

**DE.01**  
**Board of Public Works**

***Operating Budget Data***

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(\$ in Thousands)

	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>		<b>% Change</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
General Fund	\$12,004	\$9,276	\$5,766	(\$3,510)	(37.8%)
Special Fund	<u>625</u>	<u>1,125</u>	<u>1,125</u>	<u>0</u>	<u>0.0%</u>
<b>Total Funds</b>	<b>\$12,629</b>	<b>\$10,401</b>	<b>\$6,891</b>	<b>(\$3,510)</b>	<b>(33.7%)</b>

- The Board of Public Works' anticipated transfer of general funds in fiscal 2002, in the amount of \$1,976,566 to the Maryland Emergency Medical System Operating Fund will be deferred upon enactment of the fiscal 2003 budget bill.
- The fiscal 2003 allowance provides \$3.5 million less in general funds than in fiscal 2002. Over half of that reduction is due to funding not being assigned to the grant program that provides aid to local governments for projects and facility improvements.
- The fiscal 2003 funding includes an additional \$527,000 for grants to private nonprofit groups and an increase of \$62,000 to support day-to-day administration.

***Personnel Data***

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	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>	
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	9.00	9.00	9.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Budgeted Turnover: FY 03	0.00	0.00%
Positions Vacant as of 12/31/01	0.00	0.00%

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

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## *Analysis in Brief*

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### Issues

***Increasing Grants to Private Nonprofit Groups While Approving Cost Containment Actions:*** Despite announced cost containment actions to most State agencies, the allowance provides an 11% increase for grants to nonprofit groups. **The Department of Legislative Services recommends funding the ongoing grants at the fiscal 2001 amount in recognition of the State's need for cost containment actions.**

### Recommended Actions

	<u>Funds</u>
1. Reduce funding for legal service support.	\$ 2,500
2. Reduce funding for training and staff development.	1,000
3. Reduce funding for the travel corporate purchasing card.	1,000
4. Reduce funding for advertising and legal publication.	1,000
5. Reduce funding for printing and reproduction.	2,500
6. Reduce funding for rental equipment.	1,000
7. Reduce funding for education and training contracts.	3,500
8. Reduce funding for office assistance.	1,000
9. Reduce funding for other contractual services.	1,000
10. Reduce funding for data processing supplies.	1,500
11. Reduce funding for the supplies corporate purchasing card.	2,500
12. Reduce funding for replacement equipment.	5,000
13. Reduce funding for additional equipment.	3,000
14. Reduce funding for grants to nonprofit groups.	154,000
<b>Total Reductions</b>	<b>\$ 180,500</b>

**DE.01**  
**Board of Public Works**

***Operating Budget Analysis***

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**Program Description**

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

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

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

**Fiscal 2002 Adjustments**

**Proposed Deficiency**

BPW's anticipated transfer of general funds in fiscal 2002, in the amount of \$1,976,566, to the Maryland Emergency Medical System Operating Fund (MEMSOF) will be deferred upon enactment of the budget bill (SB175/HB150). The BPW's fiscal 2002 appropriation contained general funds which were to be transferred to the MEMSOF to cover the final payment of the twelfth Medevac helicopter. If enacted, the legislation will delay this transfer to MEMSOF until fiscal 2007 and will make the appropriated general funds available for other purposes in fiscal 2002.

**Cost Containment**

The fiscal 2002 general fund appropriation for BPW was adjusted downward by \$2,000, as part of the Governor's announced package (October 17, 2001) of budget reductions for cost containment (hiring freeze and 1.5% cuts in certain operating expenses). The actual budget amendment withdrawing the

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appropriation has not been processed; however, BPW's planned action for costs reduction is to lower its spending for building interior work. This includes items such as cleaning carpets or draperies or performing interior repairs.

Although BPW was provided an exemption to the hiring freeze component, if it had been imposed it would have achieved no cost savings since there are no vacancies (last open position October 2000). The \$2,000 planned reduction represents a 1.20% decline in operating expenses for fiscal 2002 (excluding grants and fixed costs).

## **Governor's Proposed Budget**

There are two types of appropriations made in BPW's budget: funds to support the operations of the agency and funds budgeted in pass-through accounts. The fiscal 2003 allowance for BPW is \$6.9 million, a decrease of \$3.5 million (-33.7%) below the fiscal 2002 working appropriation. **Exhibit 1** shows that the decrease is in general funds and is primarily due to changes in funding for the pass-through accounts.

### **Agency Operations**

The operations of BPW are budgeted in two programs: the Administration Office and the Wetlands Administration. The budget for these programs increases by 8.1% and only slightly offsets the overall general fund reduction. The increase provides additional monies for personnel expenses (\$59,639) and operating expenses (\$2,483). The personnel increase covers the fiscal 2003 increments, the annualization of the fiscal 2002 general salary increase, health and retirement rate changes, and other adjustments. Additionally, the allowance recognizes that BPW has no vacancies and includes no turnover (fiscal 2002 had a 1% turnover rate).

The operating expenses include minimal increases for training, postage, office supplies, rent for a copy machine, and upgrading computer hardware. Additionally, the increase covers a change in the allocation for services provided by the Office of Administrative Hearings.

### **Pass-Through Accounts**

The BPW's 2003 budget contains funds for interagency transfers from the State Contingent Fund and funds for grants to private nonprofit groups. The overall general fund reduction is primarily due to the zero funding of the pass-through program that provides aid to local governments. In fiscal 2002 this pass-through program provided aid to the Office of the State's Attorney for Baltimore City (\$1.7 million) and the circuit court of Baltimore (\$400,000). It also reflects the final payment for the twelfth Medevac helicopter in fiscal 2002; however, this would be deferred by proposed legislation.

Despite the overall decline, the allowance contains a \$527,000 increase (11%) in total funding for grants to private nonprofit groups when compared to fiscal 2002. Specifically, the allowance contains continued funding for the Maryland State Firemen's Association, Council of State Governments, Maryland Wing Civil Air Patrol, Historic Annapolis Foundation, Maryland Historical Trust, Connect Maryland and the Regional Air Service Development Program. Of those private and/or nonprofit groups, the following

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are receiving an increase over fiscal 2002: the Council of State Governments (3%), Historic Annapolis Foundation (10%) and the Regional Air Service Development Program (60%).

**Exhibit 1**

**Governor's Proposed Budget  
Board of Public Works  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Total</u></b>
2002 Working Appropriation	\$9,276	\$1,125	\$10,401
2003 Governor's Allowance	5,766	1,125	6,891
Amount Change	(\$3,510)	\$0	(\$3,510)
Percent Change	(37.8)%	0.0%	(33.7)%

**Where It Goes:**

**Personnel Expenses**

Fiscal 2003 increments .....	\$7
Annualize fiscal 2002 general salary increase .....	11
Employee and retiree health insurance cost increase .....	11
Retirement contribution cost increase .....	7
Turnover. ....	6
..	
Other adjustments (includes an adjustment for hiring above base) .....	19

**Non-personnel Agency Operations**

Increase for training and staff development .....	1
Increase for administrative hearings and a copy machine .....	1

**Pass-through Accounts**

Increase grant amount to the Council of State Governments .....	4
Increase grant amount to the Historic Annapolis Foundation .....	48
Reduce grant amount to the Maryland Historical Trust .....	(175)
One-time grant to the Maryland-Israeli Visiting Fellowship Program .....	(100)
Increase grant amount to Regional Air Service Development Program .....	750
Transfer payment for the twelfth helicopter .....	(1,977)
Zero funding of the program that provides grants-in-aid to local governments .....	(2,123)

**Total** **(\$3,510)**

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

**Performance Analysis: Managing for Results**

Although BPW participates in Managing for Results, the oversight nature of the BPW’s work is largely the stewardship of the State’s assets. Quantitatively assessing the quality of that decision-making task that accurately captures the related performance of BPW is difficult. Instead, BPW has chosen performance measures that demonstrate the board’s ability to prepare its members for meetings and to provide open and timely access to information on the State’s procurement actions, approval of capital projects and acquisition, and use and transfer of State assets. BPW has made the use of the Internet its major strategy for ensuring access to all BPW activities (schedules, agendas, minutes, and records). Additionally, the board’s Wetland Administration has identified measures that relate to the processing times of licenses and the board’s approval of the recommended actions.

Most of the data for the chosen performance measures will be obtained through customer service satisfaction surveys (members and public). Interestingly, the submission shows all performance estimates meeting (or exceeding) the targets in fiscal 2002 and 2003. This signals a need to revisit the goals and establish new measures that will continue to foster growth and improvement in program strategies and performance. Notably missing from the submission are performance measures related to activities undertaken to improve the State’s procurement process such as the recommendation of policy changes (number and type), activity of the Advisory Council, and the procurement conference. Also, BPW should reconsider establishing a performance link with the board’s actions and outcomes of the decision-making process as it relates to the mission of prudent stewardship.

As shown in **Exhibit 2**, BPW has made estimates for performance in fiscal 2002 and 2003 but does not have actual performance data. Without actual performance data, one can not gauge the accuracy of the estimates.

**Exhibit 2**

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**Program Measurement Data  
Board of Public Works  
Fiscal 2000 through 2003**

	<u>Actual 2000</u>	<u>Actual 2001</u>	<u>Est. 2002</u>	<u>Est. 2003</u>	<u>Ann. Chg. 00-01</u>	<u>Ann. Chg. 01-03</u>
% of satisfied inquirers seeking research and/or advice	n/a	n/a	95%	95%	n/a	n/a
% of satisfied Internet-surveyed customers	n/a	n/a	95%	95%	n/a	n/a
% of wetland licenses processed within 30 days	91%	90%	90%	90%	-1.1%	0.0%
% of wetlands license recommendation concurred with by board	99%	99%	95%	95%	0.0%	-2.0%

Source: Maryland State Budget Book

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**Issues**

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**1. Increasing Grants to Private Nonprofit Groups While Approving Cost Containment Actions**

In October 2001, the Governor announced a plan for cost containment actions based on the preliminary estimates of the Bureau of Revenue Estimates. The action plan (\$200 million) included a hiring freeze and a 1.5% cutback in certain operating expenses both in fiscal 2002 and 2003. The actions apply to most State agencies, with exemptions for public safety-related and other functions. It also withdrew \$65 million in planned PAYGO spending in the capital program. This action plan was approved by the Board of Public Works in November. Additionally, in November the administration notified executive branch agencies that 30% of certain general funds allotments would be withheld to create a reserve for future cost containment actions if necessary.

In December 2001, the Board of Revenue Estimates revised downward the general fund revenue projections for fiscal 2002 and 2003. In January 2002, the Governor introduced a budget bill and a reconciliation bill (SB 323/HB 424) that makes further cost containing adjustments in order to close out fiscal 2002 and provide a balanced budget for fiscal 2003. The adjustments include current services and capital commitments.

As shown in **Exhibit 3**, the fiscal 2003 allowance contains \$4,187,579 in general funds and \$1,125,000 in special funds for grants to eight private and/or nonprofit groups. Three groups have increases (\$801,743) over their fiscal 2002 appropriated amount, two groups have decreases (\$275,000), and the remaining are unchanged. The aggregate increase is 11% or \$526,743.

**Exhibit 3**

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**Grants to Private Nonprofit Groups**

<b><u>Grant Recipient</u></b>	<b><u>FY 2001</u></b>	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>Recomm. Cut to FY 2001</u></b>
MD State Firemen’s Assoc. (GF)	678,744	691,244	691,244	12,500
MD State Firemen’s Assoc. (SF)	625,000	1,125,000	1,125,000	0
Maryland Wing Civil Air Patrol	38,700	45,000	45,000	6,300
Council of State Governments	109,389	113,218	116,835	7,500
Historic Annapolis Foundation	476,874	476,874	525,000	48,200
Maryland Historical Trust	150,000	262,500	87,500	0

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<u>Grant Recipient</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Recomm. Cut to FY 2001</u>
MD Agric. Educational/Rural Development Assistance Program	347,000	422,000	422,000	75,000
Regional Air Service Development Program	1,000,000	1,250,000	2,000,000	0
Connect MD (UMB) Wellmobile	0	300,000	300,000	4,500*

\* Similar to the 1.5% reduction in operating costs applied to State agencies.

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Given the magnitude of cost containment actions that have been applied and the proposals for further actions that affect State agency operations, it is prudent and equitable at this time to have ongoing nonprofit group grant recipients also participate in the State's overall cost containment efforts. This can be accomplished through reducing the individual grant amounts to the fiscal 2001 appropriation levels with noted exceptions.

The first exception is the State's Firemen's Association special funds appropriation from MEMSOF. These special funds are available to support the loan program that provides assistance in purchasing emergency equipment. The second exception is the Maryland Historical Trust. The fiscal 2003 allowance is lower than both the fiscal 2001 and 2002 amounts and represents the final installment of the second phase of the State House project which was deferred last year. The third exception is the Regional Air Service Development Program. This legislated pilot program in fiscal 2002 received \$750,000 less to recognize the delay in contracting with an air service carrier. The fiscal 2003 allowance of \$2 million is the final grant amount as prescribed by the pilot program which will sunset on June 30, 2003.

**The Department of Legislative Services recommends reducing grant amounts for ongoing grant recipients to the fiscal 2001 appropriation levels with noted exceptions.**

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce funding for legal service support. The remaining allowance of \$16,300 provides a 12% increase over the fiscal 2001 actual. That increase provides for the unexpected demand for transcription and reporting services.	\$ 2,500	GF
2. Reduce funding for training and staff development. The reduction only eliminates the increase over the working appropriation.	1,000	GF
3. Reduce funding for the travel corporate purchasing card. The remaining allowance is \$1,500.	1,000	GF
4. Reduce funding for advertising and legal publication. The remaining allowance is \$800. The agency actuals for fiscal 2000 and 2001 have not reached this level.	1,000	GF
5. Reduce funding for printing and reproduction. The remaining allowance of \$22,900 provides a 12% increase over 2001 actuals.	2,500	GF
6. Reduce funding for rental equipment. The remaining allowance provides a 5% increase over the fiscal 2001 actual.	1,000	GF
7. Reduce funding for education and training contracts. The remaining allowance is \$4,500 to support the statewide annual procurement conference. This is an increase of 16% over the fiscal 2001 actual.	3,500	GF
8. Reduce funding for office assistance. The remaining allowance of \$1,300 exceeds the agencies actual for fiscal 2000 and 2001.	1,000	GF
9. Reduce funding for other contractual services. The remaining allowance is \$4,400. This amount exceeds the fiscal 2000 and 2001 actuals.	1,000	GF
10. Reduce funding for data processing supplies. The remaining allowance of \$500 exceeds actuals for fiscal 2000 and 2001.	1,500	GF

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11.	Reduce funding for the supplies corporate purchasing card. The remaining allowance is \$2,550 and it exceeds actuals for fiscal 2000 and 2001.	2,500	GF
12.	Reduce funding for replacement equipment. The remaining allowance is \$6,370.	5,000	GF
13.	Reduce funding for additional equipment. The remaining allowance provides \$3,550 for new equipment.	3,000	GF
14.	Reduce funding for grants to nonprofit groups. The remaining allowance of nearly \$5.2 million provides the same grant amount given in fiscal 2001 for most grant recipients with few exceptions.	154,000	GF
	<b>Total General Fund Reductions</b>	<b>\$ 180,500</b>	

## ***Current and Prior Year Budgets***

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2001</b>					
Legislative Appropriation	\$12,746	\$625	\$0	\$0	\$13,371
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	(683)	0	0	0	(683)
Reversions and Cancellations	(59)	0	0	0	(59)
<b>Actual Expenditures</b>	<b>\$12,004</b>	<b>\$625</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,629</b>
<b>Fiscal 2002</b>					
Legislative Appropriation	\$9,278	\$1,125	\$0	\$0	\$10,403
Budget Amendments	(2)	0	0	0	(2)
<b>Working Appropriation</b>	<b>\$9,276</b>	<b>\$1,125</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,401</b>

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

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Fiscal 2001 expenditures at BPW totaled \$12.6 million, which is approximately \$741,400 less than the legislative appropriation. Most of that decrease is accounted for by the activity in the contingent fund. The remainder of the decrease is due primarily to a personnel vacancy for half the year and lower than anticipated expenses for transcription reporting and printing services.

In fiscal 2002 the legislative appropriation has been decreased by \$2,000 for cost containment.

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Appendix 2

Object/Fund Difference Report  
Board of Public Works

Object/Fund	FY02		FY03 Allowance	FY02 - FY03		Percent Change
	FY01 Actual	Working Appropriation		Amount Change	Percent Change	
<b>Positions</b>						
01 Regular	9.00	9.00	9.00	0	0%	
<b>Total Positions</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>0</b>	<b>0%</b>	
<b>Objects</b>						
01 Salaries and Wages	\$ 566,992	\$ 595,254	\$ 654,893	\$ 59,639	10.0%	
02 Technical & Spec Fees	14,505	20,050	21,050	1,000	5.0%	
03 Communication	4,424	11,220	11,409	189	1.7%	
04 Travel	5,192	8,300	8,300	0	0%	
08 Contractual Services	62,399	89,895	90,871	976	1.1%	
09 Supplies & Materials	9,530	16,750	16,950	200	1.2%	
10 Equip - Replacement	5,908	11,200	11,370	170	1.5%	
11 Equip - Additional	2,105	6,550	6,550	0	0%	
12 Grants, Subsidies, Contr	11,954,273	9,634,756	6,062,579	(3,572,177)	(37.1%)	
13 Fixed Charges	3,332	6,108	6,056	(52)	(0.9%)	
14 Land & Structures	75	1,000	1,000	0	0%	
<b>Total Objects</b>	<b>\$ 12,628,735</b>	<b>\$ 10,401,083</b>	<b>\$ 6,891,028</b>	<b>(\$ 3,510,055)</b>	<b>(33.7%)</b>	
<b>Funds</b>						
01 General Fund	\$ 12,003,735	\$ 9,276,083	\$ 5,766,028	(\$ 3,510,055)	(37.8%)	
03 Special Fund	625,000	1,125,000	1,125,000	0	0%	
<b>Total Funds</b>	<b>\$ 12,628,735</b>	<b>\$ 10,401,083</b>	<b>\$ 6,891,028</b>	<b>(\$ 3,510,055)</b>	<b>(33.7%)</b>	

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

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Appendix 3

Fiscal Summary  
Board of Public Works

<u>Unit/Program</u>	<u>FY01 Actual</u>	<u>FY02 Legislative Appropriation</u>	<u>FY02 Working Appropriation</u>	<u>FY01 - FY02 % Change</u>	<u>FY03 Allowance</u>	<u>FY02 - FY03 % Change</u>
01 Administration Office	\$ 546,783	\$ 621,286	\$ 619,286	13.3%	\$ 672,439	8.6%
02 Contingent Fund	0	750,000	750,000	0%	750,000	0%
05 Wetlands Administration	127,679	147,041	147,041	15.2%	156,010	6.1%
10 Miscellaneous Grants to Private Nonprofit	3,445,707	4,785,836	4,785,836	38.9%	5,312,579	11.0%
11 Miscellaneous Grants To Local Governments	1,392,000	2,122,354	2,122,354	52.5%	0	(100.0%)
12 Miscellaneous Nonrecurring Payments	1,976,566	1,976,566	1,976,566	0%	0	(100.0%)
15 Payments Of Judgments Against The State	5,140,000	0	0	(100.0%)	0	0%
<b>Total Expenditures</b>	<b>\$ 12,628,735</b>	<b>\$ 10,403,083</b>	<b>\$ 10,401,083</b>	<b>(17.6%)</b>	<b>\$ 6,891,028</b>	<b>(33.7%)</b>
General Fund	\$ 12,003,735	\$ 9,278,083	\$ 9,276,083	(22.7%)	\$ 5,766,028	(37.8%)
Special Fund	625,000	1,125,000	1,125,000	80.0%	1,125,000	0%
<b>Total Appropriations</b>	<b>\$ 12,628,735</b>	<b>\$ 10,403,083</b>	<b>\$ 10,401,083</b>	<b>(17.6%)</b>	<b>\$ 6,891,028</b>	<b>(33.7%)</b>