

F10A
Secretary
Department of Budget and Management

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	\$8,448	\$9,073	\$9,744	\$671	7.4%
Deficiencies and Reductions	0	0	-19	-19	
Adjusted General Fund	\$8,448	\$9,073	\$9,724	\$652	7.2%
Special Fund	12,908	13,963	14,126	163	1.2%
Deficiencies and Reductions	0	0	-37	-37	
Adjusted Special Fund	\$12,908	\$13,963	\$14,089	\$126	0.9%
Reimbursable Fund	176	225	232	7	3.1%
Adjusted Reimbursable Fund	\$176	\$225	\$232	\$7	3.1%
Adjusted Grand Total	\$21,533	\$23,261	\$24,046	\$785	3.4%

- The fiscal 2017 allowance increases by \$785,000, or 3.4%, over the fiscal 2016 working appropriation.
- General funds increase by a net \$652,000, or 7.2%, including an across-the-board (ATB) reduction in health insurance. The largest increases in general fund expenditures are for personnel and shared human resources' services.
- Special funds increase by \$126,000, or 0.9%, over the fiscal 2016 working appropriation. The largest increases in special fund expenditures are for contractual services for the Central Collection Unit (CCU), primarily for shared human resources' services and administrative hearings.

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

For further information contact: Laura M. Vykol

Phone: (410) 946-5530

Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	196.80	198.80	198.80	0.00
Contractual FTEs	<u>11.00</u>	<u>9.00</u>	<u>9.00</u>	<u>0.00</u>
Total Personnel	207.80	207.80	207.80	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.19	2.11%
Positions and Percentage Vacant as of 12/31/15	13.00	6.54%

- There are no changes in regular or contractual positions in the fiscal 2017 allowance.
- Turnover expectancy is set at 2.1%, requiring 4.19 positions to be held vacant. As of December 31, 2015, 13.0 positions were vacant, or 6.5%, far exceeding the required vacancies.

Analysis in Brief

Major Trends

Capital Budget Performance Shows Improvement: The Office of Capital Budgeting strives for sound capital budget planning processes. Objectives have been established to ensure that at least 90% of State-owned capital projects are consistent with agency facilities master plans and have approved program plans. The agency met one objective while falling short of another in fiscal 2015 but has shown improvement in both categories.

Central Collection Unit Net Profit Declines: CCU is responsible for collecting delinquent claims, debts, and accounts owed to the State except for taxes, child support, and unemployment contributions and overpayments. Typical debts include Motor Vehicle Administration fines, student tuition and fees, and restitution for damage to State property, among others. From fiscal 2012 to 2015, net agency profit decreased by \$3.3 million, or 40.7%. This decrease in net profits is expected to continue because CCU operating expenditures include the cash flow for the major information technology business system replacement; agency net profit should increase after the upgrade is completed.

Issues

Across-the-board Reductions in Fiscal 2015 and 2016: As part of budget balancing actions for both the fiscal 2015 and 2016 budgets, Governor Martin J. O’Malley and Governor Lawrence J. Hogan, Jr. adopted 2% ATB reductions to agency operating budgets, which reduced general funds by \$112.8 million and \$118.0 million, respectively. **The Department of Budget and Management (DBM) should comment on the agencies that received fiscal 2016 deficiencies and describe how it was determined which agencies should have the required reduction restored.**

Board of Public Works Transparency Act of 2016: The Board of Public Works (BPW) Transparency Act of 2016, HB 368 and SB 370 of the 2016 session, would require the Secretary of Budget and Management to provide public notice of at least 10 consecutive days before BPW may approve a reduction of appropriations proposed by the Governor. **The Department of Legislative Services (DLS) requests that the department comment on the impact that the legislation will have on operations and the Administration’s ability to balance the budget.**

Large Specific Reversions in Fiscal 2016 Create Uncertainty: According to Section 2 of the fiscal 2017 budget bill, annual budget bill language, the Secretary of Budget and Management is authorized to allot appropriations throughout the year (*e.g.*, monthly, quarterly, *etc.*). Using this authority, the Administration’s plan for fiscal 2016 assumes \$303.7 million in specific reversions and \$30.0 million in estimated agency reversions. This creates budgeting uncertainty as the only option is to wait and see if these reversions actually occur at the end of the fiscal year. **DLS recommends amending Section 2 of the fiscal 2017 budget bill to limit the amount of appropriations that can be placed into contingency reserve to only those items restricted by the General Assembly. Additionally, DLS recommends adding budget bill language that requires DBM to allocate ATB**

reductions to positions or funding and requires DBM to withdraw appropriations by deficiency that are deemed in excess of typical \$30.0 million agency reversions in order to increase transparency.

Recommended Actions

1. Increase turnover.
2. Amend Section 2 to limit appropriations that can be placed into contingency reserve to items restricted by the General Assembly.
3. Amend Section 17 adding a tracking structure necessary for legislative audits and disallowing transfers to other purposes.
4. Add a section requiring a long-term forecast.
5. Add a section applying the across-the-board Executive Branch reductions to higher education.
6. Add a section requiring monthly reporting on the State's workers' compensation account held by the Chesapeake Employers' Insurance Company.
7. Add a section requiring reporting on federal funds received by the State.
8. Add a section defining the usage of federal funds in the budget.
9. Add a section requiring indirect cost recovery reporting.
10. Add a section requiring a consistent presentation of budget data and organizational charts.
11. Add a section requiring reporting on interagency agreements and approval by the Department of Budget and Management.
12. Add a section defining the budget amendment process.
13. Add a section defining maintenance of accounting systems.
14. Add a section limiting salary payments to Executive Branch nominees rejected by the Senate.

Updates

Fiscal 2015 Report on Higher Education Interagency Agreements Submitted: Annual budget bill language requires DBM to submit a report to the budget committees that contains information on all

interagency agreements with higher education. This report was submitted as required on December 1, 2015.

Regulatory Reform Commission 2015 Report: On July 9, 2015, the Governor signed an executive order constituting the Maryland Regulatory Reform Commission. The goals of the commission are to work with the business community to identify issues relating to State government regulation and to recommend solutions to reform business regulations in the State. A report was submitted in December 2015 that summarized initial findings and recommendations of the commission.

F10A
Secretary
Department of Budget and Management

Operating Budget Analysis

Program Description

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

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

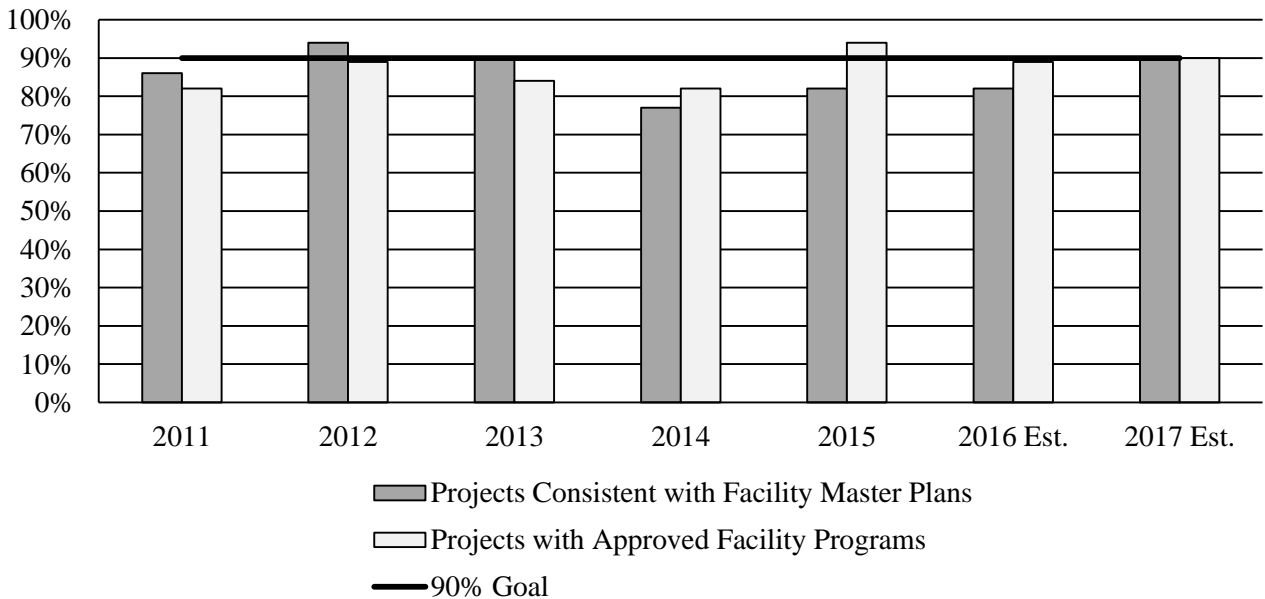
Performance Analysis: Managing for Results

1. Capital Budget Performance Shows Improvement

The Office of Capital Budgeting reports two objectives as part of its goal to ensure that capital projects included in the budget are consistent with sound planning practices. Under the first objective, the office seeks to have 90% of State-owned capital projects be consistent with agency facilities master

plans. The second objective is that 90% of State-owned capital projects included in the budget bill have approved facility programs. **Exhibit 1** shows that DBM did exceed the 90% goal for projects with approved facility programs in fiscal 2015 but fell short of the mark, despite improvement, in projects consistent with facility master plans.

Exhibit 1
Office of Capital Budgeting
State-owned Capital Projects Consistent with Facilities Master Plans and
Projects with Approved Facility Programs
Fiscal 2011-2017 Est.



Source: Governor’s Budget Books, Fiscal 2012-2016; Department of Budget and Management

In fiscal 2014, only 77% of projects were consistent with facility master plans. DBM attributed this percentage to projects included for funding while several agencies were developing new or revised facility master plans, as well as to accommodate emergency projects. In fiscal 2015, the percent of State-owned projects in the capital budget consistent with facility master plans increased to 82%, which is still below the 90% goal but shows improvement.

Projects with approved facility programs exceeded the 90% goal in fiscal 2015 with 94% of State-owned capital projects having approved facility programs. This is a substantial increase from fiscal 2014 when only 82% of State-owned capital projects had approved facility programs. Section 3-602 of the State Finance and Procurement Article states that capital projects must have an

approved Part 1 program prior to authorization of funds for design and an approved Part 2 program prior to authorization of capital funds. Projects without approved program plans can receive authorizations in the capital bill with the stipulation that no funds can be expended until the program plans are approved.

2. Central Collection Unit Net Profit Declines

CCU is responsible for collecting delinquent claims, debts, and accounts owed to the State except for taxes, child support, and unemployment contributions and overpayments. Typical debts include Motor Vehicle Administration fines, student tuition and fees, and restitution for damage to State property, among others. **Exhibit 2** illustrates collection trend activity from fiscal 2012 to 2017. In previous Managing for Results submissions, the dollar value of debt collected and the percent outstanding of the total debt were provided, but in fiscal 2017, these measures have been replaced with new measures, such as the agency’s net profit (*i.e.*, the amount left over from collection fees recovered on gross collections after operating expenses are paid). According to DBM, the old measures were not valid, short-term indicators of performance; the new metrics provide the ability to be indicators of success or flag a problem with collections.

Exhibit 2
Central Collection Unit Collection Activity
Fiscal 2012-2017 Est.

<u>Year</u>	<u>Dollar Value of Debt Collected</u>	<u>% of Outstanding Total Collected</u>	<u>Annual % Change in Dollars Collected</u>	<u>Agency Net Profit*</u>	<u>Annual % Change in Net Profit</u>
2012	\$125,717,129	47.5%	-6.9%	\$8,187,638	
2013	138,492,905	46.9%	10.2%	5,798,710	-29.2%
2014	134,590,503	46.0%	-2.8%	5,519,901	-4.8%
2015	140,338,214	48.4%	4.3%	4,851,628	-12.1%
2016 Est.	142,000,000	46.0%	1.2%	2,295,000	-52.7%
2017 Est.	144,000,000	46.0%	1.4%	6,482,000	182.4%

*Agency net profit is the amount left over from collection fees recovered on gross collections after operating expenditures are paid.

Source: Governor’s Budget Books, Fiscal 2014-2016; Department of Budget and Management

F10A – Department of Budget and Management – Secretary

From fiscal 2012 to 2015, net agency profit decreased by \$3.3 million, or 40.7%. This decrease in net profits is expected to continue as indicated by the \$2.3 million net profit estimate, a decrease of \$2.6 million, into fiscal 2016. Because CCU operating expenditures include the cash flow for the major information technology (IT) business system replacement, agency net profit should increase after the upgrade is completed. DBM states that the project was delayed when the decision was made to include the base telephone system in the scope of the project since the current system was at the end of its life cycle, but overall, the project continues to meet planned milestones. Details on this project are included in the Department of Information Technology analysis because it is funded from the Major IT Development Project Fund.

CCU's account inventory was expanded in fiscal 2015 with the expectation of receiving video tolling violations from the Maryland Transportation Authority (MDTA); however, MDTA did not begin submitting toll violations to CCU until November 2015 and did not submit its first file of Maryland toll violators until February 2016. CCU does anticipate continuous placements of at least 40,000 violations per month; however, MDTA determines the volume and timing of these placements.

Cost Containment

The Administration reduced agency budgets' general fund appropriations by 2% across-the-board (ATB) in fiscal 2016 as cost containment. The DBM – Secretary portion of this cut was \$127,000 and met this reduction through the following:

- achieved salary savings during transition of the Administration (\$58,000);
- abolished a contract position in the procurement unit (\$49,000);
- reduced funds for outside consulting services (\$15,000); and
- reduced funds for computer replacement (\$5,000).

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2017 allowance increases by \$785,000, or 3.4%, including a back of the bill reduction in health insurance. General funds increase overall by \$652,000, or 7.2%. The largest increases in general fund expenditures are for personnel and shared human resources' services. Special funds increase overall by \$126,000, or 0.9%. The largest increases in special fund expenditures are for contractual services for CCU, primarily for shared human resources' services and administrative hearings.

Exhibit 3
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>
Fiscal 2015 Actual	\$8,448	\$12,908	\$176	\$21,533
Fiscal 2016 Working Appropriation	9,073	13,963	225	23,261
Fiscal 2017 Allowance	<u>9,724</u>	<u>14,089</u>	<u>232</u>	<u>24,046</u>
Fiscal 2016-2017 Amount Change	\$652	\$126	\$7	\$785
Fiscal 2016-2017 Percent Change	7.2%	0.9%	3.1%	3.4%
 Where It Goes:				
Personnel Expenses				
Employees’ retirement system				\$299
Employee and retiree health insurance, including back of the bill reduction				231
Turnover adjustments.....				164
Central Collection Unit (CCU) performance bonuses renegotiated.....				-100
Salaries and other compensation.....				-185
Reclassification				-268
Other fringe benefit adjustments				-3
 Other Changes				
Human resources shared services.....				356
Administrative hearings				99
Office of the Attorney General and retirement administrative fees				73
Software and server upgrades for the Capital Budget Information System.....				55
CCU vehicle purchase.....				19
Statewide personnel system allocation.....				14
Contractual health insurance				11
Other				20
Total				\$785

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

Across-the-board Reductions

The fiscal 2017 budget bill includes an 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 \$19,358 in general funds and \$36,598 in special funds. There is an additional ATB reduction to abolish positions statewide, but the amounts have not been allocated by agency.

Personnel

Personnel expenditures increase by \$138,000 over the fiscal 2016 working appropriation. The largest personnel increases are in retirement (\$299,000) and health insurance (\$231,000), including the back of the bill reduction. Funding for turnover increases by \$164,000, which lowers required turnover to 2.1%. Looking only at general fund positions, turnover is set at 2.2% in the fiscal 2017 allowance (*i.e.*, removing special fund positions from CCU from the calculation). From fiscal 2011 to the fiscal 2016 working appropriation, the average vacancy rate of general fund positions in DBM – Secretary has been 5.17%. **The Department of Legislative Services (DLS) recommends increasing turnover for general fund positions in fiscal 2017 to reflect average vacancies in the past five fiscal years.**

Elimination of funds for reclassification of employees decreases the fiscal 2017 allowance by \$268,000 due to positions in CCU being reclassified in fiscal 2015 and 2016; this funding does not need to continue into fiscal 2017. Regular earnings decrease by \$185,000 due to new employees filling vacant positions at base salaries. A renegotiation of CCU performance bonuses results in a decrease of \$100,000.

Although not reflective in the DBM – Secretary fiscal 2017 budget, \$274,241 in employee increments and associated expenses are expected to be distributed to the agency by budget amendment at the start of the fiscal year. Currently, increments for agencies are included in the DBM – Personnel budget.

Human Resources Shared Services

In fiscal 2016, DBM introduced a new human resources (HR) shared services initiative. DBM advises that the objective is to bring consistency to all HR-related activities throughout the employment life cycle and create efficiencies. DBM expects to realize cost savings as it refines the pool of individuals providing HR services, streamlines processes, and reduces the number of HR staff required; a more detailed write-up on HR shared services is provided in the fiscal 2017 DBM – Personnel operating analysis. The fiscal 2017 allowance shows an increase of \$356,000 in DBM – Secretary's budget for HR shared services. HR shared services were already budgeted in DBM in prior years as these services have been provided by DBM's Office of Personnel Services and Benefits, but these costs are now accounted for under DBM's new HR shared initiatives.

Issues

1. Across-the-board Reductions in Fiscal 2015 and 2016

As part of budget balancing actions for both the fiscal 2015 and 2016 budgets, Governor Martin J. O'Malley and Governor Lawrence J. Hogan, Jr. adopted 2% ATB reductions to agency operating budgets, which reduced general funds by \$112.8 million and \$118.0 million, respectively.

Fiscal 2015

In January 2015, the Board of Public Works (BPW) approved a 2% ATB reduction resulting in a general fund reduction of \$112.8 million, allocated across State agencies by a three-digit financial agency code. On February 20, 2015, a budget amendment was approved allocating reductions prorated across programs; reductions were primarily applied to contractual services and grants. At the fiscal 2015 closeout, departments transferred funds at the comptroller object and program level in order to meet required cuts. In the Department of Health and Mental Hygiene (DHMH), cuts were not intended to be applied to entitlement programs, but ultimately, these programs were reduced (*e.g.*, Medicaid and overattainment of federal funds in the Behavioral Health Administration provided \$13.7 million in funds as part of DHMH's \$27.2 million reduction).

Fiscal 2016

In conjunction with the fiscal 2016 allowance submitted in January 2015, the Governor's budget bill included an ATB provision (Section 19) to reduce agencies budgets by 2%, resulting in a reduction of \$118.0 million in general funds. Fiscal 2016 budget bill language required DBM to submit a report providing a complete accounting of the 2% ATB reduction for fiscal 2016. The report requested a detailed allocation of reductions by agency and program, as well as the impact on the operations of each agency and program. A report was submitted September 1, 2015, and a budget amendment was approved September 21, 2015, to reallocate the reductions in the appropriate agency programs and comptroller objects. **Exhibit 4** shows the allocation of the 2% ATB reduction in fiscal 2016 by agency.

The largest reductions came from DHMH due to a Medicaid fund swap with rate stabilization special funds and managed care organization rate savings, a reduction in grants to higher education, and the Department of Public Safety and Correctional Services (DPSCS) due to favorable inmate trends and by holding positions vacant. Additionally, 284.5 positions were abolished, primarily in higher education (192.4 positions) and the Department of Human Resources (DHR) (82.0 positions).

Exhibit 4
Allocation of the 2% Fiscal 2016 Across-the-board Reduction by Agency

<u>Agency</u>	<u>General Fund Reductions</u>	<u>Positions</u>
Public Defender	\$2,019,000	
Planning	267,000	2.00
Agriculture	513,000	2.00
Health and Mental Hygiene	27,215,000	6.00
Human Resources	6,888,000	82.00
Labor, Licensing, and Regulation	954,000	
Public Safety and Correctional Services	24,378,001	
Education	2,785,000	
Morgan State	1,754,000	20.00
University System of Maryland	25,457,000	172.35
Higher Education Commission	2,068,000	
Commerce*	1,084,000	
Juvenile Services	5,882,000	
State Police	5,226,000	
Other Agencies	11,502,000	
Grand Total	\$117,992,001	284.35

*Department of Commerce was previously known as the Department of Business and Economic Development.

Source: Department of Budget and Management; Department of Legislative Services September 24, 2015 Budget Update to the Legislature

Several agencies were unable to absorb all or a portion of the 2% reduction without significantly impeding operations and/or services to the public. Agencies that received a fiscal 2016 deficiency to restore the 2% reduction, as identified by DLS, included:

- DPSCS, \$8,541,172;
- Department of State Police, \$5,226,000;
- Maryland Higher Education Commission, \$1,664,078;
- Office of the Public Defender, \$625,000;

- Maryland Stadium Authority, \$270,758;
- Interagency Committee on School Construction, \$38,000; and
- Maryland State Board of Contract Appeals, \$14,000.

These deficiencies totaled \$16,379,008.

Besides these restored fiscal 2016 appropriations, it is difficult to distinguish which reductions continued into the fiscal 2017 allowance. Some appropriations that were reduced were only partially reinstated, and inclusion of new spending makes comparison difficult. Overall, including deficiencies, general funds across the entire budget grow by 5.2% over the fiscal 2016 working appropriation. **DBM should comment on the agencies that received fiscal 2016 deficiencies and describe how it was determined which agencies should have the required reduction restored.**

2. Board of Public Works Transparency Act of 2016

With the exception of the Legislative and Judicial branches, K-12 education, debt service and the salaries for constitutional officers, and with approval of BPW, the Governor may reduce any appropriation during the fiscal year by up to 25% to address shortfalls in revenue and to maintain a balanced budget.

The BPW Transparency Act of 2016, HB 368 and SB 370 of the 2016 session, would require the Secretary of Budget and Management to provide public notice of at least 10 consecutive days before BPW may approve a reduction. While an attempt to provide greater transparency, this legislation will delay the Governor's ability to address revenue shortfalls. The legislation requires the Governor to provide notice to the Legislative Policy Committee, the Senate Budget and Taxation Committee, and the House Appropriations Committee. The notice must include (1) the name of the agency or program for which the appropriation is intended; (2) a brief narrative summary of the impact of the proposed reduction on the agency or program; (3) the amount of the proposed reduction in both dollar and percentage values; (4) the fund source of the appropriation affected; and (5) any projected reduction in the workforce as a result of the proposed reduction.

DLS requests that the department comment on the impact that the legislation will have on operations and the Administration's ability to balance the budget.

3. Large Specific Reversions in Fiscal 2016 Create Uncertainty

According to Section 2 of the fiscal 2017 budget bill, annual budget bill language, the Secretary of Budget and Management is authorized to allot appropriations throughout the year (*e.g.*, monthly, quarterly, *etc.*). Using this authority, the Administration's plan for fiscal 2016 assumes \$303.7 million in specific reversions and \$30.0 million in estimated reversions. The specific reversions include:

F10A – Department of Budget and Management – Secretary

- \$222.2 million in Medicaid related reversions;
- \$21.4 million from the Dedicated Purpose Account;
- \$19.4 million from DHR;
- \$13.0 million in BPW pay-as-you-go funds;
- \$12.9 million from the Maryland State Department of Education;
- \$11.5 million from behavioral health;
- \$3.0 million from the Department of Juvenile Services for Major IT projects; and
- \$0.2 million for the shared services initiative.

The Administration also assumes \$30 million in estimated agency reversions, which is the amount usually included in estimated reversions each year. This level of specified reversions is significant and unprecedented. Using reversions in this manner creates uncertainty because it leaves the fate of over \$330 million in fund balance that is shown in both the fiscal 2016 and 2017 budgets subject to withholding funds through the closeout of the fiscal year rather than adjusting appropriations in advance.

DLS recommends amending Section 2 of the fiscal 2017 budget bill to limit the amount of appropriations that can be placed into contingency reserve to only those items restricted by the General Assembly. Additionally, DLS recommends adding budget bill language that requires DBM to allocate ATB reductions to positions or funding and requires DBM to withdraw appropriations by deficiency that are deemed in excess of typical \$30 million agency reversions in order to increase transparency.

Recommended Actions

1. Add the following language:

Provided that the general fund appropriation for the Department of Budget and Management (DBM) be reduced by \$353,012 to increase turnover. The Secretary of DBM is authorized to allocate this reduction across the agency.

Explanation: This action would increase turnover expectancy for general fund positions to reflect actual vacancies in recent fiscal years. The Secretary of the Department of Budget and Management (DBM) is authorized to allocate this reduction across the agency, including programs associated with the DBM Office of Personnel Services and Benefits.

2. Amend the following section:

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

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

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

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

(be) The Secretary of DBM is authorized to ~~To~~ fix the number and classes of positions, including temporary and permanent positions, or person years of authorized employment for each agency, unit, or program thereof, not inconsistent with the Public General Laws in regard to classification of positions. The Secretary shall make such a determination before the beginning of the fiscal year and shall base them on the positions or person years of employment authorized in the budget as amended by approved budgetary position actions. No payment for salaries or wages nor any request for or certification of personnel shall be made

except in accordance with the Secretary’s determinations. At any time during the fiscal year the Secretary may amend the number and classes of positions or person years of employment previously fixed by the Secretary; the Secretary may delegate all or part of this authority. The governing boards of public institutions of higher education shall have the authority to transfer positions between programs and campuses under each institutional board’s jurisdiction without the approval of the Secretary, as provided in Section 15-105 of the Education Article.

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

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

- 3. Amend the following section:

Section 17 Using Funds for Their Intended Purpose

SECTION 17. AND BE IT FURTHER ENACTED, That funds appropriated to the various State agency programs and subprograms in Comptroller Objects 0152 (Health Insurance), 0154 (Retirees Health Insurance Premiums), 0175 (Workers’ Compensation), 0217 (Health Insurance), 0305 (DBM Paid Telecommunications), 0322 (Capital Lease Telecommunications), 0839 (HR Shared Services), 0874 (Office of Attorney General Administrative Fee), 0876 (DoIT IT Services Allocation), 0894 (State Personnel System Allocation), 0897 (Enterprise Budget 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, 0217, 0305, 0322, and 0876 between State departments and agencies by approved budget amendment in fiscal 2016 and fiscal 2017. 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 listed within this section shall establish within the State’s accounting system a structure of accounts to separately identify for each restricted Comptroller Object, by fund source, the legislative appropriation, monthly transactions, and final expenditures. It is the intent of the General Assembly that an accounting detail be established so that the Office of Legislative Audits may review the disposition of funds appropriated for each restricted Comptroller Object as part of each closeout audit to ensure that funds are used only for the purposes for which they are restricted and that unspent funds are reverted or canceled.

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

4. Add the following section:

Section XX Executive Long-term Forecast

SECTION XX. AND BE IT FURTHER ENACTED, That the Governor’s budget books shall include a forecast of the impact of the Executive budget proposal on the long-term fiscal condition of the General Fund, the Transportation Trust Fund, and higher education Current Unrestricted Fund accounts. This forecast shall estimate aggregate revenues, expenditures, and fund balances in each account for the fiscal year last completed, the current year, the budget year, and four years thereafter. Expenditures shall be reported at such agency, program or unit levels, or categories as may be determined appropriate after consultation with the Department of Legislative Services. A statement of major assumptions underlying the forecast shall also be provided, including but not limited to general salary increases, inflation, and growth of caseloads in significant program areas.

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

Information Request	Author	Due Date
Executive forecasts	Department of Budget and Management	With the submission of the Governor’s fiscal 2018 budget books

5. Add the following section:

Section XX Across-the-board Reductions and Higher Education

SECTION XX. AND BE IT FURTHER ENACTED, That all across-the-board reductions applied to the Executive Branch, unless otherwise stated, shall apply to current unrestricted and general funds in the University System of Maryland, St. Mary’s College of Maryland, Morgan State University, and Baltimore City Community College.

Explanation: This section explicitly applies reductions intended for the full Executive Branch to the University System of Maryland, St. Mary’s College of Maryland, Morgan State University, and Baltimore City Community College, unless their exclusion is specifically stated.

6. Add the following section:

Section XX Chesapeake Employers’ Insurance Company Fund Accounts

SECTION XX. AND BE IT FURTHER ENACTED, That the General Accounting Division of the Comptroller of Maryland shall establish a subsidiary ledger control account to debit all State agency funds budgeted under subobject 0175 (Workers’ Compensation coverage) and to credit all payments disbursed to the Chesapeake Employers’ Insurance Company (CEIC) via transmittal. The control account shall also record all funds withdrawn from CEIC and returned to the State and subsequently transferred to the General Fund. CEIC shall submit monthly reports to the Department of Legislative Services concerning the status of the account.

Explanation: This section provides continuation of a system to track workers’ compensation payments to the CEIC Fund for 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	CEIC	Monthly beginning on July 1, 2016

7. Add the following section:

Section XX Reporting Federal Funds

SECTION XX. AND BE IT FURTHER ENACTED, That the Governor’s budget books shall include a summary statement of federal revenues by major federal program sources supporting the federal appropriations made therein along with the major assumptions underpinning the federal fund estimates. The Department of Budget and Management (DBM) shall exercise due diligence in reporting this data and ensure that they are updated as appropriate to reflect ongoing congressional action on the federal budget. In addition, DBM shall provide to the Department of Legislative Services (DLS) data for the actual, current, and budget years listing the components of each federal fund appropriation by Catalog of Federal Domestic Assistance number or equivalent detail for programs not in the catalog. Data shall be provided in an electronic format subject to the concurrence of DLS.

Explanation: This annual language provides for consistent reporting of federal monies received by the State.

Information Request	Author	Due Date
Reporting components of each federal fund appropriation	DBM	With submission of the fiscal 2018 budget

8. Add the following section:

Section XX Federal Fund Spending

SECTION XX. AND BE IT FURTHER ENACTED, That in the expenditure of federal funds appropriated in this budget or subsequent to the enactment of this budget by the budget amendment process:

- (1) State agencies shall administer these federal funds in a manner that recognizes that federal funds are taxpayer dollars that require prudent fiscal management, careful application to the purposes for which they are directed, and strict attention to budgetary and accounting procedures established for the administration of all public funds.
- (2) For fiscal 2017, except with respect to capital appropriations, to the extent consistent with federal requirements:
 - (i) 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;
 - (ii) when additional federal funds are sought or otherwise become available in the course of the fiscal year, agencies shall consider, in consultation with the Department of Budget and Management (DBM), whether opportunities exist to use these federal revenues to support existing operations rather than to expand programs or establish new ones; and
 - (iii) DBM shall take appropriate actions to effectively establish the provisions of this section as policies of the State with respect to the administration of federal funds by executive agencies.

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

9. Add the following section:

Section XX Indirect Costs Report

SECTION XX. AND BE IT FURTHER ENACTED, That the Department of Budget and Management (DBM) shall provide an annual report on indirect costs to the General Assembly in January 2017 as an appendix in the Governor’s fiscal 2018 budget books. The report must detail by agency for the actual fiscal 2016 budget the amount of statewide indirect cost recovery received, the amount of statewide indirect cost recovery transferred to the General Fund, and the amount of indirect cost recovery retained for use by each agency. In addition, the report must list the most recently available federally approved statewide and internal agency cost-recovery rates. As part of the normal fiscal/compliance audit performed for each agency 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 2017, excluding the Maryland Department of Transportation, the amount of revenue received by each agency from any federal source for statewide cost recovery shall be transferred only to the General Fund and may not be retained in any clearing account or by any other means, nor may DBM or any other agency or entity approve exemptions to permit any agency to retain any portion of federal statewide cost recoveries.

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

Information Request	Author	Due Date
Annual report on indirect costs	DBM	With the submission of the Governor’s fiscal 2018 budget books

10. Add the following section:

Section XX Reporting on Budget Data and Organizational Charts

SECTION XX. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that all State departments, agencies, bureaus, commissions, boards, and other organizational units included in the State budget, including the Judiciary, shall prepare and submit items for the fiscal 2018 budget detailed by Comptroller subobject classification in accordance with instructions promulgated by the Comptroller of Maryland. The presentation of budget data in the State budget books shall include object, fund, and personnel data in the manner provided for in fiscal 2017 except as indicated elsewhere in this Act; however, this may not preclude the placement of additional information into the budget books. For actual fiscal 2016 spending, the fiscal 2017 working appropriation, and the fiscal 2018 allowance, the budget detail shall be available from the Department of Budget and Management (DBM) automated data system at the subobject level by subobject codes and classifications for all

agencies. To the extent possible, except for public higher education institutions, subobject expenditures shall be designated by fund for actual fiscal 2016 spending, the fiscal 2017 working appropriation, and the fiscal 2018 allowance. The agencies shall exercise due diligence in reporting this data and ensuring correspondence between reported position and expenditure data for the actual, current, and budget fiscal years. This data shall be made available on request and in a format subject to the concurrence of the Department of Legislative Services (DLS). Further, the expenditure of appropriations shall be reported and accounted for by the subobject classification in accordance with the instructions promulgated by the Comptroller of Maryland.

Further provided that due diligence shall be taken to accurately report full-time equivalent counts of contractual 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.

Further provided that for each across-the-board reduction to appropriations or positions in the Fiscal Year 2018 budget bill affecting fiscal 2017 or fiscal 2018, DBM shall allocate the reduction for each agency in a level of detail not less than the 3-digit R*Stars financial agency code and by each fund type.

Further provided that, for fiscal 2017, any appropriations approved in this Act that are determined to be in excess of the needs of any agency or program above the aggregate estimate of \$30,000,000 in reversions may be withdrawn only through a deficiency appropriation in the Fiscal Year 2018 budget bill.

Explanation: This annual language provides for consistent reporting of fiscal 2016, 2017, and 2018 budget data and provides for the submission of department, unit, agency, office, and institutions' organizational charts to DLS with the allowance. **It also requires DBM to allocate across-the-board reductions to positions or funding, to ensure transparency in budget allocations approved by the General Assembly. It further requires that appropriations in fiscal 2017 that are deemed to be in excess of agency needs beyond the \$30.0 million assumed in the budget be withdrawn by deficiency appropriation.**

Information Request	Author	Due Date
Reporting on budget data, agency organizational charts, ATB reductions, and reversions	DBM	With submission of the fiscal 2018 budget

11. Add the following section:

Section XX Interagency Agreements

SECTION XX. AND BE IT FURTHER ENACTED, That on or before August 1, 2016, 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 2016 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;
- (7) contact information for the agency and the public institution of higher education for the person(s) having direct oversight or knowledge of the agreement;
- (8) the amount and rate of any indirect cost recovery or overhead charges assessed by the institution of higher education related to the agreement; and
- (9) the justification submitted to DBM for indirect cost recovery rates greater than 20%.

Further provided that DBM shall submit a consolidated report to the budget committees and the Department of Legislative Services by December 1, 2016, 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 2016.

Further provided that the Secretary of DBM shall review each current higher education interagency agreement in excess of \$500,000 to determine why the services cannot be provided by the State agencies and is, therefore, appropriate for using higher education; ensure that agencies maintain documentation of all agreements, amendments, task orders, and invoices; ensure that the overhead charges and direct service costs are not excessive; and ensure that all work performed by higher education is documented. Further provided that no new higher education interagency agreement may be entered into during fiscal 2017 without prior approval of the Secretary of DBM.

Explanation: The language requires all State agencies and public institutions of higher education to report on all interagency agreements between State agencies and public institutions of higher education having a total potential expenditure over the term of the agreement in excess of \$100,000. This applies only to agreements for the purchase of goods and/or services and does not apply to grants or space agreements between State agencies and public institutions of higher education. The report also requires DBM to report on the justification for any interagency agreement with an indirect cost recovery rate greater than 20%. Further, it requires that DBM submit a consolidated report on all agreements by December 1, 2016, to the budget committees and the Department of Legislative Services. Review of each existing agreement above \$500,000 and approval of new agreements by the Secretary of DBM is also required.

Information Request	Author	Due Date
Consolidated report on all interagency agreements	DBM	December 1, 2016

12. Add the following section:

Section XX Budget Amendments

SECTION XX. AND BE IT FURTHER ENACTED, That any budget amendment to increase the total amount of special, federal, or higher education (current restricted and current unrestricted) fund appropriations, or to make reimbursable fund transfers from the Governor’s Office of Crime Control and Prevention or the Maryland Emergency Management Agency, made in Section 1 of this Act shall be subject to the following restrictions:

- (1) This section may not apply to budget amendments for the sole purpose of:

F10A – Department of Budget and Management – Secretary

- (i) appropriating funds available as a result of the award of federal disaster assistance; and
 - (ii) transferring funds from the State Reserve Fund – Economic Development Opportunities Fund for projects approved by the Legislative Policy Committee.
- (2) Budget amendments increasing total appropriations in any fund account by \$100,000 or more may not be approved by the Governor until:
 - (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 the impact on regular position or contractual full-time equivalent payroll requirements.
- (3) Unless permitted by the budget bill or the accompanying supporting documentation or by any other authorizing legislation, and notwithstanding the provisions of Section 3-216 of the Transportation Article, a budget amendment may not:
 - (i) restore funds for items or purposes specifically denied by the General Assembly;
 - (ii) fund a capital project not authorized by the General Assembly provided, however, that subject to provisions of the Transportation Article, projects of the Maryland Department of Transportation (MDOT) shall be restricted as provided in Section 1 of this Act;
 - (iii) increase the scope of a capital project by an amount 7.5% or more over the approved estimate or 5.0% or more over the net square footage of the approved project until the amendment has been submitted to DLS, and the budget committees have considered and offered comment to the Governor or 45 days have elapsed from the date of submission of the amendment. This provision does not apply to MDOT; and
 - (iv) provide for the additional appropriation of special, federal, or higher education funds of more than \$100,000 for the reclassification of a position or positions.
- (4) A budget may not be amended to increase a federal fund appropriation by \$100,000 or more unless documentation evidencing the increase in funds is provided with the

F10A – Department of Budget and Management – Secretary

amendment and fund availability is certified by the Secretary of the Department of Budget and Management (DBM).

- (5) No expenditure or contractual obligation of funds authorized by a proposed budget amendment may be made prior to approval of that amendment by the Governor.
- (6) Notwithstanding the provisions of this section, any federal, special, or higher education fund appropriation may be increased by budget amendment upon a declaration by the Board of Public Works that the amendment is essential to maintaining public safety, health, or welfare, including protecting the environment or the economic welfare of the State.
- (7) Budget amendments for new major information technology projects, as defined by Section 3A-301 and 3A-302 of the State Finance and Procurement Article, must include an Information Technology Project Request, as defined in Section 3A-308 of the State Finance and Procurement Article.
- (8) Further provided that the fiscal 2017 appropriation detail as shown in the Governor’s budget books submitted to the General Assembly in January 2017 and the supporting electronic detail may not include appropriations for budget amendments that have not been signed by the Governor, exclusive of the MDOT pay-as-you-go capital program.
- (9) Further provided that it is the policy of the State to recognize and appropriate additional special, higher education, and federal revenues in the budget bill as approved by the General Assembly. Further provided that for the fiscal 2018 allowance, DBM 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.

13. Add the following section:

Section XX Maintenance of Accounting Systems

SECTION XX. AND BE IT FURTHER ENACTED, That:

- (1) The Secretary of the Department of Health and Mental Hygiene (DHMH) shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2016 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.
- (2) The State Superintendent of Schools shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2016 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 the Department of Human Resources (DHR) shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2016 in program N00G00.01 Foster Care Maintenance Payments have been disbursed for services provided in that fiscal year, including detail on average monthly caseload, average monthly cost per case, and the total expended for each foster care program, and to prepare the periodic reports required under this section for that program.
- (4) For the programs specified, reports must indicate total appropriations for fiscal 2016 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, 2016; March 1, 2017; and June 1, 2017.
- (6) It is the intent of the General Assembly that general funds appropriated for fiscal 2016 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 DHMH, the Maryland State Department of Education (MSDE), and the Department of Human Resources (DHR).

F10A – Department of Budget and Management – Secretary

Information Request	Authors	Due Date
Report on appropriations and disbursements in M00Q01.03, R00A02.07, and N00G00.01	DHMH DHR MSDE	November 1, 2016 March 1, 2017 June 1, 2017

14. Add the following section:

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

SECTION XX. AND BE IT FURTHER ENTACTED, That no funds in this budget may be expended to pay the salary of a Secretary or an 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 2016 session whose nomination for the Secretary position was not put forward and approved by the Senate during the 2016 session unless the Acting Secretary is appointed under Article II, Section 11 of the Maryland Constitution prior to July 1, 2016.

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

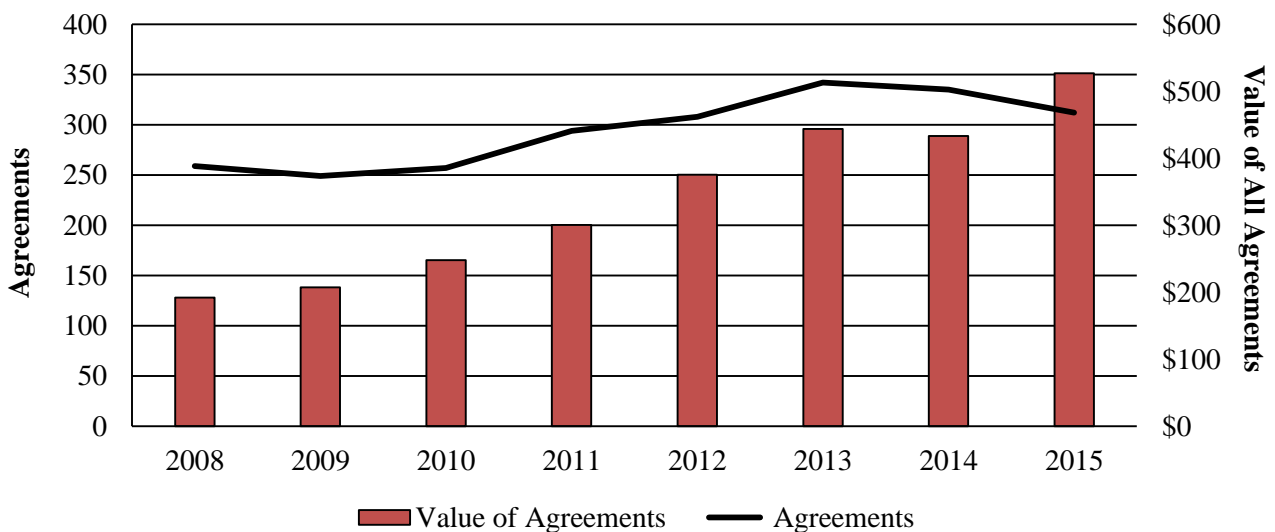
Updates

1. Fiscal 2015 Report on Higher Education Interagency Agreements Submitted

Interagency agreements are used by State agencies to obtain services from State institutions of higher education, such as IT assistance and training. These agreements can be beneficial to agencies as a means of tapping research, knowledge, and skills that can benefit and support operations and services. Interagency agreements are also exempt from certain State procurement laws and personnel laws and subject to indirect cost recovery and overhead charges. Annual budget bill language requires DBM to submit a report to the budget committees that contains information on all interagency agreements with higher education. This report was submitted as required on December 1, 2015.

The report DBM submits includes the length and value of each contract tied to a specific control number. In addition, due to recent revision in annual budget bill language, the report must include justification for cost recovery rates in excess of 20%. In fiscal 2015, there were 312 agreements with a total projected value of \$527.1 million, which is a decrease of 23 agreements and an increase of \$93.6 million in total projected value compared to the fiscal 2014 report. **Exhibit 5** shows the number and total dollar value of interagency agreements with higher education from fiscal 2008 to 2015.

Exhibit 5
Higher Education Interagency Agreements
Agreements and Dollar Value
Fiscal 2008-2015
(\$ in Millions)



Source: Department of Budget and Management

2. Regulatory Reform Commission 2015 Report

On July 9, 2015, the Governor signed Executive Order 01.01.2015.20 constituting the Maryland Regulatory Reform Commission. The goals of the commission are to work with the business community to identify issues relating to State government regulation and to recommend solutions to reform business regulations in the State. A report was submitted in December 2015 that summarized initial findings and recommendations of the commission.

The commission began preliminary work in August 2015 and held six public meetings in different regions across the State. Some of the overarching themes of the public meetings included (1) the State's technology was outdated; (2) customer service was severely lacking and is an impediment to progress; (3) permit and licensing requirements are confusing and unclear; (4) the regulatory environment is unpredictable and not very transparent; and (5) the emphasis seems to be on enforcement and penalties rather than assisting with compliance. The recommendations of the commission include the following:

- the Administration should take a comprehensive review of the State's government structure, regulatory environment, responsibilities, and functions with the goal of reorganizing State government to improve efficiency, accessibility, technology, customer service, and adaptability;
- the Administration should address overlapping regulatory authority and attempt to improve interagency communication;
- the Administration should establish customer service standards and a statewide Customer Service Operations Center to provide Maryland residents with a one-stop shop for inquiries and referrals;
- State agencies should maximize the use of electronic filings and report on their progress every six months;
- State agencies should consider utilizing a third-party certification and review process to improve efficiency and cost savings;
- the State should establish clear standards for agency communication, application guidelines, set a firm time limit for review completion, and ensure that reviews are sufficiently detailed to minimize unnecessary delays and frustrations;
- State agencies should conduct a comprehensive review of all continuing education requirements to examine if their obligations are consistent with industry standards in other states, whether they are meaningful, or if reduction or elimination of these requirements would pose a risk to the public; and

F10A – Department of Budget and Management – Secretary

- a lead State agency should be designated to coordinate the entire State regulatory process for a customer instead of multiple agencies.

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 2015					
Legislative Appropriation	\$8,674	\$13,438	\$0	\$214	\$22,326
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-229	-400	0	0	-629
Budget Amendments	274	69	0	0	344
Reversions and Cancellations	-271	-199	0	-38	-508
Actual Expenditures	\$8,448	\$12,908	\$0	\$176	\$21,533
Fiscal 2016					
Legislative Appropriation	\$8,936	\$13,625	\$0	\$225	\$22,786
Budget Amendments	137	338	0	0	475
Working Appropriation	\$9,073	\$13,963	\$0	\$225	\$23,261

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

Fiscal 2015

DBM finished fiscal 2015 approximately \$793,000 below its legislative appropriation. Cost containment amendments resulted in a decrease of \$628,810 (\$228,810 in general funds and \$400,000 in special funds). DBM primarily reduced contractual services, postage, and equipment to meet cost containment reductions.

Budget amendments added approximately \$344,000 to the fiscal 2015 budget. Funding for a cost-of-living adjustment increased the appropriation by \$330,438 (\$261,041 in general funds and \$69,397 in special funds). An Annual Salary Review (ASR) to reclassify positions added \$55,725 in general funds for DBM operating and capital budget analysts. A budget amendment for the Voluntary Separation Program decreased the budget by \$35,000 in general funds.

Reversions and cancellations totaled approximately \$508,000. Of this amount, \$270,943 in general funds were reverted predominantly due to long-term vacancies of higher paid positions as a result of the change in Administration. Special fund cancellations totaled \$198,966 as a result of lower than anticipated operating costs due to delay in the CCU taking over MDTA accounts. Reimbursable funds were canceled due to vacancies (\$27,757) and a reimbursement from DPSCS for the Statewide Indirect Cost Allocation contract not being needed (\$10,000).

Fiscal 2016

The fiscal 2016 working appropriation increases by approximately \$475,000 over the legislative appropriation (\$338,000 in special funds and \$137,000 in general funds). This increase is due to budget amendments restoring salaries (\$271,443), an ASR which increases CCU collection agents' salaries by one grade (\$200,479), and a budget amendment to reallocate cost containment (\$3,416).

Audit Findings

Audit Period for Last Audit:	May 23, 2011 – July 14, 2014
Issue Date:	April 2015
Number of Findings:	2
Number of Repeat Findings:	2
% of Repeat Findings:	100%
Rating: (if applicable)	n/a

Finding 1: **CCU did not adequately pursue potential wage garnishments from debtors.**

Finding 2: **Controls over system access and sensitive personally identifiable information were not sufficient.**

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

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

<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	196.80	198.80	198.80	0.00	0%
02 Contractual	11.00	9.00	9.00	0.00	0%
Total Positions	207.80	207.80	207.80	0.00	0%
Objects					
01 Salaries and Wages	\$ 16,578,066	\$ 18,384,429	\$ 18,578,315	\$ 193,886	1.1%
02 Technical and Spec. Fees	346,806	289,397	300,318	10,921	3.8%
03 Communication	921,940	1,056,018	1,061,704	5,686	0.5%
04 Travel	28,585	41,000	44,548	3,548	8.7%
07 Motor Vehicles	1,680	11,580	30,020	18,440	159.2%
08 Contractual Services	2,961,170	2,780,490	3,357,455	576,965	20.8%
09 Supplies and Materials	124,022	122,500	132,500	10,000	8.2%
10 Equipment – Replacement	65,296	70,450	75,700	5,250	7.5%
13 Fixed Charges	505,101	505,254	521,387	16,133	3.2%
Total Objects	\$ 21,532,666	\$ 23,261,118	\$ 24,101,947	\$ 840,829	3.6%
Funds					
01 General Fund	\$ 8,448,190	\$ 9,072,755	\$ 9,743,696	\$ 670,941	7.4%
03 Special Fund	12,908,446	13,963,256	14,126,067	162,811	1.2%
09 Reimbursable Fund	176,030	225,107	232,184	7,077	3.1%
Total Funds	\$ 21,532,666	\$ 23,261,118	\$ 24,101,947	\$ 840,829	3.6%

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

Fiscal Summary
Department of Budget and Management – Secretary

<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 Executive Direction	\$ 1,793,382	\$ 1,976,837	\$ 2,259,941	\$ 283,104	14.3%
02 Division of Finance and Administration	968,647	1,039,228	1,189,036	149,808	14.4%
03 Central Collection Unit	12,908,446	13,963,256	14,126,067	162,811	1.2%
04 Division of Procurement Policy and Administration	2,126,909	2,197,366	2,329,874	132,508	6.0%
01 Budget Analysis and Formulation	2,706,474	2,980,526	3,002,041	21,515	0.7%
01 Capital Budget Analysis and Formulation	1,028,808	1,103,905	1,194,988	91,083	8.3%
Total Expenditures	\$ 21,532,666	\$ 23,261,118	\$ 24,101,947	\$ 840,829	3.6%
General Fund	\$ 8,448,190	\$ 9,072,755	\$ 9,743,696	\$ 670,941	7.4%
Special Fund	12,908,446	13,963,256	14,126,067	162,811	1.2%
Total Appropriations	\$ 21,356,636	\$ 23,036,011	\$ 23,869,763	\$ 833,752	3.6%
Reimbursable Fund	\$ 176,030	\$ 225,107	\$ 232,184	\$ 7,077	3.1%
Total Funds	\$ 21,532,666	\$ 23,261,118	\$ 24,101,947	\$ 840,829	3.6%

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