

F10A
Secretary
Department of Budget and Management

Operating Budget Data

(\$ in Thousands)

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$7,904	\$8,096	\$8,405	\$309	3.8%
Adjusted General Fund	\$7,904	\$8,096	\$8,405	\$309	3.8%
Special Fund	10,823	11,162	12,818	1,657	14.8%
Adjusted Special Fund	\$10,823	\$11,162	\$12,818	\$1,657	14.8%
Reimbursable Fund	108	134	176	43	31.8%
Adjusted Reimbursable Fund	\$108	\$134	\$176	\$43	31.8%
Adjusted Grand Total	\$18,835	\$19,392	\$21,400	\$2,008	10.4%

- The agency's fiscal 2013 allowance increases by \$2,008,145 over the fiscal 2012 working appropriation, with more than 80% of the growth originating in the special funded Central Collections Unit (CCU).
- The most significant increases relate to the assumption of collections duties previously performed by the Division of Parole and Probation (DPP), which adds nearly \$586,000 in special funds to the agency's budget totals. Other notable changes are the inclusion of \$400,000 for an incentive pay plan for CCU staff, a decrease in the agency's turnover offset of \$153,965, and increased fringe benefit payments of \$146,853.

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

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Personnel Data

	<u>FY 11 Actual</u>	<u>FY 12 Working</u>	<u>FY 13 Allowance</u>	<u>FY 12-13 Change</u>
Regular Positions	197.80	189.80	192.80	3.00
Contractual FTEs	<u>12.70</u>	<u>4.70</u>	<u>7.50</u>	<u>2.80</u>
Total Personnel	210.50	194.50	200.30	5.80

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.87	1.49%
Positions and Percentage Vacant as of 12/31/11	11.80	6.22%

- There are 3 new positions in the agency – 2 collection agents and 1 administrator – that are being transferred from DPP into the CCU.
- The agency has 11.8 positions vacant, but the turnover adjustment to its personnel complement’s salaries reflects the removal of funds for just under 3 positions. The department states that the hiring to fill vacancies is currently underway.

Analysis in Brief

Major Trends

Debt Collections Bolstered by Innovation Despite Down Economy: Difficult economic conditions have hampered recent collection efforts, but innovations such as the use of lottery winnings offsets and the centralizing of small collection units are projected to increase the dollar value of debt collected in fiscal 2013. **The Department of Legislative Services recommends that the department submit a report to the budget committees that details how the incentive pay criteria has been updated to reflect the expansion of the unit’s reach and resources.**

Issues

Fiscal 2011 Closeout Audit Identifies Transactions and Payables That May Require Additional General Funds: Each year the Office of Legislative Audits prepares an audit of the State budget’s closeout transactions. This year’s audit identifies \$63.9 million in transactions and \$55.9 million in unresolved payables that may require charges against the general fund balance or require general fund appropriations. **The agency should brief the budget committees on the audit and address any likely general fund impact.**

Recommended Actions

1. Requires submission of report detailing updated criteria for collection incentive program.
2. Amend Section 17 to add tracking structure necessary for legislative audits.
3. Add a section that applies across-the-board Executive Branch reductions to Higher Education.
4. Add a section requiring monthly reporting on Injured Workers’ Insurance Fund ledgers.
5. Add a section requiring reporting on federal funds received by the State.
6. Add a section defining usage of federal funds in the budget.
7. Add a section requiring indirect cost reporting.
8. Add a section requiring a long-term forecast.
9. Add a section requiring consistent presentation of budget data and organizational charts.
10. Add a section requiring reporting on interagency agreements.

11. Add a section defining the budget amendment process.
12. Add a section defining maintenance of accounting systems.
13. Add a section limiting salary payments to Executive nominees rejected by the Senate.

Updates

Central Collection Fund Balance to Provide Revenue to General Fund: Transfers of over \$8.0 million will be effectuated from the Central Collection Fund to the general fund during fiscal 2012 and 2013, while transfers should grow in the near future as the unit winds down expenses from its technology modernization project.

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Operating Budget Analysis

Program Description

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

- **Executive Direction** manages the department. It includes executive staff, Attorneys General, and the Equal Employment Opportunity Program.
- **Division of Finance and Administration** is responsible for the accounting, budgeting, payroll, and purchasing functions of the department.
- **Central Collection Unit** collects delinquent debts, claims, and accounts due to State government.
- **Division of Procurement Policy and Administration** provides centralized review and approval or rejection of procurement of services for Executive Branch agencies. The administration also procures vehicles and manages State fleet operations.
- **Office of Budget Analysis** analyzes State agency programs, expenditures, revenues, and performance. The office recommends funding allocations and develops the operating budget with legal requirements and the Administration's directions.
- **Office of Capital Budgeting** develops an annual capital budget, prepares a five-year *Capital Improvement Program*, and reviews the master plans of State agencies.

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

Performance Analysis: Managing for Results

Managing for Results (MFR) is an Executive Branch initiative that measures State agency performance. The initiative requires agencies to develop strategic plans which include missions, visions, goals, objectives, and performance measures. With respect to DBM, the Central Collections Unit (CCU) data is evaluated. MFR data relating to the Office of Capital Budgeting is discussed in the Capital Budget Overview.

Debt Collections Bolstered by Innovation Despite Down Economy

CCU collects delinquent debts, claims, and accounts due to State government. Its mission is to collect these receivables in the “quickest and most effective manner while employing the highest professional standards.” Typical debts collected include student tuition and fees, restitution for damage to State property, reimbursement for institutional care, local health department fees, workers’ compensation premiums, and State grant overpayments. It does not collect nontax debts, such as unpaid child support payments. Collections are deposited into the Central Collection Fund (CCF).

The unit tracks two objectives that relate to the percentage of debt owed to the State that is actually collected. The two objectives are to collect some or all of the debt of at least 40% of the accounts and to collect at least 33% of the debt from the total value of referrals received. CCU has exceeded both objectives for the last five fiscal years. Since fiscal 2005, the dollar value of collections has grown from \$102 million to \$135 million in fiscal 2011. Yet, as **Exhibit 1** shows, there has been a leveling in the percent of total dollar value of debt collected since fiscal 2009.

Exhibit 1 Central Collection Unit Activities Fiscal 2009-2013

<u>Fiscal Year</u>	<u>Dollar Value of Debt Collected</u>	<u>% of Outstanding Total Collected</u>	<u>Annual Percent Change</u>
2009	\$136,605,112	46.1%	5.7%
2010	131,651,220	41.9%	-3.6%
2011	135,024,904	42.5%	2.6%
2012 (proj.)	134,675,850	41.8%	-0.3%
2013 (proj.)	150,000,000	42.0%	11.4%

Source: Department of Budget and Management

The fiscal 2009 highpoint of 46.1% of total debt collected has given way to four successive years of 42.5% of collection rates or below, once the fiscal 2012 and 2013 projections are considered. The generally negative economic climate has limited collections growth, but some innovations by the unit promise to help push the total collected back to previous levels and beyond. For example, the unit’s use of lottery winnings offsets, which increased by 795% in fiscal 2011 to bring in \$1.45 million, helped reverse the slide in dollar collections posted in fiscal 2010.

Moreover, the new initiative to administer the collections for the Division of Parole and Probation (DPP) should add to the dollars brought in by CCU. This measure accounts for much of the uptick forecasted in the collections activity for fiscal 2013 shown in the exhibit as nearly 78,000 current accounts with \$183.8 million in receivables will be added to the CCU book of business. Yet,

the collection rate of the newly transferred function is currently well below the CCU levels, at 9% collections, or \$17.0 million in fiscal 2011. The agency projects that this rate can be improved upon and, following the transition period, the projected increase will approach \$3.5 million annually. Finally, it should be noted that about half of DPP collections are restitution debts, the entirety of which goes to the related victims, so payments into the CCF will not increase in lockstep with the increase in debts collected on DPP accounts.

It bears noting that the fiscal 2013 allowance contains \$400,000 for an incentive pay plan for CCU staff. Funding for this plan, which began in 1995, has been excluded from the past three fiscal years' budgets due to the blanket prohibition of pay-for-performance compensation enhancements. There are presently 115 regular and 9 contractual positions eligible for these payments. The rule set makes funds available to collection staff in any fiscal year that total collections exceed those from the prior fiscal year. Bringing the DPP function in-house will affect this calculation because the total collected by CCU will increase by a factor in the range of the \$17 million collected by DPP in fiscal 2011, regardless of what current CCU staff achieves. The department states that because precise data on how much the activity associated with DPP collections can be captured in fiscal 2012 is yet to be available, the criteria for awarding incentives has yet to be established. **The Department of Legislative Services (DLS) recommends that the department submit a report to the budget committees that details how the incentive pay criteria has been updated to reflect the expansion of the unit's reach and resources.**

Fiscal 2012 Actions

Section 47 of the fiscal 2012 budget bill required the Governor to abolish 450 positions as of January 1, 2012. This agency's share of the reduction was 2 positions. The annualized salary savings due to the abolition of these positions is expected to be \$67,912 in general funds and \$24,621 in special funds.

Proposed Budget

As shown in **Exhibit 2**, DBM's fiscal 2013 allowance increases by \$2,008,145 over the fiscal 2012 working appropriation, with more than 80% of the growth originating in the special funded CCU, whose work product generates its own funding source. The general fund expense growth totals \$308,958 and is concentrated principally in statewide charges and employee fringe benefit payments.

The most significant growth in the agency's budget relates to the addition of collections duties previously performed by DPP, which adds over \$586,000 to the agency's budget totals. Increases include heightened postage expense (\$200,000), greater personnel outlays for the salary and fringe benefits of the 3 positions transferred into the agency (\$158,910), and expanded fiscal and back-office services (\$127,000). The inclusion of \$400,000 for an incentive pay plan for CCU staff is the second largest new expense in fiscal 2013.

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

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
2012 Working Appropriation	\$8,096	\$11,162	\$134	\$19,392
2013 Allowance	<u>8,405</u>	<u>12,818</u>	<u>176</u>	<u>21,400</u>
Amount Change	\$309	\$1,657	\$43	\$2,008
Percent Change	3.8%	14.8%	31.8%	10.4%
Contingent Reductions	\$0	\$0	\$0	\$0
Adjusted Change	\$309	\$1,657	\$43	\$2,008
Adjusted Percent Change	3.8%	14.8%	31.8%	10.4%

Where It Goes:

Personnel Expenses

Central Collections Unit incentive pay plan	\$400
New positions transferred in from Parole and Probation	158
Turnover adjustment	154
Retirement contributions	124
Accrued leave payout	54
Reclassifications	51
Employee and retiree health insurance	19
Removal of bonus funds	-163
Other fringe benefit adjustments	4

Other Changes

Fiscal services, expanded to assume Parole and Probation collections	352
Postage, increased due to assumption of Parole and Probation collections	265
Statewide Personnel System Allocation	125
Contractual services – legal, printing, and processing	123
Telecommunication charge	116
In-state service charges – internal work for Personnel and Information Technology functions	75
Equipment purchases	74
Administrative hearings charge	63

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Where It Goes:

Attorney General charge	36
State Retirement administrative charge	33
Department of Information Technology charge.....	9
Rent.....	9
Travel.....	-2
Motor vehicles expenses	-5
Contractual employee payments	-20
Office supplies	-22
Annapolis Data Center usage.....	-24
Total	\$2,008

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

Notable changes to personnel expenses (excluding the newly transferred position) are led by a decrease in the agency’s turnover offset of \$153,965, increased retirement contributions of \$124,409, the inclusion of \$54,000 to fund accrued leave payouts of soon-to-retain employees, \$50,900 for position reclassifications, with the removal of fiscal 2012’s one-time bonus funds offsetting this growth by -\$163,464.

The majority of the agency’s other operating expenditure growth is related to statewide charges for the provision of various interdepartmental services, such as DBM’s allocation of \$125,115 for the Statewide Personnel System, \$115,700 for telecommunication outlays, and \$62,500 for work performed by the Office of Administrative Hearings, among others.

Issues

1. Fiscal 2011 Closeout Audit Identifies Transactions and Payables That May Require Additional General Funds

Each year the Office of Legislative Audits (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. With respect to this analysis, the concern is that the audit identifies \$63.9 million in transactions and \$55.9 million in unresolved payables that may require writing down the general fund balance or additional general fund appropriations. **Exhibit 3** itemizes the audits findings.

The agency should brief the committees on OLA's Statewide Review of Budget Closeout Transactions for Fiscal Year 2011. This discussion should address the likely general fund impact.

Recommended Actions

1. Adopt the following narrative:

Revised Collections Incentive Criteria Report: The rule set for incentive pay to collection staff in any fiscal year states that access to bonus funds is made available in any fiscal year that total collections exceed those from the prior fiscal year. The inclusion of a new group of collections previously undertaken by the Division of Parole and Probation function by the Central Collection Unit will affect this calculation regardless of what current staff members achieve. So, the rules need to be adjusted to account for the change in resources. The department should provide to the budget committees a report that details how the incentive pay criteria has been updated to reflect expansions in its collections operations. The report shall be submitted no later than October 1, 2012.

Information Request	Author	Due Date
Report on revised criteria for collection incentives	Department of Budget and Management	October 1, 2012

2. 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), 0305 (DBM Paid Telecommunications), 0322 (Capital Lease Telecommunications), 0874 (Office of Attorney General Administrative Fee), 0876 (DoIT IT Services Allocation), 0894 (State Personnel System Allocation), and 1303 (rent paid to DGS) are to be utilized for their intended purposes only. The expenditure or transfer of these funds for other purposes requires the prior approval of the Secretary of Budget and Management. Notwithstanding any other provision of law, the Secretary of Budget and Management may transfer amounts appropriated in Comptroller Objects 0152, 0154, 0305, and 0322 between State departments and agencies by approved budget amendment in fiscal year 2012 and fiscal year 2013. All funds budgeted in or transferred to Comptroller Objects 0152 and 0154, and any funds restricted in this budget for use in the employee and retiree health insurance program that are unspent shall be credited to the fund as established in accordance with Section 2-516 of the State Personnel and Pensions Article of the Annotated Code of Maryland.

Further provided that each agency that receives funding in this budget in any of the restricted Comptroller Objects herein listed within this section shall establish within the State's accounting system a structure of accounts to separately identify for each restricted Comptroller Object by fund source, the legislative appropriation, monthly transactions, and final expenditures. It is the intent of the General Assembly that an accounting detail be established so that the Office of Legislative Audits may review the disposition of funds appropriated for each restricted Comptroller Object as part of each closeout audit to ensure

that funds are used only for the purposes for which they are restricted and that unspent funds are reverted or canceled.

Explanation: This amendment makes it possible for the Office of Legislative Audits to track the disposition of funds in restricted statewide subobjects.

3. Add the following section:

Section __ Across-the-board Reductions and Higher Education

SECTION __. 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.

4. Add the following section:

Section __ Injured Workers’ Insurance Fund Accounts

SECTION __. AND BE IT FURTHER ENACTED, That the Comptroller of Maryland’s General Accounting Division shall establish a subsidiary ledger control account to debit all State agency funds budgeted under subobject 0175 (workers’ compensation coverage) and to credit all payments disbursed to the Injured Workers’ Insurance Fund (IWIF) via transmittal. The control account shall also record all funds withdrawn from IWIF and returned to the State and subsequently transferred to the General Fund. IWIF 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 IWIF for payment of claims, current expenses, and funded liability for incurred losses by the State.

Information Request	Author	Due Date
Report on status of ledger control account	IWIF	Monthly beginning on July 1, 2012

5. Add the following section:

Section __ Reporting Federal Funds

SECTION __. 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
Report of components of each federal fund appropriation	DBM	With submission of fiscal 2014 budget

6. Add the following section:

Section __ Federal Fund Spending

SECTION __. 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 2013, except with respect to capital appropriations, to the extent consistent with federal requirements:

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- (a) when expenditures or encumbrances may be charged to either State or Federal Fund sources, federal funds shall be charged before State funds are charged except that this policy does not apply to the Department of Human Resources with respect to federal funds to be carried forward into future years for child welfare or welfare reform activities;
- (b) when additional federal funds are sought or otherwise become available in the course of the fiscal year, agencies shall consider, in consultation with the Department of Budget and Management, whether opportunities exist to use these federal revenues to support existing operations rather than to expand programs or establish new ones; and
- (c) the Department of Budget and Management shall take appropriate actions to effectively establish these as policies of the State with respect to the administration of federal funds by executive agencies.

Explanation: This revised annual language defines the policies under which federal funds shall be used in the State budget.

7. Add the following section:

Section __ Indirect Costs Report

SECTION __. 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 2013 as an appendix in the Governor’s fiscal 2014 budget books. The report shall detail by agency for the actual fiscal 2012 budget the amount of statewide indirect cost recovery received, the amount of statewide indirect cost recovery transferred to the general fund, and the amount of indirect cost recovery retained for use by each agency. In addition, it shall list the most recently available federally approved statewide and internal agency cost recovery rates. As part of the normal fiscal/compliance audit performed for each agency once every three years, the Office of Legislative Audits shall assess available information on the timeliness, completeness, and deposit history of indirect cost recoveries by State agencies. Further provided that for fiscal 2013, excluding the Maryland Department of Transportation, the amount of revenue received by each agency from any federal source for statewide cost recovery may only be transferred to the General Fund and may not be retained in any clearing account or by any other means, nor may DBM or any other agency or entity approve exemptions to permit any agency to retain any portion of federal statewide cost recoveries.

Explanation: This is annual language that requires a report on indirect costs and disallows waivers of statewide cost recovery.

Information Request	Author	Due Date
Annual report on indirect costs	DBM	With submission of the Governor's fiscal 2014 budget books

8. Add the following section:

Section __ Executive Long-term Forecast

SECTION __. AND BE IT FURTHER ENACTED, That the Governor's budget books shall include a forecast of the impact of the Executive budget proposal on the long-term fiscal condition of the General Fund, Transportation Trust Fund, and higher education Current Unrestricted Fund accounts. This forecast shall estimate aggregate revenues, expenditures, and fund balances in each account for the fiscal year last completed, the current year, the budget year, and 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 forecast and defines the conditions under which it is to be provided.

Information Request	Author	Due Date
Executive's general fund forecast	DBM	With submission of the Governor's fiscal 2014 budget books

9. Add the following section:

Section __ Reporting on Budget Data and Organizational Charts

SECTION __. 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 2014 budget detailed by Comptroller subobject classification in accordance with instructions promulgated by the Comptroller of the Treasury. The presentation of budget data in the State budget books shall include object, fund, and personnel data in the manner provided for in fiscal 2013 except as indicated elsewhere in this Act; however, this shall not preclude the placement of additional information into the budget books. For actual fiscal 2012 spending, the fiscal 2013 working appropriation, and the fiscal 2014 allowance, the budget detail shall be available from the Department of Budget and Management's (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 2012 spending, the fiscal 2013 working appropriation, and the fiscal 2014 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 upon 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 the Treasury.

Further provided that due diligence shall be taken to accurately report full-time equivalent counts of contractual positions in the budget books. For the purpose of this count, contractual positions are defined as those individuals having an employee-employer relationship with the State. This count shall include those individuals in higher education institutions who meet this definition but are paid with additional assistance funds.

Further provided that DBM shall provide to DLS with the allowance for each department, unit, agency, office, and institution, a one-page organizational chart in Microsoft Word or Adobe PDF format that depicts the allocation of personnel across operational and administrative activities of the entity.

Explanation: This annual language provides for consistent reporting of fiscal 2012, 2013, and 2014 budget data, and provides for the submission of department, unit, agency, office, and institutions' organizational charts to DLS with the allowance.

10. Add the following section:

Section __ Interagency Agreements

SECTION __. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that on or before August 1, 2012, 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 2012 between State agencies and any public institution of higher education involving potential expenditures in excess of \$100,000 over the term of the agreement. Further provided that DBM shall provide direction and guidance to all State agencies and public institutions of higher education as to the procedures and specific elements of data to be reported with respect to these interagency agreements, to include at a minimum:

- (1) a common code for each interagency agreement that specifically identifies each agreement and the fiscal year in which the agreement began;
- (2) the starting date for each agreement;

- (3) the ending date for each agreement;
- (4) a total potential expenditure, or not-to-exceed dollar amount, for the services to be rendered over the term of the agreement by any public institution of higher education to any State agency;
- (5) a description of the nature of the goods and services to be provided;
- (6) the total number of personnel, both full-time and part-time, associated with the agreement; and
- (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.

Further provided that DBM shall submit a consolidated report to the budget committees and the Department of Legislative Services by December 1, 2012, 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 2012.

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. Further, it requires that DBM submit a consolidated report on all agreements by December 1, 2012, to the budget committees and the Department of Legislative Services.

Information Request	Author	Due Date
Consolidated report on all interagency agreements	DBM	December 1, 2012

11. Add the following section:

Section __ Budget Amendments

SECTION . 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:

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- (1) This section shall not apply to budget amendments for the sole purpose of:
 - (a) appropriating funds available as a result of the award of federal disaster assistance;
 - (b) transferring funds from the State Reserve Fund – Economic Development Opportunities Fund for projects approved by the Legislative Policy Committee; and
 - (c) appropriating funds for Major Information Technology Development Project Fund projects approved by the budget committees.

- (2) Budget amendments increasing total appropriations in any fund account by \$100,000 or more may not be approved by the Governor until (i) that amendment has been submitted to the Department of Legislative Services (DLS); and (ii) the budget committees or the Legislative Policy Committee have considered the amendment or 45 days have elapsed from the date of submission of the amendment. Each amendment submitted to DLS shall include a statement of the amount, sources of funds and purposes of the amendment, and a summary of impact on budgeted or contractual position and payroll requirements.

- (3) Unless permitted by the budget bill or the accompanying supporting documentation or by 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 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 the Maryland Department of Transportation; 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.

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- (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) Further provided that the fiscal 2014 appropriation detail as shown in the Governor’s budget books submitted to the General Assembly in January 2013 and the supporting electronic detail shall not include appropriations for budget amendments that have not been signed by the Governor, exclusive of the Maryland Department of Transportation pay-as-you-go capital program.
- (8) 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 2014 allowance, the Department of Budget and Management shall continue policies and procedures to minimize reliance on budget amendments for appropriations that could be included in a deficiency appropriation.

Explanation: This annual language defines the process under which budget amendments may be used.

12. Add the following section:

Section __ Maintenance of Accounting Systems

SECTION __. AND BE IT FURTHER ENACTED, That:

- (1) The Secretary of Health and Mental Hygiene shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2012 in program M00Q01.03 Medical Care Provider Reimbursements have been disbursed for services provided in that fiscal year and shall prepare and submit the periodic reports required under this section for that program.

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- (2) The State Superintendent of Schools shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2012 to program R00A02.07 Students With Disabilities for Non-public Placements have been disbursed for services provided in that fiscal year and to prepare periodic reports as required under this section for that program.
- (3) The Secretary of Human Resources shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2012 in program N00G00.01 Foster Care Maintenance Payments have been disbursed for services provided in that fiscal year and to prepare the periodic reports required under this section for that program.
- (4) For the programs specified, reports shall indicate total appropriations for fiscal 2012 and total disbursements for services provided during that fiscal year up through the last day of the second month preceding the date on which the report is to be submitted and a comparison to data applicable to those periods in the preceding fiscal year.
- (5) Reports shall be submitted to the budget committees, the Department of Legislative Services, the Department of Budget and Management, and the Comptroller on November 1, 2012, March 1, 2013, and June 1, 2013.
- (6) It is the intent of the General Assembly that general funds appropriated for fiscal 2012 to the programs specified that have not been disbursed within a reasonable period, not to exceed 12 months from the end of the fiscal year, shall revert.

Explanation: This annual language requires the maintenance of accounting systems for certain programs, states the intent of the General Assembly that general funds not disbursed be reverted, and requires reporting of disbursements by the Department of Health and Mental Hygiene (DHMH), the Maryland State Department of Education (MSDE), and the Department of Human Resources (DHR).

Information Request	Authors	Due Date
Report on appropriations and disbursements in M00Q01.03, R00A02.07, and N00G00.01	DHMH MSDE DHR	November 1, 2012 March 1, 2013 June 1, 2013

13. Add the following section:

Section __ Secretary’s or Acting Secretary’s Nomination and Salary

SECTION __. AND BE IT FURTHER ENACTED, That no funds in this budget may be expended to pay the salary of a Secretary or Acting Secretary of any department whose nomination as Secretary has been rejected by the Senate or an Acting Secretary who was serving in that capacity prior to the 2012 session whose nomination for the Secretary position was not put forward and approved by the Senate during the 2012 session unless the Acting Secretary is appointed under Article II, Section 11 of the Maryland Constitution prior to July 1, 2012.

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

Updates

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

CCU collects delinquent debts, claims, and accounts due to State government. Sections 3-301 to 3-306 of the State Finance and Procurement Article require that its collections be deposited into the CCF and that collections support CCU operations. As balances accumulate, the funds collected in excess of 15% of the actual operating expenses are to be automatically transferred to the general fund, as detailed in Section 3-306.

Transfers from the Fund Should Escalate after Fiscal 2013

Prior to the 2009 session, legislation was required each time a transfer of surplus funds from the CCF balance was required for use in the budget process, as was the case in fiscal 2004, 2008, and 2009. The 2009 law change provided for automatic transfers of this excess revenue to the general fund beginning in fiscal 2011. As **Exhibit 4** shows, an automatic balance transfer from CCF to the general fund is scheduled for both fiscal 2012 (\$6,405,703) and fiscal 2013 (\$1,672,255).

Exhibit 4
Central Collection Fund – Cash Flows and Fund Balance
Fiscal 2010-2013
(\$ in Thousands)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Est. Revenues</u>	<u>Operating Expenditures</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Ending Balance</u>
2010	\$20,070	\$20,807	-\$11,437	\$0	-\$11,600	\$17,840
2011	17,840	19,199	-10,823	-1,290	-23,110	1,817
2012 Est.	1,817	19,150	-11,162	-1,500	-6,406	1,899
2013 Est.	1,899	20,195	-12,818	-4,940	-1,672	2,664

Source: Department of Budget and Management

The balance available for transfer has been lessened over the past four fiscal years due to the cash flow requirements of the CCU System Modernization information technology (IT) project. Details on this project are included in the Department of Information Technology analysis because it forms part of the Major Information Technology Development Project Fund. As the total expenses utilized to calculate the statutorily required balance fall due to the absence of IT expenses, the transfer will grow. Moreover, the increased collection activity prompted by the assumption of collections from DPP described in the MFR section should further raise the contribution of the CCF to the general fund as revenue increases should outstrip expenditure growth.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2011					
Legislative Appropriation	\$8,095	\$11,151	\$0	\$100	\$19,346
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	275	0	0	20	295
Reversions and Cancellations	-466	-328	0	-12	-807
Actual Expenditures	\$7,904	\$10,823	\$0	\$108	\$18,835
Fiscal 2012					
Legislative Appropriation	\$7,926	\$11,078	\$0	\$134	\$19,138
Budget Amendments	170	84	0	0	254
Working Appropriation	\$8,096	\$11,162	\$0	\$134	\$19,392

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

Fiscal 2011

- A general fund amendment increased the agency appropriation by \$275,000 as budgeted expenditures were aligned among the agency's various units according to actual usage.
- A reimbursable fund amendment increased the agency appropriation by \$20,000 to support salaries related to increased activity in the Employee and Retiree Health program.
- A general fund reversion of \$466,500 that primarily stemmed from \$290,000 of salary and benefits savings from positions being held vacant for abolition, \$132,000 from contractual underspending, and \$45,000 from discontinuation of the Governor's Fellows program.
- A special fund cancelation of \$328,000 resulted mainly from salary and benefits savings from positions being held vacant.

Fiscal 2012

- The distribution of centrally budgeted funds for a one-time employee bonus of \$750 increased salaries by \$169,921 in general funds and \$83,928 in special funds.

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

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	197.80	189.80	192.80	3.00	1.6%
02 Contractual	12.70	4.70	7.50	2.80	59.6%
Total Positions	210.50	194.50	200.30	5.80	3.0%
Objects					
01 Salaries and Wages	\$ 13,902,617	\$ 15,123,626	\$ 15,924,070	\$ 800,444	5.3%
02 Technical and Spec. Fees	244,694	229,567	209,343	-20,224	-8.8%
03 Communication	1,178,601	807,094	1,187,794	380,700	47.2%
04 Travel	19,851	26,100	24,500	-1,600	-6.1%
07 Motor Vehicles	7,584	10,290	5,652	-4,638	-45.1%
08 Contractual Services	2,666,845	2,610,203	3,474,764	864,561	33.1%
09 Supplies and Materials	122,926	130,000	108,000	-22,000	-16.9%
10 Equipment – Replacement	256,509	20,600	20,000	-600	-2.9%
13 Fixed Charges	435,102	434,379	445,881	11,502	2.6%
Total Objects	\$ 18,834,729	\$ 19,391,859	\$ 21,400,004	\$ 2,008,145	10.4%
Funds					
01 General Fund	\$ 7,903,854	\$ 8,096,408	\$ 8,405,366	\$ 308,958	3.8%
03 Special Fund	10,822,685	11,161,803	12,818,448	1,656,645	14.8%
09 Reimbursable Fund	108,190	133,648	176,190	42,542	31.8%
Total Funds	\$ 18,834,729	\$ 19,391,859	\$ 21,400,004	\$ 2,008,145	10.4%

Note: The fiscal 2012 appropriation does not include deficiencies.

Fiscal Summary
Department of Budget and Management – Secretary

<u>Program/Unit</u>	<u>FY 11 Actual</u>	<u>FY 12 Wrk Approp</u>	<u>FY 13 Allowance</u>	<u>Change</u>	<u>FY 12 - FY 13 % Change</u>
01 Executive Direction	\$ 1,420,267	\$ 1,520,498	\$ 1,606,826	\$ 86,328	5.7%
02 Division of Finance and Administration	1,303,415	1,231,773	1,478,087	246,314	20.0%
03 Central Collection Unit	10,822,685	11,161,803	12,818,448	1,656,645	14.8%
04 Division of Procurement Policy and Administration	1,942,654	2,128,476	2,100,047	-28,429	-1.3%
01 Budget Analysis and Formulation	2,372,298	2,451,881	2,470,712	18,831	0.8%
01 Capital Budget Analysis and Formulation	973,410	897,428	925,884	28,456	3.2%
Total Expenditures	\$ 18,834,729	\$ 19,391,859	\$ 21,400,004	\$ 2,008,145	10.4%
General Fund	\$ 7,903,854	\$ 8,096,408	\$ 8,405,366	\$ 308,958	3.8%
Special Fund	10,822,685	11,161,803	12,818,448	1,656,645	14.8%
Total Appropriations	\$ 18,726,539	\$ 19,258,211	\$ 21,223,814	\$ 1,965,603	10.2%
Reimbursable Fund	\$ 108,190	\$ 133,648	\$ 176,190	\$ 42,542	31.8%
Total Funds	\$ 18,834,729	\$ 19,391,859	\$ 21,400,004	\$ 2,008,145	10.4%

Note: The fiscal 2012 appropriation does not include deficiencies.