland Corps Program: Chapter 654 of 2016 created the Maryland Corps Program to fund stipends and scholarships to young adults who commit to service in Maryland communities. The statute required the Governor to appoint the program’s board no later than September 1, 2016. To date, the board has not been appointed. Additionally the Governor has elected not to spend funds restricted in fiscal 2017 for program startup costs and has not included an appropriation for the program in fiscal 2018. **DLS recommends that the agency provide a status update on the Maryland Corps program with particular emphasis on concrete steps that have been taken to meet the deadlines included in Chapter 654 of 2016. DLS further recommends that the Administration comment on when the Maryland Corps Board will be appointed and why funding was not included in the agency budget.**

Recommended Actions

	<u>Funds</u>
1. Reduce funding to eliminate 1.5 new contractual full-time equivalents.	\$ 80,097
2. Reduce general funds to eliminate increase in travel expenditures.	38,960
Total Reductions	\$ 119,057

D15A05
Executive Department – Boards, Commissions, and Offices

Operating Budget Analysis

Program Description

The Boards, Commissions, and Offices unit of the Executive Department contains various entities created by an executive order to provide planning and coordination for Executive Branch functions or to investigate and make recommendations on problems affecting the administration of government or the welfare of the State.

The unit includes Survey Commissions; the Governor’s Office of Minority Affairs (GOMA), the Governor’s Office of Community Initiatives (GOCI); the State Ethics Commission; the Health Care Alternative Dispute Resolution Office (HCARDO); the Governor’s Office of Crime Control and Prevention (GOCCP); the State Commission on Criminal Sentencing Policy; the Governor’s Grants Office; and the State Labor Relations Board (SLRB). As of the fiscal 2017 budget bill, the unit also includes the program Contract Appeals Resolution, previously funded under the Maryland State Board of Contract Appeals (MSBCA). The Department of Legislative Services (DLS) prepares a separate analysis for GOCCP; the others are discussed in this analysis.

Performance Analysis: Managing for Results

Selected performance measures from various boards, commissions, and offices are presented in **Exhibit 1**.

1. Money for Community-based Organizations Continues to Grow

Serving as the State’s primary liaison to nonprofit and local community organizations, GOCI focuses on the needs of various cultural communities in Maryland and also works to increase community services throughout the State. GOCI oversees the Governor’s Office on Service and Volunteerism and also houses culturally focused bodies, such as the Commission on Hispanic Affairs and the Commission on Asian Pacific American Affairs.

As shown in Exhibit 1, GOCI maintained strong gains from fiscal 2015 in funding for local organizations, the number of service hours contributed via Volunteer Maryland, and expanded AmeriCorps participation. Additionally, following staff changes at the start of the Lawrence J. Hogan Administration, GOCI expects to increase agency participation in community events by 34.5% in fiscal 2016 to 795 visits.

Exhibit 1
Program Measurement Data for the Office of Community
Initiatives and the State Ethics Commission
Fiscal 2014-2018 Est.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Est.</u> <u>2017</u>	<u>Est.</u> <u>2018</u>	<u>Annual</u> <u>Change</u> <u>2014-2016</u>
Office of Community Initiatives						
Total funds granted to community-based organizations	\$3,164,392	\$3,389,702	\$3,969,652	\$4,029,810	\$4,592,767	12.0%
AmeriCorps members	612	1,011	1,026	1,045	1,080	29.5%
AmeriCorps volunteers	14,421	14,098	13,853	13,000	13,500	-2.0%
Volunteer Maryland volunteers	8,239	10,204	9,996	10,000	10,000	10.1%
Volunteer Maryland hours contributed to State	65,518	91,755	89,230	90,000	90,000	16.7%
Ethnic and cultural community events	644	505	591	795	555	-4.2%
Visitors to Banneker-Douglass Museum	21,623	21,850	21,850	22,500	22,800	0.5%
State Ethics Commission						
State officials and lobbyists receiving training	1,622	1,797	1,588	1,445	1,420	-1.1%
Formal legal complaints issued	30	62	126	100	85	104.9%
Local governments receiving ethics ordinance assistance	35	31	21	20	20	-22.5%
Health Care Alternative Dispute Resolution Office						
Pending cases	158	228	186	215	215	8.5%
Cases closed	126	118	145	152	152	7.3%
Information requests filled by health care facilities	4,385	5,799	8,048	8,500	8,500	35.5%
Average time to fulfill written requests (hours)	3.6	2.2	1.3	1.2	1.2	-39.9%

Source: Department of Budget and Management

2. Health Care Alternative Dispute Resolution Office Excels in High Demand Year

Demand for HCARDO's services jumped in fiscal 2017 and, as shown in Exhibit 1, the office was able to increase output to meet the new demand. HCARDO closed 22.9% more cases in fiscal 2016 than in fiscal 2015 and had 42 fewer cases pending at the end of the year than the beginning. Additionally, due to the merger of several health care facilities in the State and an increase in the number of doctors relocating nationwide, HCARDO saw a 38.8% increase in the number of requests for credentialing information from health care facilities to over 8,000 requests. Despite this increase, HCARDO staff were able to decrease the time to respond to written request from 2.2 hours to 1.3 hours.

3. GOMA Reports Lower Minority Business Enterprise and Small Business Reserve Contract Attainment

GOMA has reported significant declines in attainment for both the Minority Business Enterprise (MBE) and Small Business Reserve (SBR) goals in State contracting for fiscal 2016 as part of its most recent Managing for Results submission. The MBE and SBR programs and targets were established to increase participation of groups (including small businesses) traditionally underrepresented in State contracting by adding rules to the State procurement process that give preference to qualifying prime and subcontractors in these groups.

The State currently has an overall goal that 29.0% of all State contract dollars will be awarded to MBEs. Chapter 605 of 2013 changed the definition of MBE to exclude not-for-profit organizations. As expected, this change has resulted in a significant decrease in the MBE participation from 26.2% of State contract dollars to an estimate of 20.1% in fiscal 2016, a 23.3% decline. While this decline was anticipated, the 29.0% attainment goal was not reduced, and the Administration has integrated this MBE target into its efforts to modernize the State's procurement process.

The decline in SBR participation, however, was unexpected. Under the SBR program, at least 10% of State contracting dollars are to be reserved for qualifying small businesses. GOMA reports that it discovered data from the software vendor for eMaryland Marketplace was incorrect, which led contractors to remain SBR-qualified, even after they ceased to meet statutory requirements for the program. GOMA reports that this means that data from fiscal 2013 to 2015 overstated SBR participation in State contracts. While it was reported that SBR met its targets in fiscal 2014 and 2015, this was likely not the case. The problem was corrected for fiscal 2016, and GOMA reports that the State fell well short of the SBR attainment goal, with only 7% of contract dollars going to qualifying contractors.

DLS recommends that the agency provide an explanation regarding the incorrect reporting on SBR eligibility including remedial action taken to correct the problem. The agency should also report to the committees any impact these corrections might have on contractors who were included in the SBR in error. Finally, DLS recommends that the agency discuss how it

intends to improve participation in both programs going forward and how it will meet the established attainment goals.

Fiscal 2017 Actions

Proposed Deficiency

The Governor's budget plan includes two deficiencies for this agency. The first is \$292,174 in federal funds for the Governor's Office of Service and Volunteerism (GOSV) to host the Regional National Service in Training Conference. There is also an increase of \$20,000 in special funds for conference-related expenses in the Governor's Grants Office.

Cost Containment

On November 2, 2016, the Board of Public Works approved cost containment actions reducing fiscal 2017 appropriations by a total of \$82.4 million. For this agency, the general fund appropriation was reduced by \$35,401 to eliminate 1 vacant contractual position for an executive assistant for SLRB.

Proposed Budget

As shown in **Exhibit 2**, the fiscal 2018 allowance increases by \$457,277, or 3.4%, above the fiscal 2017 working appropriation, net of back of the bill reductions. This increase is attributable to an increase of \$601,017 in federal grant funds for GOCL. General fund expenditures decrease \$68,468 due to lower than anticipated personnel expenditures.

Exhibit 2
Proposed Budget
Executive Department – Boards, Commissions, and Offices
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016 Actual	\$6,933	675	\$4,373	\$437	\$12,418
Fiscal 2017 Working Appropriation	7,289	703	4,749	572	13,313
Fiscal 2018 Allowance	<u>7,221</u>	<u>689</u>	<u>5,348</u>	<u>513</u>	<u>13,770</u>
Fiscal 2017-2018 Amount Change	-\$68	-\$15	\$600	-\$59	\$457
Fiscal 2017-2018 Percent Change	-0.9%	-2.1%	12.6%	-10.3%	3.4%

D15A05 – Executive Department – Boards, Commissions, and Offices

Where It Goes:

Personnel Expenses

Turnover adjustments	\$22
Other fringe benefit adjustments	5
Employee's Retirement System	-4
Salaries	-140
Employee and retiree health insurance	-160

Other Changes

AmeriCorps grants	\$563
National Service Training programs	211
3.5 new contractual full-time equivalents	177
Travel	74
Supplies	21
Removal of fiscal 2017 deficiencies.....	-312

Total **\$457**

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

Across-the-board Reductions

The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is \$21,929 in general funds and \$1,499 in federal funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

Personnel

Personnel expenditures decrease by \$277,314, including back of the bill reductions. Changes include decreases for compensation (\$139,950) and employee and retiree health insurance (\$159,676).

Other Changes

Significant additional changes include increased funding for the addition of 3.5 new contractual employees (\$176,764), AmeriCorps (\$562,957), and travel (\$74,328).

Issues

1. Executive Branch Misses Deadline to Launch Maryland Corps Program

Chapter 654 of 2016 established the Maryland Corps Program (Maryland Corps). Maryland Corps will provide stipends and academic scholarships to young adults age 17 to 23 who commit at least nine months of volunteer community service to a nonprofit or government organization in Maryland. The Act establishing Maryland Corps also required the creation of a board of directors to manage the program by September 1, 2016, and directs GOSV to provide staffing and technical assistance to the board.

The statute establishes a board composed of seven members, with three selected by the Governor and two each by the President of the Senate and Speaker of the House of Delegates, and requires that the first members be appointed no later than September 1, 2016. The President, Speaker, and Administration report that appointees have been selected; however, the Administration also reported that it intends to hold the appointments until funding is in place to ensure that the board has the resources it needs to function. While the board is not required to issue a Request for Proposal (RFP) for a program operator until June 1, 2017, the longer the appointment of the board is delayed, the more difficult it will be to commence operations within the required timeframe even if funding materializes.

In addition to this delay in the appointment of the board of directors, the Governor has announced that \$150,000 restricted by the General Assembly in the fiscal 2017 budget to cover start-up costs will not be expended. Without these funds, it is even less likely that GOSV staff will be able to assist the board in developing the required RFP, regardless of when appointments are finalized. GOSV reports that it cannot proceed with implementation because funding was not provided to do so. While this is true, it is important to note that the General Assembly is constitutionally barred from adding funding to Executive Branch appropriations and took all actions within its authority to ensure funding was in place by both restricting funds in fiscal 2017, which the Governor refused to spend.

Maryland Corps and the Fiscal 2018 Budget Allowance

There is no funding in the Governor's fiscal 2018 budget plan for the first year of Maryland Corps operations. DLS estimated during the 2016 session that Maryland Corps would cost approximately \$400,000 to administer in fiscal 2018 with an additional \$1.5 million in expenditures if Maryland Corps stipends and scholarships begin during fiscal 2018. The statute provides for the possibility that general funds could be replaced by alternative sources, such as federal AmeriCorps funds, even if alternative funding is not available.

DLS recommends that the agency provide a status update on the Maryland Corps program with particular emphasis on concrete steps that have been taken to meet the deadlines included in Chapter 654 of 2016. DLS further recommends that the Administration comment on when the Maryland Corps Board will be appointed and why funding was not included in the agency budget.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funding to eliminate 1.5 new contractual full-time equivalents. These positions are being denied due to the fiscal condition of the State.	\$ 80,097	GF
2. Reduce funding for travel to eliminate the requested increase. These funds are being denied due to the fiscal condition of the State.	38,960	GF
Total General Fund Reductions	\$ 119,057	

Appendix 1
Current and Prior Year Budgets
Executive Department – Boards, Commissions, and Offices
(\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$6,910	\$702	\$4,388	\$566	\$12,564
Deficiency Appropriation	38	0	0	0	38
Budget Amendments	67	49	5	3	124
Reversions and Cancellations	-82	-75	-20	-131	-308
Actual Expenditures	\$6,933	\$675	\$4,373	\$437	\$12,418
Fiscal 2017					
Legislative Appropriation	\$7,110	\$683	\$4,426	\$572	\$12,791
Cost Containment	-35	0	0	0	-35
Budget Amendments	214	0	31	0	245
Working Appropriation	\$7,289	\$683	\$4,456	\$572	\$13,001

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

Fiscal 2016 actual expenditures were \$12.4 million, a decrease of \$146,111, below the legislative appropriation. There were deficiency appropriations totaling \$37,700 in general funds for the Maryland State Board of Contract Appeals. Additionally, two budget amendments added a total of \$123,717, including the following adjustments:

- the addition of \$106,062 to restore employee salaries that would have been reduced 2% on July 1, 2016; and
- an increase of \$22,500 in special funds for the Governor’s Grants Office for conference-related expenses.

These actions were partially offset by cancellations and reversions totaling \$307,528.

Fiscal 2017

To date, a total of three actions led to a net increase to the fiscal 2017 legislative appropriation of \$245,294. These actions are:

- a cost containment action to eliminate 1 vacant contractual full-time equivalent for the State Labor Relations Board reduced the appropriation by \$35,401; and
- budget amendments adding \$107,943 for employee increments and \$137,351 from other units of the Executive Department to realign expenses related to the State’s new Crownsville offices.

Appendix 2
Audit Findings

Audit Period for Last Audit:	Mach 20, 2013 – June 30, 2016
Issue Date:	January 2017
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	n/a
Rating: (if applicable)	n/a

The audit did not disclose any findings.

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

Note: This audit was conducted only for the Maryland State Board of Contract Appeals (MSBCA). The Office of Legislative Audits reports that going forward, MSBCA will be audited as part of the Executive Department – Boards, Commissions, and Offices.

Appendix 3
Object/Fund Difference Report
Executive Department – Boards, Commissions, and Offices

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	64.10	64.10	64.10	0.00	0%
02 Contractual	4.50	4.00	7.50	3.50	87.5%
Total Positions	68.60	68.10	71.60	3.50	5.1%
Objects					
01 Salaries and Wages	\$ 6,376,562	\$ 6,827,317	\$ 6,573,431	-\$ 253,886	-3.7%
02 Technical and Spec. Fees	994,001	1,094,754	1,291,666	196,912	18.0%
03 Communication	112,371	105,639	112,041	6,402	6.1%
04 Travel	134,329	88,023	162,351	74,328	84.4%
06 Fuel and Utilities	82,814	83,510	83,510	0	0%
07 Motor Vehicles	30,961	28,480	25,470	-3,010	-10.6%
08 Contractual Services	418,592	472,652	655,809	183,157	38.8%
09 Supplies and Materials	46,387	42,256	63,546	21,290	50.4%
10 Equipment – Replacement	26,843	12,800	18,200	5,400	42.2%
11 Equipment – Additional	19,391	1,700	9,571	7,871	463.0%
12 Grants, Subsidies, and Contributions	3,988,494	4,043,413	4,625,368	581,955	14.4%
13 Fixed Charges	187,619	200,201	172,611	-27,590	-13.8%
Total Objects	\$ 12,418,364	\$ 13,000,745	\$ 13,793,574	\$ 792,829	6.1%
Funds					
01 General Fund	\$ 6,932,999	\$ 7,289,067	\$ 7,242,528	-\$ 46,539	-0.6%
03 Special Fund	674,680	683,378	688,567	5,189	0.8%
05 Federal Fund	4,373,259	4,456,358	5,349,549	893,191	20.0%
09 Reimbursable Fund	437,426	571,942	512,930	-59,012	-10.3%
Total Funds	\$ 12,418,364	\$ 13,000,745	\$ 13,793,574	\$ 792,829	6.1%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 4
Fiscal Summary
Executive Department – Boards, Commissions, and Offices

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Survey Commissions	\$ 133,733	\$ 117,784	\$ 130,000	\$ 12,216	10.4%
03 Office of Minority Affairs	1,273,799	1,400,187	1,396,271	-3,916	-0.3%
05 Governor's Office of Community Initiatives	7,433,453	7,705,656	8,497,198	791,542	10.3%
06 State Ethics Commission	1,160,127	1,217,561	1,257,148	39,587	3.3%
07 Health Care Alternative Dispute Resolution Office	428,907	444,126	419,742	-24,384	-5.5%
20 State Commission on Criminal Sentencing Policy	491,872	490,109	499,535	9,426	1.9%
22 Governor's Grants Office	355,782	429,413	453,308	23,895	5.6%
23 State Labor Relations Board	407,828	467,330	435,371	-31,959	-6.8%
24 Contract Appeals Resolution	732,863	728,579	705,001	-23,578	-3.2%
Total Expenditures	\$ 12,418,364	\$ 13,000,745	\$ 13,793,574	\$ 792,829	6.1%
General Fund	\$ 6,932,999	\$ 7,289,067	\$ 7,242,528	-\$ 46,539	-0.6%
Special Fund	674,680	683,378	688,567	5,189	0.8%
Federal Fund	4,373,259	4,456,358	5,349,549	893,191	20.0%
Total Appropriations	\$ 11,980,938	\$ 12,428,803	\$ 13,280,644	\$ 851,841	6.9%
Reimbursable Fund	\$ 437,426	\$ 571,942	\$ 512,930	-\$ 59,012	-10.3%
Total Funds	\$ 12,418,364	\$ 13,000,745	\$ 13,793,574	\$ 792,829	6.1%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.