

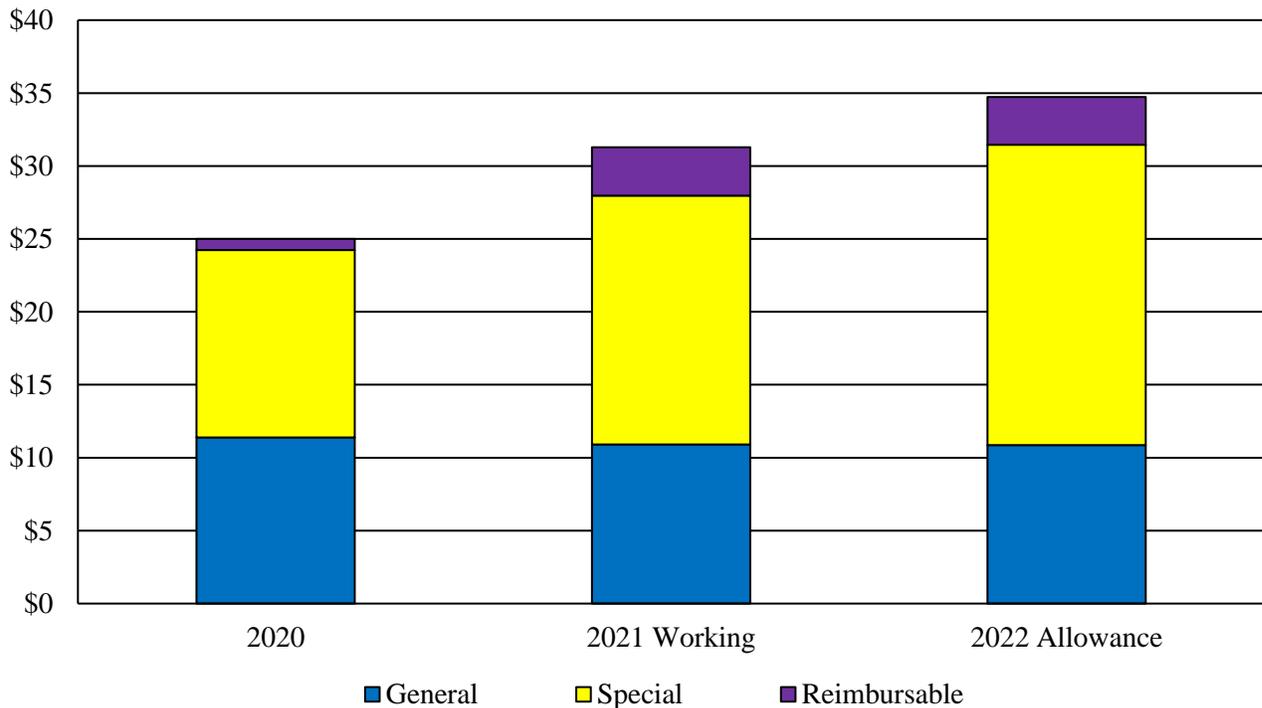
F10A
Department of Budget and Management – Secretary

Executive Summary

The Department of Budget and Management (DBM) provides financial, administrative, and budgeting support to Executive Branch agencies. The Central Collection Unit (CCU), which collects delinquent debts, claims, and accounts due to the State government, is also located within the department.

Operating Budget Summary

Fiscal 2022 Budget Increases \$3.5 Million, or 11.1%, to \$34.7 Million
(\$ in Millions)



Note: The fiscal 2021 appropriation includes general salary increases. The fiscal 2022 appropriation includes annual salary reviews and annualization of fiscal 2021 general salary increases.

- DBM expenditures increase in fiscal 2022, mainly due to software maintenance costs being transferred from the Department of Information Technology to CCU following the completion of a major information technology development project.

Key Observations

- ***DBM Reflects Noticeable Delays in Budget Amendment Submissions:*** After the fiscal 2021 Budget Bill passed, Maryland received significant federal aid to respond to the COVID-19 pandemic. There is an existing process for DBM to submit budget amendments for legislative review before the Governor can approve the additional federal funding that was not included in the budget. However, this process experienced significant delays that cause concern about transparency and oversight of State agencies' spending of COVID-19-related federal funds.

Operating Budget Recommended Actions

1. Adopt narrative requesting a report on subobject detail by program for certain Comptroller objects.
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 to add tracking structure necessary for legislative audits and to disallow transfers to other purposes.
4. Add a section requiring long-term General Fund, transportation, and higher education forecasts.
5. Add a section applying across-the-board Executive Branch reductions to higher education institutions.
6. Add a section requiring reporting on federal funds received by the State.
7. Add a section defining the usage of federal funds in the budget.
8. Add a section requiring consistent presentation of budget data and organizational charts.
9. Add a section requiring reporting on interagency agreements and approval by the Department of Budget and Management.
10. Add a section defining the budget amendment process.
11. Add a section requiring the maintenance of accounting systems for certain programs.

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Operating Budget Analysis

Program Description

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

- **Executive Direction** manages the department. It includes executive staff, Attorneys General, and the Equal Opportunity Program.
- **Division of Finance and Administration** is responsible for accounting, budgeting, payroll, purchasing, fleet management, and travel administration.
- **Central Collection Unit (CCU)** collects delinquent debts, claims, and accounts due to the State government.
- **Office of Budget Analysis (OBA)** analyzes State agency programs, expenditures, revenues, and performance. The office recommends funding allocations and develops the operating budget within 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 that provides State personnel policy direction and support. This office’s budget and related issues are discussed in a separate analysis.

Performance Analysis: Managing for Results

1. CCU Debts with Payment Recovered Increases Due to Pause in EZPass Debt Assignments

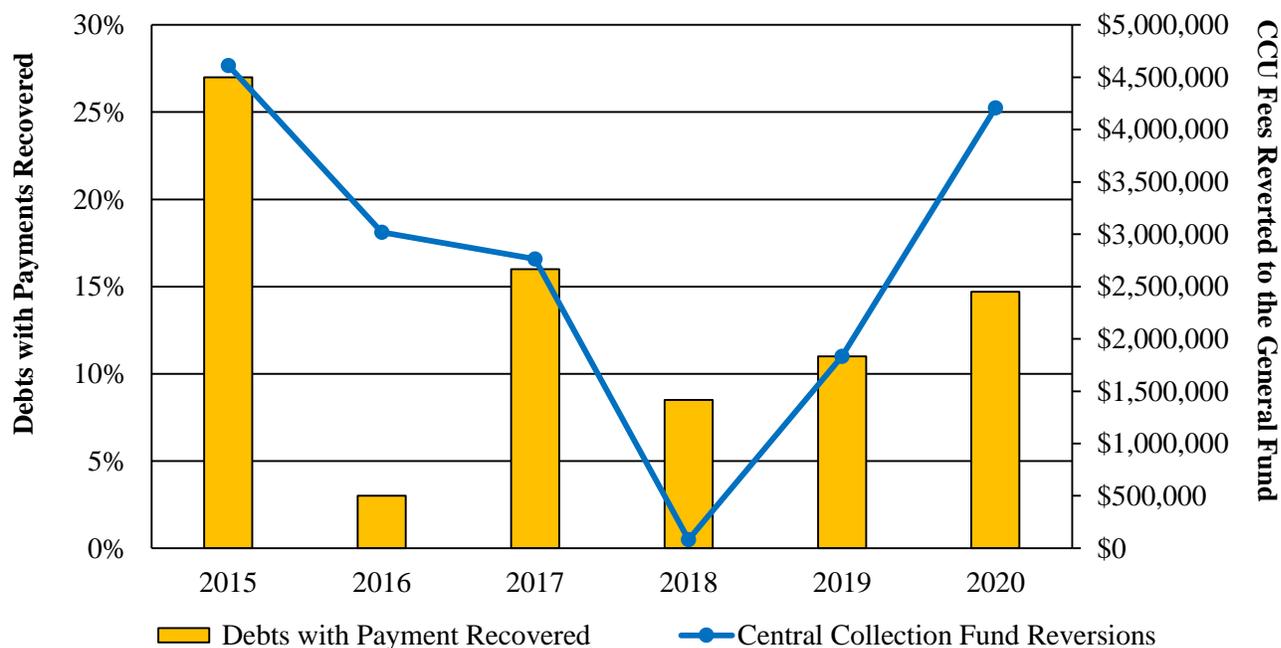
CCU is responsible for collecting delinquent debts, claims, and accounts owed to the State except for taxes, child support payments, and unemployment contributions and overpayments. Typical debts include:

- Motor Vehicle Administration fines;
- student tuition and fees; and
- restitution for damage to State property.

CCU is authorized to charge an administrative fee, which is currently set at 17% of the outstanding principal and interest on the debt amount referred for collection. Administrative fees are held in the Central Collection Fund, a special fund that supports CCU operating expenses. At the end of each fiscal year, CCU reverts any balance in the Central Collection Fund in excess of 15% of its actual operating expenses to the General Fund.

Exhibit 1 shows the percentage of the total debts assigned to CCU that had a payment recovered in each fiscal year. In fiscal 2016, CCU assumed a backlog of over 1.8 million EZPass toll violation debts, causing a substantial decline in the percent of debts with payment recovered. After CCU was able to improve its collection of the EZPass debts slightly in fiscal 2017, a technical issue prevented CCU from being able to certify the accurate number of eligible debts and report to the Comptroller for collection in fiscal 2018. CCU indicated that the Maryland Transportation Authority temporarily ceased assigning EZPass debts as they continue their toll modernization efforts. This led to the 3.7% increase in debts with payments recovered in fiscal 2020, despite CCU closing its offices and ceasing active debt collection activities in the last quarter of the fiscal year due to the COVID-19 pandemic. Once the EZPass toll violation debt assignment begins again, CCU will receive another backlog of debts in the future.

Exhibit 1
Trends in CCU Collections and Central Collection Fund
Fiscal 2015-2020



CCU: Central Collection Unit

Note: Administrative fees charged on debts assigned to CCU are held in the Central Collection Fund. At the end of each fiscal year, any balance in the Central Collection Fund above 15% of CCU’s actual expenditures is reverted.

Source: Governor’s Fiscal 2022 Budget Books

The amount of special funds from the Central Collection Fund reverted in each fiscal year is also reflected in Exhibit 1 because it is a function of both CCU's recent debt collections and operating expenses. Therefore, this measure shows whether CCU is collecting enough debt payments and administrative fees each year to cover its operating costs. A total of \$4.2 million was reverted in fiscal 2020, showing an increase of \$2.4 million over fiscal 2019. This growth in reversions outpaced the growth shown in the percent of debts with payments recovered. CCU attributed increased reversions mainly to decreasing operating costs related to CCU's legacy information technology (IT) systems, rather than the slight increase in collections.

Fiscal 2020

COVID-19 Pandemic Impacts on CCU and Other DBM Offices

Corresponding with the Governor's executive orders issued at the start of the COVID-19 pandemic, CCU closed its offices beginning on March 14, 2020, and ceased active debt collections. Beginning in April 2020, CCU diverted some of its personnel to assist the Maryland Department of Labor (MDL) with processing new unemployment claims while the unit did not conduct its typical debt collection duties. MDL provided training to CCU's State call center and supervisory staff who responded to unemployment compensation intake calls for approximately four weeks while MDL transitioned to its new IT system.

The Division of Finance and Administration, OBA, and the Office of Capital Budgeting all had personnel or equipment diverted to the statewide COVID-19 response to some extent. Budget amendments in fiscal 2020 added reimbursable funds to CCU and these other divisions of DBM to cover pandemic-related personnel and equipment costs with federal funding from the Coronavirus Relief Fund (CRF) allocated to the Maryland Department of Health (MDH). Across two amendments, \$255,173 in reimbursable funds were added to the offices under DBM Secretary.

While CCU ceased active collections, debtors were still able to make payments on a voluntary basis during this time and could receive customer service from the State call center. Involuntary seizures through the State Tax Refund Intercept program, wage garnishment, and other means were suspended. On October 19, 2020, CCU was authorized to resume its collection activities, including sending notices and making calls. Involuntary seizures through the Comptroller's Office only resumed in February 2021 as the State tax intercept process became applicable again.

Fiscal 2021

Cost Containment

On July 1, 2021, the Board of Public Works (BPW) approved the following reductions to the DBM Secretary offices:

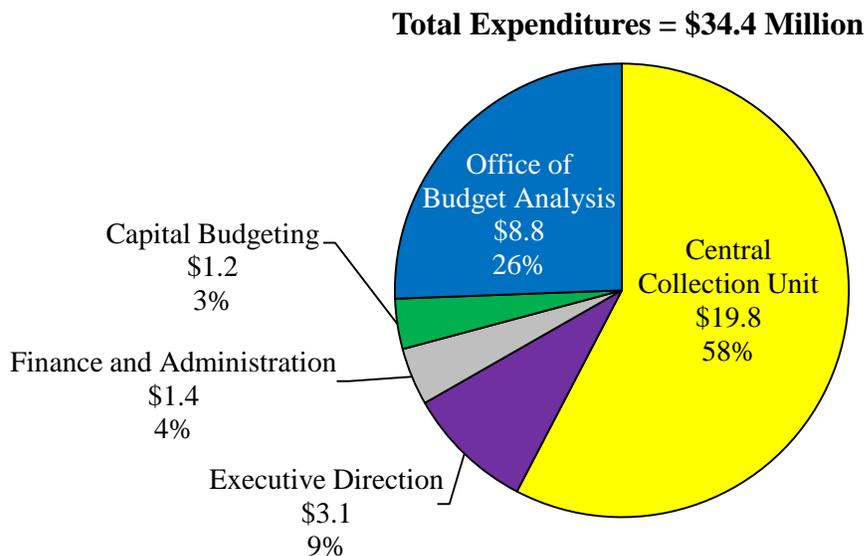
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- \$132,426 in total funds (\$55,317 in general funds and \$77,109 in special funds) to abolish 3 vacant positions;
- \$930,982 in total funds (\$380,850 in general funds and \$550,132 in special funds) to hold 2 positions vacant, reduce CCU and OBA retention bonuses, and reduce travel and other operating expenditures; and
- \$231,367 in total funds as part of statewide reductions.

Fiscal 2022 Overview of Agency Spending

Exhibit 2 displays DBM’s fiscal 2022 allowance by the five units under the Secretary’s Office. CCU accounts for a majority (58%, or \$19.8 million) of total expenditures and is fully supported by administrative fees in the Central Collection Fund. However, as mentioned in the Performance Analysis section, any balance of the Central Collection Fund in excess of 15% of CCU’s actual operating expenses reverts to the General Fund.

Exhibit 2
Overview of Agency Spending by Unit
Fiscal 2022 Allowance
(\$ in Millions)

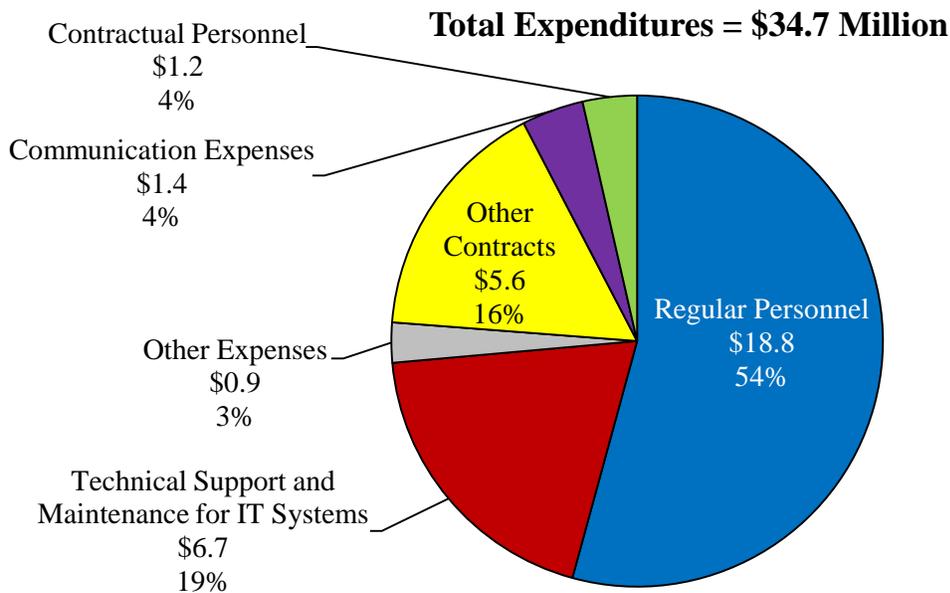


Note: Numbers may not sum to total due to rounding. Excludes statewide personnel funding centrally budgeted in the Department of Budget and Management (DBM) Office of Personnel Services and Benefits that is attributable to DBM Secretary programs, totaling \$355,294.

Source: Governor’s Fiscal 2022 Budget Books

Exhibit 3 reflects the DBM Secretary fiscal 2022 allowance by use of funds. DBM’s functions are largely administrative as regular personnel costs make up a majority of total spending (54%, or \$18.8 million). IT maintenance activities account for the next largest share of the allowance at 19%, or \$6.7 million. Of this, \$3.7 million is budgeted for technical support of the CCU systems modernization and \$3 million is budgeted under OBA for Enterprise Budget System maintenance and operations.

Exhibit 3
Agency Spending by Use
Fiscal 2022 Allowance
(\$ in Millions)



IT: information technology

Note: Numbers may not sum to total due to rounding. Includes statewide personnel funding centrally budgeted in the Department of Budget and Management (DBM) Office of Personnel Services and Benefits that is attributable to DBM Secretary programs totaling \$355,294.

Source: Governor’s Fiscal 2022 Budget Books; Department of Legislative Services

Proposed Budget Change

As shown in **Exhibit 4**, the fiscal 2022 allowance increases by \$3.5 million, or 11.1%, compared to the fiscal 2021 working appropriation. IT expenditures drive this increase as software maintenance costs are transferred from the Department of Information Technology to CCU following the completion of a major IT project (discussed in further detail in **Appendix 2**).

Exhibit 4
Proposed Budget
Department of Budget and Management – Secretary
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
Fiscal 2020 Actual	\$11,381	\$12,858	\$770	\$25,010
Fiscal 2021 Working Appropriation	10,898	17,064	3,313	31,275
Fiscal 2022 Allowance	<u>10,860</u>	<u>20,607</u>	<u>3,273</u>	<u>34,740</u>
Fiscal 2021-2022 Amount Change	-\$38	\$3,543	-\$40	\$3,465
Fiscal 2021-2022 Percent Change	-0.3%	20.8%	-1.2%	11.1%
Where It Goes:				<u>Change</u>
Personnel Expenses				
Employee and retiree health insurance.....				\$257
Annualization of fiscal 2021 general salary increase and annual salary reviews.....				164
Turnover adjustments.....				147
Other regular salary adjustments, largely due to reclassifications that are partially offset by budgeting vacant positions at base.....				37
Other fringe benefit adjustments.....				-2
Workers' compensation premium assessment.....				-48
Reclassification.....				-62
Other Changes				
CCU systems technical support and software licensing costs that were formerly budgeted under the Major Information Technology Development Project Fund (special funds), see Appendix 2.....				3,180
Postage.....				197
Other.....				-20
Rent paid to the Department of General Services.....				-170
Administrative hearings.....				-214
Total				\$3,465

CCU: Central Collection Unit

Note: Numbers may not sum to total due to rounding. The fiscal 2021 appropriation includes general salary increases. The fiscal 2022 appropriation includes annual salary reviews and annualization of fiscal 2021 general salary increases.

Budget Book Printing in Fiscal 2022

Section 7-115 of the State Finance and Procurement Article requires the Governor to provide printed copies of the budget books with certain revenue, expenditure, and personnel detail, among other information, to each member of the General Assembly and 80 copies to the Department of Legislative Services (DLS). According to statute, these printed copies are to be distributed with the submission of the budget bill to the Presiding Officers. The Budget Reconciliation and Financing Act of 2021 includes a provision that would allow the Governor to provide a reduced number of printed copies of the budget books to the Maryland General Assembly and DLS in fiscal 2022 only due to the COVID-19 public health emergency, although the date that all members and DLS would have received these copies has already passed.

Personnel Data

	<u>FY 20 Actual</u>	<u>FY 21 Working</u>	<u>FY 22 Allowance</u>	<u>FY 21-22 Change</u>
Regular Positions	184.80	183.80	183.80	0.00
Contractual FTEs	<u>27.00</u>	<u>31.50</u>	<u>31.50</u>	<u>0.00</u>
Total Personnel	211.80	215.30	215.30	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	8.00	4.35%
Positions and Percentage Vacant as of 12/31/20	11.00	5.98%
Vacancies Above Turnover	3.00	

- Effective November 4, 2020, the Governor’s Office of Performance Improvement was transferred from the Executive Department to DBM. This included a PIN transfer of 3 regular positions that were offset by the 3 vacant positions abolished as part of July 1, 2020 cost containment actions. The office indicated that this transition will not change the mission or projects completed but will allow for greater collaboration with OBA regarding Managing for Results data collection and evaluation.

Issues

1. Budget Amendment Process Sees Delays, Causing Less Transparency of COVID-19 Federal Spending

Following the early adjournment of the 2020 legislative session due to the COVID-19 pandemic, Maryland was awarded substantial amounts of federal aid to respond to the public health emergency and resulting economic crisis. For example, Maryland was awarded \$2.3 billion in funding from the CRF authorized in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, of which \$1.7 million was paid directly to the State. Although much of the federal funding was dedicated to certain uses, other awards, including the CRF award, were more flexible and could be used on many dimensions of the public health and economic response. These new COVID-19-related funding sources were not anticipated in the fiscal 2021 budget, and, therefore, were subject to Section 7-217 of the State Finance and Procurement Article authorizing the expenditure of federal funds not included in the budget by an approved budget amendment.

Annual budget bill language defines a process for certain budget amendments to receive legislative review, such as those increasing a special, federal, or higher education fund appropriation by \$100,000 or more. Typically, before the Governor is able to approve amendments that require legislative review:

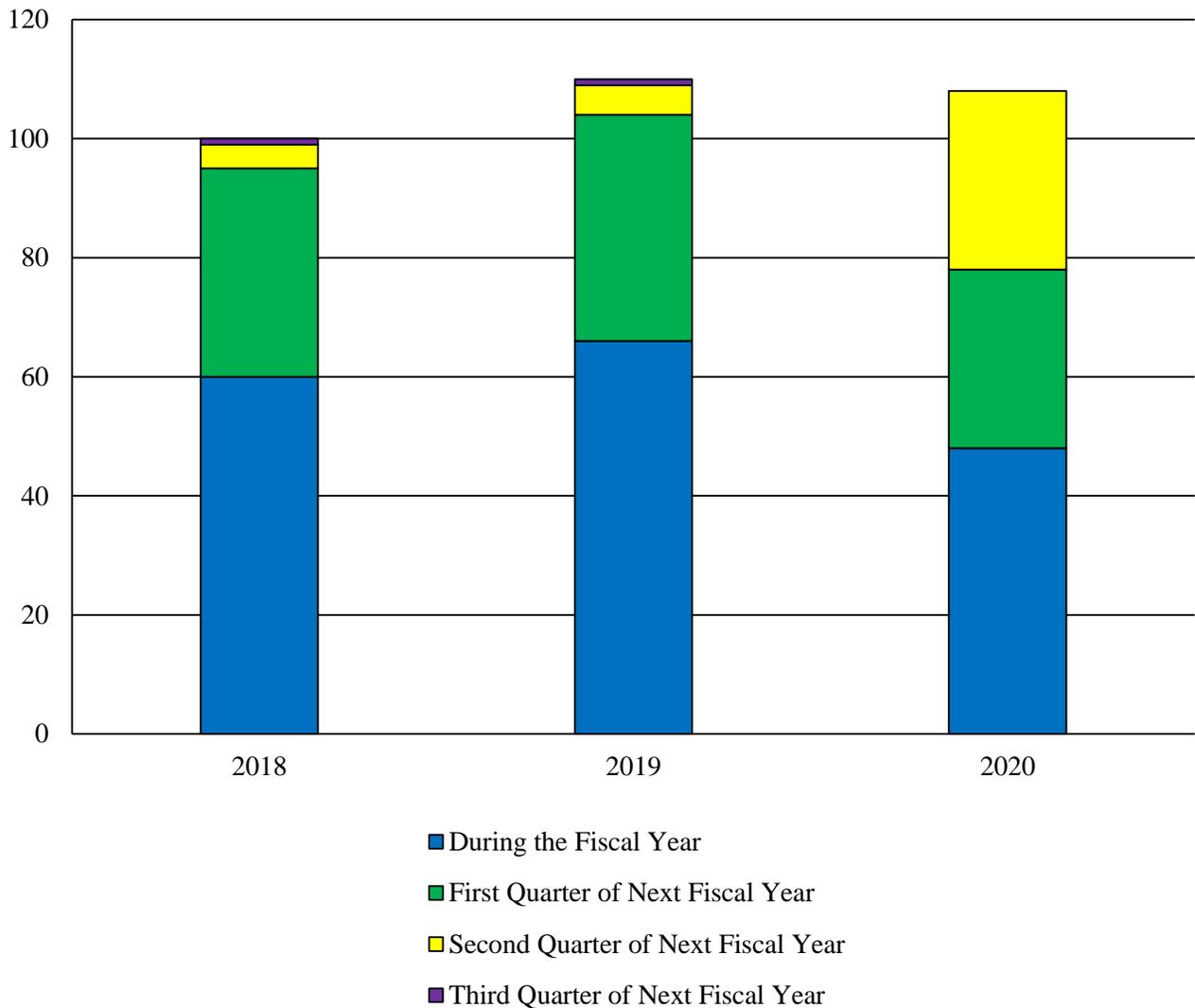
- the amendment must be submitted to DLS; and
- the budget committees or Legislative Policy Committee consider the amendment, or 45 days elapse from the date the amendment is submitted.

The annual language excludes budget amendments from legislative review if they are solely for the purpose of appropriating federal disaster relief funds or if BPW declares that the amendment is essential to maintaining public safety, health, or welfare. Despite these contingencies in place, the Governor signed some amendments without legislative or BPW review in fiscal 2020 and in fiscal 2021 to date by suspending statutes restricting the budget amendment process. Section 14-107 of the Public Safety Article establishes certain emergency powers the Governor may use during a declared state of emergency to protect public health, welfare, or safety, including suspending the effect of any statute. This authority was used in some cases for substantial appropriations, such as an amendment in fiscal 2021 that transferred \$250 million from the Revenue Stabilization Account (Rainy Day Fund) for a variety of economic recovery and public health initiatives.

DBM submits all amendments to DLS for informational purposes, regardless of whether legislative review is required. **Exhibit 5** reflects the timing of all budget amendments for nonreimbursable funds submitted to DLS. In all fiscal years shown, some budget amendments were submitted to DLS in the following fiscal year after the spending occurred. This is especially the case for closeout amendments that are processed at the end of a fiscal year to realign expenditures as needed. Amendments processed in fiscal 2020 showed greater delays, as only 44% were submitted in the fiscal year when the spending occurred, compared to fiscal 2018 and 2019 when DLS received

approximately 60% of the total amendments in the fiscal year when the spending occurred. DBM’s delays in submitting budget amendments in fiscal 2020 is concerning as it prevented the State’s COVID-19-related federal aid from being added to the budget through a timely and transparent process.

Exhibit 5
Budget Amendment Submissions to the Department of Legislative Services
Fiscal 2018-2020



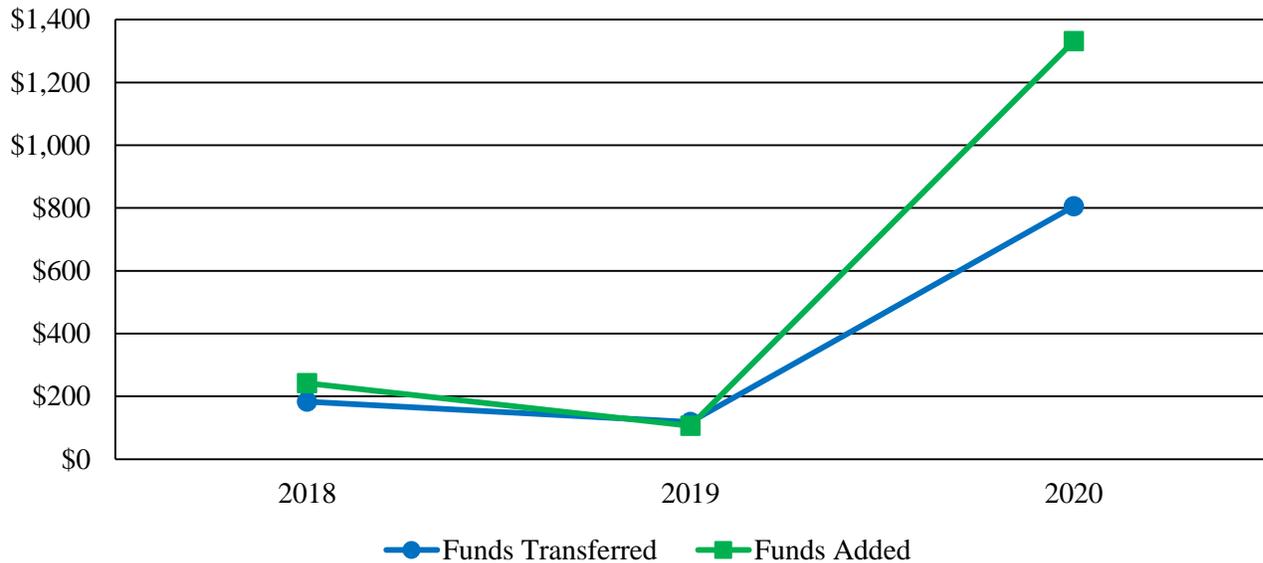
Note: The Department of Legislative Services has not received all fiscal 2020 budget amendments as of February 19, 2021.

Source: Department of Legislative Services

There are still outstanding fiscal 2020 budget amendments that have not been submitted to DLS. DLS analysts track budget amendments received and compare this to actual spending reported by the Comptroller’s Office as part of a closeout process. For example, under MDH Public Health Administration (where much of the State’s CRF award was budgeted), \$687.9 million in federal funds were reportedly added through budget amendments, while the amendments submitted to DLS account for only \$277.6 million in additional federal funds. Without receiving documentation of all budget amendments processed in fiscal 2020, this creates challenges in evaluating funding needs in future fiscal years.

Exhibit 6 shows the total funding transferred and added to the budget through all amendments that were received after each fiscal year concluded. Unsurprisingly, given the extent of the federal funding being made available to Maryland, funds transferred after the close of fiscal 2020 grew significantly compared to fiscal 2019, and approximately \$1.3 billion in new appropriations were added to the budget. Because this funding was added after the fiscal year ended, and the spending was underway or completed, this did not allow for any input from the legislature and makes it more difficult for DLS to monitor agency spending.

Exhibit 6
Funds Transferred and Added Through Budget Amendments
After the Close of the Fiscal Year
Fiscal 2018-2020
(\$ in Millions)



Note: Reimbursable funds are not included in this exhibit.

Source: Department of Budget and Management; Department of Legislative Services

Additional federal funding was awarded through the Consolidated Appropriations Act signed into law on December 27, 2020, for COVID-19 spending that is not fully reflected in the Governor’s fiscal 2022 budget plan. Unless the Governor adds these appropriations through supplemental budgets, as he has partially done with the first supplemental budget, the funding will again need to be added through the budget amendment process as was seen with funds authorized in the CARES Act.

HB 898 of 2021 would temporarily alter the budget amendment process. This bill would prohibit, in fiscal 2021 and 2022, the expenditure of specified, unanticipated federal funds by budget amendment unless the funds are to be used for certain purposes, such as COVID-19 vaccine expenses, transit operating costs, or eviction assistance. The provisions would apply to federal funds that are appropriated by the U.S. Congress on or after December 14, 2020, or are part of a grant not included in the fiscal 2022 budget books. Similarly to the amendment process outlined in annual budget language, the bill’s prohibition of certain expenditures by budget amendment would not apply to an amendment that BPW determines is essential. **DLS recommends the adoption of annual budget language defining the budget amendment process but cautions that this language would need to be amended to coincide with the provisions in HB 898 if the General Assembly passes this legislation.**

DBM should discuss why it saw greater delays in processing budget amendments, if its current staffing and administrative capacity will be sufficient in fiscal 2021 and 2022 to process amendments through a timely and transparent process, and when it will submit all outstanding fiscal 2020 amendments.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Submission of Select Budget Detail: The committees request that the Department of Budget and Management (DBM) submit complete fiscal 2023 subobject detail by program for Comptroller Objects 08 and 12 by the third Wednesday of January 2022 in an electronic format subject to the concurrence of the Department of Legislative Services.

Information Request	Author	Due Date
Comptroller objects 08 and 12 budget detail	DBM	Third Wednesday of January 2022

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 Budget and Management 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 but 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 schedule of allotments, if any a list limited to the appropriations restricted in this Act to be placed in contingency reserve.~~ 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.~~
- ~~(e)~~ (b) 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 determinations 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

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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)~~ (c) 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 Maryland General Assembly.

3. Amend the following section:

SECTION 17. AND BE IT FURTHER ENACTED, That funds appropriated to the various State agency programs and subprograms in Comptroller Objects 0152 (Health Insurance), 0154 (Retirees Health Insurance Premiums), 0175 (Workers' Compensation), 0217 (Health Insurance), 0305 (DBM Paid 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, and 0876 between State departments and agencies by approved budget amendment in fiscal 2021 and fiscal 2022. 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.

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 language pertaining to restricted objects of expenditures 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 submission of the Governor’s fiscal 2023 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 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 Governor’s fiscal 2023 budget books

7. 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 2022, except with respect to capital appropriations, to the extent consistent with federal requirements:
 - (a) when expenditures or encumbrances may be charged to either State or federal fund sources, federal funds shall be charged before State funds are charged except that this policy does not apply to the Department of Human Services

with respect to federal Temporary Assistance for Needy Families funds to be carried forward into future years ;

- (b) when additional federal funds are sought or otherwise become available in the course of the fiscal year, agencies shall consider, in consultation with the Department of Budget and Management (DBM), whether opportunities exist to use these federal revenues to support existing operations rather than to expand programs or establish new ones; and
- (c) 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.

8. 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 2023 budget detailed by Comptroller subobject classification in accordance with instructions promulgated by the Comptroller of Maryland. The presentation of budget data in the Governor’s budget books shall include object, fund, and personnel data in the manner provided for in fiscal 2022 except as indicated elsewhere in this Act; however, this may not preclude the placement of additional information into the budget books. For actual fiscal 2021 spending, the fiscal 2022 working appropriation, and the fiscal 2023 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 2021 spending, the fiscal 2022 working appropriation, and the fiscal 2023 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 (FTE) counts of contractual FTEs in the budget books. For the purpose of this count, contractual FTEs 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 2023 Budget Bill affecting fiscal 2022 or 2023, DBM shall allocate the reduction for each agency in a level of detail not less than the three-digit R*Stars financial agency code and by each fund type.

Further provided that DBM shall provide to DLS special and federal fund accounting detail for the fiscal year last completed, current year, and budget year for each fund. The account detail, to be submitted with the allowance, should at a minimum provide revenue and expenditure detail, along with starting and ending balances.

Further provided that DBM shall provide to DLS by September 1, 2021, a list of subprograms used by each department, unit, agency, office, and institution, along with a brief description of the subprograms’ purpose and responsibilities.

Explanation: This annual language provides for consistent reporting of fiscal 2021, 2022, and 2023 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. Finally, it requires DBM to provide information on special and federal fund accounts as well as a list and description of all subprograms used by State entities.

Information Request	Author	Due Date
Agency organizational charts and special and federal fund accounting detail	DBM	With submission of the Governor’s fiscal 2023 budget books
List of subprograms	DBM	September 1, 2021

9. Add the following section:

Section XX Interagency Agreements

SECTION XX. AND BE IT FURTHER ENACTED, That on or before August 1, 2021, 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 2021 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- 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) total indirect cost recovery or facilities and administrative (F&A) expenditures authorized for the agreement;
- (9) the indirect cost recovery or F&A rate for the agreement and brief description of how the rate was determined;
- (10) actual expenditures for the most recently closed fiscal year;
- (11) actual base expenditures that the indirect cost recovery or F&A rate may be applied against during the most recently closed fiscal year;
- (12) actual expenditures for indirect cost recovery or F&A for the most recently closed fiscal year; and
- (13) total authorized expenditures for any subaward(s) or subcontract(s) being used as part of the agreement and a brief description of the type of award or contract.

Further provided that DBM shall submit a consolidated report to the budget committees and the Department of Legislative Services by December 1, 2021, 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 2021.

Further provided that no new higher education interagency agreement with State agencies with a projected value in excess of \$500,000 may be entered into during fiscal 2022 without prior approval of the Secretary of Budget and Management.

Explanation: This annual language requires DBM 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. Further, it requires that no new higher education interagency agreement with State agencies with a projected value in excess of \$500,000 be entered into during fiscal 2022 without prior approval of the Secretary of Budget and Management.

Information Request	Author	Due Date
Consolidated report on interagency agreements	DBM	December 1, 2021

10. 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 Prevention, Youth, and Victim Services 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:
 - (a) appropriating funds available as a result of the award of federal disaster assistance; and
 - (b) transferring funds from the State Reserve Fund – Economic Development Opportunities Account for projects approved by the Legislative Policy Committee (LPC).
- (2) Budget amendments increasing total appropriations in any fund account by \$100,000 or more may not be approved by the Governor until:
 - (a) that amendment has been submitted to the Department of Legislative Services (DLS); and

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- (b) the budget committees or LPC has 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:

 - (a) restore funds for items or purposes specifically denied by the General Assembly;
 - (b) fund a capital project not authorized by the General Assembly provided, however, that subject to provisions of the Transportation Article, projects of the Maryland Department of Transportation (MDOT) shall be restricted as provided in Section 1 of this Act;
 - (c) increase the scope of a capital project by an amount 7.5% or more over the approved estimate or 5.0% or more over the net square footage of the approved project until the amendment has been submitted to DLS, and the budget committees have considered and offered comment to the Governor or 45 days have elapsed from the date of submission of the amendment. This provision does not apply to MDOT; and
 - (d) provide for the additional appropriation of special, federal, or higher education funds of more than \$100,000 for the reclassification of a position or positions.
- (4) A budget may not be amended to increase a federal fund appropriation by \$100,000 or more unless documentation evidencing the increase in funds is provided with the amendment and fund availability is certified by the Secretary of Budget and Management.
- (5) No expenditure or contractual obligation of funds authorized by a proposed budget amendment may be made prior to approval of that amendment by the Governor.
- (6) Notwithstanding the provisions of this section, any federal, special, or higher education fund appropriation may be increased by budget amendment upon a declaration by the Board of Public Works that the amendment is essential to maintaining public safety, health, or welfare, including protecting the environment or the economic welfare of the State.
- (7) Budget amendments for new major information technology projects, as defined by Sections 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 2022 appropriation detail as shown in the Governor’s budget books submitted to the General Assembly in January 2022 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 2023 allowance, the Department of Budget and Management shall continue policies and procedures to minimize reliance on budget amendments for appropriations that could be included in a deficiency appropriation.

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

11. Add the following section:

Section XX Maintenance of Accounting Systems

SECTION XX. AND BE IT FURTHER ENACTED, That:

- (1) The Secretary of Health shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2021 in program M00Q01.03 Medical Care Provider Reimbursements and M00Q01.10 Medicaid Behavioral Health Provider Reimbursements have been disbursed for services provided in that fiscal year and shall prepare and submit the monthly reports by fund type 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 2021 to program R00A02.07 Students With Disabilities for nonpublic placements have been disbursed for services provided in that fiscal year and to prepare monthly reports as required under this section for that program.
- (3) The Secretary of Human Services shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2021 in program N00G00.01 Foster Care Maintenance Payments have been disbursed for services provided in that fiscal year, including detail by placement type for the average monthly caseload, average monthly cost per case, and the total expended for each foster care program, and to prepare the monthly reports required under this section for that program.

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- (4) For the programs specified, reports must indicate by fund type total appropriations for fiscal 2021 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 beginning August 15, 2021, and submitted on a monthly basis thereafter.
- (6) It is the intent of the General Assembly that general funds appropriated for fiscal 2021 to the programs specified that have not been disbursed within a reasonable period, not to exceed 12 months from the end of the fiscal year, shall revert.

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

Information Request	Authors	Due Date
Report on appropriations and disbursements in M00Q01.03, M00Q01.10, R00A02.07, and N00G00.01	MDH MSDE DHS	August 15, 2021, and monthly thereafter

Appendix 1
2020 Joint Chairmen’s Report Responses from Agency

In addition to certain information requested in the fiscal 2021 Budget Bill and the 2020 *Joint Chairmen’s Report* (JCR) as part of the budget oversight process, the 2020 JCR requested that the Department of Budget and Management (DBM) prepare one report. An electronic copy of the full JCR response can be found on the Department of Legislative Services Library website.

- ***State Fleet Inventory Tracking by Fuel Type:*** On December 1, 2020, DBM provided a record of the 7,180 vehicles in the State fleet and 669 vehicles purchased in fiscal 2020 categorized by fuel type. Special funds from the Strategic Energy Investment Fund have been allocated in fiscal 2020 through the fiscal 2022 allowance to support the State’s efforts to switch from conventional fuel vehicles to electric vehicles. DBM reported that 585 gas or flex-fuel vehicles were purchased in fiscal 2020, accounting for 87.4% of purchases. DBM was unable to submit fiscal 2021 year-to-date vehicle purchases by fuel type and indicated that its fleet management system is not capable of providing historical information.

Appendix 2
Phase II Central Collection Unit Systems Modernization
Major Information Technology Project
Department of Budget and Management – Secretary

New/Ongoing: Ongoing								
Start Date: January 2019					Est. Completion Date: July 2021			
Implementation Strategy: Waterfall								
(\$ in Millions)	Prior Year	2021	2022	2023	2024	2025	Remainder	Total
SF	\$11.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$11.9
Total	\$11.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$11.9

- Project Summary:** Phase II of the Central Collection Unit (CCU) business system replacement and modernization project will improve customer service and operational efficiencies of the collections system. New capabilities include an upgrade to the debt collection information system (referred to as Debt Manager) to FICO Debt Manager 11 and implementation of a debtor web portal that will provide online access to demographic and account information along with payment plan options. Other enhancements include new payment transaction systems and updated document management.
- Need:** These enhancements aim to further improve customer satisfaction and increase debt collector capabilities by focusing on debtor and creditor portals, near real-time cashiering, and accounting and legal enhancements.
- Observations and Milestones:** So far in fiscal 2021, the FICO Debt Manager upgrade to version 11 and a cashiering system upgrade have been implemented. CCU is still in the process of developing a new CCU debtor portal and upgrading the rules engine for Debt Manager, but these tasks are expected to be completed before the end of fiscal 2021.
- Other Comments:** CCU anticipates that total project costs will only be \$10.8 million (\$1.1 million under budget), although \$11.9 million in special funds has been authorized in prior years from the Central Collection Fund.

Appendix 3
Object/Fund Difference Report
Department of Budget and Management – Secretary

<u>Object/Fund</u>	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u> <u>Appropriation</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21 - FY 22</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	184.80	183.80	183.80	0.00	0%
02 Contractual	27.00	31.50	31.50	0.00	0%
Total Positions	211.80	215.30	215.30	0.00	0%
Objects					
01 Salaries and Wages	\$ 17,693,937	\$ 18,160,542	\$ 18,488,903	\$ 328,361	1.8%
02 Technical and Spec. Fees	908,931	1,240,790	1,239,070	-1,720	-0.1%
03 Communication	803,635	1,151,300	1,413,300	262,000	22.8%
04 Travel	31,298	44,969	29,000	-15,969	-35.5%
07 Motor Vehicles	8,670	13,350	9,850	-3,500	-26.2%
08 Contractual Services	4,811,283	9,465,929	12,328,993	2,863,064	30.2%
09 Supplies and Materials	89,730	105,000	105,000	0	0%
10 Equipment – Replacement	21,297	128,000	128,000	0	0%
13 Fixed Charges	640,908	773,900	642,613	-131,287	-17.0%
Total Objects	\$ 25,009,689	\$ 31,083,780	\$ 34,384,729	\$ 3,300,949	10.6%
Funds					
01 General Fund	\$ 11,381,357	\$ 10,831,547	\$ 10,720,308	-\$ 111,239	-1.0%
03 Special Fund	12,858,091	16,986,856	20,395,425	3,408,569	20.1%
09 Reimbursable Fund	770,241	3,265,377	3,268,996	3,619	0.1%
Total Funds	\$ 25,009,689	\$ 31,083,780	\$ 34,384,729	\$ 3,300,949	10.6%

Note: The fiscal 2021 appropriation does not include general salary increases. The fiscal 2022 allowance does not include annual salary reviews or annualization of fiscal 2021 general salary increases.

Appendix 4
Fiscal Summary
Department of Budget and Management – Secretary

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 - FY 22 % Change</u>
01 Executive Direction	\$ 2,556,388	\$ 2,952,949	\$ 3,123,375	\$ 170,426	5.8%
02 Division of Finance and Administration	2,582,194	1,891,477	1,410,223	-481,254	-25.4%
03 Central Collection Unit	12,953,805	16,418,977	19,820,742	3,401,765	20.7%
04 Division of Procurement Policy and	1,034,459	0	0	0	0%
01 Budget Analysis and Formulation	4,578,573	8,544,929	8,799,069	254,140	3.0%
01 Capital Budget Analysis and Formulation	1,304,270	1,275,448	1,231,320	-44,128	-3.5%
Total Expenditures	\$ 25,009,689	\$ 31,083,780	\$ 34,384,729	\$ 3,300,949	10.6%
General Fund	\$ 11,381,357	\$ 10,831,547	\$ 10,720,308	-\$ 111,239	-1.0%
Special Fund	12,858,091	16,986,856	20,395,425	3,408,569	20.1%
Total Appropriations	\$ 24,239,448	\$ 27,818,403	\$ 31,115,733	\$ 3,297,330	11.9%
Reimbursable Fund	\$ 770,241	\$ 3,265,377	\$ 3,268,996	\$ 3,619	0.1%
Total Funds	\$ 25,009,689	\$ 31,083,780	\$ 34,384,729	\$ 3,300,949	10.6%

Note: The fiscal 2021 appropriation does not include general salary increases. The fiscal 2022 allowance does not include annual salary reviews or annualization of fiscal 2021 general salary increases.