

D15A05
Executive Department – Boards, Commissions, and Offices

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$6,485	\$6,921	\$7,162	\$241	3.5%
Deficiencies and Reductions	0	14	-16	-30	
Adjusted General Fund	\$6,485	\$6,935	\$7,147	\$211	3.0%
Special Fund	596	708	683	-24	-3.4%
Adjusted Special Fund	\$596	\$708	\$683	-\$24	-3.4%
Federal Fund	3,844	4,393	4,427	33	0.8%
Deficiencies and Reductions	0	0	-1	-1	
Adjusted Federal Fund	\$3,844	\$4,393	\$4,425	\$32	0.7%
Reimbursable Fund	463	566	572	6	1.1%
Adjusted Reimbursable Fund	\$463	\$566	\$572	\$6	1.1%
Adjusted Grand Total	\$11,387	\$12,602	\$12,827	\$226	1.8%

- The Administration has included funding for the Maryland State Board of Contract Appeals (MSBCA) in this budget for fiscal 2017. For comparison purposes, the fiscal 2015 and 2016 expenses of MSBCA are also included with the Boards, Commissions, and Offices.
- The Governor's proposed budget includes a fiscal 2016 general fund deficiency appropriation of \$14,000 to provide funds to support operating expenses for MSBCA.
- The fiscal 2017 allowance increases by \$226,000, or 1.8%, including a back of the bill reduction to health insurance. The increase is driven primarily by general funds, which increase overall by \$211,000. The largest general fund increase is personnel, which increases the appropriation by \$247,000, including the back of the bill reduction to health insurance.

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

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Personnel Data

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>
Regular Positions	64.10	64.10	64.10	0.00
Contractual FTEs	<u>5.50</u>	<u>4.00</u>	<u>4.00</u>	<u>0.00</u>
Total Personnel	69.60	68.10	68.10	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.71	1.11%
Positions and Percentage Vacant as of 12/31/15	4.80	7.49%

- There were no changes overall in regular or contractual full-time equivalent (FTE) positions in the fiscal 2017 allowance. The Governor's Office of Minority Affairs (GOMA) abolishes 1.0 FTE for a video lottery terminal contract no longer being used, and the Governor's Office of Community Initiatives (GOCI) gains 2 part-time (0.5) FTEs to support the Volunteer Maryland program and a new Heroin Outreach program.
- As of December 31, 2015, the agency's vacancy rate was 7.5%, far exceeding the required 1.1% turnover expectancy due to Administration transition. The department is currently in the process of filling positions.

Analysis in Brief

Major Trends

Participation at the Office of Minority Affairs’ Events Rebounds in Fiscal 2015: GOMA oversees programs with the goal of improving Minority Business Enterprise (MBE) participation in State contracts, especially with the Maryland Department of Transportation. The office holds meetings and conferences, offers training on the contracting process, and offers technical assistance to MBEs and State agencies. After increasing slightly for years, MBE participation at GOMA events saw a substantial drop in fiscal 2014. In fiscal 2015, participation rebounded and exceeded fiscal 2013 levels.

Volunteer Maryland Community Service Hours Increase: Serving as the State’s primary liaison to nonprofit and local community organizations, GOCI oversees the Governor’s Office on Service and Volunteerism and also houses culturally focused bodies. The number of Volunteer Maryland volunteers recruited was 10,204 in fiscal 2015, and together they donated 91,755 hours of community service to the State; this reflects an increase of 1,965 volunteers, or 23.8%, and an increase of 26,237 hours of service, or 40.0%.

Ethics Training Increases: The State’s Public Ethics Laws are administered by the State Ethics Commission, which trains public officials and lobbyists and provides legal advice. The number of officials and lobbyists who received ethics training increased to 1,797 in fiscal 2015, a 10.8% increase from fiscal 2014.

Contract Appeals Resolution Appeals’ Caseload Is Stable: The Contract Appeals Resolution is responsible for hearing and resolving protests on new bids and contract claims. From a high of 54 cases in fiscal 2011, caseloads have hovered around 40 new cases each fiscal year from fiscal 2012 to 2015. This trend is expected to continue.

Issues

Maryland State Board of Contract Appeals’ Budget Now an Executive Department Program: MSBCA was established to hear and resolve all protests and disputes relating to the letting of contracts and the performance, breach, modification, and termination of State contracts. In prior years, MSBCA was its own budget assignment, but in the fiscal 2017 budget bill MSBCA’s budget is funded in the Contract Appeals Resolution program within the Executive Department – Boards, Commissions, and Offices (D15A05.24). According to the State Finance and Procurement Article Section 15-206, MSBCA is an independent unit of the Executive Branch and may not be made a part of another unit of the State government, except by statute. **The Department of Legislative Services requests that the Administration explain how this transfer of MSBCA’s budget to Boards, Commissions, and Offices’ budget is in accordance with statute and why this transfer has occurred, identifying specific cost savings.**

Recommended Actions

1. Concur with Governor's allowance.

D15A05
Executive Department – Boards, Commissions, and Offices

Operating Budget Analysis

Program Description

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

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

Performance Analysis: Managing for Results

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

1. Participation at the Office of Minority Affairs’ Events Rebounds in Fiscal 2015

GOMA oversees programs with the goal of improving Minority Business Enterprise (MBE) participation in State contracts, especially with the Maryland Department of Transportation. The office holds meetings and conferences, offers training on the contracting process, and offers technical assistance to MBEs and State agencies. MBE participation experienced a substantial drop in fiscal 2014 to 5,616 participants, or a 37.1% decrease. The drop in participants in fiscal 2014 was attributed to a decrease in the number of large events hosted by other stakeholders outside of the agency. In fiscal 2015, participation rebounded and exceeded fiscal 2013 levels with 10,844 participants. GOMA attributes that to the fact that GOMA is hosting more events and utilizing technology to provide video and webinar programming that continues to get viewers beyond the event date.

GOMA has a minority participation goal of 29.0% for MBE-certified firms. In fiscal 2014, the State had 27.3% overall MBE participation.

Exhibit 1
**Program Measurement Data for the Office of Minority Affairs,
Office of Community Initiatives, and the State Ethics Commission**
Fiscal 2013-2017 Est.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Est.</u> <u>2016</u>	<u>Est.</u> <u>2017</u>	<u>Annual</u> <u>Change</u> <u>2013-15</u>
Office of Minority Affairs						
Minority Business Enterprise (MBE) participants at events	8,925	5,616	10,844	12,500	14,000	10.2%
Responses to MBE requests for assistance	900	1,020	1,995	2,225	2,500	48.9%
Office of Community Initiatives						
Total funds granted to community-based organizations	\$3,461,376	\$3,164,392	\$3,360,711	\$4,029,810	\$4,029,810	-1.5%
AmeriCorps Members	588	612	1,011	1,011	1,011	31.1%
AmeriCorps volunteers	16,863	14,421	14,098	14,032	14,032	-8.6%
Volunteer Maryland volunteers	5,982	8,239	10,204	9,221	9,221	30.6%
Volunteer Maryland hours contributed to State	77,656	65,518	91,755	70,550	70,550	8.7%
Ethnic and cultural community events	543	644	505	591	538	-3.6%
Visitors to Banneker-Douglass Museum	20,250	21,623	21,850	22,000	22,000	3.9%
State Ethics Commission						
State officials and lobbyists receiving training	1,272	1,622	1,797	1,660	1,545	18.9%
Formal legal complaints issued	55	30	62	70	70	6.2%
Local governments receiving ethics ordinance assistance	86	35	31	20	20	-40.0%

Source: Governor's Budget Books, Fiscal 2015-2016; Department of Budget and Management

2. Volunteer Maryland Community Service Hours Increase

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

Exhibit 1 shows that funds granted to community-based organizations totaled \$3,360,711 in fiscal 2015, an increase of \$196,319 from fiscal 2014, or 6.2%. The number of Volunteer Maryland volunteers recruited was 10,204 in fiscal 2015, and together they donated 91,755 hours of community service to the State; this reflects an increase of 1,965 volunteers, or 23.8%, and an increase of 26,237 hours of service, or 40.0%. The number of AmeriCorps volunteers decreased by 323 to a total of 14,098 in fiscal 2015.

To support various cultural communities throughout the State, GOCI holds ethnic and cultural community events. The number of events decreased by 139 events, or 21.6%, in fiscal 2015; due to newer commissions, such as the African, Caribbean, and South Asian commissions, becoming more established and better able to host, sponsor, and support events in their respective communities, there was a spike in events hosted in fiscal 2014. The number of visitors to the Banneker-Douglass Museum in Annapolis totaled 21,850 in fiscal 2015, an increase of 227 from fiscal 2014.

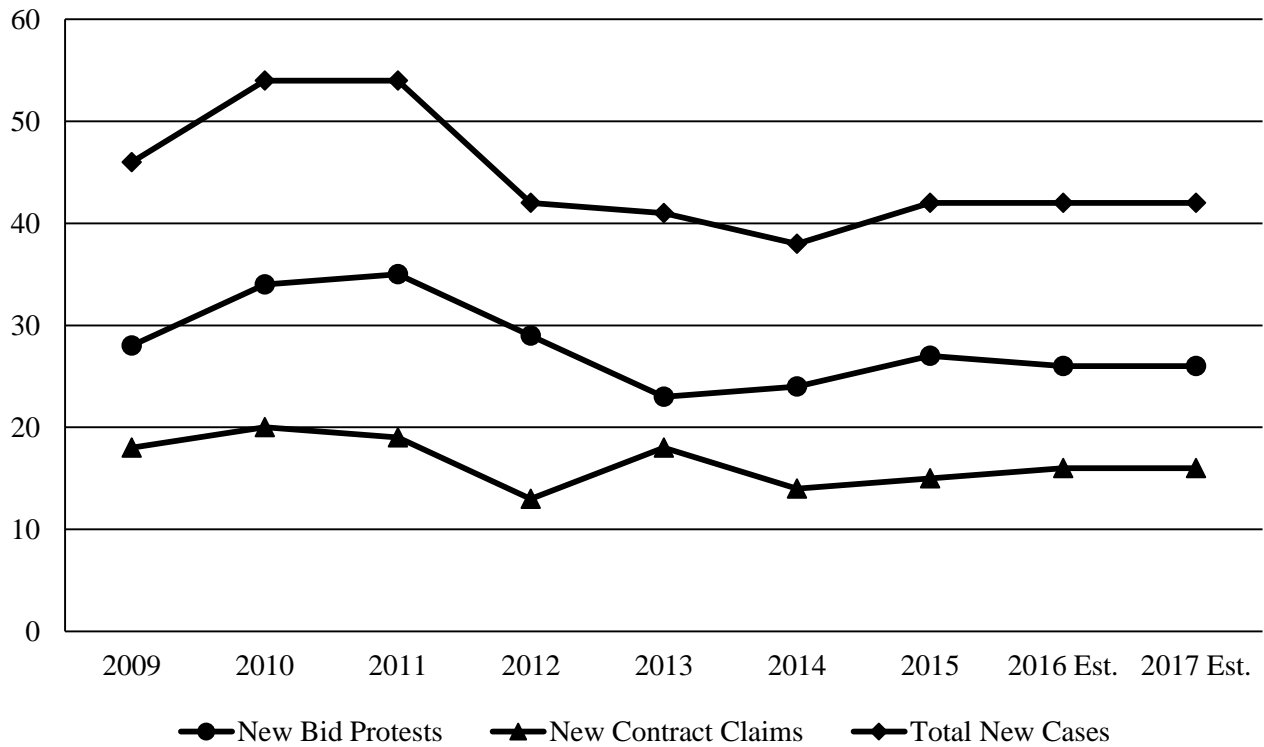
3. Ethics Training Increases

The State’s Public Ethics Laws are administered by the State Ethics Commission, which trains public officials and lobbyists and provides legal advice. In fiscal 2011, the number of officials and lobbyists who received ethics training increased substantially when the electronic training system allowed a backlog of employees to receive training, which was followed by declines in fiscal 2012 and 2013. As shown in Exhibit 1, the number of officials and lobbyists who received ethics training in fiscal 2015 increased to 1,797, a 10.8% increase over fiscal 2014.

4. Contract Appeals Resolution Appeals’ Caseload Is Stable

The Contract Appeals Resolution is responsible for hearing and resolving protests on new bids and contract claims. **Exhibit 2** shows the number of new bid protests and the number of new contract claims from fiscal 2009 through an estimate for fiscal 2017. From a high of 54 cases in fiscal 2011, caseloads have hovered around 40 new cases each fiscal year from fiscal 2012 to 2015, and this trend is expected to continue.

Exhibit 2
Board of Contract Appeals Caseload
Fiscal 2009-2017 Est.



Source: Department of Budget and Management

Fiscal 2016 Actions

Proposed Deficiency

The Governor's proposed budget includes a fiscal 2016 general fund deficiency appropriation of \$14,000 to provide funds to support operating expenses for MSBCA.

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2017 allowance increases by \$226,000, or 1.8%, including a back of the bill reduction to health insurance. The increase is driven primarily by general funds, which increase overall by \$211,000. The largest general fund increase is personnel, which increases the appropriation by \$247,000, including the back of the bill reduction to health insurance.

Exhibit 3
Proposed Budget
Executive Department – Boards, Commissions, and Offices
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015 Actual	\$6,485	\$596	\$3,844	\$463	\$11,387
Fiscal 2016 Working Appropriation	6,935	708	4,393	566	12,602
Fiscal 2017 Allowance	<u>7,147</u>	<u>683</u>	<u>4,425</u>	<u>572</u>	<u>12,827</u>
Fiscal 2016-2017 Amount Change	\$211	-\$24	\$32	\$6	\$226
Fiscal 2016-2017 Percent Change	3.0%	-3.4%	0.7%	1.1%	1.8%

Where It Goes:**Personnel Expenses**

Salaries and other compensation	\$97
Employees' Retirement System	158
Turnover adjustments	67
Other fringe benefit adjustments	-2

Other Changes

Grants to non-State entities	138
Supplies and materials	-10
Outreach programs and other contractual services	-40
Changes in contractual employee costs and volunteer compensation	-50
Grants to State entities	-123
Other	-9

Total	\$226
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Note: Numbers may not sum to total due to rounding.

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board (ATB) reduction for employee health insurance based on a revised estimate of the amount of funding needed. This agency's share of these reductions is \$15,601 in general funds and \$1,113 in federal funds. There is an additional ATB reduction to abolish vacant positions statewide, but the amounts have not been allocated by agency.

Personnel Changes

Overall personnel costs increase by \$320,000 in fiscal 2017, primarily due to employees' retirement (\$158,000) and regular earnings (\$97,000). Turnover expectancy increases by \$67,000 as required turnover lowers from 2.2% in fiscal 2016 to 1.1% in fiscal 2017.

Although not reflected in the Executive Department – Boards, Commissions, and Offices fiscal 2017 budget, \$115,446 in employee increments and associated expenses are expected to be distributed to the agency by budget amendment at the start of the fiscal year, including \$77,116 in general funds, \$30,827 in federal funds, and \$7,503 in reimbursable funds. Currently, increments for agencies are included in the Department of Budget and Management's budget.

Issues

1. Maryland State Board of Contract Appeals’ Budget Now an Executive Department Program

Title 15, Subtitle 12 of the State Finance and Procurement Article established MSBCA and vested it with the authority to hear and resolve all protests and disputes relating to the letting of contracts and the performance, breach, modification, and termination of State contracts. The board hears bid protests, which involves the preparation and interpretation of bid specifications, qualification and selection of successful bidders, and contract claims, which relate to the contractual relationship between the State and a contractor including quality of performance, compliance with contract provisions, compensation, claims and change orders, and terminations.

In prior years, MSBCA was its own budget assignment, but in the fiscal 2017 budget bill MSBCA’s budget is funded in the Contract Appeals Resolution program within the Executive Department – Boards, Commissions, and Offices (D15A05.24). According to the State Finance and Procurement Article Section 15-206, “The Appeals Board is an independent unit of the Executive Branch of the State government and, except by statute, may not be made a part of another unit of the State government.” **DLS requests that the Administration explain how this transfer of MSBCA’s budget to Boards, Commissions, and Offices’ budget is in accordance with statute and why this transfer has occurred, identifying specific cost savings.**

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015					
Legislative Appropriation	\$6,885	\$673	\$3,934	\$474	\$11,966
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-197	0	0	0	-197
Budget Amendments	80	49	3	83	214
Reversions and Cancellations	-283	-126	-93	-94	-596
Actual Expenditures	\$6,485	\$596	\$3,844	\$463	\$11,387
Fiscal 2016					
Legislative Appropriation	\$6,910	\$702	\$4,388	\$566	\$12,564
Budget Amendments	12	6	5	0	23
Working Appropriation	\$6,921	\$708	\$4,393	\$566	\$12,588

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

Fiscal 2015

In fiscal 2015, the total budget for the Boards, Commissions, and Offices decreased by approximately \$579,000.

The general fund appropriation decreased overall by \$400,000. Budget amendments increased general funds by \$80,000 overall to realign appropriations across State agencies for health benefits and telecommunication costs, allocate a 2% cost-of-living adjustment (COLA), and provide for operating expenditures; savings realized by the Volunteer Separation Program resulted in a decrease of \$25,000. Approximately \$480,000 in general funds was reduced and reverted primarily due to salary savings due to vacancies during transition of the Administration and cost containment.

The special fund appropriation decreased by \$77,000. Budget amendments to allocate registration fees for the Grants Conference (\$25,000), filing fees from lobbyists required to register with the State Ethics Commission (\$20,000), the 2% COLA (\$3,033), and sponsorships to support the Minority Business Enterprise University (\$1,000) increased the special fund appropriation. Approximately \$126,000 in special funds was canceled due to salary savings for Volunteer Maryland and deferred funds for the Ethics Commission for events in future years.

The federal fund appropriation decreased by \$90,000, primarily due to canceled funds for GOCI, because projected funding exceeded actual AmeriCorps expenditures. A budget amendment increased the federal fund appropriation by \$3,123 to allocate the COLA.

The reimbursable fund appropriation decreased by \$11,000. Two budget amendments provided additional funds to GOCI for Volunteer Maryland (\$75,000) and the Interfaith Domestic Violence Coalition Program (\$7,500). Approximately \$94,000 was canceled primarily due to unexpended Volunteer Maryland funding.

Fiscal 2016

The fiscal 2016 appropriation increased by a net \$23,000 from the legislative appropriation due to budget amendments restoring employee salaries and realigning cost containment reductions.

Audit Findings

Audit Period for Last Audit:	January 1, 2012 – January 20, 2015
Issue Date:	September 2015
Number of Findings:	2
Number of Repeat Findings:	1
% of Repeat Findings:	50%
Rating: (if applicable)	n/a

Finding 1: **Internal controls were not sufficient to ensure all collections were deposited.**

Finding 2: Backup files for critical servers were not stored offsite, and a comprehensive disaster recovery plan did not exist.

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

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

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	64.10	64.10	64.10	0.00	0%
02 Contractual	5.50	4.00	4.00	0.00	0%
Total Positions	69.60	68.10	68.10	0.00	0%
Objects					
01 Salaries and Wages	\$ 5,892,355	\$ 6,298,422	\$ 6,635,186	\$ 336,764	5.3%
02 Technical and Spec. Fees	962,377	1,180,039	1,130,155	-49,884	-4.2%
03 Communication	111,908	109,846	105,639	-4,207	-3.8%
04 Travel	102,505	78,113	88,023	9,910	12.7%
06 Fuel and Utilities	81,078	85,400	83,510	-1,890	-2.2%
07 Motor Vehicles	23,748	26,454	28,480	2,026	7.7%
08 Contractual Services	461,914	512,882	472,652	-40,230	-7.8%
09 Supplies and Materials	37,503	52,056	42,256	-9,800	-18.8%
10 Equipment – Replacement	10,199	12,971	12,800	-171	-1.3%
11 Equipment – Additional	11,297	4,700	1,700	-3,000	-63.8%
12 Grants, Subsidies, and Contributions	3,482,085	4,027,419	4,043,413	15,994	0.4%
13 Fixed Charges	210,175	199,204	200,201	997	0.5%
Total Objects	\$ 11,387,144	\$ 12,587,506	\$ 12,844,015	\$ 256,509	2.0%
Funds					
01 General Fund	\$ 6,484,516	\$ 6,921,120	\$ 7,162,182	\$ 241,062	3.5%
03 Special Fund	595,893	707,565	683,378	-24,187	-3.4%
05 Federal Fund	3,844,190	4,393,159	4,426,513	33,354	0.8%
09 Reimbursable Fund	462,545	565,662	571,942	6,280	1.1%
Total Funds	\$ 11,387,144	\$ 12,587,506	\$ 12,844,015	\$ 256,509	2.0%

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

Fiscal Summary
Executive Department – Boards, Commissions and Offices

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
01 Survey Commissions	\$ 102,674	\$ 117,784	\$ 117,784	\$ 0	0%
03 Office of Minority Affairs	1,207,980	1,412,030	1,384,582	-27,448	-1.9%
05 Governor's Office of Community Initiatives	6,688,491	7,495,018	7,567,528	72,510	1.0%
06 State Ethics Commission	1,115,820	1,161,612	1,200,365	38,753	3.3%
07 Health Care Alternative Dispute Resolution Office	411,491	419,316	440,386	21,070	5.0%
20 State Commission on Criminal Sentencing Policy	471,591	487,107	490,109	3,002	0.6%
22 Governor's Grants Office	311,436	340,681	418,923	78,242	23.0%
23 State Labor Relations Board	409,078	479,375	497,259	17,884	3.7%
24 Maryland State Board of Contract Appeals	668,583	674,583	727,079	52,496	7.8%
Total Expenditures	\$ 11,387,144	\$ 12,587,506	\$ 12,844,015	\$ 256,509	2.0%
General Fund	\$ 6,484,516	\$ 6,921,120	\$ 7,162,182	\$ 241,062	3.5%
Special Fund	595,893	707,565	683,378	-24,187	-3.4%
Federal Fund	3,844,190	4,393,159	4,426,513	33,354	0.8%
Total Appropriations	\$ 10,924,599	\$ 12,021,844	\$ 12,272,073	\$ 250,229	2.1%
Reimbursable Fund	\$ 462,545	\$ 565,662	\$ 571,942	\$ 6,280	1.1%
Total Funds	\$ 11,387,144	\$ 12,587,506	\$ 12,844,015	\$ 256,509	2.0%

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