

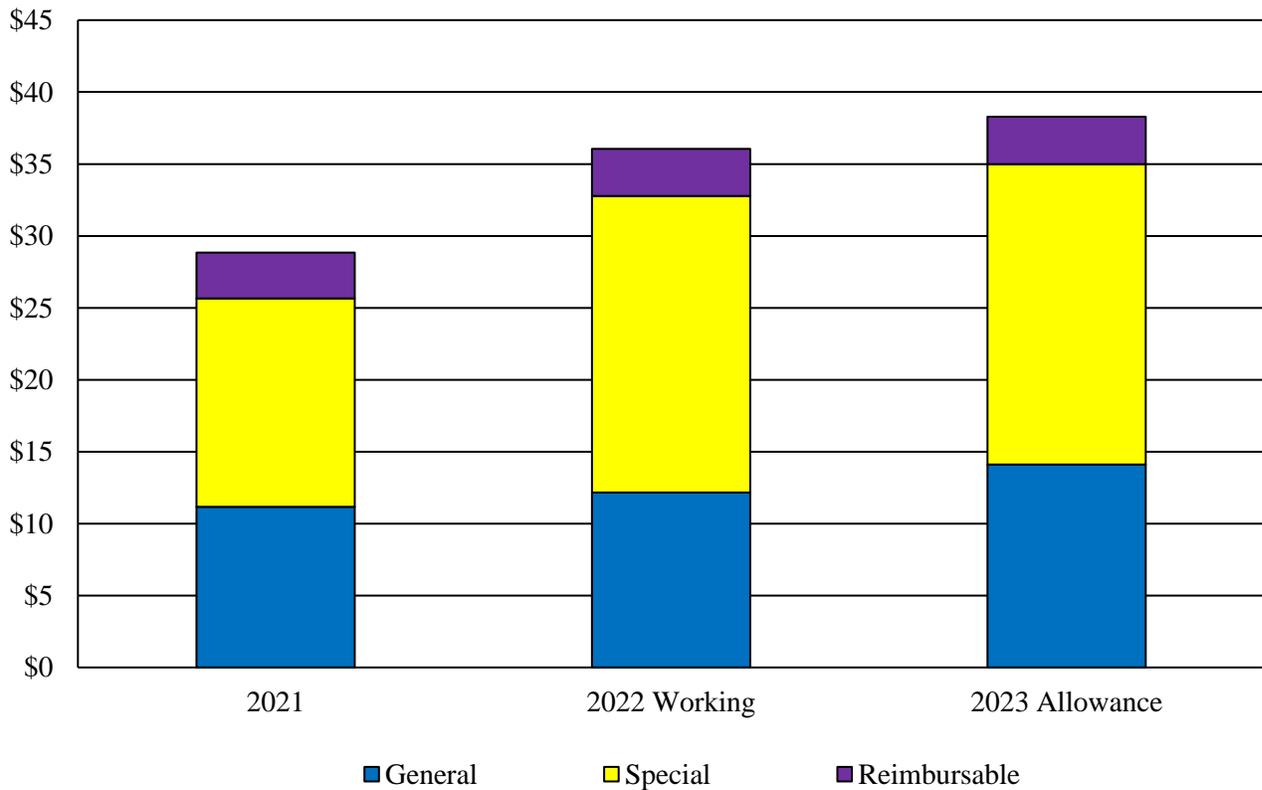
F10A
Department of Budget and Management – Secretary

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 2023 Budget Increases \$2.2 Million, or 6.2%, to \$38.3 Million
(\$ in Millions)



Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Key Observations

- ***New Audit Compliance Unit:*** A new unit aimed at executive training, technical assistance, and audit compliance is allotted 10 regular positions and \$1.4 million in general funds.
- ***CCU Collections Are Down Due to the Pandemic:*** The amount of debt assigned for collection and the amount collected both decreased, resulting in a net loss of \$7 million in revenues.

Operating Budget Recommended Actions

1. Adopt narrative requesting a report on subobject detail by program for certain Comptroller objects.
2. Add language restricting \$250,000 for semi-annual reports on American Rescue Plan Act funds.
3. Amend Section 2 to limit appropriations that can be placed into contingency reserve to items restricted by the General Assembly.
4. Amend Section 17 to add tracking structure necessary for legislative audits and to disallow transfers to other purposes.
5. Add a section requiring long-term General Fund, Blueprint Fund, transportation, and higher education forecasts.
6. Add a section applying across-the-board Executive Branch reductions to higher education institutions.
7. Add a section requiring reporting on federal funds received by the State.
8. Add a section defining the use of federal funds in the budget.
9. Add a section requiring consistent presentation of budget data and organizational charts.
10. Add a section requiring reporting on interagency agreements and approval by the Department of Budget and Management.
11. Add a section defining the budget amendment process.
12. Add a section requiring the maintenance of accounting systems for certain programs.

Updates

- ***Electric And Hybrid Vehicle Purchases Expanded:*** the State of Maryland is converting its fleet of traditional fossil fuel vehicles to more eco-friendly versions. In fiscal 2021 and 2022, DBM plans to purchase a total of 110 electric vehicles with money from the Strategic Energy Investment Fund (SEIF).

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Department of Budget and Management – Secretary

Operating Budget Analysis

Program Description

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.
 - Fiscal 2023 reflects the realignment of resources to establish a new unit focused on enhancing audit compliance and program management across State agencies.
- **Division of Finance and Administration** is responsible for accounting, budgeting, payroll, purchasing, fleet management, and travel administration.
- **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 Collection Revenues Are Down 44% Due to COVID-19 Break

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.

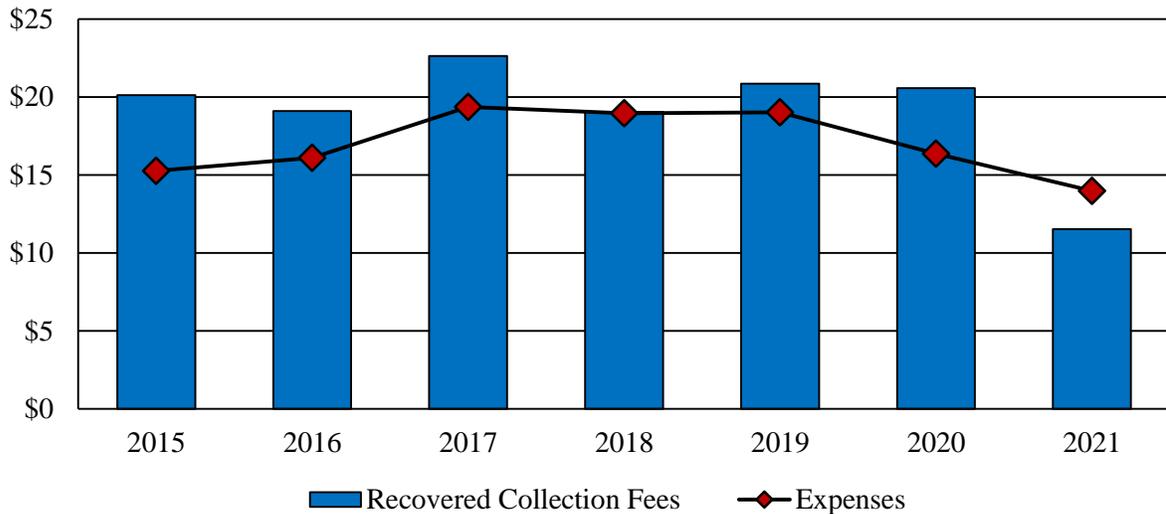
CCU Collections Paused March 2020 – October 2020 Due to COVID-19

CCU closed its offices and ceased active debt collections on March 14, 2020, in accordance with the Governor’s executive orders issued at the start of the pandemic. 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. While collections were paused, some CCU staff were temporarily reassigned to the Maryland Department of Labor (MDL) to assist with processing new unemployment claims. 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 information technology (IT) system.

Revenues From Administrative Fees Are Down

CCU is authorized to charge a 17% administrative fee on the value of outstanding debts referred for collection. Administrative fees are held in the Central Collection Fund, a special fund that supports CCU operating expenses. **Exhibit 1** shows the revenue from administrative fees compared to CCU operating expenses. Each year, CCU made a net profit until fiscal 2021, when CCU collections were down by approximately 44% compared to fiscal 2019 and 2020.

Exhibit 1
Central Collection Unit Collections vs. Expenses
Fiscal 2015-2021
(\$ in Millions)



Note: Administrative fees charged on debts assigned to the Central Collection Unit (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 must be reverted to the General Fund.

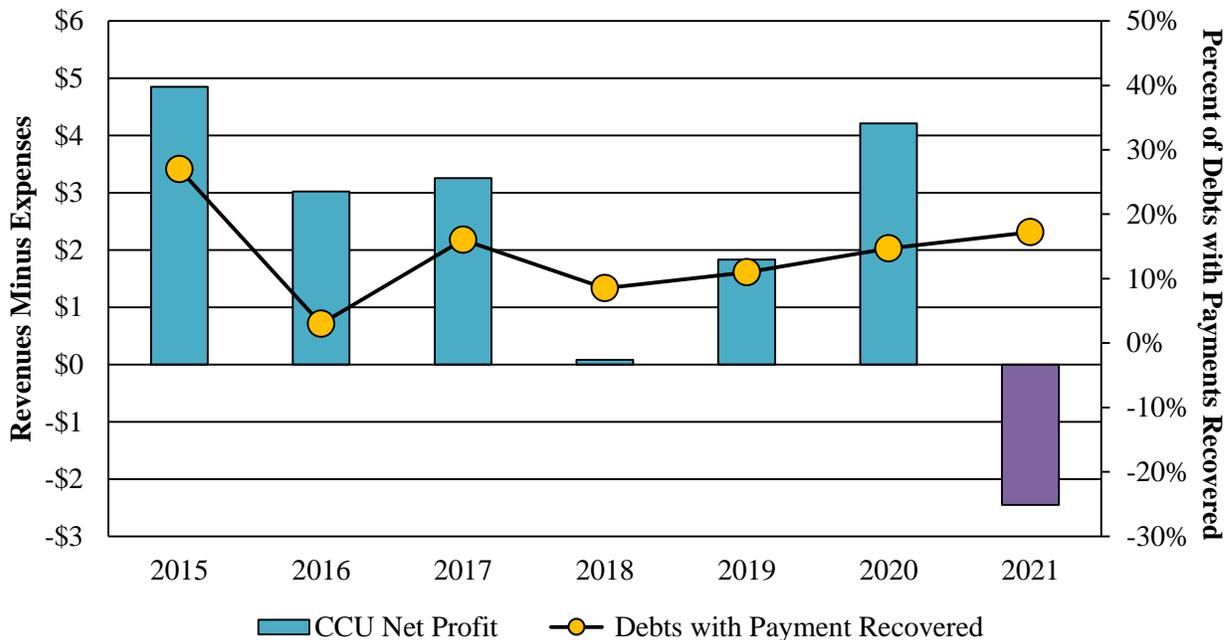
Source: Governor’s Fiscal 2023 Budget Books

Collections Resumed Partway Through Fiscal 2021

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.

Exhibit 2 displays the annual net profit or loss against the percent of debts successfully collected. When the Central Collection Fund balance is 15% above expenses, the excess profit is reverted to the General Fund at fiscal year close. Fiscal 2021 was the first year to require more funds than were generated during that fiscal year despite collecting a higher share of debts assigned. CCU estimates the net loss of funds is temporary and that collections in fiscal 2022 will be more in line with expenses.

Exhibit 2
Trends in CCU Collections and Central Collection Fund
Fiscal 2015-2021
(\$ in Millions)



CCU: Central Collection Unit

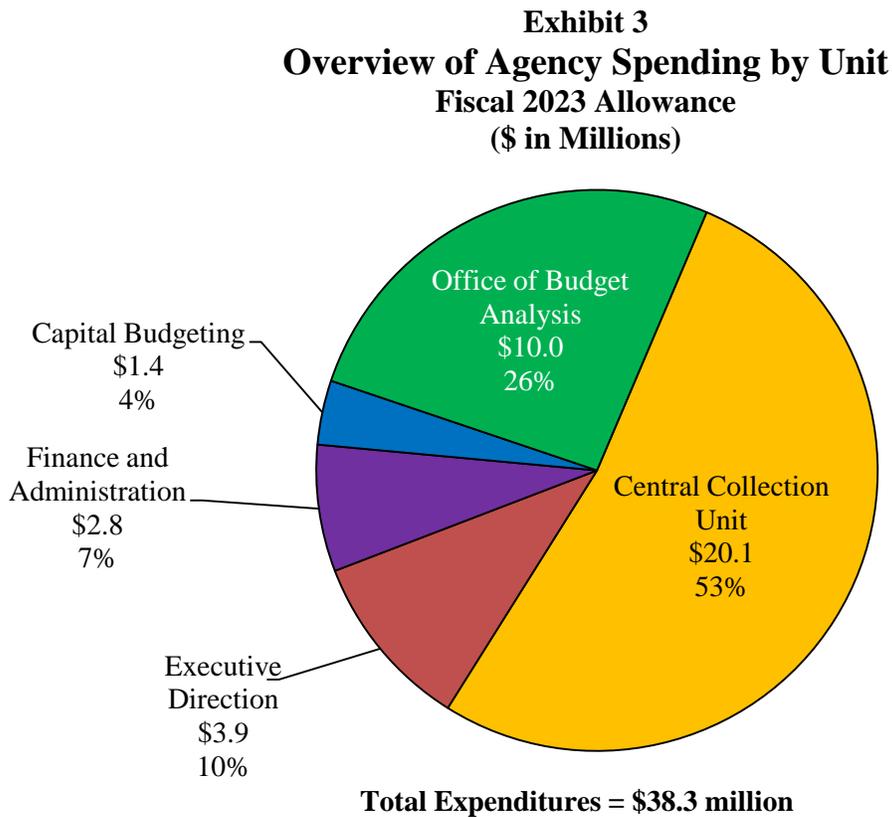
Note: Administrative fees charged on debts assigned to CCU are held in the Central Collection Fund. At the end of each fiscal year, any balance in the Central Collection Fund above 15% of CCU’s actual expenditures must be reverted.

Source: Governor’s Fiscal 2023 Budget Books

CCU recovered a payments on a larger share of debts in fiscal 2020 and 2021 than past years despite several months without active collections. This is mostly due to changes in EZPass debt collections. In fiscal 2020, the Maryland Transportation Authority temporarily ceased assigning EZPass debts to CCU as they continued efforts to modernize the toll system. As a result, there are fewer total debts to collect, driving up the share of debts successfully collected. When EZPass toll violation debt assignment resumes in the future, CCU will receive another backlog of debts, dropping the share of collections recovered but increasing the overall amount.

Fiscal 2023 Overview of Agency Spending

Exhibit 3 displays DBM’s fiscal 2023 allowance by the five units under the Secretary’s Office. CCU accounts for a majority (53%, or \$20.1 million) of total expenditures and is expected to be fully supported by administrative fees in the Central Collection Fund.

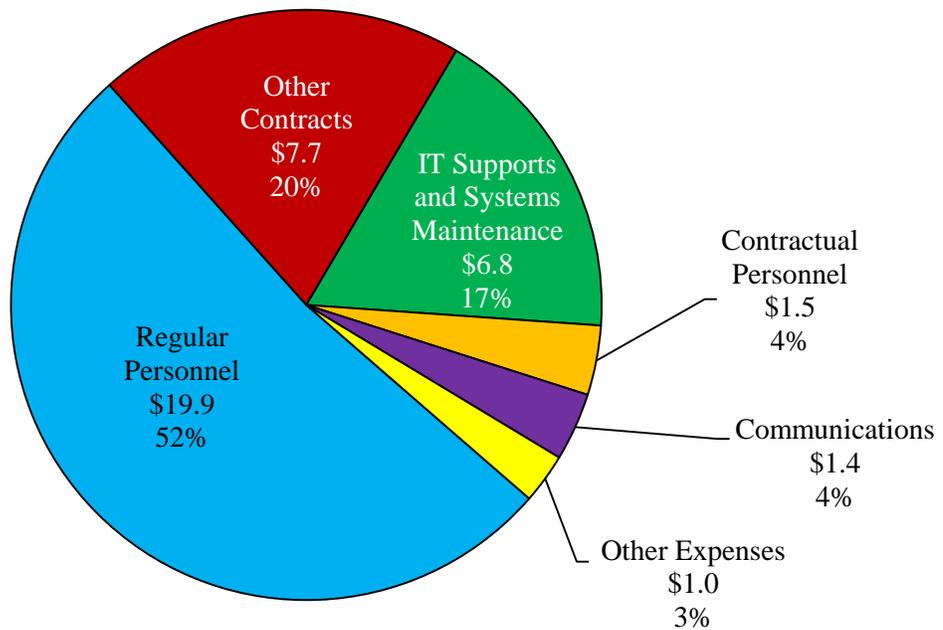


Note: Numbers may not sum to total due to rounding. The fiscal 2023 allowance does not reflect funding for statewide personnel actions budgeted elsewhere, which includes cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Source: Governor’s Fiscal 2023 Budget Books

Exhibit 4 reflects the DBM Secretary fiscal 2023 allowance by use of funds. Regular personnel costs make up a majority of total spending (52%, or \$19.9 million). IT maintenance activities account for the next largest share of the allowance at 17%, or \$6.8 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 4
Agency Spending by Use
Fiscal 2023 Allowance
(\$ in Millions)



Total Expenditures = \$38.3 Million

IT: information technology

Note: Numbers may not sum to total due to rounding. The fiscal 2023 allowance does not reflect funding for statewide personnel actions budgeted elsewhere, which includes cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Source: Governor’s Fiscal 2023 Budget Books

Proposed Budget Change

As shown in **Exhibit 5**, the fiscal 2023 allowance increases by \$2.2 million, or 6.2%, from the fiscal 2022 working appropriation.

Exhibit 5
Proposed Budget
Department of Budget and Management – Secretary
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
Fiscal 2021 Actual	\$11,158	\$14,492	\$3,180	\$28,829
Fiscal 2022 Working Appropriation	12,157	20,618	3,273	36,047
Fiscal 2023 Allowance	<u>14,120</u>	<u>20,876</u>	<u>3,281</u>	<u>38,276</u>
Fiscal 2022-2023 Amount Change	\$1,963	\$258	\$8	\$2,229
Fiscal 2022-2023 Percent Change	16.1%	1.3%	0.2%	6.2%

Where It Goes:	Change
Personnel Expenses	
Turnover adjustments.....	\$473
CCU special funded employee performance incentives	200
Reclassifications	177
Accrued leave payout.....	157
2 new regular positions for new audit compliance and executive training unit.....	136
Employee and retiree health insurance	120
Other fringe benefit adjustments.....	8
Regular earnings	-95
Workers' compensation premium assessment	-125
Other Changes	
New electronic software for State vehicle fleet management.....	700
State retirement administration fee to correct for underfunding in other agency budgets	535
Fee allocated for IT services, computer usage, and other statewide services	336
1.5 contractual positions for new audit compliance and executive training unit	194
Other operating expenses.....	105
Fiscal 2022 ASR for OAH and SRA employees	35
One time furniture replacements due to mold remediation.....	-115
End of rental agreement with DGS	-252
Administrative hearing fees	-360
Total	\$2,229

ASR: annual salary review
 CCU: Central Collection Unit
 DGS: Department of General Services

IT: Information Technology
 OAH: Office of Administrative Hearings
 SRA: State Retirement Agency

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

Fees and IT Expenses Drive Budget Increase

A new network software contract with the Department of Information Technology (DoIT) adds \$700,000 to upgrade the State vehicle fleet management system due to the expansion of the electric vehicle program. Fees for statewide services provided by DoIT and other agencies add \$336,157. There was also a one-time increase of \$535,000 for retirement administration to fill an expected gap in State Retirement Agency fee revenues.

Personnel expenses also add over \$1 million to the fiscal 2023 allowance. Most of this is due to a decrease in budgeted turnover adding \$473,282. Employee bonuses for CCU increase special funds by \$200,000. Two new positions for the new audit compliance unit add approximately \$136,000. Additionally, contractual position funding increases in fiscal 2023 by nearly \$200,000, 90% of which is due to the new audit unit. More information on the new unit can be found in Issue 1 of this analysis.

Personnel Data

	FY 21	FY 22	FY 23	FY 22-23
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	183.80	186.80	188.80	2.00
Contractual FTEs	<u>11.50</u>	<u>31.50</u>	<u>33.00</u>	<u>1.50</u>
Total Personnel	195.30	218.30	221.80	3.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	5.90	3.16%
Positions and Percentage Vacant as of 12/31/21	20.00	10.71%
Vacancies Above Turnover	14.10	

- In fiscal 2022, 6 positions are realigned within DBM to create a new unit focused on audits and executive management. These include 1 auditor transferred from CCU; 1 vacant administrator transferred from Executive Direction and reclassified as an auditor; and 1 administrative officer, 1 program manager, and 2 senior program analysts also transferred from Executive Direction to the new audit unit. Two positions are also transferred from Department of Public Safety and Correctional Services to the new audit unit and reclassified as new program managers with a salary range of \$80,875 to \$141,406.
- In fiscal 2023, 2 new program analyst II positions are added to the new unit with a salary range of \$48,360 to \$78,741, bringing the total position complement to 10 positions.
- Vacancies are higher than budgeted turnover by 14 positions, corresponding to about \$2.7 million to use toward hiring, using the DBM average salary. Of these positions, 5 have been vacant for over 12 months, while the remainder have been vacant for less than 9 months.

Issues

1. Expanded Audit and Executive Management Unit

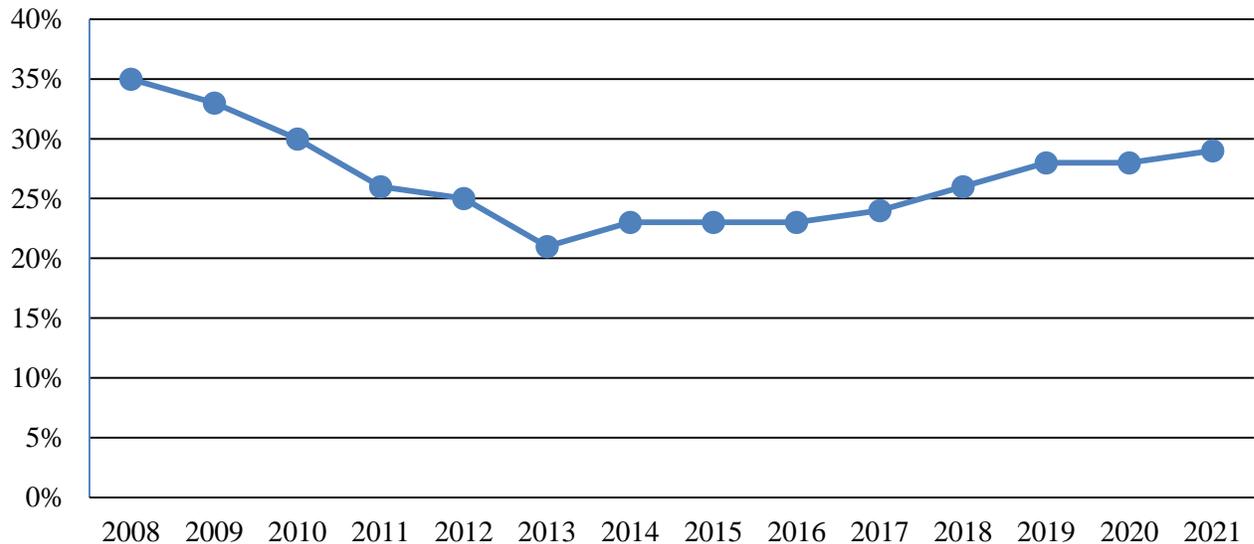
DBM is realigning resources to establish a new program in fiscal 2023 with a budgeted allowance of \$1.35 million. The new unit will have the following responsibilities:

- enhancing audit compliance within State agencies,
- developing a training program for new budget officers and Chief Financial Officers, and
- emergency assistance for agencies requesting help on a particular fiscal crisis or issue.

State Audit Compliance in Need of Improvement

This new office has reasonable justifications considering the increase in repeat audit findings from the Office of Legislative Audits (OLA). **Exhibit 6** shows that findings repeated from previous audits made up 29% of all findings in fiscal 2021 while only 23% were repeat findings in fiscal 2016.

Exhibit 6
Share of Audit Findings Repeated from Previous Audit
Fiscal 2008-2021



Source: Office of Legislative Audits

Only Two Areas Had No Repeat Findings

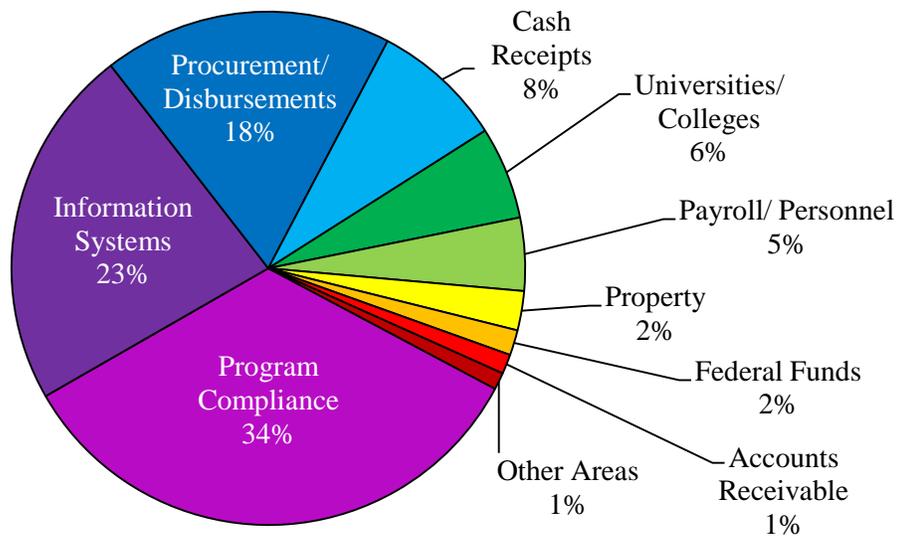
According to OLA, two areas of State government successfully resolved all previous audit findings in the most recent round of review. The areas with the highest number of repeats were Public Education (32 of 133 findings), Health (26 of 80 findings), Human Services (17 of 46 findings) and Judicial and Legal Review (16 of 37 findings). The areas with the highest percent of repeats were Agriculture (2 of 2 findings), General Services (5 of 6 findings), Housing and Community Development (4 of 9 findings), and Judicial and Legal Review (16 of 37 findings).

During calendar 2021, three audit reports (Maryland Department of Health – Regulatory Services, Department of Human Services – Social Services Administration (SSA), and Higher Education Commission) had five or more repeat findings. All three reports are subject to the quarterly status report process, and one SSA will also be subject to the OLA follow-up review process for agencies with unsatisfactory ratings.

New Findings Indicate Lack of Program Compliance

OLA found 192 issues related to maintaining program compliance, 129 findings related to information systems, and 103 findings related to procurements and disbursements. **Exhibit 7** shows the relative share of each major area of OLA fiscal/compliance audits. The new audit support unit has the goal of improving compliance in all areas and includes specific training for program compliance. Additionally, general accounting compliance assistance will be coordinated/aligned with the General Accounting Division in the Comptroller’s Office.

Exhibit 7
Current Findings on Fiscal/Compliance Audits
Fiscal 2021



Source: Office of Legislative Audits

Closeout And Budget Amendment Process

OLA released an audit report in January 2022 that showed that several State agencies had problems complying with all applicable laws, regulations, and policies for the annual budget closeout process. The major concerns included overpayments to behavioral health service providers, liabilities and unrecovered revenues requiring general funds, and improper retention of funds.

In addition, in the fiscal 2022 legislative session, the Department of Legislative Services (DLS) provided information on budget amendment delays, which impact the ability of DLS and the budget committees to maintain oversight on the annual closeout process. In fiscal 2018 and 2019, 39% of budget amendments were submitted after the fiscal year ended, while in fiscal 2020, that share was 55%. In the most recently closed fiscal year, 2021, DBM submitted 38% of budget amendments after fiscal year close, returning to previous levels. Still, amendments submitted in excess of three months after fiscal year closeout were 282% higher in fiscal 2021 compared to fiscal 2018 and 2019.

Technical Assistance and Executive Training Will Help Combat Compliance Issues

The audit compliance unit is a reasonable solution to the numerous fiscal, personnel, legal, and pandemic-related issues facing the executive and judicial branch agencies. Hiring has commenced and 2 positions are filled. Recruitment is ongoing with 2 other positions. As previously noted, this unit will be composed of 10 regular positions:

- 1 administrative officer;
- 2 internal auditors;
- 2 program analyst IIs;
- 2 senior program analysts; and
- 3 senior program managers.

The unit is also allowed 1.5 full-time equivalent contractual program analyst III positions to assist with agency training and guidance for audit and financial management needs. Funds total \$1.35 million for salaries and fringe benefits.

While this new program is sensible and responsive to recent performance deficiencies, there was little information provided and little information publicly available on this initiative. DBM should provide more detail, including how the new unit differs from the previous audit compliance unit, plans to staff and operate the new unit, and the status of ongoing projects.

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 2024 subobject detail by program for Comptroller Objects 08 and 12 by the third Wednesday of January 2023 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	Tenth day of the 2023 legislative session

2. Add the following language to the general fund appropriation:

, provided that \$250,000 of this appropriation is contingent upon the Department of Budget and Management submitting two reports on the expenditure of federal funds available through the American Rescue Plan Act. The reports shall list the amount available to the State through each federal grant, the amount expended to date, the remaining balance, and the date by which the funds must be encumbered under federal law. The reports are due September 15, 2022, and January 15, 2023. The budget committees shall have 45 days from the date of receipt of the first report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: American Rescue Plan Act (ARPA) funding provided \$3.9 million in grants for eligible COVID-19 expenses. This language requires a full accounting of ARPA grants on a semiannual basis to increase transparency and oversight of federal fund spending.

Information Request	Author	Due Dates
ARPA Funding Report	Department of Budget and Management	September 15, 2022 January 15, 2023

3. 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~~

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~~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)~~ (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 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.

4. 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.

5. 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, **THE BLUEPRINT FOR MARYLAND’S FUTURE 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, Blueprint for Maryland’s Future Fund, 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 2024 budget books

6. 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.

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 Governor’s fiscal 2024 budget books

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 2023, 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.

9. 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 2024 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 2023 except as indicated elsewhere in this Act; however, this may not preclude the placement of additional information into the budget books. For actual fiscal 2022 spending, the fiscal 2023 working appropriation, and the fiscal 2024 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 2022 spending, the fiscal 2023 working appropriation, and the fiscal 2024 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 2024 Budget Bill affecting fiscal 2023 or 2024, 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, 2022, 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 2022, 2023, and 2024 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 2024 budget books
List of subprograms	DBM	September 1, 2022

10. Add the following section:

Section XX Interagency Agreements

SECTION XX. AND BE IT FURTHER ENACTED, That on or before August 1, 2022, 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 2022 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;

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- (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, 2022, 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 2022.

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 2023 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 2023 without prior approval of the Secretary of Budget and Management.

Information Request	Author	Due Date
Consolidated report on interagency agreements	DBM	December 1, 2022

- 11. 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

DEPARTMENT OF EMERGENCY MANAGEMENT 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
 - (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

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- (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 2023 appropriation detail as shown in the Governor’s budget books submitted to the General Assembly in January 2023 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 2024 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.

12. 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 2022 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 2022 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 2022 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.
- (4) For the programs specified, reports must indicate by fund type total appropriations for fiscal 2022 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, 2022, and submitted on a monthly basis thereafter.
- (6) It is the intent of the General Assembly that general funds appropriated for fiscal 2022 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

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(MDH), the Maryland State Department of Education (MSDE), and the Department of Human Services (DHS).

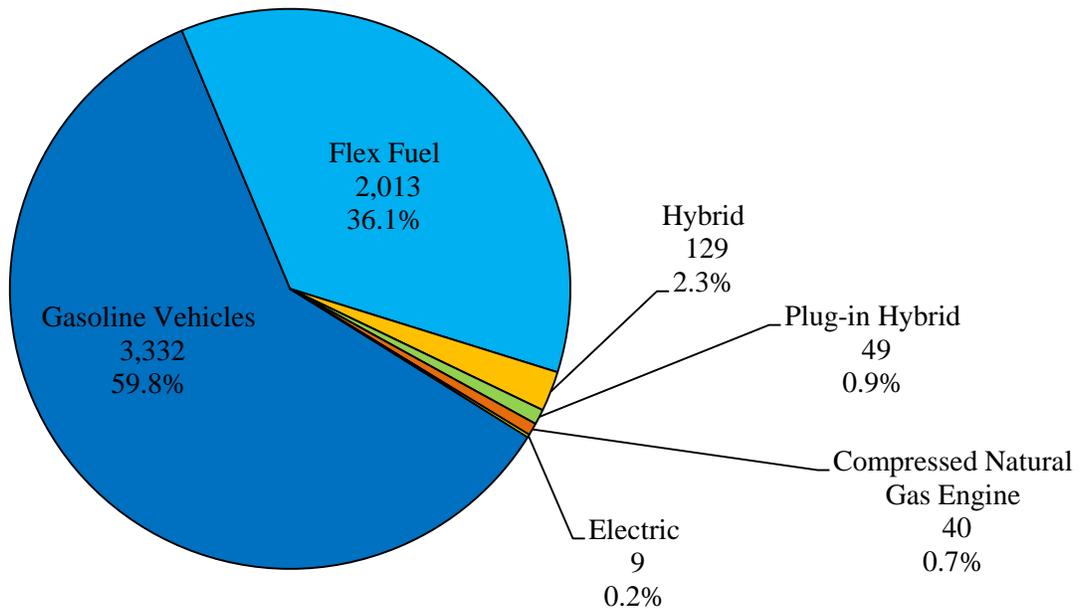
Information Request	Author	Due Date
Report on appropriations and disbursements in M00Q01.03, M00Q01.10, R00A02.07, and N00G00.01	MDH MSDE DHS	August 15, 2022, and monthly thereafter

Updates

1. Electric and Hybrid Vehicle Purchases Expanded

The State has made new strides in enhancing its renewable energy portfolio with regard to the State fleet of vehicles. Fiscal 2021 purchases for new vehicles shifted course from the existing fleet, emphasizing flex-fuel, hybrid vehicles, and electric vehicles. Electric vehicle purchases, specifically, were elevated compared to previous years due to new funding available from the SEIF, budgeted within the Maryland Energy Administration. In fiscal 2019, the State only held 2 electric vehicles in the fleet. In fiscal 2020, the State purchased 6 new electric vehicles. In fiscal 2021, the State purchased 40 new electric vehicles for eight State agencies, all of whom did not have electric vehicles in their fleet previously. DBM reportedly plans to purchase 70 fully electric vehicles in fiscal 2022 and bring the total above the goal for investment in renewables. **Exhibit 8** shows that not all of these have been in use in fiscal 2022, however, as DBM only reported 9 active electric vehicles of November 30, 2021.

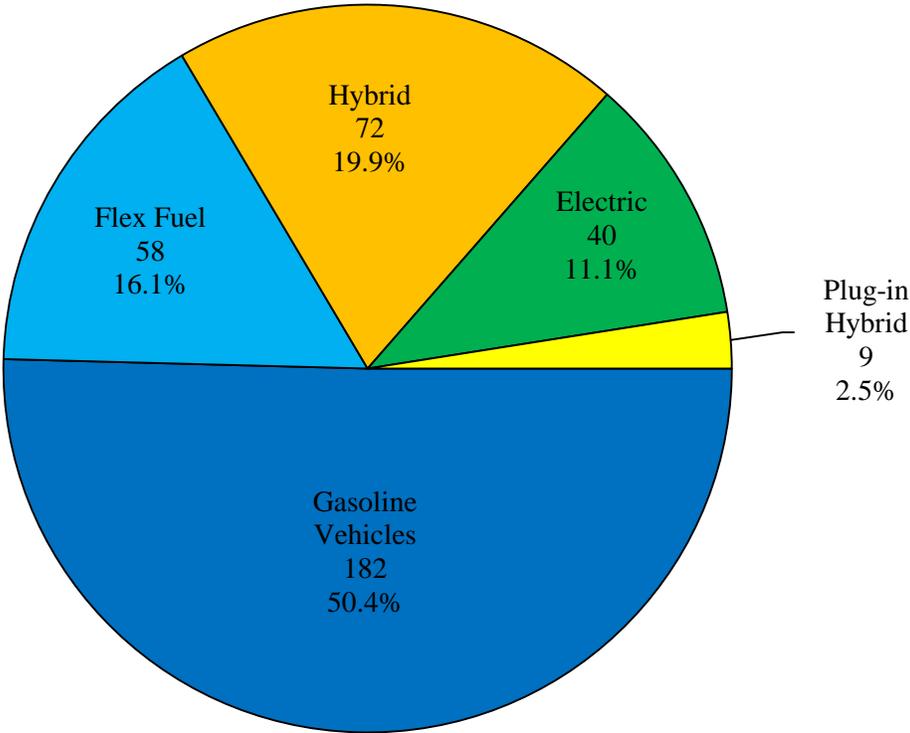
Exhibit 8
Existing State Vehicle Fleet
November 2021



Source: Department of Budget and Management

Exhibit 9 shows fiscal 2021 purchases of vehicles by fuel category. The share of gasoline vehicles declined substantially for new purchases compared to the existing fleet.

Exhibit 9
Fiscal 2021 Vehicle Purchases



Source: Department of Budget and Management

Appendix 1
2021 Joint Chairmen’s Report Responses from Agency

In addition to certain information requested in the fiscal 2022 Budget Bill and the 2021 *Joint Chairmen’s Report* (JCR) as part of the budget oversight process, the 2021 JCR requested that DBM prepare one report. An electronic copy of the full JCR response can be found on DLS Library website.

- ***State Fleet Inventory Tracking by Fuel Type:*** On December 1, 2021, DBM provided a record of 5,572 vehicles in the active State fleet, 361 vehicles purchased in fiscal 2021 and 170 vehicles purchased in fiscal 2022 categorized by fuel type. The State is transitioning from conventional fuel vehicles to electric vehicles with support from the SEIF. DBM reported that electric, hybrid, and plug-in hybrid vehicles made up one third of purchases in fiscal 2021. This proportion is higher than fiscal 2020 (13%). The share of vehicles that were fully electric in fiscal 2021 (11%), however, is lower than the goal of 25%. Fiscal 2022 year-to-date purchases are also below the goal, but DBM reports plans to purchase a total of 70 electric vehicles in fiscal 2022, bringing the total and two-year average above the goal. More information can be found in Update 1 of this analysis.

Appendix 2
Object/Fund Difference Report
Department of Budget and Management – Secretary

<u>Object/Fund</u>	<u>FY 21</u> <u>Actual</u>	<u>FY 22</u> <u>Working</u> <u>Appropriation</u>	<u>FY 23</u> <u>Allowance</u>	<u>FY 22 - FY 23</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	183.80	186.80	188.80	2.00	1.1%
02 Contractual	11.50	31.50	33.00	1.50	4.8%
Total Positions	195.30	218.30	221.80	3.50	1.6%
Objects					
01 Salaries and Wages	\$ 17,994,247	\$ 18,853,101	\$ 19,903,679	\$ 1,050,578	5.6%
02 Technical and Special Fees	924,416	1,239,070	1,459,287	220,217	17.8%
03 Communication	297,108	1,413,300	1,424,500	11,200	0.8%
04 Travel	2,155	29,000	53,950	24,950	86.0%
07 Motor Vehicles	5,499	9,850	11,191	1,341	13.6%
08 Contractual Services	8,916,670	13,166,434	14,439,308	1,272,874	9.7%
09 Supplies and Materials	28,115	105,000	120,000	15,000	14.3%
10 Equipment – Replacement	25,964	303,000	188,000	-115,000	-38.0%
11 Equipment – Additional	1,570	0	0	0	0.0%
13 Fixed Charges	633,649	928,481	676,537	-251,944	-27.1%
Total Objects	\$ 28,829,393	\$ 36,047,236	\$ 38,276,452	\$ 2,229,216	6.2%
Funds					
01 General Fund	\$ 11,158,059	\$ 12,157,054	\$ 14,120,107	\$ 1,963,053	16.1%
03 Special Fund	14,491,592	20,617,504	20,875,610	258,106	1.3%
09 Reimbursable Fund	3,179,742	3,272,678	3,280,735	8,057	0.2%
Total Funds	\$ 28,829,393	\$ 36,047,236	\$ 38,276,452	\$ 2,229,216	6.2%

Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Appendix 3
Fiscal Summary
Department of Budget and Management – Secretary

<u>Program/Unit</u>	<u>FY 21 Actual</u>	<u>FY 22 Wrk Approp</u>	<u>FY 23 Allowance</u>	<u>Change</u>	<u>FY 22 - FY 23 % Change</u>
01 Executive Direction	\$ 2,953,527	\$ 3,378,466	\$ 3,924,690	\$ 546,224	16.2%
02 Division of Finance and Administration	2,005,406	2,220,909	2,793,693	572,784	25.8%
03 Central Collection Unit	13,980,371	20,042,821	20,106,322	63,501	0.3%
01 Budget Analysis and Formulation	8,594,474	9,152,757	10,031,117	878,360	9.6%
01 Capital Budget Analysis and Formulation	1,295,615	1,252,283	1,420,630	168,347	13.4%
Total Expenditures	\$ 28,829,393	\$ 36,047,236	\$ 38,276,452	\$ 2,229,216	6.2%
General Fund	\$ 11,158,059	\$ 12,157,054	\$ 14,120,107	\$ 1,963,053	16.1%
Special Fund	14,491,592	20,617,504	20,875,610	258,106	1.3%
Total Appropriations	\$ 25,649,651	\$ 32,774,558	\$ 34,995,717	\$ 2,221,159	6.8%
Reimbursable Fund	\$ 3,179,742	\$ 3,272,678	\$ 3,280,735	\$ 8,057	0.2%
Total Funds	\$ 28,829,393	\$ 36,047,236	\$ 38,276,452	\$ 2,229,216	6.2%

Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.