HB 986

Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 986 (Delegate Bromwell, *et al.*)
Health and Government Operations

State Government - Maryland Commission on Efficiency in Government

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This bill establishes the Maryland Commission on Efficiency in Government as an independent unit in State government to identify strategies for reducing inefficiency in State government. The commission's authority is advisory only.

The bill takes effect July 1, 2015, and terminates June 30, 2020.

Fiscal Summary

State Effect: General fund expenditures increase by *at least* $189,300 in FY 2016, and likely substantially more, to staff the commission, provide expense reimbursements, and rent office space, but a reliable estimate is not feasible. Out-year expenditures reflect annualization and inflation. No effect on revenues. **This bill establishes a mandated appropriation beginning in FY 2017.**

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	$0	$0	$0	$0	$0
GF Expenditure	189,300	245,400	256,500	268,100	280,300
Net Effect	($189,300)	($245,400)	($256,500)	($268,100)	($280,300)

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

Local Effect: Local governments can assist the commission with its work and provide requested information with existing resources.

Small Business Effect: None.

Analysis

Bill Summary: Members of the commission (1) serve until the commission terminates; (2) may not receive compensation; and (3) are entitled to reimbursement for expenses.

After consulting with the Governor and Presiding Officers, the commission must appoint an executive director, who must be thoroughly experienced in the fiscal and operational policies and practices of the State and preferably have private-sector experience. The Attorney General must assign one assistant Attorney General to the commission to provide legal aid, advice, and counsel. To the extent practicable, the commission (1) must use available office space in State facilities and (2) may use personnel from the Department of Legislative Services (DLS) and the Executive Branch. The commission must prepare a budget each year for submission to the Governor, and the Governor must include an appropriation for the commission in the annual State budget that is sufficient for its operation. The commission is subject to an audit by the Office of Legislative Audits.

The bill assigns 13 functions to the commission that are generally related to addressing potential inefficiencies in State government. Among these are:

- identify programs and subunits within governmental units that could be reorganized, merged, modified, or eliminated;
- propose State functions that can be privatized;
- review State mandates on local governments; and
- encourage the business community to provide innovative suggestions for improving management of State agencies.

The commission and its members are not personally liable for damages stemming from acts committed or omitted in the performance of their duties. Personnel in State and local governmental agencies must cooperate with the commission, and the commission may ask the General Assembly for information relative to its activities.

By October 1 of each year during its existence, the commission must submit a report concerning each governmental unit it has studied to the Governor, the General Assembly, and other specified entities. The report must address (1) the functions assigned to the commission; (2) the need to modify or eliminate any existing operations or services that the unit provides; (3) the need for any formal executive, judicial, or legislative action; (4) issues in need of further study by the commission; and (5) any other matters related to the commission's purpose.

Current Law: There is no entity in State law that has an equivalent role or function as the proposed commission.

The Maryland Program Evaluation Act (§ 8-401 *et seq.* of the State Government Article) was enacted in 1978 to provide a system for periodic legislative review of the regulatory, licensing, and other governmental activities of the Executive Branch. The Act establishes a process better known as "sunset review" because nearly all of the agencies subject to review are also subject to termination. Since 1978, DLS has evaluated about 70 State agencies according to a rotating statutory schedule as part of sunset review. In most cases, the review process begins with a preliminary evaluation conducted on behalf of the Legislative Policy Committee (LPC). Based on the preliminary evaluation, LPC decides whether to waive an agency from further (or full) evaluation. If waived, legislation to reauthorize the agency typically is enacted. Otherwise, a full evaluation typically is undertaken the following year. In select circumstances, the General Assembly forgoes a preliminary evaluation and instead subjects an entity to a direct full evaluation.

To date, all but the newest of the regulatory bodies currently subject to the Act have been evaluated by DLS at least three to four times, and a few have been evaluated as many as eight times. Since enactment, 10 entities have been terminated, allowed to sunset, or merged into other functions. An additional nine entities were recommended for termination by DLS but were maintained by the General Assembly.

State Fiscal Effect: Given the depth and breadth of the commission's mandate to assess the efficiency of State government agencies and mandates on local governments, the commission likely requires a substantial staff to carry out its mission. To the extent that it can draw on existing staff within DLS and the Executive Branch to assist with its work, the staffing costs for the commission are mitigated, so a reliable estimate of staffing costs is not feasible. DLS staff likely are not available to assist during the 90-day legislative session or in the weeks leading up to the session. In general, any staff time for DLS or Executive Branch agencies that is devoted to the commission's work detracts from other functions and may result in delays or disruptions to ongoing functions and projects. Therefore, it is likely that a staff of substantial size is necessary to staff the commission, likely requiring at least 10 analysts, and potentially many more depending on the scope and depth of the commission's agenda. At a minimum, the bill requires that an executive director be hired and an assistant Attorney General to be assigned; it is assumed that the latter is a new position within the Office of the Attorney General.

Therefore, general fund expenditures increase by *at least* $189,294 in fiscal 2016 to hire an executive director and an assistant Attorney General for the commission, and likely substantially more to hire a staff. This estimate accounts for a 90-day delay from the bill's July 1, 2015, effective date. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2
Salaries and Fringe Benefits	$176,546
Operating Expenses	12,748
Total FY 2016 State Expenditures	**$189,294**

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. DLS advises that there is no office space available in the Legislative Services Building to house commission staff, and most Executive Branch facilities also lack available office space, so additional expenditures are likely necessary to rent space for the commission.

To the extent that the commission identifies strategies for enhancing the efficiency of State government, expenditures (all funds) may be reduced. However, as the commission's role is strictly advisory, any potential savings are not reflected in this analysis.

Additional Comments: Although the Office of Legislative Audits can audit the commission with existing budgeted resources, it notes that at least some of the commission's work may be carried out by other DLS staff, posing the appearance of a conflict of interest for the office.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Maryland Association of Counties, Department of Legislative Services,

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