

F10A
Secretary
Department of Budget and Management

Operating Budget Data

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$9,942	\$9,550	\$9,784	\$234	2.5%
Adjustments	0	-83	75	157	
Adjusted General Fund	\$9,942	\$9,467	\$9,859	\$392	4.1%
Special Fund	16,462	15,383	15,927	544	3.5%
Adjustments	0	-154	73	227	
Adjusted Special Fund	\$16,462	\$15,229	\$16,000	\$771	5.1%
Reimbursable Fund	232	237	236	-2	-0.8%
Adjustments	0	0	2	2	
Adjusted Reimbursable Fund	\$232	\$237	\$237	\$0	0.0%
Adjusted Grand Total	\$26,636	\$24,934	\$26,096	\$1,162	4.7%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. The FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The fiscal 2019 allowance increases by nearly \$1.2 million, or 4.7%, over the fiscal 2018 working appropriation. Personnel expenses account for 60% of the total growth, after accounting for fiscal 2018 reductions to employee health insurance contributions, a fiscal 2019 general salary increase, and the restoration of cost containment actions in fiscal 2018 to recognize temporary salary savings from vacant positions.
- The Central Collection Unit (CCU) special fund appropriation increases by approximately \$771,000, accounting for 66% of the \$1.2 million total increase for the agency. Additional mailing volume resulting from absorption of the EZPass inventory is generating a significant increase in postage costs.

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

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Personnel Data

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>
Regular Positions	194.60	194.80	194.80	0.00
Contractual FTEs	<u>19.50</u>	<u>32.50</u>	<u>33.50</u>	<u>1.00</u>
Total Personnel	214.10	227.30	228.30	1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	3.99	2.05%
Positions and Percentage Vacant as of 12/31/17	14.00	7.19%

- Between fiscal 2017 and 2018, CCU received an additional 13 contractual full-time equivalents (FTE) to implement its new information technology (IT) system and manage a higher workload.
- The Office of the Secretary receives 1 new FTE in the fiscal 2019 allowance to support the operations of the Office of Transformation and Renewal created in May 2016.
- As of December 31, 2017, the agency had 14 positions vacant, 5 of which have been vacant for over 12 months. Positions within CCU account for the majority of the vacancies.

Analysis in Brief

Major Trends

Capital Budget Performance: The Office of Capital Budgeting strives for sound capital budget planning processes. Objectives have been established to ensure that at least 90% of State-owned capital projects are consistent with the agency facilities master plans and have approved program plans. The agency again fell short of this goal in both categories in fiscal 2017.

CCU Net Profit Increases: CCU is responsible for collecting delinquent claims, debts, and accounts owed to the State except for taxes, child support, and unemployment contributions and overpayments. Typical debts include Motor Vehicle Administration fines, student tuition and fees, and restitution for damage to State property, among others. After experiencing a decrease of more than \$5.0 million in annual net profit from fiscal 2012 to 2016, net agency profit increased by \$2.2 million, or 71.5%, in fiscal 2017. This increase in net profits is the result of realizing collections from the over 1.8 million EZPass debts assumed by the agency in fiscal 2016. The net profit is again expected to decrease in fiscal 2018 and 2019, as EZPass collections stabilize and CCU operating expenditures include the cash flow for the second phase of the major IT business system replacement; agency net profit should increase after the upgrade is completed.

Issues

Special Fund Accounting: Special funds consist of revenues collected by the State, the use of which is statutorily limited to certain purposes. In total, there are over 200 special fund accounts statewide. The State currently lacks a comprehensive reporting system for the activities of these accounts. **The Department of Legislative Services recommends that the Department of Budget and Management (DBM) develop a statewide comprehensive special fund accounting report, providing information on the opening and closing fund balances, along with revenue, transfer, and expenditure activity, for each special fund account in the State budget.**

Unsatisfactory Audit Ratings Increase: Fiscal 2018 has seen a significant increase in the number of fiscal compliance audits issued by the Office of Legislative Audits (OLA) with unsatisfactory ratings. Four unsatisfactory audits in a single year has not occurred in over two decades. Unsatisfactory audits were only issued in 2 of the past 10 fiscal years. **DBM should comment on what is driving the increase in unsatisfactory audit ratings, specifically, the extent to which understaffing, training, and a lack of clearly established and updated policies and procedures are contributing factors to the issues raised by OLA.**

Fiscal 2017 Closeout Audit: Each year, OLA reviews closeout transactions and prepares an audit. At the end of fiscal 2017, OLA identified \$61.7 million in general fund payables without an appropriation. **The department should be prepared to brief the committees on the fiscal 2017 closeout audit, including the impact to the General Fund.**

Operating Budget Recommended Actions

	<u>Funds</u>
1. Restrict general funds pending a volume of the fiscal 2020 Governor’s budget books that provides personnel and Managing for Results data.	
2. Delete the funding increase for contractual employment.	\$ 58,283
3. Adopt narrative requesting the department compile an accounting report for all State special funds.	
4. Amend Section 2 to limit appropriations that can be placed into contingency reserve to items restricted by the General Assembly.	
5. Amend Section 17 to add tracking structure necessary for legislative audits and disallowing transfers to other purposes.	
6. Add a section requiring a long-term forecast.	
7. Add a section applying across-the-board Executive Branch reductions to higher education institutions.	
8. Add a section requiring monthly reporting on the State’s workers’ compensation account held by the Chesapeake Employers’ Insurance Company.	
9. Add a section requiring reporting on federal funds received by the State.	
10. Add a section defining the usage of federal funds in the budget.	
11. Add a section requiring indirect cost recovery reporting.	
12. Add a section requiring consistent presentation of budget data and organizational charts.	
13. Add a section requiring reporting on interagency agreements and approval by the Department of Budget and Management.	
14. Add a section defining the budget amendment process.	
15. Add a section defining maintenance of accounting systems.	
Total Reductions	\$ 58,283

Budget Reconciliation and Financing Act Recommended Actions

1. Amend State Finance and Procurement Article § 3-207 to provide clarification and technical corrections regarding the selection of interagency agreements for review.

Updates

Review of Interagency Agreements: In response to increased scrutiny regarding the use of interagency agreements (IA), actions were taken during the 2017 session to enhance the reporting requirements and review process for these agreements. The report submitted by DBM indicates that a total of 295 IAs were exercised in fiscal 2017, with aggregated contract values of almost \$387 million. Actual expenditures in fiscal 2017 were \$90.2 million, of which nearly \$10 million was for indirect cost recoveries. In its initial review of multi-year IAs in excess of \$750,000, DBM selected 34 agreements to analyze. Although the detailed process is ongoing, the agency has acknowledged that the opportunity exists to improve the use of competitive procurements in lieu of these agreements.

F10A
Secretary
Department of Budget and Management

Operating Budget Analysis

Program Description

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

- **Executive Direction** manages the department. It includes executive staff, Attorneys General, and the Equal Employment Opportunity Program.
- **Division of Finance and Administration** is responsible for the accounting, budgeting, payroll, and purchasing functions of the department.
- **Central Collection Unit (CCU)** collects delinquent debts, claims, and accounts due to State government.
- **Division of Procurement Policy and Administration** provides centralized review and approval or rejection of procurement of services for Executive Branch agencies and procures services for DBM. The administration also 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.

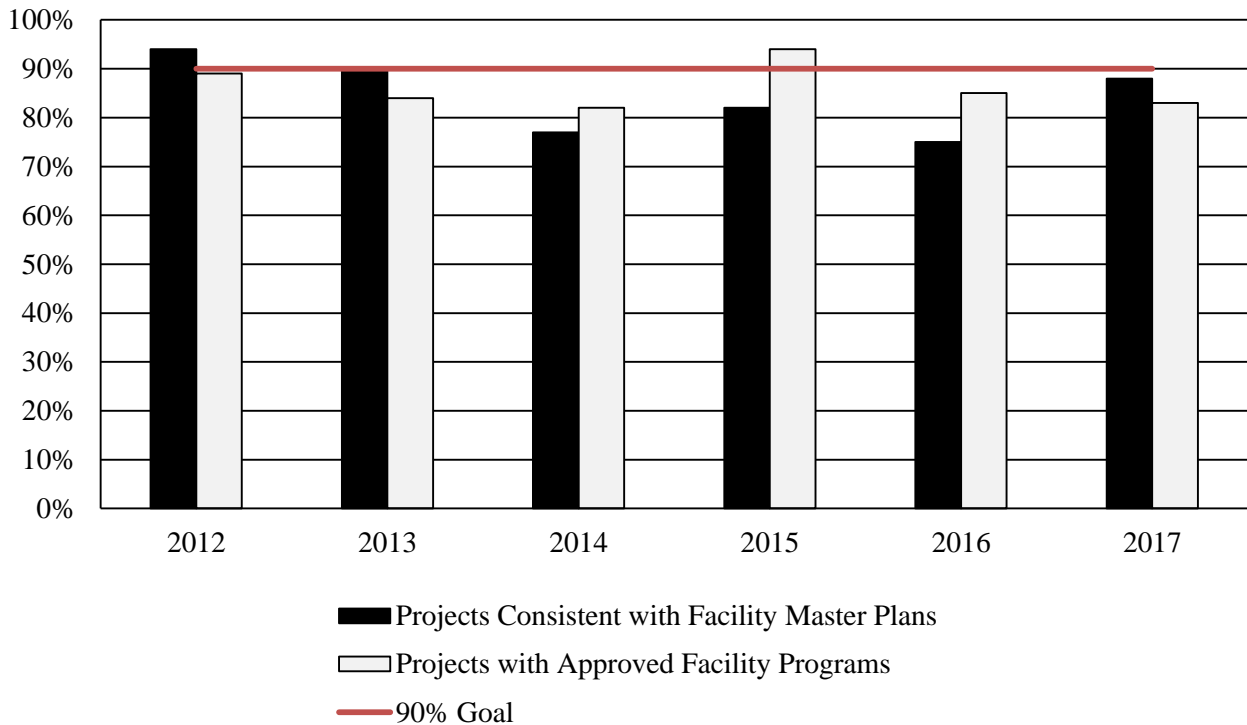
DBM also has an Office of Personnel Services and Benefits (OPSB) (F10A02), which provides State personnel policy direction and support. This budget and related issues are discussed in a separate analysis.

Performance Analysis: Managing for Results

1. Capital Budget Performance

The Office of Capital Budgeting reports two objectives as part of its goal to ensure that capital projects included in the budget are consistent with sound planning practices. Under the first objective, the office seeks to have 90% of State-owned capital projects be consistent with agency facilities master plans (FMP). The second objective is that 90% of State-owned capital projects included in the budget bill have approved facility programs. **Exhibit 1** shows that DBM did not reach the 90% goal for either performance measure in fiscal 2017.

Exhibit 1
Office of Capital Budgeting
State-owned Capital Projects Consistent with Facilities Master Plans and
Projects with Approved Facility Programs
Fiscal 2012-2017



Source: Managing for Results, Fiscal 2019

In fiscal 2017, 88% of capital projects were consistent with agency FMPs. Although this is an improvement from the prior year, when only 75% of projects aligned with agency FMPs, fiscal 2017 is the fourth consecutive year where the 90% target was not met. In total, five projects were funded in fiscal 2017 that were not consistent with agency plans, only one of which was due to an emergency.

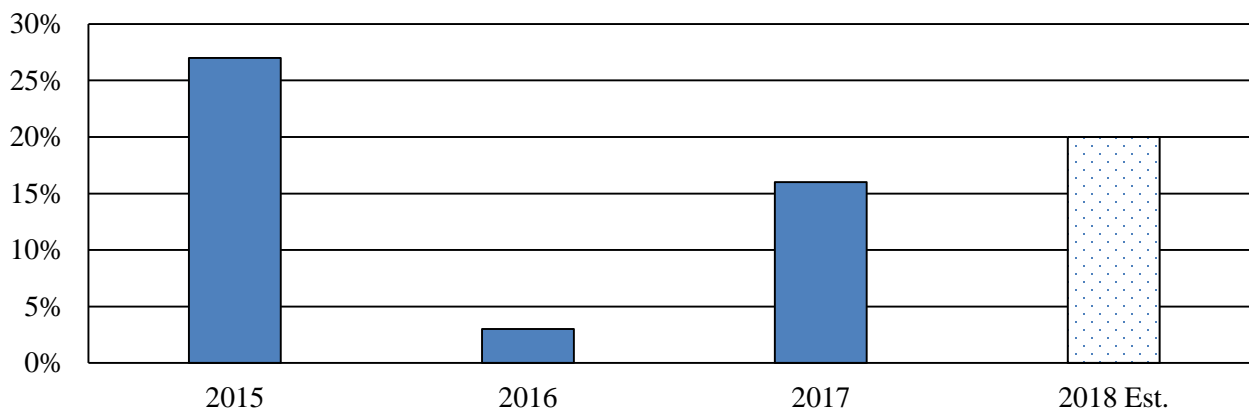
Projects with approved facility programs exceeded the 90% goal in fiscal 2015 with 94% of State-owned capital projects having approved facility programs. This statistic declined to 85% in fiscal 2016 and continued to decline to 83% in fiscal 2017. Because the sample size is limited, it is not unusual for this statistic to fluctuate from year to year. According to DBM, some of the projects without approved program plans are the result of agencies having to rely on outside consultants for program development, which can delay submission. Other projects were appropriated in response to receiving special or federal funds. In most cases, programs are in the final stages of development and negotiation and delaying funding by one year would not serve the best interest of the State. In fiscal 2017, 10 projects did not have approved program plans, although 8 of those projects had programs that were under negotiation.

Section 3-602 of the State Finance and Procurement Article states that capital projects must have an approved Part 1 program prior to authorization of funds for design and an approved Part 2 program prior to authorization of capital funds. Projects without approved program plans can receive authorizations in the capital bill with the stipulation that no funds can be expended until the program plans are approved.

2. CCU Net Profit Increases

CCU is responsible for collecting delinquent claims, debts, and accounts owed to the State except for taxes, child support, and unemployment contributions and overpayments. Typical debts include Motor Vehicle Administration fines, student tuition and fees, and restitution for damage to State property, among others. **Exhibit 2** illustrates the debts with payment recovered as a percentage of the total amount of debt assigned to CCU each year. **Exhibit 3** provides detail on collection trend activity from fiscal 2012 to 2019.

Exhibit 2
Central Collection Unit
Debts with Payment Recovered as a Percentage of Total Debts Assigned
Fiscal 2015-2018 Est.



Source: Managing for Results, Fiscal 2019

Exhibit 3
Central Collection Unit Collection Activity
Fiscal 2012-2019 Est.

<u>Year</u>	<u>\$ Value of Debt Collected</u>	<u>% of Outstanding Total Collected</u>	<u>Annual % Change in Dollars Collected</u>	<u>Agency Net Profit</u>	<u>% Change in Net Profit</u>
2012	\$125,717,129	47.5%	6.9%	\$8,187,638	
2013	138,492,905	46.9%	10.2%	5,798,710	-29.2%
2014	134,590,503	46.0%	-2.8%	5,519,901	-4.8%
2015	140,338,214	48.4%	4.3%	4,851,628	-12.1%
2016	134,957,787	18.1%	-3.8%	3,142,503	-35.2%
2017	157,678,861	20.0%	16.8%	5,390,193	71.5%
2018 Est.	157,000,000	20.0%	-0.4%	3,154,000	-41.5%
2019 Est.	157,000,000	20.0%	0.0%	3,154,000	0.0%

Source: Central Collection Unit

From fiscal 2012 to 2016, net agency profit decreased by more than \$5.0 million. Profits were down because CCU operating expenditures included the cash flow for the major information technology (IT) business system replacement. In fiscal 2016, CCU assumed a backlog of over 1.8 million EZPass debts, thus reducing the percent of debts with payment recovered from 27% to 3%. CCU experienced a significant bump from the realization of those collections in fiscal 2017, with a 71.5% increase in net profit. As a percentage of total debt assigned, the agency recovered payment on 16% of its debts.

Net profit is again expected to decrease in fiscal 2018 and 2019, as EZPass collections stabilize and CCU operating expenditures continue to include the cash flow for the second phase of the major IT business system replacement. After the upgrades are complete, CCU anticipates an initial increase in collection revenue of 3% to 5%.

DBM advises that Phase I of the project has been delayed by five months due to issues with legacy system data conversion and expansion of the project scope to upgrade the base telephone system. This will also delay Phase II of the project, which integrates the core system with other systems, such as document management, interactive voice response, payment processing, and other systems, by three to five months. The projected completion date for Phase II is October 2019. The current budget includes \$5.4 million in major IT funding to implement the second phase of the project.

Fiscal 2018 Actions

Cost Containment

Fiscal 2018 cost containment actions adopted by the Board of Public Works at the September 6, 2017 meeting reduced the general fund appropriation for the agency by \$192,500. This included nearly \$145,500 in salary savings based on vacancies and prior year actual spending for leave payouts, along with \$47,000 for upgrades to the Capital Budget Information System (CBIS).

The special fund appropriation for CCU was also reduced by \$600,000, with the revenues being credited to the General Fund.

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency's share of this reduction is \$82,736 in general funds and \$153,947 in special funds.

Proposed Budget

Exhibit 4 shows that the agency’s fiscal 2019 allowance is expected to increase by nearly \$1.2 million, or 4.7%, over the fiscal 2018 working appropriation. A \$771,000 increase in the special fund appropriation for CCU accounts for over 66% of the budget growth.

**Exhibit 4
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>
Fiscal 2017 Actual	\$9,942	\$16,462	\$232	\$26,636
Fiscal 2018 Working Appropriation	9,467	15,229	237	24,934
Fiscal 2019 Allowance	<u>9,859</u>	<u>16,000</u>	<u>237</u>	<u>26,096</u>
Fiscal 2018-2019 Amount Change	\$392	\$771	\$0	\$1,162
Fiscal 2018-2019 Percent Change	4.1%	5.1%		4.7%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$237
Regular earnings	317
General salary increase	149
Employee retirement system.....	31
Workers’ compensation premium assessment	10
Turnover adjustments	1
Other fringe benefit adjustments.....	-48

Central Collection Unit

Postage.....	300
Additional rented space to accommodate modernization project test team.....	79
Banking contracts due to increased volume of credit card and lockbox payments.....	55
Telephone expenses	30

Secretary and Budget Offices

Contractual employment (new full-time equivalent in Executive Direction).....	58
Capital Budget Information System upgrades	28
Budget books printing costs.....	14

Where It Goes:

Other	-30
Administrative fees and charges	-69
Total	\$1,162

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

Personnel Expenses

Personnel expenses increase by a net \$697,000, which accounts for nearly 60% of the total budget change in fiscal 2019. Funding for regular earnings increases by approximately \$317,000, as \$145,000 in fiscal 2018 cost containment reductions associated with holding positions vacant is restored. The increase also reflects the transfer of funds between the OPSB and the Executive Direction Unit for the realignment of a position to provide assistance for departmental communications and public information requests.

General Salary Increase

The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in DBM’s statewide program and will be distributed to agencies during the fiscal year. This agency’s share of the general salary increase is \$74,722 in general funds, \$72,929 in special funds, and \$1,766 in reimbursable funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

CCU

CCU spending, which is entirely supported by special funds, increases by approximately \$465,000, excluding personnel expenses. The majority of this increase (\$300,000) is additional funding for postage and mailing expenses due to the increased volume generated from assuming the EZPass debt. Banking contracts also increase by approximately \$55,000, as more debts are paid using credit cards, which require transaction fees. Additionally, the agency’s rent costs increase by roughly \$79,000 to account for more rental space for the IT system modernization test team. This increased cost is likely to be an ongoing expense, beyond the development cycle of the project, as the space will eventually be utilized by CCU staff.

Secretary and Budget Offices

Nonpersonnel related spending in the general fund supported units within the agency reflects a net increase of less than \$11,000 in fiscal 2019. Approximately \$28,000 is provided for upgrades to

the CBIS. These funds had been reduced in fiscal 2018 due to cost containment. The agency also receives an additional \$14,000 in printing costs for the Governor’s annual budget books. These are offset by a net reduction of \$69,000 in general funds for various administrative fees and charges.

Office of Transformation and Renewal

The fiscal 2019 allowance provides approximately \$47,489 for 1 new contractual full-time equivalent (FTE) to support the operations of the Office of Transformation and Renewal. The office was created in July 2016 for the purpose of working with executive agencies to offer ongoing advice on how to improve efficiency, increase accountability, and improve customer service. In addition, the office was tasked with guiding a longer term project to reorganize State government comparable to the last major reorganization that took place during Marvin Mandel’s first term as Governor (1969 to 1972).

As of January 2018, the director tasked with leading the reorganization has moved to a different position within State government, leaving the director position vacant. **DBM should brief the committees on the current status of the Office of Transformation and Renewal, including how the office has contributed to improvements in State government. The Department of Legislative Services (DLS) recommends deleting the funding increase for contractual employment, which includes the new contractual FTE within the Office of Transformation and Renewal.**

Issues

1. Special Fund Accounting

Special funds consist of revenues collected by the State, the use of which is statutorily limited to certain purposes. Special funds may be derived from fees (*e.g.*, car and boat registration and child support applications), taxes levied for a specific purpose (*e.g.*, State property taxes, motor fuel and vehicle taxes, and property transfer tax), local government payments for services, and gifts or donations. In fiscal 2019, special funds will provide an estimated \$9.1 billion, or approximately 22.8%, of all funds.

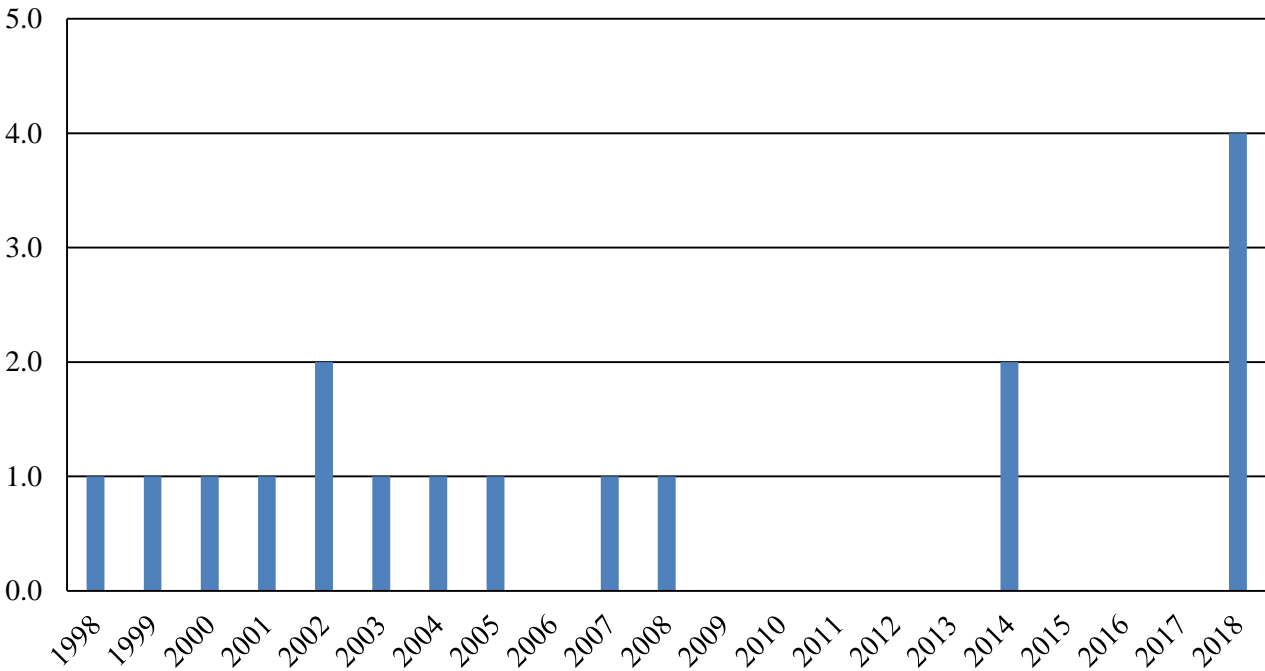
In total, there are over 200 special fund accounts statewide. However, the State currently lacks a comprehensive reporting system for the activities of these accounts. Gathering information about fund balances or expenditures from a particular special fund account requires outreach to the individual entity responsible for administering the fund and seriously hampers the ability to easily analyze special fund activity from a broader perspective.

DLS recommends that DBM develop a statewide comprehensive special fund accounting report, providing information on opening and closing fund balances, along with revenue, transfer, and expenditure activity, for each special fund account in the State budget.

2. Unsatisfactory Audit Ratings Increase

In fiscal 2018, the Office of Legislative Audits (OLA) issued four audit reports for which it was determined that, primarily due to the significance of the findings and the number of repeat findings, the agency's accountability and compliance level was unsatisfactory in accordance with the rating system established by OLA in conformity with State law. As is illustrated by **Exhibit 5**, this is the first time since fiscal 2014 that a single unsatisfactory rating has been issued, and the first time in over 2 decades that four unsatisfactory ratings have been reported in a single year. Only 2 of the past 10 years had audit reports with unsatisfactory ratings.

Exhibit 5
Office of Legislative Audits
Audits with Unsatisfactory Ratings
Fiscal 1998-2018



Source: Office of Legislative Audits

The unsatisfactory ratings in fiscal 2018 were assigned to the following agencies:

- Maryland Department of Health (MDH) – Medical Care Programs Administration (Issued August 18, 2017);
- MDH – Office of the Secretary and Other Units (Issued August 30, 2017);
- Department of Human Services (DHS) – Social Services Administration (Issued November 20, 2017); and
- Uninsured Employers’ Fund (Issued January 3, 2018).

In total, 17 audit reports have been issued with unsatisfactory ratings since fiscal 1998. MDH accounts for 7 of those 17 audits, and 3 belong to DHS.

DBM should comment on what is driving the increase in unsatisfactory audit ratings, specifically, the extent to which understaffing, training, and a lack of clearly established and updated policies and procedures are contributing factors to the issues raised in the audit reports.

3. Fiscal 2017 Closeout Audit

Each year, OLA prepares an audit of the State budget’s closeout transactions. The audit identifies closeout transactions that were not in compliance with current laws or Generally Accepted Accounting Standards. **Exhibit 6** itemizes the six audit findings.

Exhibit 6
Office of Legislative Audits
Statewide Review of Fiscal 2017 Budget Closeout Transactions
(\$ in Millions)

<u>Agency</u>	<u>Explanation</u>	<u>Amount</u>
DLLR	Recorded unsubstantiated federal fund revenues related to receivables from indirect cost recoveries.	\$6.8
Aging	Improperly recorded general fund expenditure accruals for the future procurement of goods and services.	0.5
MSDE	Improperly encumbered unused State grant funds that should have been reverted to the General Fund at year-end.	0.9
DGS	Improperly deferred special fund revenues that should have otherwise been recorded as an accrual/encumbrance or should have been reverted to the General Fund.	2.8
MDH	Federal Department of Health and Human Services disallowed certain federal funds billed by the Developmental Disabilities Administration; general fund appropriations were not sufficient to fully cover outstanding Medicaid provider reimbursements.	52.8
DoIT	Failed to report unprovided for general fund payable related to retroactive compensation for services provided in connection with <i>eMarylandMarketplace</i> .	2.6

DGS: Department of General Services
DLLR: Department of Labor, Licensing, and Regulation
DoIT: Department of Information Technology
MDH: Maryland Department of Health
MSDE: Maryland State Department of Education
Source: Office of Legislative Audits, January 2018

The audit also identifies general fund payables that do not have an appropriation. **Exhibit 7** lists these appropriations. Approximately \$19.5 million in deficiency appropriations are provided to address these obligations.

Exhibit 7
Unprovided for General Fund Payables
Fiscal 2017

<u>Agency</u>	<u>Liability</u>	<u>Amount Funded</u>
Maryland Department of Health	\$49,314,000	\$17,000,000
Office of the Public Defender	2,580,000	2,470,153
Department of Information Technology	903,000	
Total	\$52,797,000	\$19,470,153

Source: Office of Legislative Audits, January 2018

The department should be prepared to brief the committees on the fiscal 2017 closeout audit, including the likely impact to the General Fund.

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$100,000 of this appropriation made for the purpose of executive direction may not be expended unless the Department of Budget and Management includes in its submission of the fiscal 2020 Governor’s budget books personnel and Managing for Results (MFR) data by agency. The personnel data shall be consistent with Section 7-121 of the State Finance and Procurement Article. The MFR data shall include the mission, vision, as well as key goals, objectives, and performance indicators. Funds restricted pending receipt of the volume of the Governor’s budget book may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the volume is not included with the Governor’s budget books submitted with the annual budget bill in January 2019.

Explanation: This section restricts appropriations if the budget books are not consistent with State law or provides MFR data published in the budget books. This data is important to permit the budget committees to exercise oversight during the review of agency budgets each session but was not provided in fiscal 2017 and 2018.

Information Request	Author	Due Date
Budget book volume with personnel and MFR data	Department of Budget and Management	With the submission of the Governor’s fiscal 2020 budget books

	<u>Amount Reduction</u>	<u>Position Reduction</u>
2. Delete the funding increase for contractual employment. This includes funds for one new contractual full-time equivalent position within the Office of Transformation and Renewal and intern stipends.	\$ 58,283	GF

3. Adopt the following narrative:

Summary of Special Fund Accounts: In total, there are over 200 special fund accounts statewide; however, the State currently lacks a comprehensive reporting system for the activities of these accounts. The budget committees request that the Department of Budget and Management (DBM) develop a statewide comprehensive special fund accounting report, which provides the opening and closing fund balances, along with revenue, transfer, and expenditure

activity, for each special fund account in the State. The report shall be submitted no later than November 1, 2018.

Information Request	Author	Due Date
Summary of special fund accounts	DBM	November 1, 2018

4. Amend the following section:

SECTION 2. AND BE IT FURTHER ENACTED, That in order to carry out the provisions of these appropriations the Secretary of Budget and Management is authorized:

- (a) To allot all or any portion of the funds herein appropriated to the various departments, boards, commissions, officers, schools and institutions by monthly, quarterly or seasonal periods and by objects of expense ~~and may place any funds appropriated but not allotted in contingency reserve available for subsequent allotment. Upon the Secretary's own initiative or upon the request of the head of any State agency, the Secretary may authorize a change in the amount of funds so allotted.~~

The Secretary shall, before the beginning of the fiscal year, file with the Comptroller of the Treasury a list limited to the appropriations restricted in this Act, to be placed in contingency reserve ~~a schedule of allotments, if any.~~ The Comptroller shall not authorize any expenditure or obligation in excess of the allotment made and any expenditure so made shall be illegal.

- ~~(b) To allot all or any portion of funds coming into the hands of any department, board, commission, officer, school and institution of the State, from sources not estimated or calculated upon in the budget.~~

- ~~(c)~~ (b) The Secretary is authorized to ~~To~~ fix the number and classes of positions, including temporary and permanent positions, or person years of authorized employment for each agency, unit, or program thereof, not inconsistent with the Public General Laws in regard to classification of positions. The Secretary shall make such determination before the beginning of the fiscal year and shall base them on the positions or person years of employment authorized in the budget as amended by approved budgetary position actions. No payment for salaries or wages nor any request for or certification of personnel shall be made except in accordance with the Secretary's determinations. At any time during the fiscal year the Secretary may amend the number and classes of positions or person years of employment previously fixed by the Secretary; the Secretary may delegate all or part of this authority. The governing boards of public

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institutions of higher education shall have the authority to transfer positions between programs and campuses under each institutional board's jurisdiction without the approval of the Secretary, as provided in Section 15-105 of the Education Article.

~~(d)~~ (c) To prescribe procedures and forms for carrying out the above provisions.

Explanation: This language limits the amount of appropriations that can be placed into contingency reserve to only those items restricted by the General Assembly.

5. Amend the following section:

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), 0217 (Health Insurance), 0305 (the Department of Budget and Management Paid Telecommunications), 0322 (Capital Lease Telecommunications), 0839 (Human Resources Shared Services), 0874 (the Office of Attorney General Administrative Fee), 0876 (the Department of Information Technology, Information Technology Services Allocation), 0894 (State Personnel System Allocation), 0897 (Enterprise Budget System Allocation), and 1303 (rent paid to the Department of General Services) 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, 0217, 0305, 0322, and 0876 between State departments and agencies by approved budget amendment in fiscal 2018 and 2019. 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 **ONLY** 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 **AND CANNOT BE CANCELED OR REVERTED.**

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 pertaining to restricted objects of expenditure is amended to disallow transfers to other purposes and makes it possible for the Office of Legislative Audits to track the disposition of funds in restricted statewide subobjects.

- 6. 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, the Transportation Trust Fund, and higher education Current Unrestricted Fund accounts. This forecast shall estimate aggregate revenues, expenditures, and fund balances in each account for the fiscal year last completed, the current year, the budget year, and four years thereafter. Expenditures shall be reported at such agency, program or unit levels, or categories as may be determined appropriate after consultation with the Department of Legislative Services. A statement of major assumptions underlying the forecast shall also be provided, including but not limited to general salary increases, inflation, and growth of caseloads in significant program areas.

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

Information Request	Author	Due Date
Executive forecasts	Department of Budget and Management	With the submission of the Governor’s fiscal 2020 budget books

- 7. 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.

8. 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) 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 payments of claims, current expenses, and funded liability for incurred losses by the State.

Information Request	Author	Due Date
Report on the status of ledger control account	CEIC	Monthly beginning on July 1, 2018

9. 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 the fiscal 2020 budget

10. 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 2019, 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 Services 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.

11. 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 2019 as an appendix in the Governor’s fiscal 2020 budget books. The report must detail by agency for the actual fiscal 2018 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, the report must 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, 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 2019, excluding the Maryland Department of Transportation, the amount of revenue received by each agency from any federal source for statewide cost recovery shall be transferred only 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 2020 budget books

12. 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 2020 budget detailed by Comptroller subobject classification in accordance with instructions promulgated by the Comptroller of Maryland. The presentation of budget data in the Governor's budget books shall include object, fund, and personnel data in the manner provided for in fiscal 2019 except as indicated elsewhere in this Act; however, this may not preclude the placement of additional information into the budget books. For actual fiscal 2018 spending, the fiscal 2019 working appropriation, and the fiscal 2020 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 2018 spending, the fiscal 2019 working appropriation, and the fiscal 2020 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 full-time equivalents in the budget books. For the purpose of this count, contractual full-time equivalents 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.

Further provided that for each across-the-board reduction to appropriations or positions in the fiscal 2020 budget bill affecting fiscal 2019 or 2020, DBM shall allocate the reduction for each agency in a level of detail not less than the three-digit R*Stars financial agency code and by each fund type.

Explanation: This annual language provides for consistent reporting of fiscal 2018, 2019, and 2020 budget data and provides for the submission of department, unit, agency, office, and institutions’ organizational charts to DLS with the allowance. It also requires DBM to allocate across-the-board reductions to positions or funding, to ensure transparency in budget allocations approved by the General Assembly.

Information Request	Author	Due Date
Agency organizational charts	DBM	With submission of the fiscal 2020 budget

13. Add the following section:

Section XX Interagency Agreements

SECTION XX. AND BE IT FURTHER ENACTED, That on or before August 1, 2018, 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 2018 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:

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- (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;
- (8) total indirect cost recovery or facilities and administrative (F&A) expenditures authorized for the agreement;
- (9) the indirect cost recovery or F&A rate for the agreement and brief description of how the rate was determined;
- (10) actual **AMOUNT INVOICED DURING** the most recently closed fiscal year;
- (11) actual **AMOUNT INVOICED** that the indirect cost recovery or F&A rate may be applied against during the most recently closed fiscal year;
- (12) actual **AMOUNT INVOICED** for indirect cost recovery or F&A for the most recently closed fiscal year; and
- (13) total authorized expenditure for any subaward(s) or subcontract(s) being used as part of the agreement and a brief description of the type of award or contract.

Further provided that DBM shall submit a consolidated report to the budget committees and the Department of Legislative Services by December 1, 2018, 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 2018.

Further provided that no new higher education interagency agreement with State agencies with a projected value in excess of \$500,000 may be entered into during fiscal 2019 without prior approval of the Secretary of Budget and Management.

Explanation: The language requires all State agencies and public institutions of higher education to report on all interagency agreements between State agencies and public institutions of higher education having a total potential expenditure over the term of the agreement in excess of \$100,000. This applies only to agreements for the purchase of goods and/or services and does not apply to grants or space agreements between State agencies and public institutions of higher education. The language requires that DBM submit a consolidated report on all agreements by December 1, 2018, to the budget committees and the Department of Legislative Services. Further, it requires that no new higher education interagency agreement with State agencies with a projected value in excess of \$500,000 be entered into during fiscal 2019 without prior approval of the Secretary of Budget and Management.

Information Request	Author	Due Date
Consolidated report on interagency agreements	DBM	December 1, 2018

14. 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 may 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 Account 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

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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 the impact on regular position or contractual full-time equivalent 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
 - (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 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 2019 appropriation detail as shown in the Governor’s budget books submitted to the General Assembly in January 2019 and the supporting electronic detail may 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 2020 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.

15. Add the following section:

Section XX Maintenance of Accounting Systems

SECTION XX. AND BE IT FURTHER ENACTED, That:

- (1) The Secretary of Health shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2018 in program M00Q01.03 Medical Care Provider Reimbursements **AND M00Q01.10 MEDICAID BEHAVIORAL HEALTH PROVIDER REIMBURSEMENTS** have been disbursed for services provided in that fiscal year and shall prepare and submit the **MONTHLY** 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 2018 to program R00A02.07 Students With Disabilities for nonpublic placements have been disbursed for services provided in that fiscal year and to prepare **MONTHLY** reports as required under this section for that program.
- (3) The Secretary of Human Services shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2018 in program N00G00.01 Foster Care Maintenance Payments have been disbursed for services provided in that fiscal year, including detail **BY PLACEMENT TYPE FOR THE** average monthly caseload, average monthly cost per case, and the total expended for each foster care program, and to prepare the **MONTHLY** reports required under this section for that program.
- (4) For the programs specified, reports must indicate **BY FUND TYPE** total appropriations for fiscal 2018 and total disbursements for services provided during that fiscal year up

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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 **BEGINNING AUGUST 15, 2018, AND SUBMITTED ON A MONTHLY BASIS THEREAFTER.**
- (6) It is the intent of the General Assembly that general funds appropriated for fiscal 2018 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 Maryland Department of Health (MDH), the Maryland State Department of Education (MSDE), and the Department of Human Services (DHS).

Information Request	Authors	Due Date
Report on appropriations and disbursements in M00Q01.03, M00Q01.10 , R00A02.07, and N00G00.01	MDH MSDE DHS	August 15, 2018, and monthly thereafter
Total General Fund Reductions		\$ 58,283

Updates

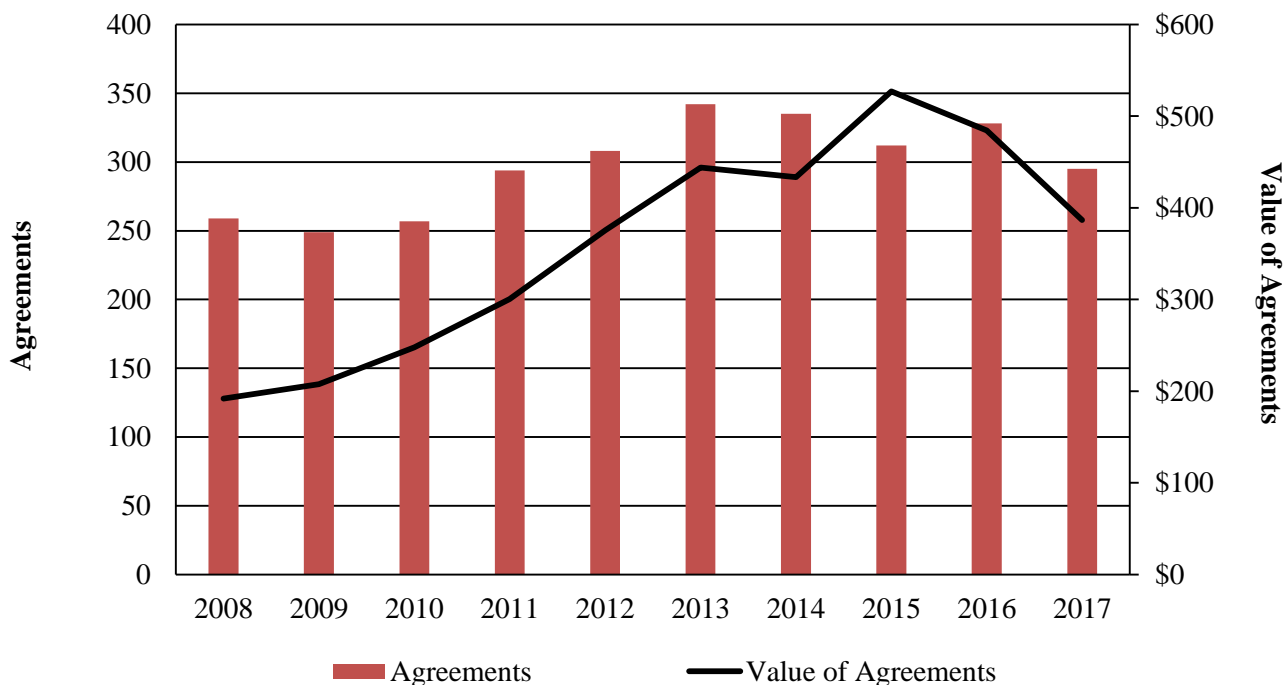
1. Review of Interagency Agreements

Interagency agreements (IA) are used by State agencies to obtain services from State institutions of higher education, such as IT assistance and training. These agreements can be beneficial to agencies as a means of tapping research, knowledge, and skills that can support operations and services. IAs are exempt from certain State procurement and personnel laws and subject to indirect cost recovery or overhead costs. Due to various audit findings of improper usage of IAs and concern over indirect cost recoveries charged by institutions of higher education, IAs have come under scrutiny.

In response to these concerns, actions were taken during the 2017 session to improve reporting and review of IAs. Modifications were made to the reporting requirements requested through annual budget bill language requesting actual expenditure data for total expenses and the indirect cost recoveries. In addition, a statutory requirement was established through Chapter 23 of 2017 (the Budget Reconciliation and Financing Act) to have DBM review one-third of specified IAs that have been in place for three or more years and have expenditures exceeding \$750,000 over the three-year period. The focus of the new review process was to determine whether the IA is necessary and should continue, whether services can be provided more cost effectively by the agency or unit through a competitive procurement, and whether the agreement is being utilized due to the inability to recruit or retain positions.

Exhibit 8 shows the number and total dollar value of IAs with higher education from fiscal 2008 to 2017, as reported by DBM. According to the most recent report, there were 295 IAs in fiscal 2017 with a total projected value of \$386.6 million; this is a decrease of 33 agreements and \$97.8 million in total projected value compared to the fiscal 2016 report. The newly requested actual expenditure data provided in the 2017 report shows \$90.2 million in total expenditures for fiscal 2017, with just under \$10 million spent on indirect cost recoveries.

**Exhibit 8
Number and Value of Interagency Agreements
Fiscal 2008-2017
(\$ in Millions)**



Source: Department of Budget and Management

DBM completed its inaugural review of IAs in accordance with the new statutory provision in December 2017. Based on the criteria outlined in statute, the department identified 47 IAs eligible for review, selecting 34 of those agreements for inclusion in this initial cycle. As a result of the review, DBM has indicated that it is working more closely with agencies to ensure that competitive solicitations are handled in a manner that allows universities to compete for the awards, rather than singularly seeking out services through an IA. In addition, the review included several staff support agreements for MDH, which had been highlighted in an unsatisfactory audit report in August 2017. DBM is monitoring the progress made by MDH to establish new processes to ensure that viable staffing options, such as using contractual employees, increasing or reorganizing regular positions, or competitive procurements, are being appropriately considered prior to pursuing the use of IAs. Finally, the review included 23 agreements for various services. At the time the report was submitted, DBM was still reviewing the detail of these agreements and looking for opportunities to competitively procure those services. The results of that analysis will be presented in the fiscal 2018 report.

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In the process of fulfilling the new reporting and review requirements, DBM encountered some issues with gathering accurate and consistent data. In addition, because of a lack of expenditure history for these agreements, DBM was required to make some judgment calls when selecting which IAs to include in the statutory review. To address these issues and ease some of the administrative burden, minor clarifying and technical changes are being recommended to the annual budget language and statutory provision.

Appendix 1
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 2017					
Legislative Appropriation	\$9,676	\$13,989	\$0	\$232	\$23,898
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-69	0	0	0	-69
Budget Amendments	498	2,473	0	0	2,970
Reversions and Cancellations	-163	0	0	0	-163
Actual Expenditures	\$9,942	\$16,462	\$0	\$232	\$26,636
Fiscal 2018					
Legislative Appropriation	\$9,742	\$15,983	\$0	\$237	\$25,963
Cost Containment	-193	-600	0	0	-793
Budget Amendments	0	0	0	0	0
Working Appropriation	\$9,550	\$15,383	\$0	\$237	\$25,171

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

Fiscal 2017 actual spending totaled \$26.6 million, which is approximately \$2.7 million more than the legislative appropriation. Cost containment actions reduced the general fund appropriation for position reclassifications and compact disc copies of the budget books by \$69,000. The following budget amendments added to spending:

- \$2.3 million in special funds for employee bonuses and the system modernization project at the Central Collection Unit (CCU);
- \$448,801 in general funds and \$153,508 in special funds for employee increments; and
- \$48,765 in general fund amendments realigning funds for telecommunication and personnel expenses based on actual expenditures.

At the close of fiscal 2017, the department reverted approximately \$163,000 in general funds. This included \$71,000 from the Office of the Secretary in funds collected for the general fund portion of the Human Resources Share Services allocation; \$64,000 from the Division of Finance and Administration for lower than anticipated postage, computer, and equipment purchases; and \$28,000 in personnel costs due to higher than anticipated vacancies.

Fiscal 2018

The fiscal 2018 working appropriation reflects a total reduction of approximately \$792,000 from the legislative appropriation. Fiscal 2018 cost containment actions reduced the general fund appropriation by \$192,500 to reflect salary savings from vacant positions and deferral of upgrade expenses for the Capital Budget Information System. The CCU special fund appropriation was also reduced by \$600,000 as part of these cost containment actions.

Appendix 2
Major Information Technology Projects
Department of Budget and Management
Enterprise Budget System

Project Status	Implementation.	New/Ongoing Project:	Ongoing.					
Project Description:	Replace the Hands on Budget Office, the Department of Budget and Management's (DBM) legacy budget system.							
Project Business Goals:	Goals are to replace the system in danger of failing due to antiquated technology that is difficult to staff and support and to improve efficiency of budget preparation, analysis, and approval.							
Estimated Total Project Cost:	\$26,336,400	Estimated Planning Project Cost:	\$1,750,000					
Project Start Date:	January 2008.	Projected Completion Date:	June 2020.					
Schedule Status:	The baseline plan calls for five software releases. Release 1 and 2 were completed in fiscal 2017. Release 3 was delayed to October 2017 due to significant design changes during user acceptance testing. Release 4, which included the budget book layouts and mass position updates, was released in November 2017. Release 5 was originally scheduled for January 2018; however, it has been delayed until May 2018, as the content (agency requests and workflow) will not be required until summer 2018. The end date of the project has been extended to fiscal 2020 (from fiscal 2018) following approval of a change request to expand the project scope to include agency-specific budgeting models.							
Cost Status:	A September 2017 approval to expand the project scope to include agency-specific budgeting models, thus extending the project into fiscal 2020, results in a \$6 million increase in the contract amount. The overall appropriation for the project is not affected. The approved change request still leaves approximately \$3 million as an appropriated reserve.							
Scope Status:	Expansion of the project scope to include three additional software releases, allowing for agency-specific budgeting models (starting with Medicaid at the Maryland Department of Health), was approved in September 2017.							
Project Management Oversight Status:	Because the Department of Information Technology is the implementing and oversight agency, the project poses some unique challenges. To address this, project managers have been procured.							
Identifiable Risks:	Overall risk level is low. Interdependencies with other projects are of some concern, as the project will need to interface with personnel and financial systems, which are being replaced. There are concerns about resource availability, since DBM staff may be occupied at certain times of the budget cycle. To address this concern, dedicated resources to the project are being increased from 1.5 to a maximum of 4 positions. Since this is replacing a legacy system, users will need to adapt to a new system.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	26,136.4	0.0	0.2	0.0	0.0	0.0	0.0	26,336.4
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$26,136.4	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$26,336.4

Appendix 3
Major Information Technology Projects
Department of Budget and Management
Central Collections Unit Systems Modernization

Project Status	Implementation.	New/Ongoing Project:	Ongoing.					
Project Description:	Replace legacy Columbia Ultimate Business System, which is the system used to support Central Collections Unit (CCU) activities. The project's scope has been expanded to include comprehensive review processes and systems. The first phase involves the core debt collection software. Phase II integrates the core system with other systems, such as document management, interactive voice response, payment processing, and other systems.							
Estimated Total Project Cost:	\$11,605,248	Estimated Planning Project Cost:	\$300,000					
Project Start Date:	August 2008.	Projected Completion Date:	October 2019.					
Schedule Status:	Issues with the legacy system data conversion in Phase I have caused schedule delays of approximately five months. As a result, CCU changed the approach for data conversion in order to avoid further delays; however, this will still negatively impact the project schedule for Phase II by at least three to five months.							
Cost Status:	None.							
Scope Status:	None.							
Project Management Oversight Status:	Because the Department of Information Technology is the implementing and oversight agency, the project poses some unique challenges. To address this, project managers have been procured.							
Identifiable Risks:	Low to medium risk level. Resource availability and funding are of some concern. Phase II funding is needed to complete additional functionality needed for system components that were not funded in Phase I. The project team is being augmented by vendor resources. Phase II will also require working through organizational culture issues with the deployment of a new system.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	0.0	5.4	6.2	0.0	0.0	0.0	0.0	11.6
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$0.0	\$5.4	\$6.2	\$0.0	\$0.0	\$0.0	\$0.0	\$11.6

Appendix 4
Object/Fund Difference Report
Department of Budget and Management – Secretary

<u>Object/Fund</u>	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u> <u>Appropriation</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18 - FY 19</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	194.60	194.80	194.80	0.00	0%
02 Contractual	19.50	32.50	33.50	1.00	3.1%
Total Positions	214.10	227.30	228.30	1.00	0.4%
Objects					
01 Salaries and Wages	\$ 18,511,138	\$ 18,452,805	\$ 18,763,556	\$ 310,751	1.7%
02 Technical and Spec. Fees	710,529	1,162,688	1,220,971	58,283	5.0%
03 Communication	2,214,100	769,367	1,088,421	319,054	41.5%
04 Travel	32,464	47,500	48,700	1,200	2.5%
07 Motor Vehicles	-1,761	11,523	11,700	177	1.5%
08 Contractual Services	4,381,409	3,927,188	3,945,496	18,308	0.5%
09 Supplies and Materials	124,256	130,000	130,000	0	0%
10 Equipment – Replacement	117,499	119,482	123,000	3,518	2.9%
13 Fixed Charges	546,109	549,955	614,875	64,920	11.8%
Total Objects	\$ 26,635,743	\$ 25,170,508	\$ 25,946,719	\$ 776,211	3.1%
Funds					
01 General Fund	\$ 9,941,521	\$ 9,549,746	\$ 9,783,928	\$ 234,182	2.5%
03 Special Fund	16,462,038	15,383,356	15,927,191	543,835	3.5%
09 Reimbursable Fund	232,184	237,406	235,600	-1,806	-0.8%
Total Funds	\$ 26,635,743	\$ 25,170,508	\$ 25,946,719	\$ 776,211	3.1%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 5
Fiscal Summary
Department of Budget and Management – Secretary

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
01 Office of the Secretary	\$ 22,411,287	\$ 21,068,765	\$ 21,693,789	\$ 625,024	3.0%
05 Office of Budget Analysis	2,993,869	2,855,455	2,990,771	135,316	4.7%
06 Office of Capital Budgeting	1,230,587	1,246,288	1,262,159	15,871	1.3%
Total Expenditures	\$ 26,635,743	\$ 25,170,508	\$ 25,946,719	\$ 776,211	3.1%
General Fund	\$ 9,941,521	\$ 9,549,746	\$ 9,783,928	\$ 234,182	2.5%
Special Fund	16,462,038	15,383,356	15,927,191	543,835	3.5%
Total Appropriations	\$ 26,403,559	\$ 24,933,102	\$ 25,711,119	\$ 778,017	3.1%
Reimbursable Fund	\$ 232,184	\$ 237,406	\$ 235,600	-\$ 1,806	-0.8%
Total Funds	\$ 26,635,743	\$ 25,170,508	\$ 25,946,719	\$ 776,211	3.1%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.