HB 1525

Department of Legislative Services

Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 1525 (Delegate George, *et al.*)
Health and Government Operations

State Government - Commission on Efficiency in State Government - Establishment

This bill establishes the Commission on Efficiency in State Government to study units of State government to (1) determine how the units can be more efficient and (2) make recommendations regarding ways to improve the efficiency of State government and save the State money. The bill requires the commission to study the Department of Health and Mental Hygiene and the Department of Human Resources at least once every two years, and defers to the commission's discretion on studying other units of State government. The Department of Legislative Services (DLS) must staff the commission.

Fiscal Summary

State Effect: General fund expenditures increase by $225,900 in FY 2015 for DLS to provide staff support for the commission. Expenditures for units of State government subject to commission review may increase to the extent additional staff are required due to increased reporting and audit activity. Cost savings may be realized to the extent commission recommendations result in greater efficiency. Budgets for governmental units may decrease as a result of the bill's penalty provision. The exact impact on units of State government will depend on the scope and extent to which the commission opts to study, and make recommendations for, the units. Any expense reimbursements for commission members are assumed to be minimal and absorbable within existing budgeted resources. Future years reflect annualization and inflation. Revenues are not directly affected.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	$0	$0	$0	$0	$0
GF Expenditure	225,900	291,600	305,100	319,200	333,900
GF/SF Exp.	-	-	-	-	-
Net Effect	($225,900)	($291,600)	($305,100)	($319,200)	($333,900)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill defines "unit of State government" as an agency or a unit of the Executive Branch of State government.

Beginning September 30, 2015, and annually thereafter, the bill requires the commission to report its findings and recommendations to the Governor and the General Assembly. A unit of State government must provide the commission with any information the commission requires to carry out its duties.

The report must include whether a unit of State government has failed to implement the recommendations made in a previous report submitted by the commission. If a unit fails to implement recommendations, the bill requires the General Assembly to reduce the amount for the unit included in the budget bill submitted by the Governor in January each year by the amount that the State would have saved each fiscal year if the unit had implemented the recommendations. This reduction continues until the unit reports to the commission and the commission determines that the unit has implemented the recommendations.

The bill specifies membership and terms for the commission. A member of the commission may not receive compensation as a member of the commission but is entitled to reimbursement for expenses. The bill requires the commission to meet at least six times a year and stipulates that a majority of the members of the commission is a quorum.

Current Law/Background:

Legislative Audits

At least once every three years, the Office of Legislative Audits (OLA) must conduct a fiscal/compliance audit of each unit of State government, except for units in the Legislative Branch. Performance audits or financial statement audits must be conducted when authorized by the Legislative Auditor, when directed by the Joint Audit Committee or the Executive Director of DLS, or when otherwise required by law. OLA has the authority to conduct a separate investigation of an act or allegation of fraud, waste, or abuse in the obligation, expenditure, receipt, or use of State resources. OLA may audit any county officer or unit that collects State taxes.

OLA audits State agencies in the Executive and Judicial branches and other entities as requested by the Maryland General Assembly. OLA reports to the Joint Audit Committee and is responsible for:

- performing fiscal compliance audits of State agencies to evaluate fiscal operations and determine compliance with laws and regulations;
- conducting performance audits to evaluate whether a State agency or program is operating in an economic, efficient, and effective manner;
- conducting performance audits of the financial management practices of local school systems;
- operating a fraud hotline for reporting fraud, waste, and abuse of State resources;
- monitoring the financial reporting practices and financial condition of local governments in Maryland; and
- conducting special reviews and investigations.

Within nine months of the issuance of an audit report, any agency with five or more repeat audit findings must report quarterly to OLA on (1) the corrective actions taken; or (2) a schedule for when corrective actions will be implemented. Subsequently, quarterly status reports must be submitted until satisfactory progress has been made to address the findings.

When agencies submit required quarterly status reports, OLA subsequently reviews and responds to the agency via correspondence indicating which findings have been addressed as well as the findings for which continued reporting is necessary. Under this process, OLA does not perform any on-site work to verify an agency's representations of the actions taken.

Executive Branch Considerations

During preparation of the proposed State operating budget, the Governor must review the recommendations of the Spending Affordability Committee.

The Secretary of Budget and Management must continuously conduct studies on the needs of the Executive Branch and State-funded private entities. The studies of Executive Branch units must include program analyses and careful consideration of the administration, organization, functions, and duties of the units, to identify duplication or overlap. On the basis of the studies, the Secretary must report to the Governor on changes that will result in economy or efficiency or other impacts in the State's best interest, including elimination or reduction of State programs, abolition of positions, changes in procedures, and reorganization or consolidation of units. The Secretary must send a copy of each report to DLS.

Managing for Results

DBM established the Managing for Results (MFR) program with State agencies effective with the 1998 session. MFR is a performance-oriented process through which agencies identify future goals and establish performance measures for their goals and objectives. Executive Branch agencies are required to submit MFR strategic plans to the Secretary of Budget and Management in conjunction with their annual budget submission. The Secretary of Budget and Management reviews agency strategic plans annually and considers them when making budgetary decisions. In addition, DBM must develop a State comprehensive plan, summarizing no more than 10 statewide goals and 50 to 100 performance measures that describe statewide progress toward the goals, and submit an annual report on the plan to specified committees of the General Assembly.

StateStat

Chapter 7 of 2007 established StateStat, a performance-measurement and management tool that seeks to make State government more accountable and efficient through continuous program evaluation. At biweekly meetings, State managers meet with the Governor and his executive staff to report and answer questions on agency performance and priority initiatives. Weekly briefings are held to address identified areas of concern and formulate strategies to achieve improved performance

State Expenditures: General fund expenditures increase by $225,900 in fiscal 2015, which accounts for the bill's October 1, 2014 effective date. This estimate reflects the cost of OLA hiring one senior auditor and two staff auditors to provide staff support for the commission. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3
Salaries and Fringe Benefits	$211,517
Operating Expenses	14,415
Total FY 2015 State Expenditures	**$225,932**

Future year expenditures increase by $291,600 in fiscal 2016 and by $333,900 in fiscal 2019.

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture; Department of Budget and Management; Department of Natural Resources; Maryland Department of the Environment; Department of General Services; Department of Housing and Community Development; Department of Health and Mental Hygiene; Department of Juvenile Services; Department of Labor, Licensing, and Regulation; Department of Public Safety and Correctional Services; Maryland Department of Transportation; Department of Legislative Services (Office of Legislative Audits)

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