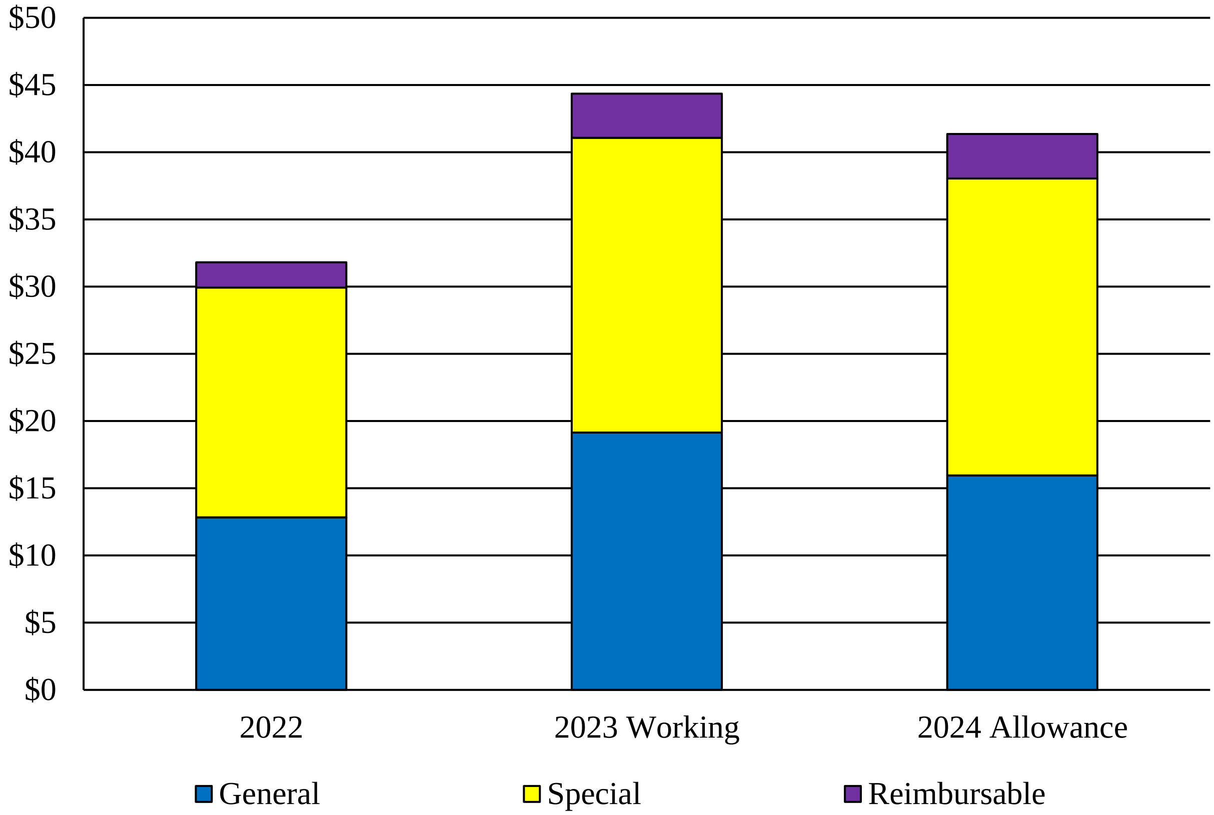
F10A
Department of Budget and Management – Secretary

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 2024 Budget Decreases $3.0 Million, or 6.8%, to $41.4 Million
($ in Millions)



Note: Numbers may not sum due to rounding. The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

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- The overall change is driven by a budgeting technicality. The fiscal 2023 budget reflects salary enhancements added for agencies that are funded by reimbursement while that funding for fiscal 2024 is found in the Statewide Account elsewhere in DBM.

Key Observations

- ***Federal Stimulus Funding Provides $8.7 Billion in Infrastructure Investment, $81.4 Billion in Economic Relief:*** Of the amount provided for economic relief, $3.7 billion is contingent on compliance with reporting requirements. DBM facilitates the management of these resources and reports to the U.S. Treasury on behalf of Maryland.

- ***Maryland Transportation Authority (MDTA) Resumed Toll Referrals to CCU on December 1, 2022:*** CCU collection activities and revenues on fees are expected to increase to prepandemic levels as the new backlog of pandemic-era tolls is processed.

- ***Zero-emission Vehicle (ZEV) Purchases Increase:*** The State has dedicated more resources to reducing emissions through the 25% annual performance goal for ZEV purchases. In fiscal 2022, State agencies purchased 90 ZEVs (58%) out of 156 purchases for which a ZEV equivalent was available.

- ***Vacancy Rate Is Elevated for DBM at 13.2% (25 Vacancies):*** Vacancies are 3.5 times higher than budgeted turnover and highest in CCU. The Audit Compliance Unit contributes 4 of these vacancies out of 8.5 allowed positions in the unit, representing moderate progress in expanding the unit.

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 appropriation 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, Blueprint for Maryland's Future Fund, and higher education Current Unrestricted Fund accounts.

5. Add a section applying across-the-board reductions to institutions of higher education.

6. Add a section requiring reporting on federal funds received by the State.

7. Add a section defining the use 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.

12. Add a section requiring notification of competitive grant applications with a State commitment and quarterly reports summarizing competitive grant applications.

Updates

- On December 13, 2022, DBM provided an accounting and explanation of monitoring procedures for the various federal stimulus monies available to Maryland.

F10A
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. An audit unit focused on enhancing audit compliance and program management across State agencies was expanded in fiscal 2023.

- **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 Surpass Expenditures but Remain Lower Than Prepandemic Levels

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.

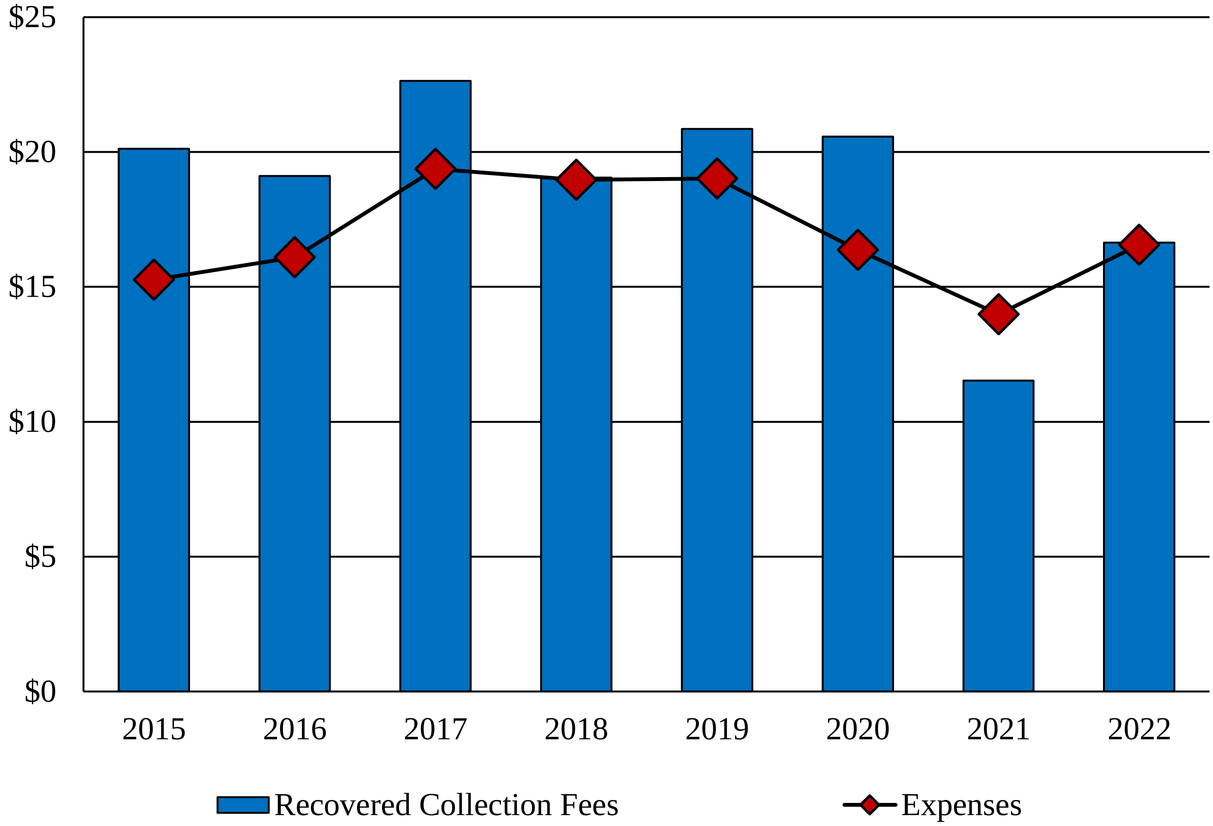
CCU Collections Paused March 2020 – October 2020 Due to COVID-19

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. 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 resumed in February 2021 as the State tax intercept process became applicable again.

Revenues from Administrative Fees Are 19% Lower Than Prepandemic Levels

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 collections were down by approximately 44% compared to fiscal 2019 and 2020. In fiscal 2022, revenues were down by 19% compared to the five-year prepandemic average but still reflected a 44% increase over fiscal 2021 collections. Net profit was generated, but only $85,000, which is 97% lower than the five-year prepandemic average.

Exhibit 1
Central Collection Unit Revenues versus Expenses
Fiscal 2015-2022
($ in Millions)

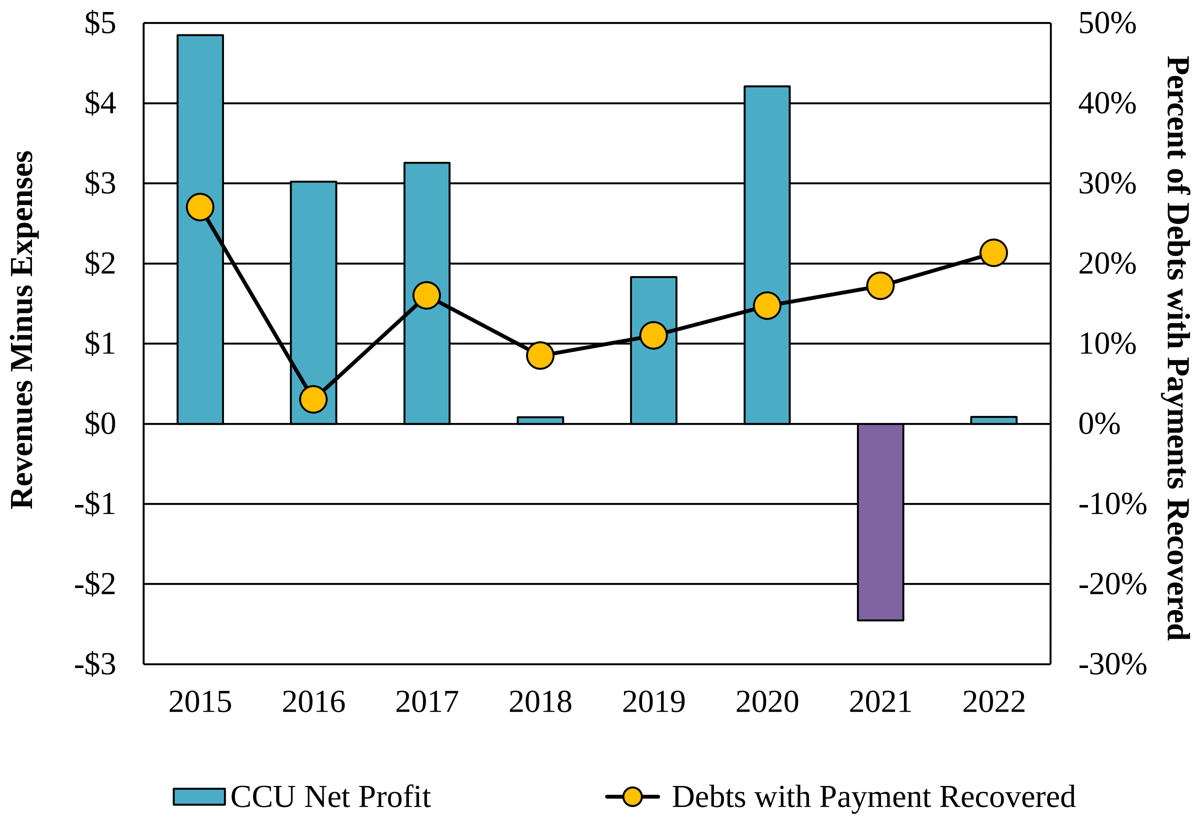


Note: Administrative fees charged on debts assigned to the Central Collection Unit (CCU) are held in the Central Collection Fund. At the end of each fiscal year, any balance in the Central Collection Fund above 15% of CCU's actual expenditures must be reverted to the General Fund.

Source: Governor's Fiscal 2024 Budget Books

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. The net loss of funds was temporary. Collections in fiscal 2022 were in line with expenses.

Exhibit 2
Trends in CCU Collections and Central Collection Fund
Fiscal 2015-2022
($ 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 2024 Budget Books

CCU recovered payments on a larger share of debts in fiscal 2020 and 2021 than previous years despite several months without active collections due to COVID-19. This is mostly due to changes in EZPass debt collections. In fiscal 2020, MDTA temporarily ceased assigning EZPass debts to CCU as they continued efforts to modernize the toll system. Maryland tolls remained in effect during the pandemic, but MDTA paused processing of certain transactions and deferred billing for these items in response to customers and businesses who had significant financial strains from nationwide shutdowns and layoffs. As a result, there were fewer total debts to collect, driving up the share of debts successfully collected.

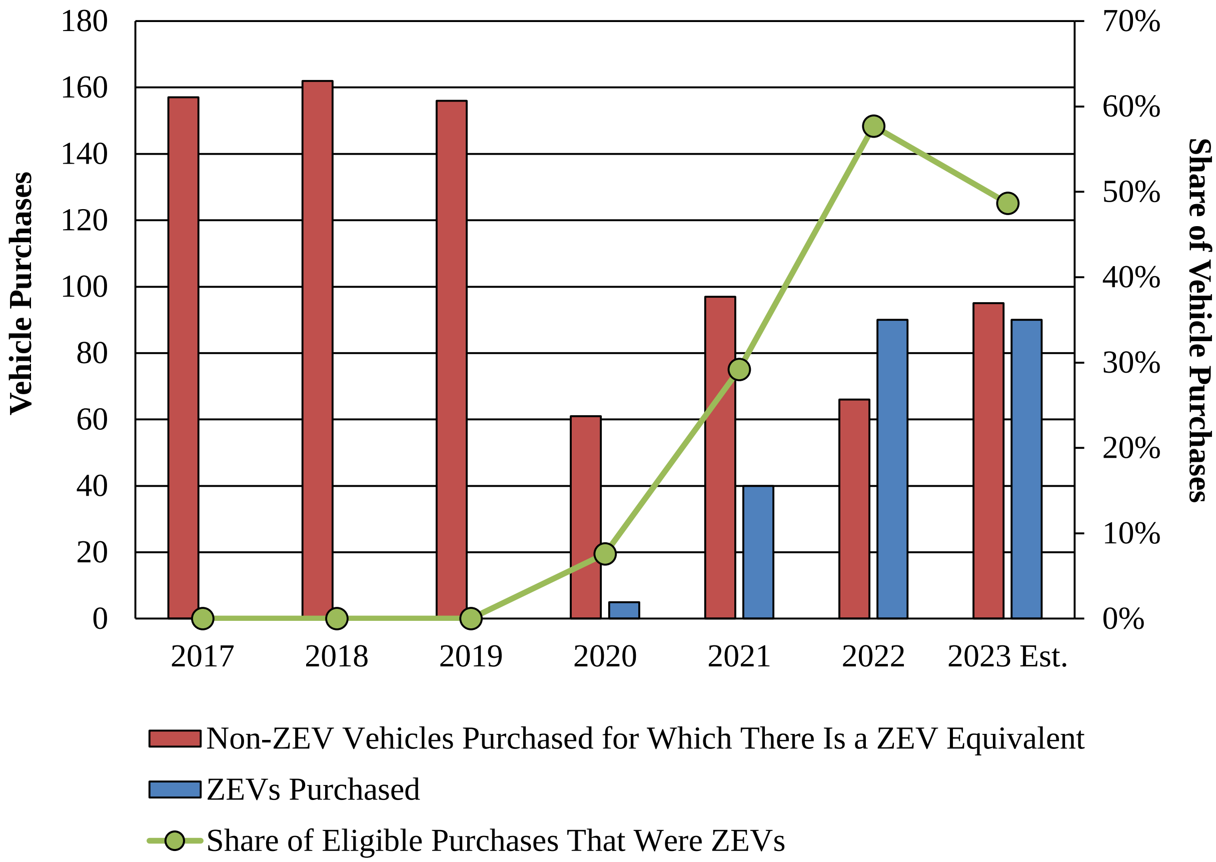
EZPass toll violation debt referrals to CCU and the Maryland Department of Transportation were allowed to resume on December 1, 2022. While EZPass has not placed any debts for collection yet, they have transmitted a high volume of account adjustments including debt cancellations and debt reductions. When the new backlog of debts is submitted to CCU, it is expected to lower the share of CCU collections recovered but raise the overall amount collected. **CCU should comment on the effect that this resumption has had on agency activities, performance, and expected fiscal 2023 collection fee revenues.**

2. State Vehicle Fleet Purchases Reach ZEV Goal

The State has a goal of reducing greenhouse gas emissions from State operations by electrifying the State vehicle fleet. The Managing For Results (MFR) goal is to make sure at least 25% of new vehicles purchased are ZEVs. ZEVs have no internal combustion engine and exclude low-emission alternatives to gasoline engines such as plug-in hybrid electric vehicles, flex fuel vehicles, and hybrid vehicles.

Exhibit 3 shows that in fiscal 2022, ZEVs made up 57.7% of State fleet purchases for which there was an option available. This is much higher than the previous two years since the goal was established. However, this is also a lower level than DBM expected to purchase in the 2022 session by 20 ZEVs. DBM expects ZEV purchases in the future to flatline at 90 per year, while an estimated additional 95 non-ZEV purchases per year would be made despite having a ZEV equivalent. This would place performance above the goal but would not maximize the State's commitment to reducing emissions.

Exhibit 3
State Vehicle Fleet ZEV Purchases
Fiscal 2017-2023 Est.



ZEV: zero-emission vehicle

Source: Governor's Fiscal 2024 Budget Books

This performance metric excludes State fleet purchases for which no ZEV option was available. This has a sizable effect on the calculation for meeting the MFR goal. For instance, in fiscal 2021, ZEVs made up 29.2% of State fleet purchases for which there was a ZEV option. However, only 97 of the 321 non-ZEV purchases, or 30.2%, had a ZEV option available. When comparing ZEV purchases to all vehicles purchased, the fiscal 2021 levels only make up 11.1%. The current method for calculating the ZEV percentage in the MFR likely overestimates the State's true performance in reducing State fleet emissions. Some major obstacles to expanding access include lack of diversity of ZEV options, insufficient size of the larger ZEV options, and the lack of robust charging infrastructure to ensure that vehicles are charged when needed.

Fiscal 2023

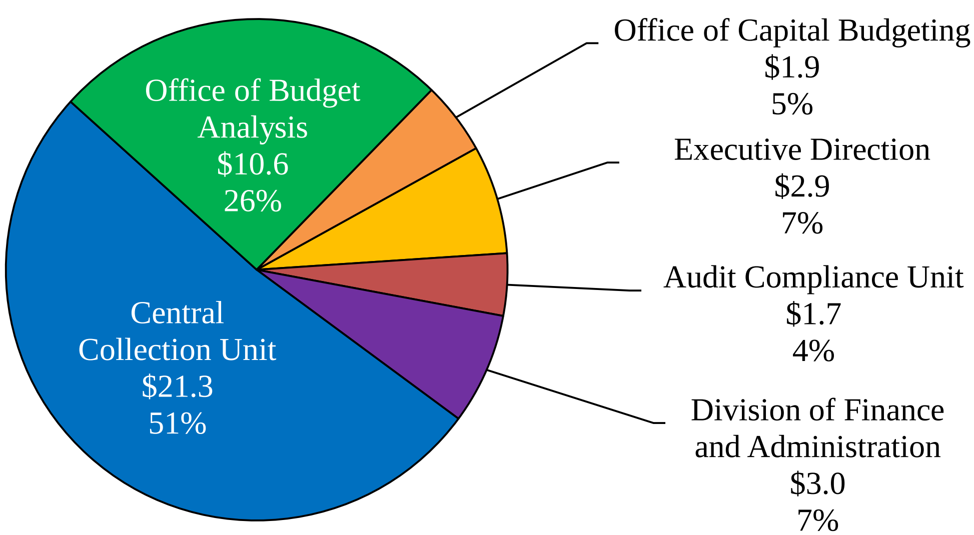
Proposed Deficiency

The Governor's proposed budget includes a general fund deficiency of $301,363 to provide funding for the Office of Administrative Hearings (OAH) due to a miscalculation in the fiscal 2023 allocation. OAH is funded by reimbursement through general funds budgeted in a variety of agencies. To avoid adjusting the budgets of each contributing agency, necessary changes to the OAH appropriation (and the appropriations of other reimbursable funded agencies) are budgeted within DBM Office of the Secretary.

Fiscal 2024 Overview of Agency Spending

Exhibit 4 displays DBM's fiscal 2024 allowance by the six units under the Secretary's Office. CCU accounts for a majority (51.6%, or $21.3 million) of total expenditures and is expected to be fully supported by administrative fees in the Central Collection Fund.

Exhibit 4
Overview of Agency Spending by Unit
Fiscal 2024 Allowance
($ in Millions)

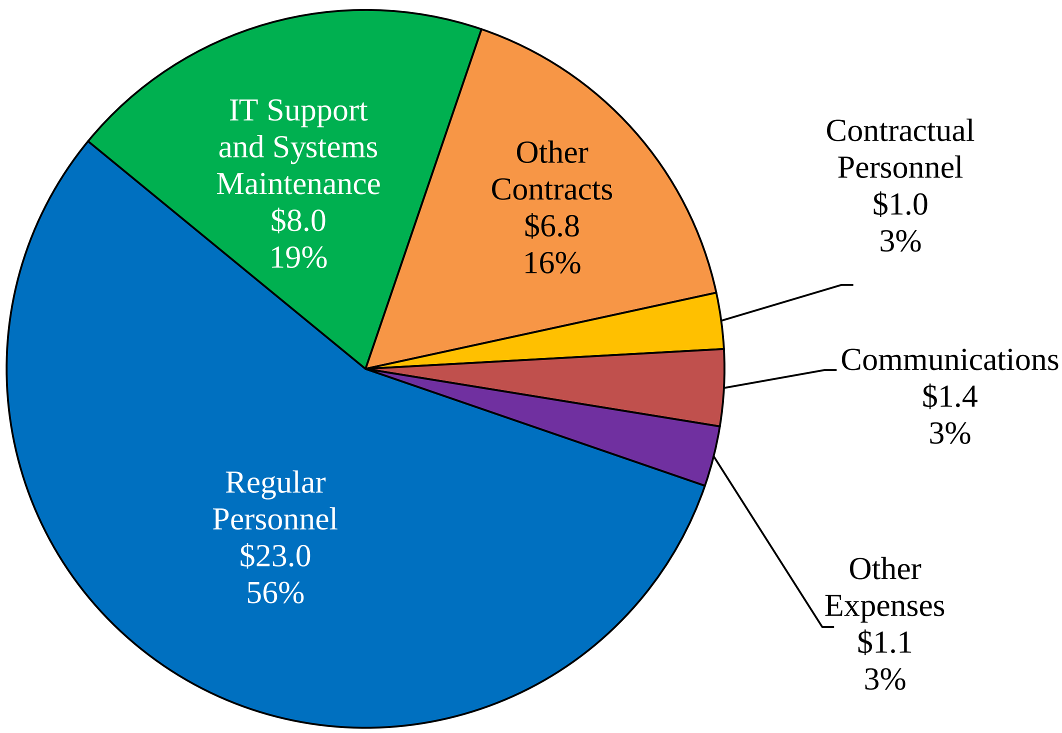


Total Expenditures = $41.4 Million

Source: Governor's Fiscal 2024 Budget Books

Exhibit 5 reflects the DBM Secretary fiscal 2024 allowance by use of funds. Regular personnel costs make up a majority of total spending (56%, or $23.0 million). IT maintenance activities account for the next largest share of the allowance at 19%, or $8.0 million. Of this, $3.8 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 5
Overview of Agency Spending by Use
Fiscal 2024 Allowance
($ in Millions)



Total Expenditures = $41.4 Million

IT: information technology

Source: Governor's Fiscal 2024 Budget Books

Proposed Budget Change

As shown in **Exhibit 6**, the fiscal 2024 allowance decreases by $3.0 million, or 6.8%, from the fiscal 2023 working appropriation.

Exhibit 6
Proposed Budget
DBM – Secretary
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2022 Actual	$12,829	$17,098	$0	$1,880	$31,807
Fiscal 2023 Working Appropriation	19,136	21,926	0	3,294	44,356
Fiscal 2024 Allowance	15,950	22,096	0	3,304	41,351
Fiscal 2023-2024 Amount Change	-$3,186	$171	$0	$10	-$3,005
Fiscal 2023-2024 Percent Change	-16.6%	0.8%	0%	0.3%	-6.8%

Where It Goes:	Change
Personnel Expenses	
Regular earnings	$646
Employee and retiree health insurance premiums	415
Annualization of November 2022 4.5% COLA	233
Employee retirement contributions	193
Social Security	47
Other fringe benefit adjustments	-13
Employee reclassifications	-39
Accrued leave payouts	-48
Turnover adjustments	-114
Other Changes	
Reimbursements for DBM-provided shared services including human resources, personnel system, and budget system	118
Fees paid to other State agencies for shared services	98
Subscriptions and association fees	26
New training contracts for Office of Budget Analysis	18
Travel expenses for trainings, conferences, and seminars	16
Laptops	10

Where It Goes:	**Change**
Reduction of 13 contractual IT Functional Analyst II positions for a temporary project	-576
General funds budgeted in fiscal 2023 to provide reimbursable fund salary enhancements to agencies funded by reimbursement	-4,035
Total	**-$3,005**

COLA: cost-of-living adjustment
DBM: Department of Budget and Management
IT: information technology

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

Budget Decrease Driven by Budgeting Technicality

Over $3.8 million is reduced from the fiscal 2023 working appropriation to the fiscal 2024 allowance due to a budgeting technicality. General funds in fiscal 2023 were added to backfill the budgets of several agencies with insufficient reimbursable fund revenue from other State agencies. Rather than increasing the amount of general funds in individual agency budgets across the State, DBM makes adjustments in the Office of the Secretary's budget that are transferred as needed to the agencies in question. The extra funds were needed to provide the full amounts required by fiscal 2023 cost-of-living adjustments and are not repeated in fiscal 2024. Without this change, the DBM budget would increase due to rising personnel costs.

Personnel Data

	FY 22 Actual	FY 23 Working	FY 24 Allowance	FY 23-24 Change
Regular Positions	186.80	189.80	189.80	0.00
Contractual FTEs	15.73	33.00	20.00	-13.00
Total Personnel	**202.53**	**222.80**	**209.80**	**-13.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	6.93	3.69%
Positions and Percentage Vacant as of 12/31/22	25.00	13.17%
Vacancies Above Turnover	18.07	

- Two positions are transferred out of the agency in fiscal 2024 into the Office of Personnel and Benefits – 1 budget analyst I from the Office of Capital Budgeting and 1 administrator I from the Division of Finance and Administration.

- Two new positions are added in fiscal 2024: a budget analyst III in the Office of Capital Budgeting and a deputy director for finance. Both are related to increased workload. The net result of the transfers out and new positions added is only $8,374 due to being budgeted at 25% turnover expectancy for new positions.

    - The new position in the Office of Capital Budgeting is related to the additional workload required as the result of the expansion of the capital budget over the last few years, particularly the use of sizable amounts of general fund pay-as-you-go and miscellaneous projects.

    - The deputy director of finance position is being restored after previously having been transferred to the Department of Housing and Community Development during the prior Administration. The Division of Finance and Administration has taken on additional work by supporting the management of American Rescue Plan Act (ARPA) funding.

- Contractual full-time equivalents (FTE) are reduced by 10 IT analysts and 3 collection agents who were temporarily employed by DBM to facilitate the modernization project for CCU. The work included conversion of the debt collection system, creation of creditor web interfaces, and a debtor portal. The 3 collection agents were hired by CCU to fill regular staff vacancies.

- Vacancies have been higher than in the typical year for DBM Office of the Secretary. Of the 25 current vacancies, 5 have been vacant for over 12 months. CCU has the most vacancies at 13, or 11.1% for that unit.

- Turnover expectancy is only $0.7 million, while the positions that are currently vacant have total salaries of $2.2 million. This could result in excess salary funds of over $1 million if vacancies go unfilled.

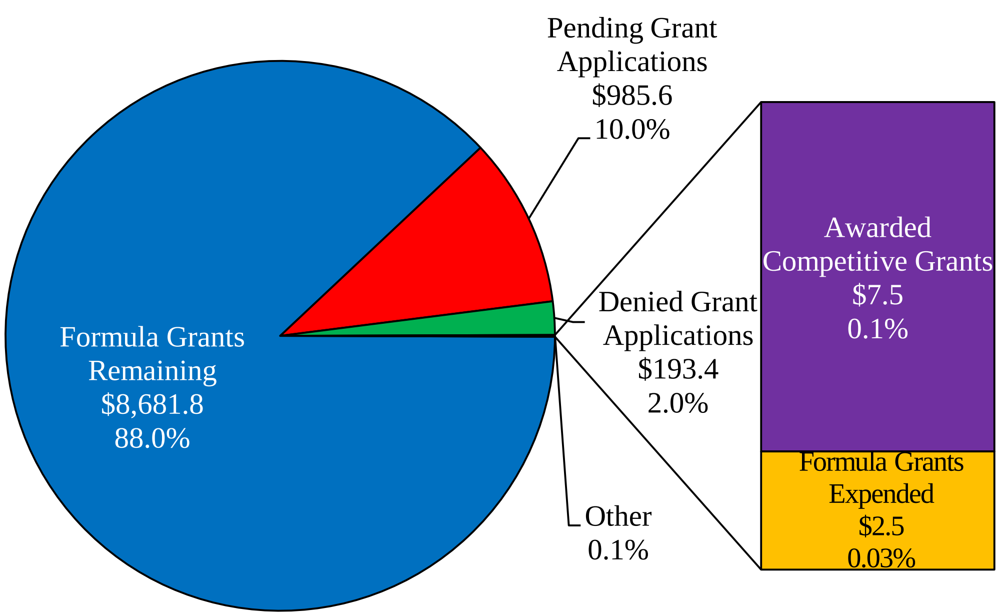
Issues

1. Infrastructure Investment and Jobs Act

The Infrastructure Investment and Jobs Act (IIJA) was passed in November 2021 and addresses a wide range of infrastructure needs across the country. In order to better understand the impact this has on Maryland, the 2022 *Joint Chairman's Report* (JCR) requested that DBM submit a report on funding found in the IIJA, including competitive grant applications, the amount expended, and the date by which remaining funds must be used. On December 28, 2022, DBM submitted the requested information accurate as of the end of October 2022.

According to the information provided, a total of 62 IIJA formula grants awarded $8,684.4 million to Maryland. IIJA competitive grants awarded much less than this amount at only $7.5 million total provided for 2 grants. State agencies also competitively applied for 19 grants totaling $985.6 million that are still pending and 7 grants totaling $193.4 million that were denied. **Exhibit 7** highlights the disparity between granted funds and expenditures. Only $2.5 million in total from formula-funded programs were expended by the close of October 2022.

Exhibit 7
Infrastructure Investment and Jobs Act Grant Results
October 2022
($ in Millions)



Source: Department of Budget and Management

Most of the expenditures were related to the Motor Vehicle Administration at $1.2 million to support certain costs of State alcohol-impaired driving programs. Another notable spending item is $444,577 for data program improvements to core highway safety databases. The timeframe of authorized use for the IIJA funds differs based on the program, but funds unexpended by the end of the performance period would return to the U.S. Treasury. The majority of funds are authorized for use from October 10, 2021, to September 30, 2026, but some programs begin October 10, 2022, and some environmental programs extend as far as June 30, 2029.

DBM's Role in Federally Funded Grant Programming

As the executive control agency for budgetary matters, DBM has the responsibility of working with other Executive Branch agencies to ensure that the budget is balanced and in line with the requirements associated with the funds, be they State or federal, mandatory or discretionary. OBA and the Division of Finance and Administration are the primary units managing the use of federal funds. As summarized in Update 1 of this analysis, DBM has developed workflow procedures as well as systems of data management to gather required information from State agencies, analyze the data for statutory and managerial purposes, and provide insight to a variety of stakeholders. DBM identified the following keys to success in monitoring COVID-19 stimulus spending:

- each agency should have a project team for administering the federal program, including a team captain;
- information should be visible and processes should be transparent to create an open dialogue for recommending corrective actions; and
- agencies should be coached on subrecipient monitoring and data collection techniques to reduce the burden of collecting and analyzing data.

DBM established a curriculum of professional development training to ensure agency project teams have the tools they need to meet compliance and reporting requirements. For example, on November 2, 2022, Hagerty Consulting led a technical assistance webinar to State employees on subrecipient monitoring and oversight. One hundred financial and grant managers registered, and it included continuing professional education credits. DBM established an internal knowledge base and collaboration space for all agency project teams, training, coaching, and technical assistance. DBM also provides formal guidance on serving targeted populations.

Technical assistance services provided to State agencies include training webinars, office hours, development of templates, checklists, supporting documentation, data collection, and data quality. DBM has established networks with federal agency personnel and with industry to ensure the latest guidance and regulations are followed.

Recommended Action

While DBM has provided information on the applications made so far by State agencies, it is not clear that all available opportunities are being pursued or that all funds are being monitored to maximize efficiency. As listed in Update 1 of this analysis, only $3.7 billion of the total $81 billion authorized through the various COVID-19 relief bills to Maryland is being intensively managed by DBM due to U.S. Treasury reporting requirements. Much more funding than typical is being routed to the States, and DBM has a role to play in ensuring Maryland is as fully supported as possible. The IIJA and another federal spending bill – the Inflation Reduction Act – each make billions of dollars of federal grant funds available to states and other entities on a competitive basis. Competitive grants that align with the goals of the State should be aggressively pursued. Many of the opportunities, however, require the commitment of State matching funds. At this point, it is not clear what impact that might have on future State budgets and the commitment of State resources.

In order to better understand the opportunities and tradeoffs presented by these federal spending bills, the Department of Legislative Services (DLS) recommends adding budget bill language expressing intent that DBM work with State agencies to aggressively pursue federal funding opportunities that align with the goals of the State. The recommended language would require notification 10 days prior to applying for a grant with a matching State requirement. The language would also require submission of a quarterly report summarizing competitive grants that the State has applied for including the status of the application, the amount applied for, and any State match that is required by the grant.

Fiscal 2023 budget bill language restricted $250,000 in general funds pending submission of two reports by January 15, 2023, on federal stimulus spending. The first report was received on December 13, 2022. The second report was received on February 6, 2023. Having reviewed the first report and used it in development of the fiscal 2024 budget analyses, DLS recommends these withheld funds be released to DBM upon conclusion of the budget hearings.

2. Audit Compliance Unit at 40% Vacancies during First Year of Startup

In fiscal 2023, the existing Audit Compliance Unit was expanded to assist State agencies experiencing repeat audit findings, fiscal obstacles, and program management deficits. The Audit Compliance Unit works with Executive Branch agencies to reduce repeat audit findings by assuring that corrective action plans are adequate and successfully implemented. While previously consisting of one director focused on repeat audit findings, the newly expanded unit is allowed 3 senior program manager PINs, 2 program analyst II PINs, 4 administrator V PINs, and 1 administrative officer PIN. The unit also uses 1.5 program analyst III contractual FTEs to assist with agency training and guidance for audit and financial management needs in the amount of $180,000 total per year.

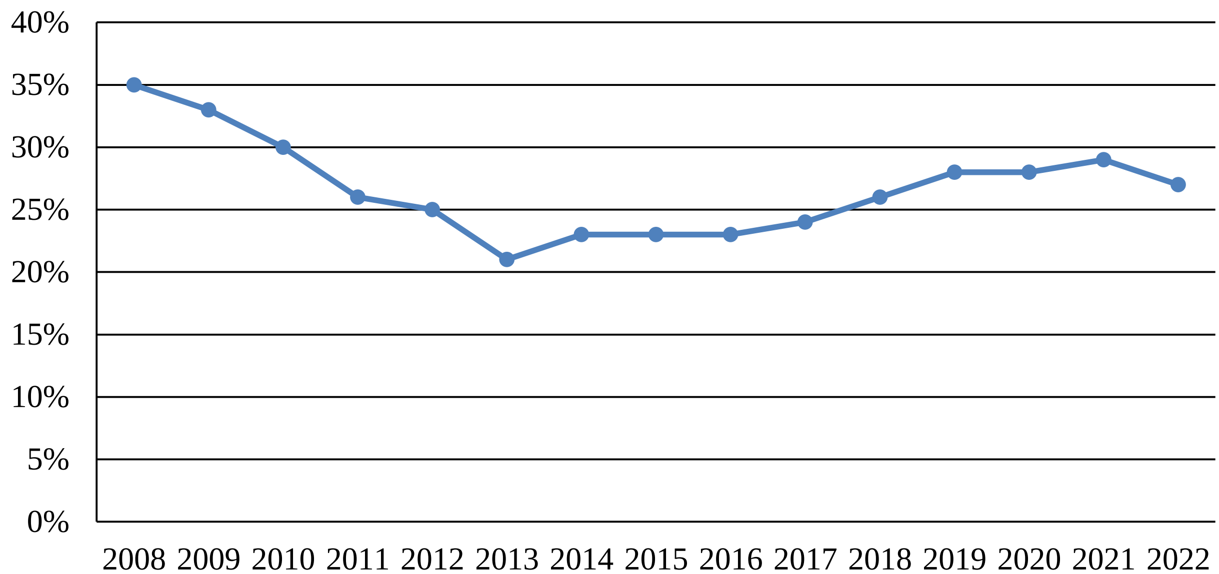
The 10 regular positions total $1.65 million in the fiscal 2024 allowance, but only 4.5 are filled. As of January 1, 2023, 4 positions are vacant, totaling $371,909 in salaries going unspent, or 25% of the unit's fiscal 2023 budget. These positions have been vacant since the unit was started and represent the last positions to be filled as part of startup activities. In fiscal 2024, these PINs are being reclassified.

Audit Compliance Performance Improved in Fiscal 2022

This office has reasonable justifications to expand considering the increase in repeat audit findings from the Office of Legislative Audits (OLA). From fiscal 2013 to 2016, the overall percentage of repeat audit findings was relatively stable. In the past five years, the number of repeat findings started rising again, but those percentages began to trend down again starting in calendar 2022 according to OLA.

Exhibit 8 shows that findings repeated from previous audits made up 27% of all findings in fiscal 2022, while only 23% were repeat findings in fiscal 2016. The Audit Compliance Unit was not expanded until partway through calendar 2022, so there is no clear connection between this initiative and the lower fiscal 2022 rate.

Exhibit 8
Share of Audit Findings Repeated from Previous Audit
Fiscal 2008-2022



Source: Fiscal 2024 Managing for Results; Office of Legislative Audits

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 2025 subobject detail by program for Comptroller Objects 08 and 12 by the third Wednesday of January 2024 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 2024

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~~ <u>a list limited to the appropriations restricted in this Act to be placed in contingency reserve</u>. 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.~~

~~(c)~~ <u>(b)</u> 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.

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 2023 and fiscal 2024. 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, 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 2025 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 2025 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 2024, 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 2025 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 2024 except as indicated elsewhere in this Act; however, this may not preclude the placement of additional information into the budget books. For actual fiscal 2023 spending, the fiscal 2024 working appropriation, and the fiscal 2025 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 2023 spending, the fiscal 2024 working appropriation, and the fiscal 2025 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 2025 Budget Bill affecting fiscal 2024 or 2025, 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, 2023, 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 2023, 2024, and 2025 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.

Information Request	**Author**	**Due Date**
Agency organizational charts and special and federal fund accounting detail	DBM	With submission of the Governor's Fiscal 2025 Budget Books
List of subprograms	DBM	September 1, 2023

9. Add the following section:

Section XX Interagency Agreements

SECTION XX. AND BE IT FURTHER ENACTED, That on or before August 1, 2023, 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 2023 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, 2023, 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 2023.

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 2024 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 2024 without prior approval of the Secretary of Budget and Management.

Information Request	**Author**	**Due Date**
Consolidated report on interagency agreements	DBM	December 1, 2023

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 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

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

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 2023 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 2023 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 2023 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 2023 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, 2023, and submitted on a monthly basis thereafter.

(6) It is the intent of the General Assembly that general funds appropriated for fiscal 2023 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	Author	Due Date
Report on appropriations and disbursements in M00Q01.03, M00Q01.10, R00A02.07, and N00G00.01	MDH MSDE DHS	August 15, 2023, and monthly thereafter

12. Add the following section:

Section XX Competitive Grant Applications

SECTION XX. AND BE IT FURTHER ENACTED, That, as the Infrastructure Investment and Jobs Act and the Inflation Reduction Act each make billions of dollars of federal grant funds available to states and other entities on a competitive basis, it is the intent of the General Assembly that State agencies aggressively pursue funding opportunities that align with the goals of the State. The General Assembly notes that many of the grant opportunities require the commitment of State matching funds and asks that agencies notify the budget committees at least ten days prior to submitting the application **if the receipt of the grant will require the allocation of additional State resources to the agency in fiscal 2024 or future years.** The submission should include a brief description of the opportunity, the amount of federal funds the State is seeking, and the required State match.

Further provided that on a quarterly basis beginning July 1, 2023, the committees request a report from the Department of Budget and Management summarizing all of the competitive grants the State has applied for, the status of the application, and any state match that is required by the grant.

Explanation: The Infrastructure Investment and Jobs Act and the Inflation Reduction Act each make billions of dollars of federal grant funds available to states and other entities on a competitive basis. There is limited legislative oversight on these funding opportunities and the impact they may have on future commitment of State resources. This language establishes a process for legislative review and tracking of competitive grant opportunities prior to the commitment of State funds.

Information Request	Author	Due Date
Notice of competitive grant application requiring State match	DBM All State agencies	10 days prior to submission of grant application
Competitive grant application summary reports	DBM	July 1, 2023 October 1, 2023 January 1, 2024 April 1, 2024

Updates

1. COVID-19 Federal Stimulus and Grants Management

DBM has an increased workload in recent years due to the abundance of federal grant opportunities and other stimulus passed by the U.S. Congress. The State of Maryland has a duty to guarantee these funds are properly used. Fiscal 2023 budget bill language restricted $250,000 in general funds pending two reports on ARPA funding. DBM submitted the first report late on December 13, 2022, containing an extensive and valuable analysis of multiple federal stimulus programs available to Maryland. DBM submitted the second report late on February 6, 2023, and the results of the report are not included in this analysis due to timing. A summary of the first report is listed below and includes funding provided through ARPA; the Coronavirus Aid, Relief, and Economic Security (CARES) Act; Families First Coronavirus Response Act; and the annual omnibus Consolidated Appropriations Act. **Exhibit 9** summarizes the major funded subprograms.

Exhibit 9
COVID-19 Federal Stimulus Monies
Fiscal 2020-2026
($ in Millions)

COVID-19 Federal Stimulus Program	COVID-19 Federal Stimulus Subprogram	Nongrant	Grant	Total Funds
ARPA	Economic Impact Payments	$6,495		$6,495
ARPA	Elementary and Secondary School Emergency Relief Fund		$1,953	1,953
ARPA	FTA Urbanized Area Formula		905	905
ARPA	Local Fiscal Recovery Fund		2,322	2,322
ARPA	State Fiscal Recovery Fund		3,717	3,717
ARPA	Other	89	3,224	3,313
ARPA Total		**$6,584**	**$12,121**	**$18,705**
CARES Act	Coronavirus Relief Fund		$2,344	$2,344
CARES Act	Economic Impact Payments	$4,613		4,613
CARES Act	Economic Injury Disaster Loans	6,897		6,897
CARES Act	Federal Pandemic Unemployment Compensation	7,902		7,902
CARES Act	Municipal Liquidity Facility	5,670		5,670
CARES Act	Pandemic Emergency Unemployment Compensation	1,109		1,109

COVID-19 Federal Stimulus Program	COVID-19 Federal Stimulus Subprogram	Nongrant	Grant	Total Funds
CARES Act	Pandemic Unemployment Assistance	3,948		3,948
CARES Act	Paycheck Protection Program 2020	10,054		10,054
CARES Act	Paycheck Protection Program 2021	5,105		5,105
CARES Act	Provider Relief Funds – General Allocations		1,362	1,362
CARES Act	Other	626	2,829	3,455
CARES Act Total		**$45,924**	**$6,535**	**$52,459**
CARES Act, ARPA	Public Assistance Grants		$1,397	$1,397
CARES Act, ARPA	Other		5	5
CARES Act, ARPA Total			**$1,402**	**$1,402**
Consolidated Appropriations Act	Economic Impact Payments	$2,344		$2,344
Consolidated Appropriations Act	Elementary and Secondary School Emergency Relief Fund II		$869	869
Consolidated Appropriations Act	Other	51	1,891	1,942
Consolidated Appropriations Act Total		**$2,395**	**$2,760**	**$5,155**
Families First Coronavirus Response Act	Medicaid		$1,004	$1,004
Families First Coronavirus Response Act	Pandemic Electronic Benefit Transfer Benefits	$1,052		1,052
Families First Coronavirus Response Act	Other		36	36
Families First Coronavirus Response Act Total		**$1,052**	**$1,040**	**$2,092**
Federal Stimulus – Other	Federal Stimulus – Other	$456	$1,135	$1,591
Federal Stimulus Total		**$56,411**	**$24,994**	**$81,405**

ARPA: American Rescue Plan Act
CARES: Coronavirus Aid, Relief, and Economic Security Act
FTA: Federal Transit Administration

Source: Department of Budget and Management; American Rescue Plan Act Funding Report; Report on Monitoring the Use of Federal Stimulus Funds; State and Local Fiscal Relief Funds Annual Performance Report

The CARES Act provided the most funding to relief efforts and comprised seven of the eight largest relief programs. The majority of funding is nondiscretionary and is earmarked for small businesses ($22.4 billion) and individuals ($27.7 billion). For instance, the Paycheck Protection Program of 2020 was the highest awarded amount at $10.1 billion and went to small businesses, while the next largest program was the Federal Pandemic Unemployment Compensation at $7.9 billion and went to individuals. The largest ARPA-funded program is Economic Impact Payments, which provided a total of $6.5 billion in direct payments to taxpayers. A full accounting of other programs and subprograms can be found in the December 2022 report on Monitoring the Use of Federal Stimulus Funds.

Monitoring Compliance with Federal Stimulus Rules

Different federal stimulus programs have different monitoring and oversight requirements. Nearly all federal grants have uniform guidance to comply with as part of 2 CFR 200 of the Federal Code of Regulations, also known as the Uniform Guidance (UG). The UG establishes uniform administrative requirements, cost principles, and audit requirements for federal awards to nonfederal entities. The UG uses the words "should" and "must" when identifying federal requirements. The word "should" implies a suggested course of action and is considered a best practice. The word "must" indicates a required action. Failure to comply with a required action may result in an audit finding, the federal awarding agency or pass-through entity imposing special conditions on the award, and/or legal consequences.

Monitoring improper use begins with the budget-making process. DBM and the agencies work together to place federal funds in the appropriate spending objects based on federal guidelines. Agency project teams serve as subject-matter experts and points of contact for collecting, organizing, and submitting federal program data. DBM engages in a bi-directional workflow that provides further insight to agency project teams after analyzing and reporting on collected data.

The recipient agency is the primary party responsible for ensuring compliance with specific spending stipulations and submitting timely outcomes reports. For example, the Maryland State Department of Education administers multiple awards under multiple pieces of legislation, and so has procured outside contractors to assist program evaluation processes and ensure compliance with federal rules. Other agencies administer awards that are less complex, allowing the agency to take the lead on monitoring and oversight activities without external consultation.

On the other hand, direct payments to nongovernmental parties are usually monitored by relevant federal authorities. For example, fraud monitoring for the Paycheck Protection Program is led by the federal Pandemic Response Accountability Committee that utilizes advanced forensic techniques to uncover suspicious activity and then works with the Fraud Task Force, Offices of Inspectors General, and law enforcement with the authority to investigate. Unemployment Insurance-related fraud is investigated by the U.S. Department of Labor.

Discretionary Stimulus Usage

State and Local Fiscal Recovery Funds (SLFRF) have the most rigorous compliance and reporting requirements. SLFRF monies must be utilized for the following purposes:

- public health responses for those impacted by the pandemic, including the general public;

- responses to the negative economic impacts that were experienced as a result of the pandemic; and

- additional services, either as a public health response or a response to the negative economic impacts of the pandemic, for disproportionately impacted communities.

The $3.7 billion State Fiscal Relief Fund (SFRF) award requires the State to provide quarterly Project and Expenditure Reports to the U.S. Treasury and a comprehensive, public-facing SLFRF Annual Performance Report. The SFRF is the largest portfolio of projects for which DBM provides management and oversight. Of the $3.7 billion award, $3.5 billion was allocated and $2.5 billion was expended at the end of fiscal 2022. The SFRF portfolio consists of 89 subprojects. The full accounting of SFRF funds can be found in **Exhibit 10**. Most of the projects and funding is earmarked for mitigating negative economic impacts of COVID-19 and replacing lost revenue.

Exhibit 10
Programs Funded by State Fiscal Relief Funds
Fiscal 2021-2022
($ in Millions)

Project Name	Budget	Expenditures*
Assistance to Households: Contributions to Unemployment Insurance Trust Funds	$900	$830
Revenue Budget Relief	633	370
Public Sector Workforce: Payroll and Benefits for Public Health, Public Safety, or Human Services Workers	325	314
Assistance to Households: Addressing K-12 Educational Disparities: Academic, Social, and Emotional Services	270	84
Assistance to Small Businesses: Technical Assistance, Counseling, or Business Planning	201	159
COVID-19 Mitigation and Prevention: Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, Child Care Facilities, etc.)	164	75
Transfers to Other Units of Government	154	132
Broadband: "Last Mile" Projects	143	3
Assistance to Households: Social Determinants of Health: Lead Remediation	121	120
State Employee Premium Pay	114	114
Assistance to Households: Assistance to Unemployed or Underemployed Workers (*e.g.*, Job Training, Subsidized Employment, Employment Supports or Incentives)	92	51
Assistance to Households: Household Assistance: Internet Access Programs	86	4
Assistance to Small Businesses: Loans or Grants to Mitigate Financial Hardship	70	28
Assistance to Nonprofits: Assistance to Impacted Nonprofit Organizations (Impacted or Disproportionately Impacted)	47	47

Project Name	Budget	Expenditures*
Aid to Impacted Industries: Aid to Tourism, Travel, or Hospitality	43	43
Assistance to Households: Unemployment Benefits or Cash Assistance to Unemployed Workers	40	40
Public Health Service Provider Assistance	31	31
K-12 Emotional and Behavioral Services	25	7
Public Health Equity Resources	19	1
Behavioral Health: Mental Health Services	15	5
Administrative Expenses	15	1
Aid to Impacted Industries: Aid to Other Impacted Industries	12	11
Assistance to Households: Long-term Housing Security: Affordable Housing	10	0
Community Violence Interventions	6	3
Behavioral Health: Substance Use Services	5	4
Broadband: Other Projects	2	2
COVID-19 Mitigation and Prevention: COVID-19 Aid to Impacted Industries for Vaccinations	1	1
All Programs	**$3,543**	**$2,482**

*To date as of July 1, 2022.

Source: Department of Budget and Management; American Rescue Plan Act Funding Report; Report on Monitoring the Use of Federal Stimulus Funds; State and Local Fiscal Relief Funds Annual Performance Report

Data Analytics and Quarterly Reporting

The SLFRF Data Model standardizes data collected by project teams as they report progress on obligations, expenditures, performance, and other monthly reporting requirements. A copy of the data is organized and stored in a database by DBM and connected to DBM's analytics/business intelligence software. This enables DBM to perform analyses, including additional improper use checks and fraud, waste, and abuse related monitoring on any data submitted. The following data is collected and uploaded for review by the U.S. Treasury each quarter:

- Project Baseline Template includes the basic project information, description, compliance with labor laws, and information about project demographics and audiences.
- Subrecipients over $50,000 Table is a list of all subrecipients (grantees) that received an SLFRF award of more than $50,000. It includes the name, address, and other relevant information about each subrecipient.
- Subawards over $50,000 Table includes subaward number and description. These data are later made available to the public by the U.S. Treasury on USAspending.gov.
- Subawards under $50,000 (grouped by project).
- Expenditures Over $50,000 Table.
- Expenditures under $50,000 (grouped by project).
- Payments to Individuals under $50,000 (grouped by project).

Outcome Measures and Annual Reporting

Compliance with federal rules includes reporting on evidence-based practices used in a project's design or else the agency is required to conduct rigorous project evaluations to analyze outcomes. This process is ongoing, and DBM is committed to assisting agencies in developing evaluations by the end of the grant period at the close of fiscal 2026. Federal rules require an SLFRF Annual Performance Report to be completed by the State each year. The report contains 12 key outcome goals. All 12 key outcome goals for SLFRF are available for analysis by the public on the State's open data portal and on State websites. These include four major areas:

- improvement in health outcomes by addressing inequity in health care access and quality;
- reduction in poverty, food insecurity, and utility debt;

- improvement in educational outcomes through school infrastructure improvement, broadband access expansion, and programs to address pandemic learning loss; and

- stabilization and growth of the State economy through support to small businesses and industries most negatively impacted by the pandemic.

In total, State agencies have developed over 200 performance measures for SLFRF projects. Of these, 90 are outcomes, meaning a measurement of the impact on the desired goal. Many are outputs, meaning the counts and amounts of grants disaggregated by county, zip code, and census tract. Agencies were asked by DBM to establish outcomes and align the outcomes to outputs for the SLFRF, planning backward from the outcomes that the project wants to achieve to what it takes to achieve them. DBM and the agencies are then able to monitor and evaluate performance during strategy execution to take corrective actions and report results. Many of the measures also include the count and amount provided to underserved populations, small and minority businesses, and other relevant demographic information.

For instance, in measuring the reduction in utility debt, the agency project teams collected outputs on the amount of aid and the number aided by county. The team also collects and reports on outcomes data including the percentage of the county population receiving aid disaggregated by target populations such as families below the poverty line, individuals with a disability, families receiving Supplemental Nutrition Assistance Program benefits, and individuals over the age of 65 living alone.

SLFRF Performance Highlights

- The unemployment rate as of June 2022 was 4.0%, down from the pandemic high of 9.5% in April 2020 and the prepandemic level of 4.2% in February 2020.

- Gross Domestic Product in quarter 2 of fiscal 2021 was only 0.8% less than the fiscal quarter immediately preceding the pandemic.

- The number of utility customers experiencing payment difficulties is now below historical averages.

Appendix 1
2022 *Joint Chairmen's Report* Responses from Agency

The 2022 JCR requested that DBM Office of the Secretary prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Report on the IIJA:*** DBM provided an accounting of federal grant opportunities provided by the IIJA, including competitive grant applications, the amount expended, and the date by which remaining funds must be used. Formula grants provided $8.7 billion, $2.5 billion of which was expended by the date of the report. State agencies also applied for $985.6 million worth of competitive grants, two of which worth $7.5 million total were awarded for MDTA and $193.4 million of which was denied. Further discussion of this data can be found in Issue 1 of this analysis.

- ***ARPA Funding Report:*** DBM was required to provide two accountings of federal relief opportunities provided by the ARPA, including grant amounts, the amount expended, and the date by which remaining funds must be used. One report was submitted on December 13, 2022, summarizing the $81 billion awarded in COVID-19 stimulus funds with a focus on the $3.5 billion awarded to the SLRF. Further discussion of this report and data can be found in Update 1 of this analysis. The second report received on February 7, 2023, was not summarized for this analysis.

- ***Monitoring the Use of Federal Stimulus Funding:*** DBM provided an accounting of federal grant opportunities provided by the federal government including information about the system of people, processes, and technology that work together every day to orchestrate, quantify, and innovate the management and oversight of federal monies. Further discussion of this data can be found in Update 1 of this analysis.

Appendix 2
Audit Findings
Statewide Review of Budget Closeout Transactions for Fiscal 2022

Audit Period for Last Audit:	July 1, 2021 – June 30, 2022
Issue Date:	January 2023
Number of Findings:	6
Number of Repeat Findings:	4
% of Repeat Findings:	66.7%

Finding 1: Maryland Department of Health (MDH) – Support could not be provided for accrued federal fund revenue totaling approximately $3.5 billion, and $862.5 million was not identified and recovered.

Finding 2: **MDH – Reported overpayments to behavioral health service providers totaled $127.5 million as of December 12, 2022.**

Finding 3: **MDH – Potential liabilities to the federal government of approximately $86.2 million may have to be funded with State general funds.**

Finding 4: **Maryland Health Benefit Exchange – A potential federal liability of $28.4 million exists.**

Finding 5: State Department of Assessments and Taxation – A special fund deficit balance totaling approximately $7.9 million existed as of June 30, 2022.

Finding 6: **Maryland Insurance Administration – An unreported special fund deficit balance totaling $836,956 existed as of June 30, 2022.**

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

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

Object/Fund	FY 22 Actual	FY 23 Working Appropriation	FY 24 Allowance	FY 23 - FY 24 Amount Change	Percent Change
Positions					
01 Regular	186.80	189.80	189.80	0.00	0%
02 Contractual	15.73	33.00	20.00	-13.00	-39.4%
Total Positions	**202.53**	**222.80**	**209.80**	**-13.00**	**-5.8%**
Objects					
01 Salaries and Wages	$ 18,983,215	$ 21,228,739	$ 23,015,317	$ 1,786,578	8.4%
02 Technical and Special Fees	813,653	1,579,046	1,043,486	-535,560	-33.9%
03 Communication	444,223	1,424,500	1,424,500	0	0%
04 Travel	21,529	53,950	69,950	16,000	29.7%
07 Motor Vehicles	14,098	11,191	11,000	-191	-1.7%
08 Contractual Services	10,563,313	17,504,332	14,745,428	-2,758,904	-15.8%
09 Supplies and Materials	52,760	120,000	120,000	0	0%
10 Equipment – Replacement	192,073	188,000	198,000	10,000	5.3%
13 Fixed Charges	722,401	1,437,416	723,356	-714,060	-49.7%
Total Objects	**$ 31,807,265**	**$ 43,547,174**	**$ 41,351,037**	**-$ 2,196,137**	**-5.0%**
Funds					
01 General Fund	$ 12,828,883	$ 18,589,650	$ 15,950,424	-$ 2,639,226	-14.2%
03 Special Fund	17,098,345	21,663,334	22,096,233	432,899	2.0%
05 Federal Fund	0	0	0	0	0.0%
09 Reimbursable Fund	1,880,037	3,294,190	3,304,380	10,190	0.3%
Total Funds	**$ 31,807,265**	**$ 43,547,174**	**$ 41,351,037**	**-$ 2,196,137**	**-5.0%**

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 4
Fiscal Summary
Department of Budget and Management – Secretary

Program/Unit	FY 22 Actual	FY 23 Wrk Approp	FY 24 Allowance	Change	FY 23 - FY 24 % Change
01 Executive Direction	$ 3,216,375	$ 4,174,643	$ 4,551,215	$ 376,572	9.0%
02 Division of Finance and Administration	3,121,920	5,450,092	2,966,134	-2,483,958	-45.6%
03 Central Collection Unit	16,554,094	20,894,046	21,324,714	430,668	2.1%
01 Budget Analysis and Formulation	7,617,879	11,515,159	10,580,894	-934,265	-8.1%
01 Capital Budget Analysis and Formulation	1,296,997	1,513,234	1,928,080	414,846	27.4%
Total Expenditures	**$ 31,807,265**	**$ 43,547,174**	**$ 41,351,037**	**-$ 2,196,137**	**-5.0%**
General Fund	$ 12,828,883	$ 18,589,650	$ 15,950,424	-$ 2,639,226	-14.2%
Special Fund	17,098,345	21,663,334	22,096,233	432,899	2.0%
Federal Fund	0	0	0	0	0.0%
Total Appropriations	**$ 29,927,228**	**$ 40,252,984**	**$ 38,046,657**	**-$ 2,206,327**	**-5.5%**
Reimbursable Fund	$ 1,880,037	$ 3,294,190	$ 3,304,380	$ 10,190	0.3%
Total Funds	**$ 31,807,265**	**$ 43,547,174**	**$ 41,351,037**	**-$ 2,196,137**	**-5.0%**

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include contingent reductions or cost-of-living adjustments.