

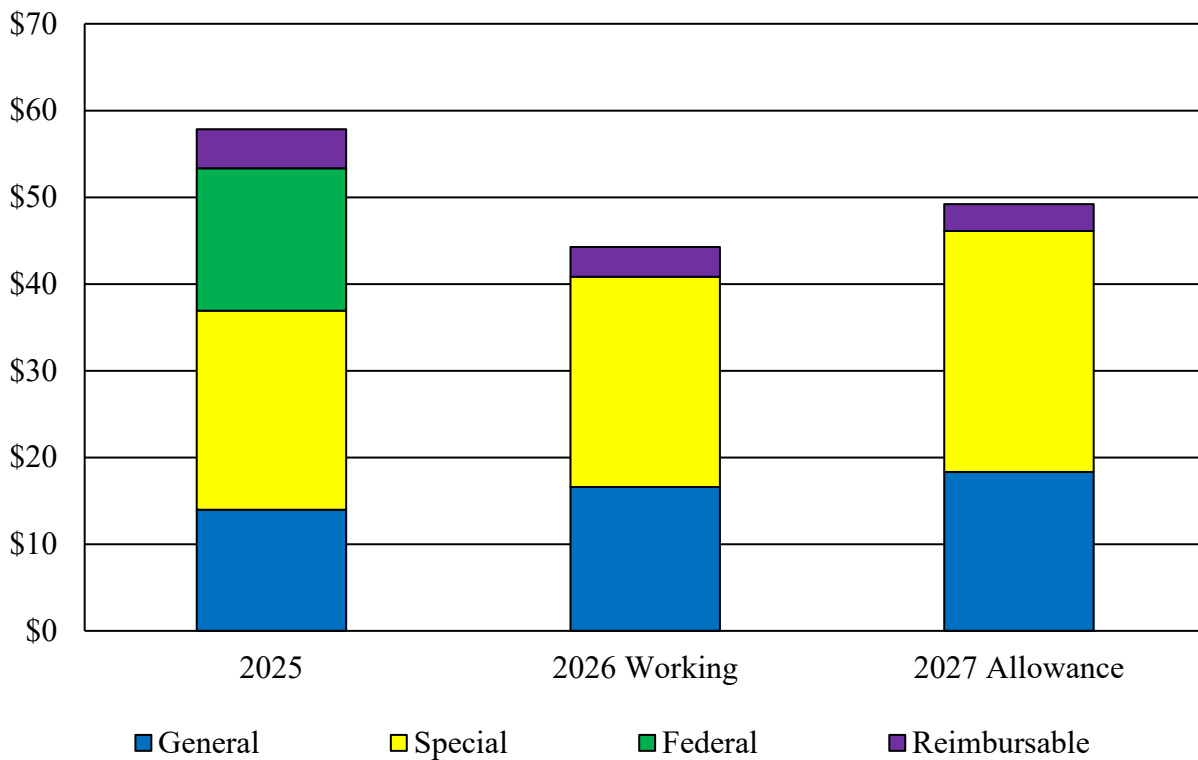
F10A
Department of Budget and Management – Secretary

Executive Summary

The Department of Budget and Management (DBM) provides financial, administrative, and budgeting support to Executive Branch agencies and is responsible for assisting the Governor in the preparation and monitoring of the State’s annual operating and capital budgets. The Central Collection Unit (CCU), which collects delinquent debts, claims, and accounts due to the State government, is also located within the agency.

Operating Budget Summary

**Fiscal 2026 Budget Increases \$4.9 Million, or 11.2%, to \$49.2 Million
(\$ in Millions)**



Note: The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

- The majority of the fiscal 2027 budget increase, \$3.5 million in special funds, is due to increased CCU activity.

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Key Observations

- ***American Rescue Plan Act (ARPA) Funds Will Expire December 31, 2026:*** Approximately \$160 million, or 4%, of the total allocated funding from Maryland’s State Fiscal Relief Fund grant award is left unspent as of the second quarter of fiscal 2026. States are required by the grant conditions to expend the funds by December 31, 2026.
- ***Closeout Issues with State Agencies:*** *The Statewide Review of Budget Closeout Transactions for Fiscal Year 2026* revealed continued challenges in agencies’ financial reporting, including unreported liabilities and poor documentation of reconciliations of revenues. The fiscal 2027 budget includes, in the Dedicated Purpose Account (DPA), \$5 million to address repeat audit findings and \$2 million to enhance recruitment of fiscal leaders in State agencies.

Operating Budget Recommended Actions

1. Amend Section 2 to limit appropriations that can be placed into contingency reserve to items restricted by the General Assembly.
2. Amend Section 17 to add the tracking structure necessary for legislative audits and to disallow transfers to other purposes.
3. Add a section requiring long-term forecasts for the General Fund, Blueprint for Maryland’s Future Fund, and higher education Current Unrestricted Fund accounts.
4. Add a section applying across-the-board reductions to institutions of higher education.
5. Add a section requiring reporting on federal funds received by the State.
6. Add a section defining the use of federal funds in the budget.
7. Add a section requiring consistent presentation of budget data and organizational charts.
8. Add a section requiring reporting on interagency agreements and approval by the Department of Budget and Management.
9. Add a section defining the budget amendment process

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10. Add a section requiring the maintenance of accounting systems for certain programs.
11. Strike contingent language for printing of budget books.
12. Add a section restricting funds in certain agency budgets pending timely submission of fiscal 2026 budget amendments.
13. Restrict funds pending a report on American Rescue Plan Act funding.
14. Adopt annual narrative requesting submission of budget details for contracts and grants.

Budget Reconciliation and Financing Act Recommended Actions

1. Strike the provision that would permanently repeal the requirement to print budget books.

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Operating Budget Analysis

Program Description

DBM is responsible for managing the expenditures of State resources. DBM’s programs are as follows:

- **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 to become the Audit and Finance Compliance Unit (AFCU).
- **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 (OCB)** 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 (OPSB) that directs the State’s personnel policies and administers the health care benefits programs for State employees and retirees. This office’s budget and related issues are discussed in a separate analysis.

Performance Analysis: Managing for Results

1. CCU Returns to Profitability

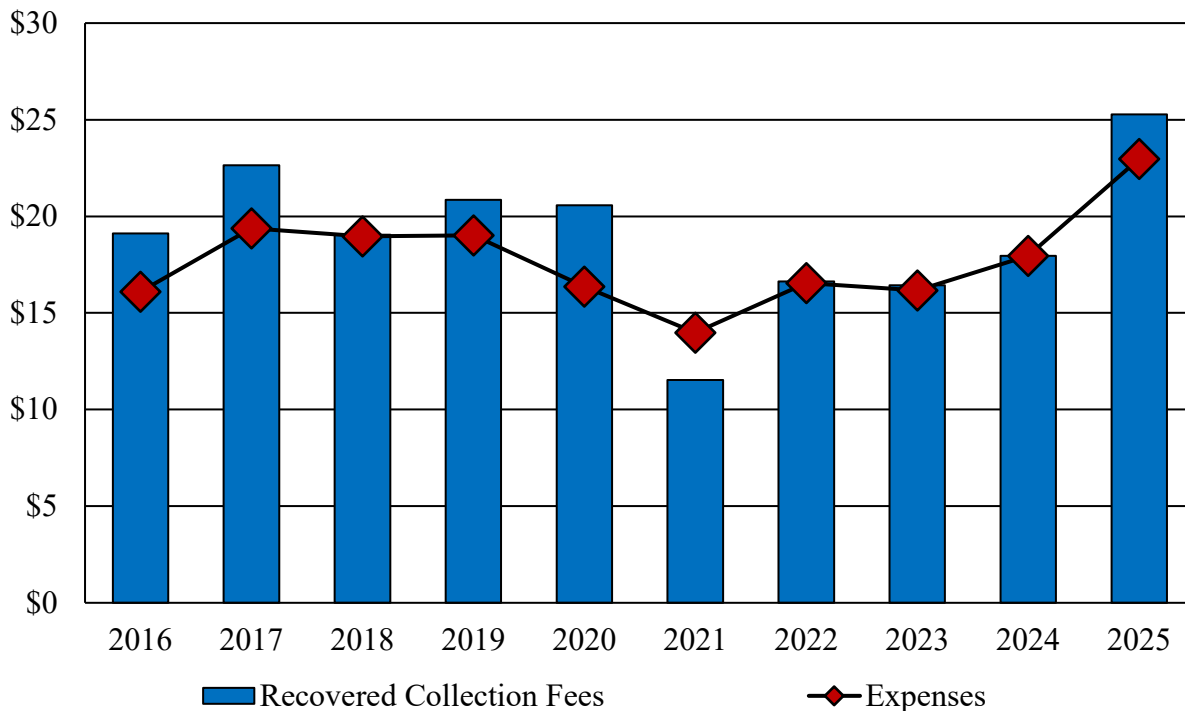
CCU is responsible for collecting delinquent debts, claims, and accounts owed to the State except for taxes, child support payments, and unemployment contributions and overpayments. Typical debts include:

- Motor Vehicle Administration fines;

- student tuition and fees; and
- restitution for damage to State property.

CCU is authorized to charge 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. Until fiscal 2021, CCU made a net profit each year. In that year, collections decreased by approximately 44% compared to fiscal 2019 and 2020. The net loss of funds was temporary, but the net profit has remained limited in the subsequent years. Collections in fiscal 2022 and 2023 were lower than expected, but CCU was able to reduce expenses in line with revenues to still generate a small profit. In fiscal 2024, no net profit was reported, which was the first time since at least fiscal 2015 that neither a profit nor loss was reported.

Exhibit 1
Central Collection Unit Revenues versus Expenses
Fiscal 2016-2025
(\$ in Millions)

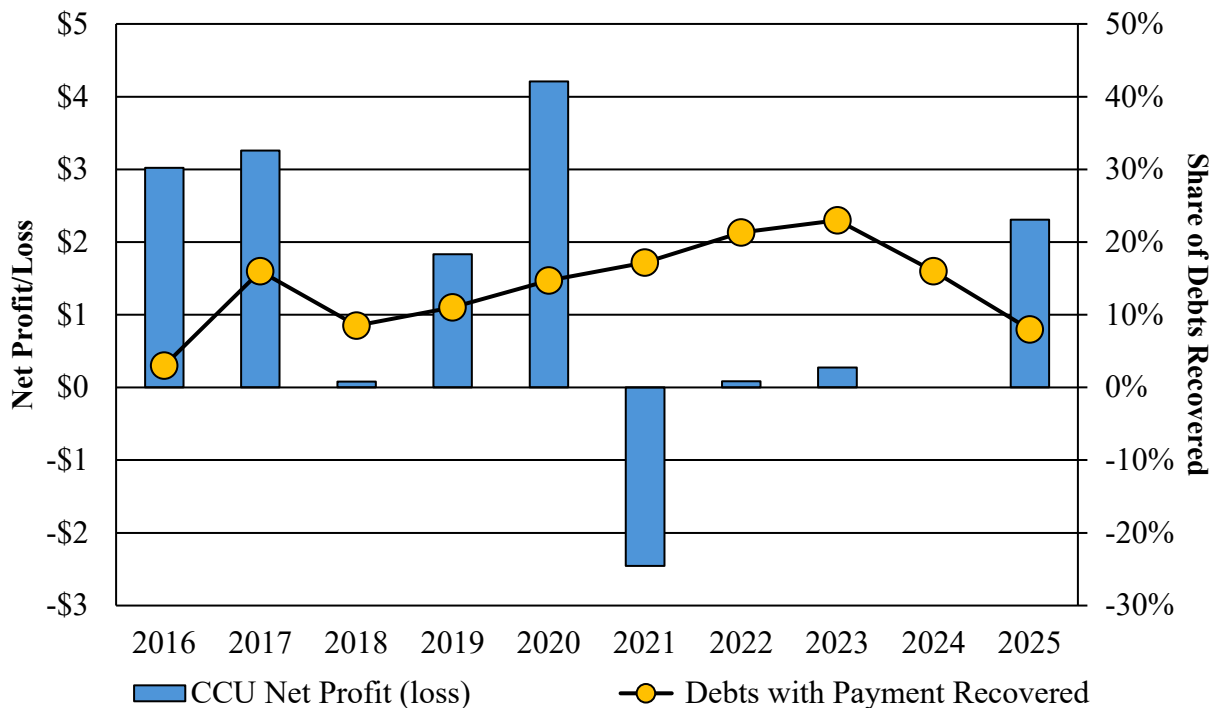


Source: Governor’s Fiscal 2027 Budget Books

In fiscal 2025, CCU returned to profitability, posting a net profit of over \$2 million for the first time in five years. When the Central Collection Fund balance is 15% above expenses, the excess profit is required to be reverted to the General Fund at fiscal year close. Fiscal 2020 was the last year that required a profit-based reversion. Fiscal 2025 profit did not meet 15% of expenses.

Exhibit 2 displays the annual net profit or loss against the percentage of debts successfully collected. The total value recovered as a share of the total value assigned decreased from 17% in fiscal 2023 to only 8% in fiscal 2024 and 2025, the lowest rate in the past decade. The share of assigned debts with payment recovered also decreased in fiscal 2025 to only 8%, the lowest in a decade. CCU recovered payments on 8% of assigned debts in fiscal 2025 compared to 16% in fiscal 2024, and the fiscal 2025 level is the lowest since fiscal 2016. **CCU should discuss efforts it is undertaking to improve the rate of recoveries.**

Exhibit 2
Trends in CCU Collections and Central Collection Fund
Fiscal 2016-2025
(\$ in Millions)



CCU: Central Collection Unit

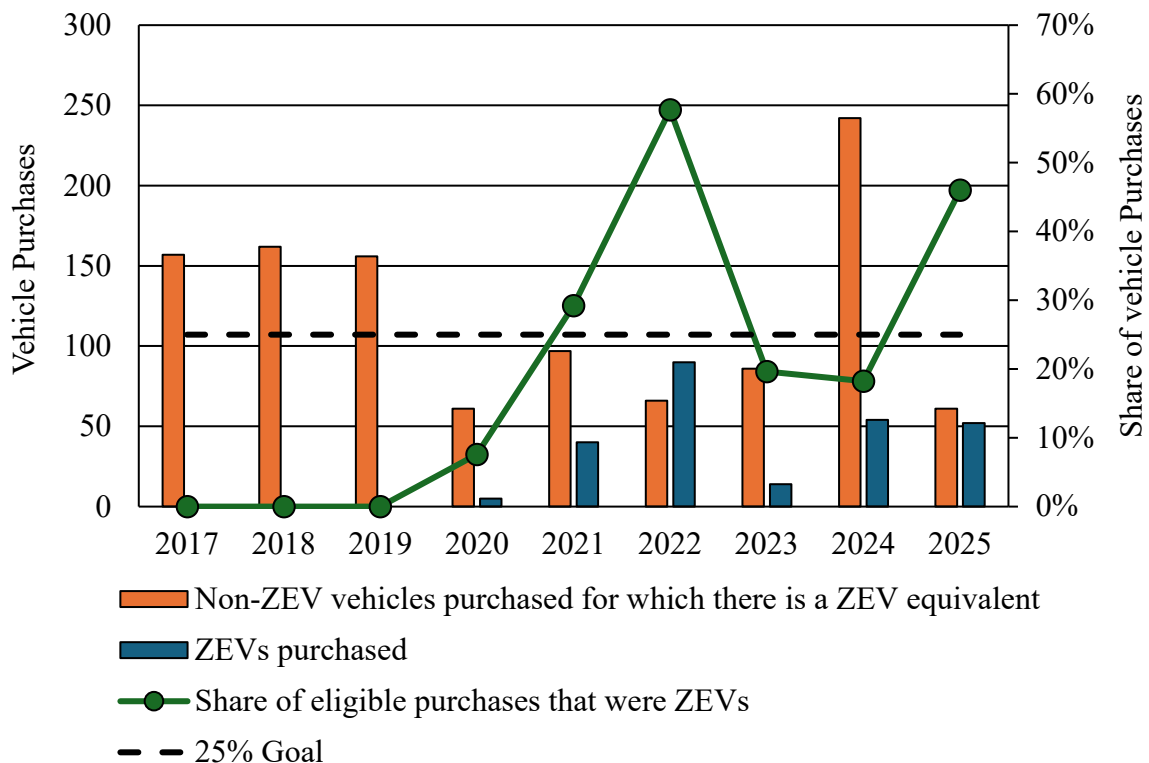
Source: Governor’s Fiscal 2027 Budget Books

2. State Vehicle Fleet Purchases Met Zero-emission Vehicle Goal

The State has a goal of reducing greenhouse gas emissions from State operations by electrifying the State vehicle fleet. The goal contained within the Managing for Results (MFR) submission is to ensure at least 25% of new vehicles purchased are zero-emission vehicles (ZEV). 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 2025, ZEVs made up 46% of State fleet purchases for which there was an option available, which surpasses the State goal of 25% and the previous year rate of 18%. The goal has been met in three out of the last six years. Since the goal was established in fiscal 2020, DBM reports 255 ZEV purchases and 613 non-ZEV purchases for which there was a ZEV option available, or about 29% ZEVs.

Exhibit 3
State Vehicle Fleet ZEV Purchases
 Fiscal 2017-2025



ZEV: zero-emission vehicle

Source: Governor’s Fiscal 2027 Budget Books

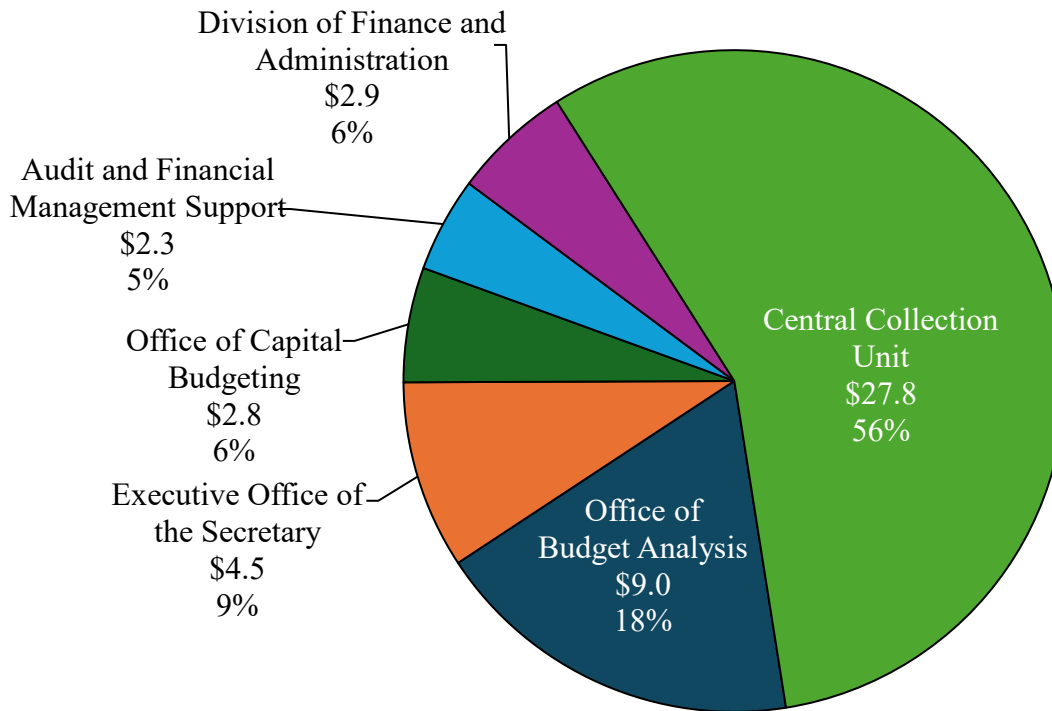
This performance metric excludes State fleet purchases for which no ZEV option was available. Using this criteria instead of all vehicle purchases has a sizable effect on the calculation for meeting the MFR goal. For example, in fiscal 2025 ZEVs made up 46% of State fleet purchases for which there was a ZEV option. However, only 113 of the 685 total vehicle purchases, or 16.5%, had a ZEV option available. When comparing ZEV purchases to all vehicles purchased, the fiscal 2025 levels only make up 7.6%. 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 purchases 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. In fiscal 2025, the Department of General Services (DGS) oversaw the installation and opening of 123 electric vehicle charging ports at State facilities, bringing the total to 338 charging ports installed by DGS at State facilities to date. An additional 237 charging ports are currently in the design, procurement or construction phase, allowing the State to continue adding electric vehicles to the State’s fleet.

Fiscal 2027 Overview of Agency Spending

Exhibit 4 displays DBM’s fiscal 2027 allowance by the six units under the Secretary’s Office. CCU accounts for a majority (56%, or \$28 million) of total expenditures. Administrative fee revenues are the sole budgetary support for CCU spending.

Exhibit 4
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)

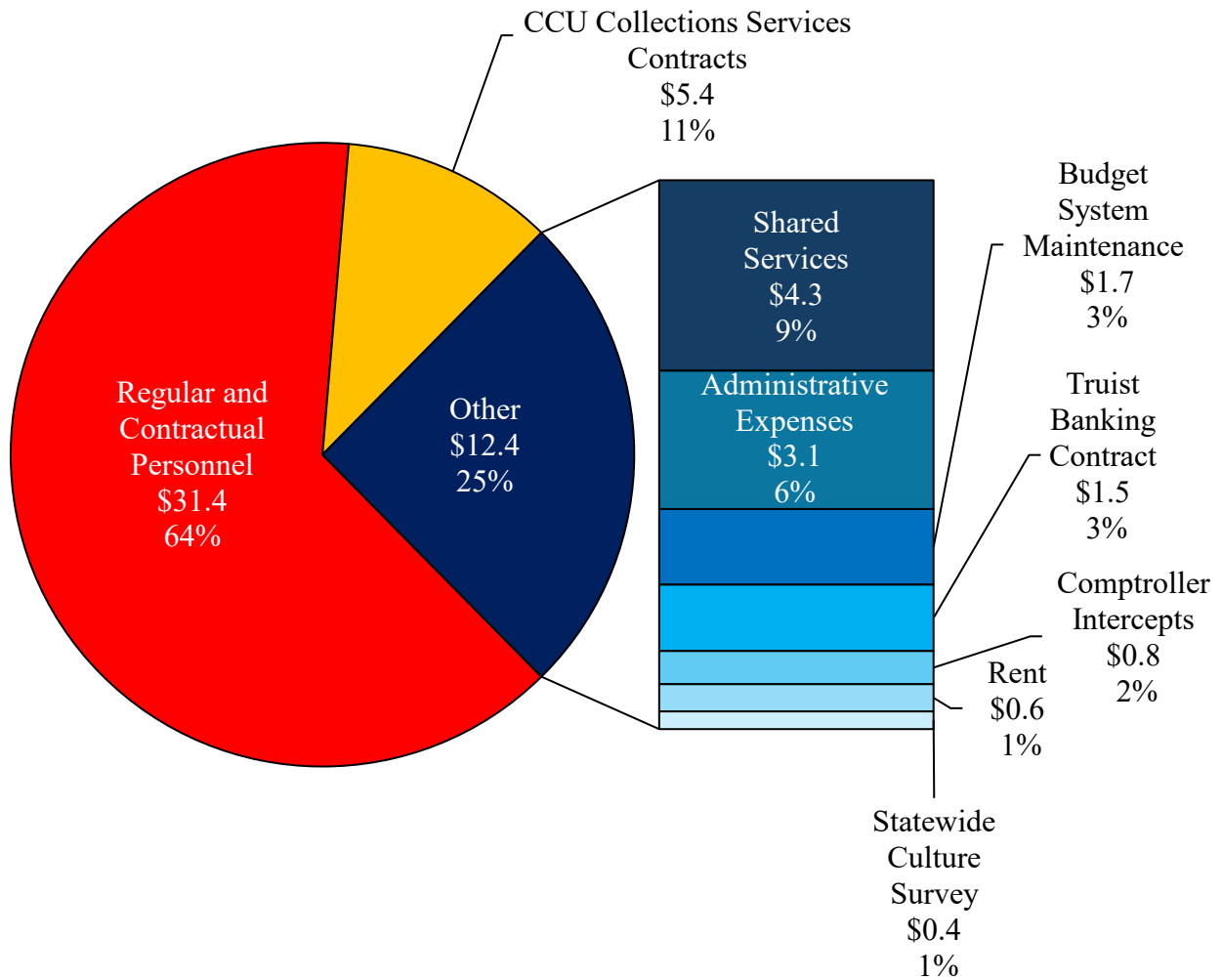


Note: The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2027 Budget Books; Department of Legislative Services

Exhibit 5 reflects the fiscal 2027 allowance by use of funds within DBM – Secretary. Regular and contractual personnel costs account for a majority of the total spending (64%, or \$31.4 million). Contracts for Information Technology (IT) and other administrative needs for CCU are supported by \$5.4 million in special funds. Shared services make up a large portion of the budget at \$4.3 million. Various administrative expenses, including communications, supplies, equipment, and miscellaneous contracts account for an additional \$3.1 million.

Exhibit 5
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)



CCU: Central Collection Unit

Note: The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

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

Proposed Budget Change

As shown in **Exhibit 6**, the fiscal 2027 allowance increase by approximately \$4.9 million, or 11.2%, compared to the fiscal 2026 working appropriation. The largest budgetary changes are related to personnel, including increasing health insurance costs, regular salary increases, and new positions. There are also a variety of changes to the CCU portion of the DBM budget that are mostly related to higher levels of assigned debts.

Exhibit 6
Proposed Budget
Department of Budget and Management – Secretary
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2025 Actual	\$13,961	\$22,975	\$16,387	\$4,524	\$57,847
Fiscal 2026 Working	16,580	24,255	0	3,425	44,260
Fiscal 2027 Allowance	18,315	27,804	0	3,083	49,202
Fiscal 2026-2027 \$ Change	\$1,735	\$3,548	\$0	-\$342	\$4,942
Fiscal 2026-2027 % Change	10.46%	14.63%	N/A	-9.99%	11.17%

Where It Goes:	Change
Personnel Expenses	
Employee and retiree health insurance premiums	\$1,134
Salary increases and associated fringe benefits, including the fiscal 2026 COLA and increments	816
5 new CCU collections agents, 2 new audit staff, and 1 realigned senior program manager.....	871
Turnover rate decreases from 4.26% to 3.71%.....	141
Other fringe benefit adjustments	224
Central Collections Unit	
Banking services increases due to higher credit card transactions as a result of higher debt assignments	895
Postage due to the volume of debt notices to be mailed.....	800
DBM oversight fee for CCU.....	405
Reimbursements to Comptroller’s Office for intercepts increase due to volume of debts and associated intercepts, including adjustments to transition from flat rate billing to a bill-for-service model.....	220
IT Expenses	93

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Where It Goes:	<u>Change</u>
Other Changes	
Statewide Shared Services increase, mostly as a technical adjustment to the Statewide appropriations for OAH and shared personnel services	947
Contingent reduction pending elimination of requirement to print budget books.....	-40
Eliminate contractual positions due to need for savings and end of ARPA contractual support needs	-425
Enterprise Budget System maintenance costs decline due to lack of major code releases	-805
Other	-335
Total	\$4,942

ARPA: American Rescue Plan Act
 CCU: Central Collection Unit
 COLA: cost-of-living adjustment
 DBM: Department of Budget and Management
 IT: Information Technology
 OAH: Office of Administrative Hearings

Note: Numbers may not sum to total due to rounding. The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.

Budget Reconciliation and Financing Act of 2026

Section 7-115 of the State Government Article requires that DBM provide budget books when it submits the Governor’s annual budget. In fiscal 2025, approximately \$36,000 in general funds were used for printing and providing these books. Fiscal 2026 and 2027 include \$40,000 each for this purpose. The Budget Reconciliation and Financing Act (BRFA) of 2026, however, proposes to modify this provision so that only online publishing is required. Language in the fiscal 2027 Budget Bill reduces \$40,000 in general funds contingent on the BRFA language. The BRFA of 2024 contained an identical provision that was rejected by the General Assembly. **The Department of Legislative Services (DLS) recommends striking the BRFA provision and striking the budget bill language reducing funds contingent on legislation removing the requirement for printed budget books.**

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	195.00	197.00	205.00	8.00
Contractual FTEs	<u>9.85</u>	<u>13.60</u>	<u>11.00</u>	<u>-2.60</u>
Total Personnel	204.85	210.60	216.00	5.40

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	7.31	3.71%
Positions and Percentage Vacant	10.00	5.07%

Vacancies Above Turnover 2.69

- On October 22, 2025, the Board of Public Works (BPW) approved the abolition of 502.7 positions statewide, include 170.7 vacant positions and 332.0 positions associated with the Voluntary Separation Program (VSP). In DBM – Secretary, 4 were abolished, of which 3 were vacant and 1 was due to the VSP.
- CCU converts 5 contractual positions to full-time regular positions. These positions were added as contractual staff in fiscal 2025 due to increased collections. This conversion recognizes they are permanent staff performing permanent functions. CCU has backfilled these 5 contractual positions, so there is no net change in the overall number of contractual positions.
- The fiscal 2027 budget authorized 3 additional positions within DBM:
 - 2 new audit compliance analysts added to AFCU to assist with monitoring corrective actions to resolve Office of Legislative Audit (OLA) findings
 - and 1 position realigned from OPSB to the Office of the Secretary, which oversees legislative affairs and intergovernmental relations.
- As of December 31, 2025, the number of vacant positions exceeds the number needed to meet the fiscal 2027 budgeted turnover by 1.6 positions. Of the 10 vacant positions as of December 31, 2025, 5 are in CCU, 2 are in the Division of Finance and Administration, 1 is in Executive Direction, and 1 is in AFCU.

Issues

1. Agencies Lack Comprehensive Accounting Procedures to Maintain Fiscal Compliance

Recent closeout audits have highlighted concerns with agency reconciliations of funds among other concerns. In fiscal 2025, as in fiscal 2024, these identified issues led to financial discrepancies and deficits that may require additional funding. OLA auditors point to a lack of comprehensive accounting procedures to prevent these findings. These deficiencies indicate broader concerns regarding financial management and oversight within multiple State departments, underscoring the need for improved practices to ensure accountability and transparency in the management of public funds.

Legislative Audit of Budget Closeout Transactions

OLA released a report on December 22, 2025, that shared concerns with the fiscal 2025 closeout of the State budget. Eight agencies were reviewed: the Department of Human Services (DHS), the Maryland Department of Emergency Management (MDEM), the Maryland Department of Health (MDH), the Maryland Department of Labor (MD Labor) and the Maryland State Department of Education (MSDE). DHS, MDH, and MSDE were selected due to having complex and extensive revenues and expenditures with a significant impact on the overall State budget. MDEM and MD Labor were selected due to issues with federal fund reporting found during the individual agency audits. The Maryland Port Administration (MPA), the Maryland Transit Administration, and the State Highway Administration (SHA) within the Maryland Department of Transportation were also selected due to concerns over federal funding reporting.

Prior Year Shortfalls

For a second consecutive year, a significant amount of general funds were needed to resolve shortfalls related to fiscal 2025 costs that could not be absorbed within the fiscal 2025 budget, or for which funds were reverted in error. In total, deficiency appropriations related to prior year shortfalls, net of planned reversions for prior year costs, total \$757.5 million, including \$321.8 million in general funds, the largest of which is related to the Developmental Disabilities, Behavioral Health, and Medicaid provider reimbursements. Although reversions in error were substantially lower than in fiscal 2024, these issues continue to occur across multiple agencies. As these issues persist, training on closeout activities and earlier monitoring of areas of potential shortfall are needed.

Federal Fund Reconciliations Unsupported by Documentation

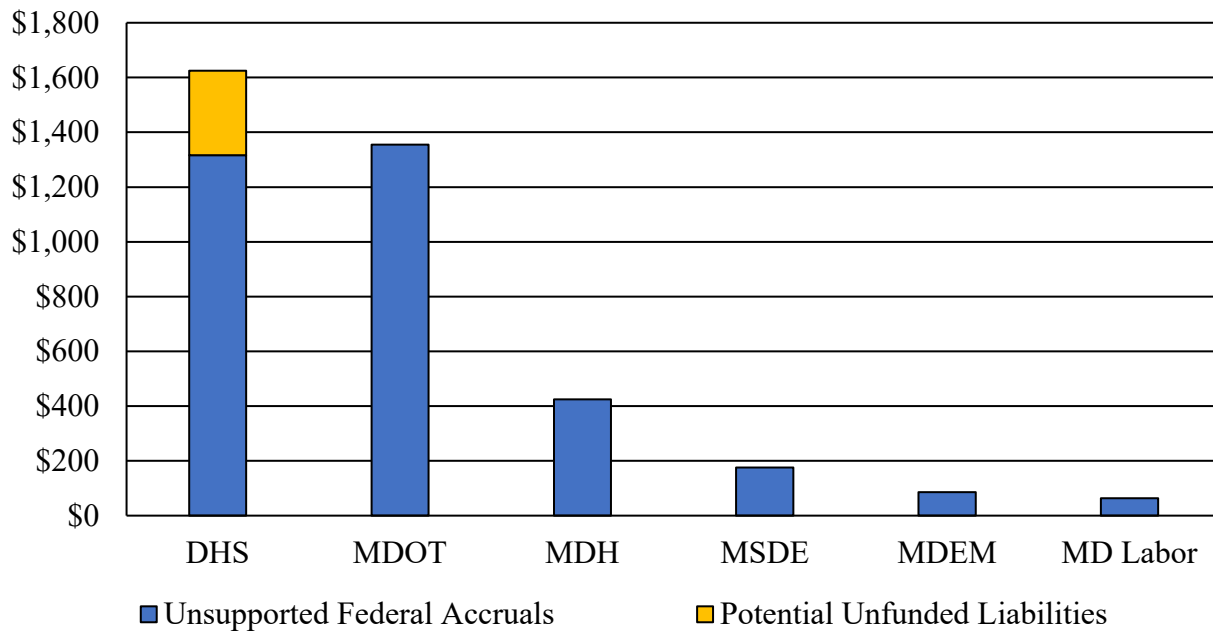
OLA found unsupported federal fund accruals totaling \$3.42 billion recorded by seven of the tested agencies (tested accruals were found to be supported for MPA). A positive accrued revenue entry is recorded to close the account at zero, with the expectation that the funds will be received in the next fiscal year. This represents a potential deficit in funds for the closeout year, as

recorded expenditures have exceeded recorded revenue. General Account Division (GAD) year-end closing instructions provide that these entries should reflect amounts that are collectable within 60 days of the end of the fiscal year and that revenue should be recognized in the same fiscal year the expenditure is made. The closing instructions also require that detailed documentation to support the entries be maintained. OLA requested each agency to provide supporting documentation showing that the amount accrued actually reflected funds collectable from the federal government and that the amount accrued was received in the subsequent fiscal year. Examples of these findings include:

- DHS could not provide adequate documentation for \$2.23 billion in positive accrued revenue entries or \$1.61 billion in negative entries nor could it demonstrate the recovery of these funds. OLA noted that DHS failed to investigate questionable reconciliation entries for several closeout cycles, and the questionable amounts have only increased. DHS was also unable to identify whether federal funds received during fiscal 2026 were for fiscal 2026 expenses or prior year accruals. At the time of the audit, DHS management advised that it was still working to implement corrective action in response to these prior findings.
- SHA could not substantiate \$600 million in accrued federal funding, representing three quarters of the SHA fiscal 2025 federal fund budget. SHA could not document that any of this funding had been recovered and could not determine if any of the \$426.2 million received so far in fiscal 2026 were receivable for prior accruals. While some or all of the remaining funds may ultimately be recovered, to the extent that the federal funds are not available, special funds (specifically, the Transportation Trust Fund) or State general funds may be needed to cover any related deficits.
- MDH could not substantiate approximately \$425 million in accrued federal revenue or the subsequent recovery of these funds. MDH previously used an automated script to record year-end revenue entries to offset positive and negative account balances at year-end without verifying that the amounts recorded were valid and collectable. In July 2023, MDH contracted with an accounting firm to help address the longstanding issues with its accrued revenues and underlying records. As of October 2025, MDH paid the firm \$10.1 million, and MDH management advised OLA auditors that they believed corrective actions were in place to address the findings. An evaluation of these year-end account balances at year-end is critical because of the significant amount of federal funds that MDH receives each year, which may mask unrecovered expenditures. This finding is similar to ones reported by OLA in other recent closeout audits.

Exhibit 7 breaks down the total unsupported amount found by OLA by agency. Four other agencies that were tested faced the same issues reconciling federal revenues. While some or all of these amounts may have been or will be recovered, to the extent that the federal funds are not available, State general funds may be needed to cover any related deficits. These findings indicate a significant failure in the proper documentation, reconciliation, and verification of accrued revenues.

**Exhibit 7
Unsupported Federal Fund Accruals
Fiscal 2025
(\$ in Millions)**



DHS: Department of Human Services

MDEM: Maryland Department of Emergency Management

MDH: Maryland Department of Health

MD Labor: Maryland Department of Labor

MDOT: Maryland Department of Transportation

MSDE: Maryland State Department of Education

Source: Office of Legislative Audits

Closeout Assistance Provided to Agencies

Significant errors were reported in several recent closeout audits, prompting committee narrative in the *Joint Chairman’s Report (JCR)* of 2025 on efforts to improve training, recruitment, and retention of fiscal staff. DBM submitted a response on August 29, 2025, outlining assistance provided to fiscal staff from AFCU, OBA, and GAD. DBM reports that primary authority for accounting functions and development of the State financial management workforce rests with the Comptroller’s Office, and recruitment and retention of fiscal staff are the responsibility of individual agencies. DBM emphasized that its role is to provide support, consultation, and coordination to strengthen fiscal oversight, particularly during the budget development and year-end closeout processes.

The Comptroller’s Office launched the Maryland Accounting Academy on August 1, 2025, and invited more than 4,900 fiscal staff across 94 agencies to participate. Initial training pathways

focus on governmental accounting and fiscal year-end close procedures, the State’s accounting system, and performance management. In addition, GAD assigned dedicated system control accountants to agencies, implemented monthly closeout reviews, and monitored year-end activity. DBM stated that it will continue collaborating with the Comptroller to identify and develop training in areas where deficiencies are found.

During closeout, OBA reviews encumbrances, oversees closing amendments, reconciles health insurance funding across agencies, tracks general fund shortfalls, and reviews reported budget actuals to ensure actual expenditures reported in the Governor’s budget books match information reported to the Comptroller’s Office in closeout. AFCU provides technical assistance and limited training to agency fiscal staff but is not directly involved in preparing agencies for closeout or reviewing closeout transactions. AFCU can assist agencies in developing and carrying out corrective actions and may monitor progress through regular engagement, but it does not have formal enforcement authority. Specifically related to closeout:

- AFCU reviews closing instructions to be provided to agencies to provide feedback on any updates or additional information that should be included in the instructions to provide better guidance to agencies’ closeout activities.
- Prior to closeout, AFCU discusses with GAD which agencies may need additional technical guidance related to closeout. There are various reasons for an agency to make the “list”: (1) a new agency; (2) GAD noted issues with the agency’s prior year closeout; or (3) GAD is aware of turnover in the agency’s accounting office. GAD and AFCU meet with these agencies as well as any agencies that have reached out for technical assistance.

Ultimate responsibility remains with the agency and the appropriate control entity (primarily the Comptroller’s Office) to maintain fiscal compliance and resolve compliance issues.

Funding in DPA for Fiscal Leadership

While DBM does not control agency hiring, it noted that its leadership has supported agencies in recruiting qualified finance staff, including assisting with chief financial officer searches and sharing candidate resumes across agencies. The Governor’s allowance includes \$2 million for recruitment and training of State fiscal leaders in the DPA. Potential ideas for use of these funds include training, targeted/proactive recruiting for related roles as they arise, potentially adding additional staff and thus capacity at certain targeted agencies, and reclassification of roles at targeted agencies. DBM also plans to strengthen recruitment strategies for agency fiscal positions. If unspent, this funding would expire and revert to the Revenue Stabilization Account on June 30, 2031.

DBM should comment on planned uses of DPA funding for recruitment and retention of State fiscal leaders.

2. DBM Submitted MFR Measures for Audit Unit as Required

Committee narrative in the 2024 JCR requested that DBM develop new performance measures for AFCU. The department’s fiscal 2026 MFR submission included no new measures. In response, language in the fiscal 2026 Budget Bill restricted \$150,000 in general funds pending submission of performance measures for AFCU. DBM submitted a report containing the requested information on August 20, 2025, and the budget committees authorized the release of funds.

AFCU was expanded in fiscal 2023 from a small unit of 4 individuals within the Office of the Secretary, Executive Direction to an official budgetary subunit of DBM with 9 regular positions. AFCU now provides enhanced technical support to State agencies facing repeat audit findings, fiscal crises, and other financial management or audit compliance issues. The fiscal 2027 budget adds 2 additional regular positions to assist AFCU’s work.

Performance Measures

DBM published six new MFR measures in the Governor’s Fiscal 2027 Budget Books designed to assess the performance of AFCU centered around two goals:

- oversee agency corrective actions to promote reduced audit findings, with emphasis on repeat findings and
- provide training and technical assistance to strengthen agency fiscal offices.

These goals are refined by three objectives related to monitoring corrective actions for past audit findings, preventing future audit findings, and improving accuracy of fiscal reporting. **Exhibit 8** shows the full list of measures reported by DBM.

Exhibit 8
Proposed AFCU Performance Measures
Fiscal 2025

Outcomes

Percentage of Repeat State Audit Findings 34%

Outputs

Number of Published Audits That Met AFCU Criteria for Monitoring 5

Percentage of Customers That AFCU Worked with on Corrective Actions
Out of All the Customers That Met AFCU Engagement Criteria 100%

Activities

Percentage of Quarterly Reports Distributed on Time, Providing Status of
Corrective Action Plan for Applicable Agency Executives N/A

Percentage of Audit Follow-up Engagements Started within 30 Days of the
Legislative Audit Report Issue Date 100%

Number of Internal Audit Training Sessions 4

Number of Budget and Accounting Workgroup-related Training Sessions 12

AFCU: Audit and Finance Compliance Unit

Source: Department of Budget and Management

While the report is in compliance with the budget language, DLS has also identified several areas of concern regarding the proposed MFR measures, noting that these concerns could be addressed through the provision of supplemental information.

Criteria Limitations

The new measures are limited to agencies that meet AFCU criteria. For example, agencies must receive an audit report with an overall unsatisfactory rating or a minimum of four repeat findings. However, AFCU assists other agencies, including those who reach out for assistance and those related to IT findings, but those agencies are excluded from the MFR measures.

Numerical Basis for Percentages

DBM plans to report on the percentage of quarterly reports distributed on time, providing status of corrective action plan for applicable agency executives. However, the fiscal 2025 levels were not reported and, furthermore, no numerical base is provided for determining service levels.

While these measures can contain valuable information, more context is needed to understand their policy and budget implications.

AFCU should provide more information on why fiscal 2025 levels could not be reported for quarterly reports submitted by agency heads addressing corrective actions.

As a complement to these measures, AFCU should additionally provide the following annual data points:

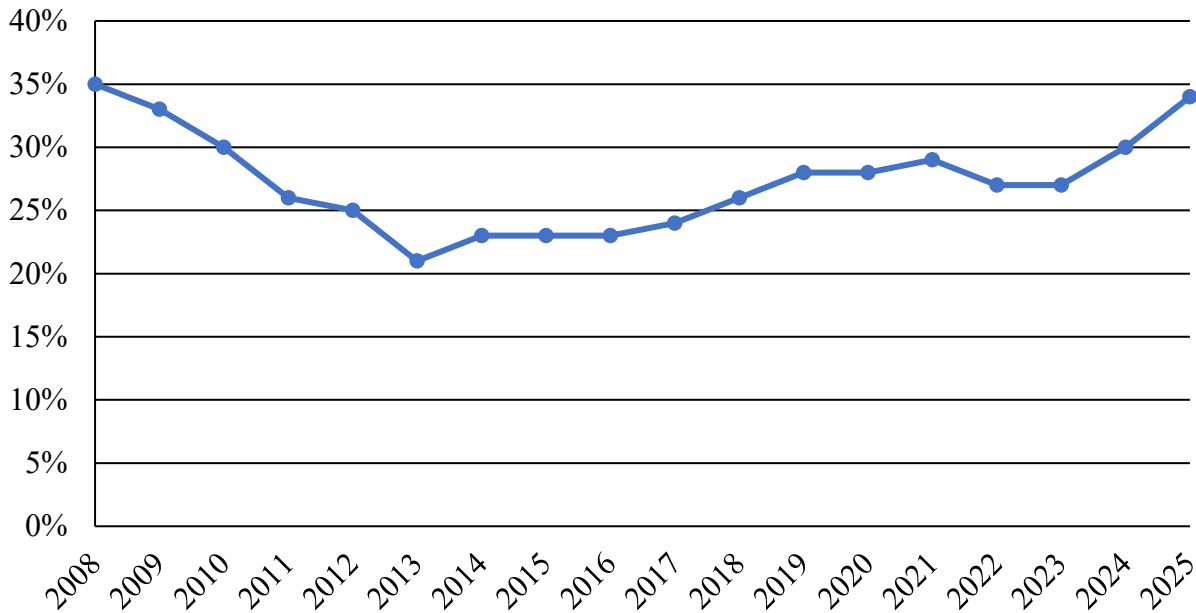
- the number of customers AFCU worked with on corrective actions that did not meet AFCU criteria;
- the number of quarterly reports distributed on time, providing status of corrective action plan for applicable agency executives;
- the average number of days between Legislative Audit Report issue date and Audit Follow-up Engagement;

These requested figures will provide more context as to the service level that AFCU is providing to agencies, both those that meet formal criteria for engagement and those that do not. It will help track how much work is required of AFCU and how much work is optional or rejected, a key consideration for legislative oversight. These figures will provide additional insight into the areas where AFCU is improving or should improve.

Statewide Audit Results

OLA provides annual summaries of fiscal/compliance audit report items by functional area, as well as the share of fiscal/compliance audit report items that were repeated from a previous report. **Exhibit 9** shows that there had been a slight decrease in repeat audit findings over the two years following the previous recent peak in fiscal 2021. In fiscal 2025, however, findings repeated from previous audits made up 34% of all findings. The share of findings that were repeat findings increased from 27% to 34% in the span of two years, showing the fastest increase since the measures were reported. In OLA's annual report to the Joint Audit and Evaluation Committee, OLA expressed concern with the trend of increasing the number of overall findings and the increase in findings that were repeated from previous audits. Approximately 10% of findings in fiscal 2025 were repeated from two or more previous audits.

Exhibit 9
Share of Audit Findings Repeated from Previous Audit
Fiscal 2008-2025

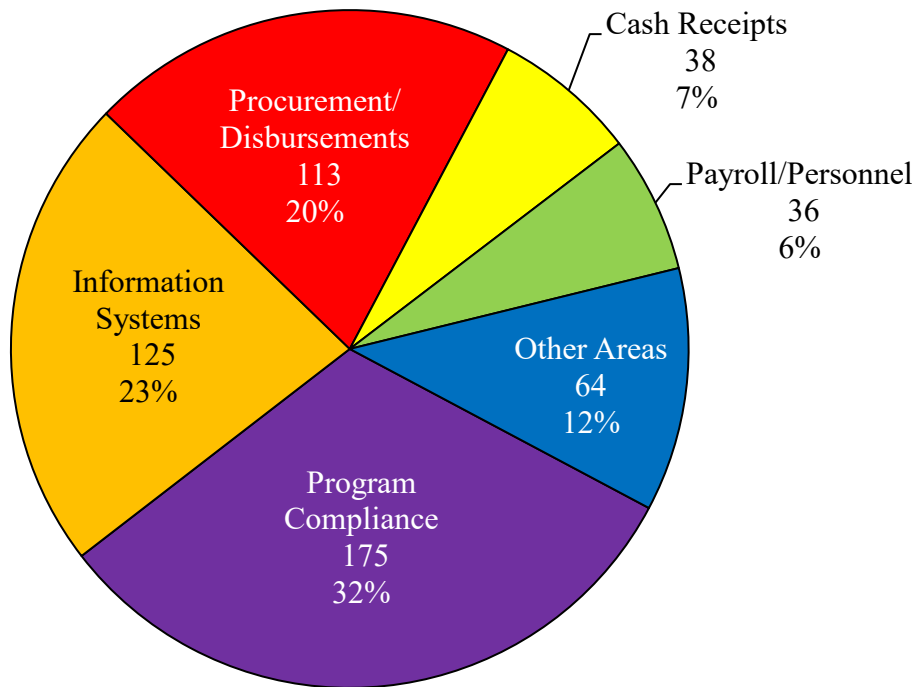


Source: Office of Legislative Audits

Exhibit 10 shows the relative share of each major area of OLA fiscal/compliance audits in fiscal 2025. OLA found 176 issues related to maintaining program compliance, 127 findings related to information systems, and 110 findings related to procurements and disbursements. The audit compliance unit has the stated goal of improving compliance in all areas and provides technical training to agencies for improving program compliance. Additionally, general accounting compliance assistance is coordinated/aligned with GAD in the Comptroller’s Office.

On February 6, 2026, Governor Wes Moore released a directive to cabinet secretaries, directing the secretaries to review their agency processes for monitoring resolution of audit issues within 60 days of the order. The secretaries must also review recent audit findings and identify areas to address without new resources within the first 60 days. Then, within the 180 days, secretaries must identify areas where additional resources could address the root cause of repeat audit findings. The directive stated that the Department of Information Technology will pilot a management tool to track findings, inquiries, and corrective actions. AFCU is also highlighted as a resource for agencies in seeking input, as well as convening meetings with agencies to develop a culture of best practices. Finally, the directive states that DBM will assist in the recruitment of fiscal experts to improve agency leadership using the funding in the DPA.

Exhibit 10
Current Findings on Fiscal/Compliance Audits
Fiscal 2025



Source: Office of Legislative Audits

Funding in DPA for Repeat Audit Findings

In response to concerns from OLA and the legislature, the fiscal 2027 budget includes \$5 million in the DPA to address repeat audit findings. DBM and the Governor’s Office are in the process of developing an implementation plan. Examples of potential uses include hiring consultants to investigate unresolved accounting problems and providing training for fiscal shops at agencies. This is statewide funding intended for targeted assistance. DBM states that the funding will not be used for AFCU, although the budget includes 2 new positions for AFCU to assist with the work.

DBM should provide more details on planned spending of the DPA funding for repeat audit findings.

3. Timing of Budget Amendments

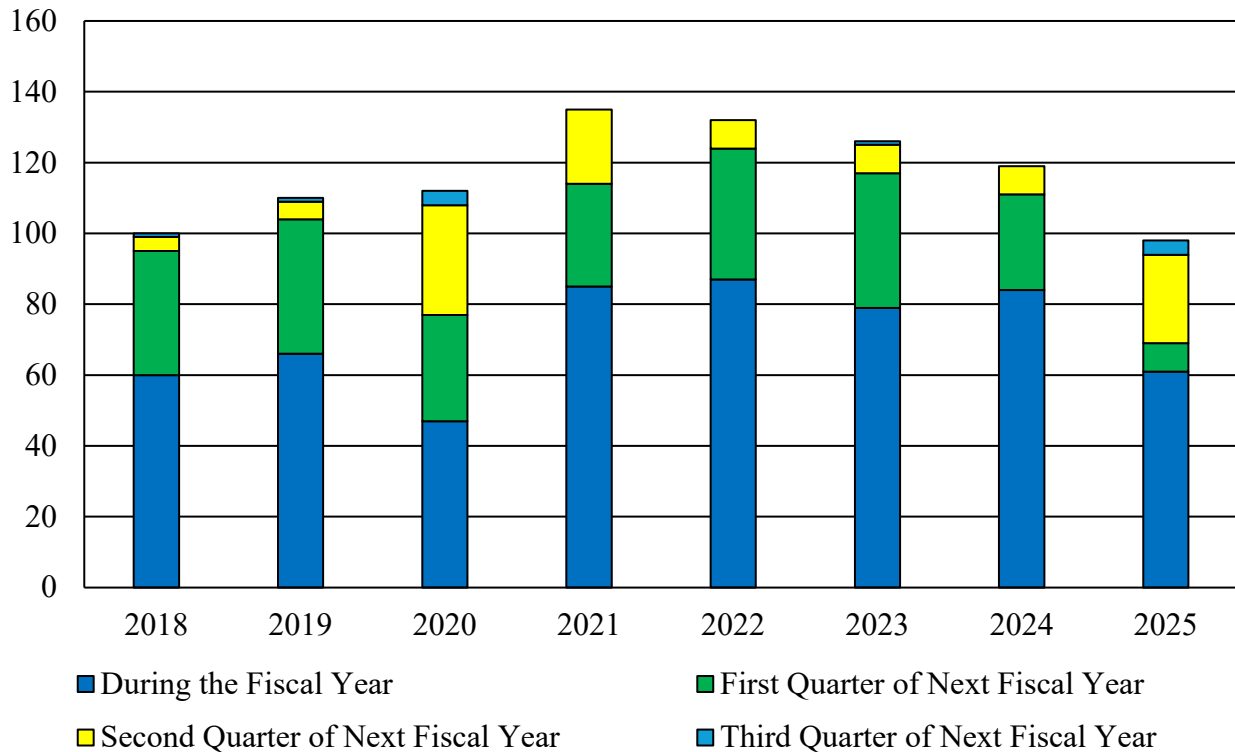
Annual budget bill language defines a process for certain budget amendments to receive legislative review, such as those increasing a special, federal, or higher education fund appropriation by \$100,000 or more. Typically, before the Governor is able to approve amendments that require legislative review:

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

The annual language excludes budget amendments from legislative review if they are solely for the purpose of appropriating federal disaster relief funds or if BPW declares that the amendment is essential to maintaining public safety, health, or welfare. DBM submits all amendments to DLS for informational purposes, regardless of whether legislative review is required.

Exhibit 11 reflects the timing of all budget amendments for nonreimbursable funds submitted to DLS. In all fiscal years shown, some budget amendments were submitted to DLS in the following fiscal year after the spending occurred. This is especially the case for closeout amendments that are processed at the end of a fiscal year to realign expenditures as needed. Amendments processed in fiscal 2020 showed the greatest delays, as only 44% were submitted in the fiscal year when the spending occurred. In fiscal 2025, delays into the third quarter after the fiscal year closed impacted four budget amendments. Delays can be caused by both agency delays in submitting amendments and processing. Fiscal 2025 closeout reflected an improvement, though several agencies continue to have significantly delayed amendments. For example, the amendment for DHS, which requires legislative review, was not submitted until December 19, 2025. Delays in submitting budget amendments create challenges in evaluating funding needs in future fiscal years and limit legislative oversight for amendments requiring legislative review. When amendments are submitted well after closeout, any concerns that arise during the legislative review cannot be addressed. Late received budget amendments also limit the ability to understand any potential closeout concerns and evaluate how these funding changes may impact future expenses.

Exhibit 11
Budget Amendment Submissions to the Department of Legislative Services
Fiscal 2018-2025



Source: Department of Legislative Services

DBM should discuss efforts that it will undertake to submit budget amendments in a timely manner.

4. State Fleet Maintenance and Accident Management Costs Climb as Procurement Stalls

DBM currently has a contract with Element Fleet Management to operate the Maintenance, Repair and Accident Management Program for State-owned Vehicles on behalf of the State. The contractor provides:

- maintenance and repair services through a statewide fleet account network for State-owned vehicles that may not be maintained by in-house State facilities, and

- an Accident Management Program to manage the reporting to DBM’s Fleet Administration Unit of all agency vehicle accidents, vandalism incidents, and repair work for participating agencies.

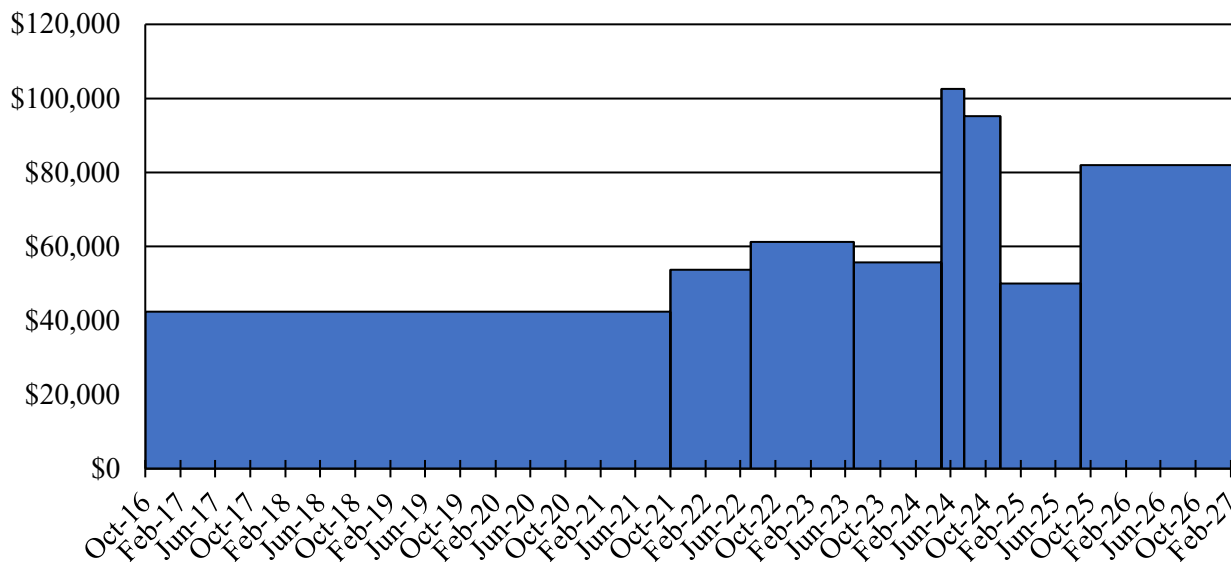
Procurement Delays

DGS began replacement efforts for the current contract by issuing a request for proposals (RFP) in April 2022. The original due date was extended to allow for additional proposals and the remedying of technical issues related to the lack of Minority Business Enterprise documentation from proposals. On August 18, 2022, the first RFP was canceled, and a second RFP was issued. The second RFP closed on September 9, 2022. The procurement stalled in the evaluation phase during calendar 2023 due to staffing changes and corrective actions taken during the procurement process. The procurement was further delayed in calendar 2024 due to contract negotiations. DGS has been finalizing the contract with the potential awardee since May 2023 and previously reported an award was anticipated by January 2025. That award has not yet been made.

Contract Extension Nearly Twice the Cost of Original Contract

Exhibit 12 shows the cost per day over the course of the original contract period and each subsequent extension.

Exhibit 12
Fleet Maintenance and Accident Management Contract Costs Over Time
October 2016 to February 2027



Source: Board of Public Works; Department of Budget and Management; Department of Legislative Services

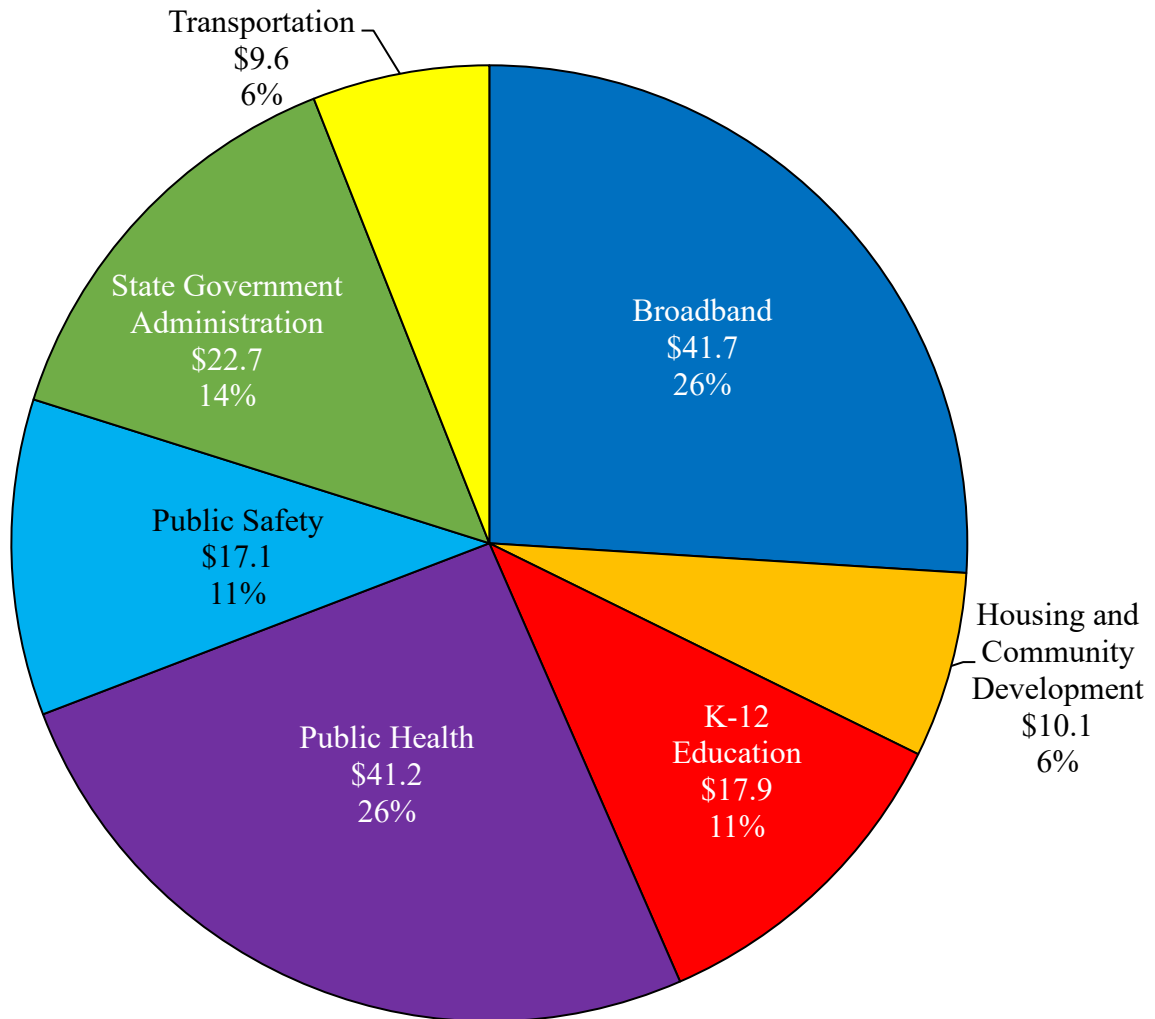
Two extensions in calendar 2024 were the costliest modifications to date, totaling \$20 million for less than six months of contract performance. The cost per day decreased following no-cost extensions and new contract modifications. On August 27, 2025, another extension was approved with Element at \$45 million for 1.5 years. The new rate is about \$82,000 per day and is nearly twice the rate of the original contract performance period. This existing contract extension expires on February 28, 2027. DLS is concerned with the extended procurement delays and accompanying contract extensions due to the rising cost. **DBM should discuss the cause of recent procurement delays.**

5. ARPA Funds Past Obligation Deadline, Spending Deadline Approaching

The ARPA included an award of \$3.7 billion to Maryland in State and Local Fiscal Relief Fund (SLFRF) resources as part of COVID-19 relief. States were required by the grant conditions to encumber the funds by December 31, 2024, and are required to expend them by December 31, 2026.

Appendix O of the Fiscal 2027 Budget Highlights Book shows expended, budgeted, and remaining ARPA funds. Approximately \$3.532 billion was expended from fiscal 2021 to 2025, and an additional \$25.0 million has been expended year to date in fiscal 2026. Approximately \$160.3 million, or 4.3%, of the total allotment is left unspent as of fiscal 2026, excluding planned fiscal 2026 spending. The remaining funding is primarily set aside for public health and broadband expansion projects, particularly Healthy Schools/HVAC (\$41.2 million) and Network Infrastructure (\$30.3 million). These two areas saw the highest expenditure levels in fiscal 2025, and spending has picked up the pace in fiscal 2026. **Exhibit 13** summarizes the remaining funding by area. All remaining balances have been encumbered. **Exhibit 14** provides a detailed list of activities with remaining funding and **Appendix 1** provides the full detail of activities funded with the SLFRF.

Exhibit 13
Unexpended ARPA Allocations by Area
Fiscal 2025
(\$ in Millions)



Total Remaining: \$160.3 Million

ARPA: American Rescue Plan Act

Source: Governor’s Fiscal 2027 Budget Books

Exhibit 14
Remaining ARPA Funding
Fiscal 2021-2026
(\$ in Millions)

	<u>Total Allocation</u>	<u>Spending 2021-2025</u>	<u>Reported 2026 Expenditures</u>	<u>Unspent Allocation 2021-2026</u>	<u>Share of Allocated Funds Remaining</u>
Broadband					
Device Subsidy	\$29.7	\$27.5	\$0.3	\$2.1	7%
Digital Inclusion Fund	2.0	1.6	0.0	0.3	16%
Digital Navigators	1.8	1.2	0.2	0.6	32%
Gap Networks	3.0	2.6	0.0	0.4	14%
Network Infrastructure	83.8	53.4	13.3	30.3	36%
Rural Broadband – Legislative Initiative	45.2	40.7		4.4	10%
Service Fee Subsidy	44.8	41.9	0.2	3.0	7%
USM Digital Divide	3.8	3.4	0.2	0.5	12%
Total	\$214.1	\$172.4	\$14.2	\$41.7	19%
Housing and Community Development					
Homeownership Works	\$10.1	\$7.6	\$0.0	\$2.5	24%
Project Restore	45.1	37.5	2.2	7.6	17%
Total	\$55.2	\$45.1	\$2.3	\$10.1	18%
K-12 Education					
*Child Care IT Contracts	\$19.4	\$19.0		\$0.4	2%
*Summer School	10.9	10.1		0.8	8%
*Supplemental Instruction/Tutoring	132.7	131.2	\$0.7	1.5	1%
*Transitional Supplemental Instruction	19.9	19.6	0.1	0.3	1%
*Trauma and Behavioral Health Services	24.9	24.1	0.1	0.9	3%
Adaptive Learning Tutoring Program (Arnold Venture)	10.6	1.1	0.4	9.5	89%
Math and Science Reading Initiative	7.6	3.0	0.0	4.6	60%
School Reopening	0.4	0.3		0.1	13%
Total	\$226.5	\$208.6	41.3	\$17.9	8%

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	<u>Total Allocation</u>	<u>Spending 2021-2025</u>	<u>Reported 2026 Expenditures</u>	<u>Unspent Allocation 2021-2026</u>	<u>Share of Allocated Funds Remaining</u>
Public Health					
Healthy Schools/HVAC	\$76.9	\$35.7	\$1.2	\$41.2	54%
Total	\$76.9	\$35.7	\$1.2	\$41.2	54%
Public Safety					
Baltimore City Crime Prevention Initiative	\$1.2	\$0.5	\$0.5	\$0.7	62%
FAMLI Contractual Services	28.7	12.3	1.3	16.4	57%
Public Safety Total	\$29.9	\$12.7	\$1.8	\$17.1	57%
State Government Administration					
Administrative Support	\$17.0	\$7.4		\$9.6	56%
Analytical Support Services	0.2	0.1		0.0	25%
Broadband Programmatic Support	0.5	0.3	\$0.0	0.1	32%
ENOUGH Act Support	0.2	0.2	0.0	0.0	22%
Government Efficiency Initiative	13.0	0.1	2.2	12.9	99%
Total	\$30.8	\$8.1	\$2.3	\$22.7	74%
Transportation					
Employment Training and Apprenticeships	\$73.1	\$63.5	\$1.9	\$9.6	13%
Total	\$73.1	\$63.5	\$1.9	\$9.6	13%
Grand Total – Remaining Funds	\$706.5	\$546.1	\$25.0	\$160.3	22.7%

ARPA: American Rescue Plan Act

ENOUGH: Engaging Neighborhoods, Organizations, Unions, Governments, and Households

IT: information technology

USM: University System of Maryland

FAMLI: Family and Medical Leave Insurance

Source: Governor’s Fiscal 2027 Budget Books

Operating Budget Recommended Actions

1. Amend the following section:

SECTION 2. AND BE IT FURTHER ENACTED, That in order to carry out the provisions of these appropriations the Secretary of Budget and Management is authorized:

- (a) To allot all or any portion of the funds herein appropriated to the various departments, boards, commissions, officers, schools and institutions by monthly, quarterly or seasonal periods and by objects of expense ~~and may place any funds appropriated but not allotted in contingency reserve available for subsequent allotment. Upon the Secretary's own initiative or upon the request of the head of any State agency, the Secretary may authorize a change in the amount of funds so allotted.~~

The Secretary shall, before the beginning of the fiscal year, file with the Comptroller of the Treasury ~~a schedule of allotments, if any~~ a list limited to the appropriations restricted in this Act to be placed in contingency reserve. The Comptroller shall not authorize any expenditure or obligation in excess of the allotment made and any expenditure so made shall be illegal.

- (b) ~~To allot all or any portion of funds coming into the hands of any department, board, commission, officer, school and institution of the State, from sources not estimated or calculated upon in the budget.~~
- (e) (b) To fix the number and classes of positions, including temporary and permanent positions, or person years of authorized employment for each agency, unit, or program thereof, not inconsistent with the Public General Laws in regard to classification of positions. The Secretary shall make such determinations before the beginning of the fiscal year and shall base them on the positions or person years of employment authorized in the budget as amended by approved 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.

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(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.

2. 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 (Department of Budget and Management Paid Telecommunications), 0839 (Human Resources Shared Services), 0874 (Office of Attorney General Administrative Fee), 0876 (Department of Information Technology Information Technology Services Allocation), 0894 (State Personnel System Allocation), 0897 (Enterprise Budget System Allocation), and 1303 (rent paid to the Department of General Services) 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 2026 and 2027. 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.

3. 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 it is to be provided.

Information Request	Author	Due Date
Executive forecasts	Department of Budget and Management	With submission of the Governor’s Fiscal 2028 Budget Books

4. 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.

5. 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 2028 Budget Books

6. 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 2027, 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.

7. 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 2028 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 2027 except as indicated elsewhere in this Act; however, this may not preclude the placement of additional information into the budget books. For actual fiscal 2026 spending, the fiscal 2027 working appropriation, and the fiscal 2028 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 2026 spending, the fiscal 2027 working appropriation, and the fiscal 2028 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

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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 2028 Budget Bill affecting fiscal 2027 or 2028, 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, 2026, 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 2026, 2027, and 2028 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 2028 Budget Books
List of subprograms		September 1, 2026

8. Add the following section:

Section XX Interagency Agreements

SECTION XX. AND BE IT FURTHER ENACTED, That on or before August 1, 2026, each State agency and each public institution of higher education shall report to the

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Department of Budget and Management (DBM) any agreements in place for any part of fiscal 2026 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.

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Further provided that DBM shall submit a consolidated report to the budget committees and the Department of Legislative Services by December 1, 2026, 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 2026.

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 2027 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 2027 without prior approval of the Secretary of Budget and Management.

Information Request	Author	Due Date
Consolidated report on interagency agreements	DBM	December 1, 2026

9. 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 and Policy 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).

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- (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 have 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.

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- (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 2027 appropriation detail as shown in the Governor’s budget books submitted to the General Assembly in January 2027 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 2028 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.
- (10) Further provided that budget amendments submitted for a fiscal year that has ended must be submitted to the General Assembly no later than October 31 of the next fiscal year to be considered for approval.

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

10. 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 2026 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.

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- (2) The State Superintendent of Schools shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2026 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 2026 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 2026 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, 2026, and submitted on a monthly basis thereafter.
- (6) It is the intent of the General Assembly that general funds appropriated for fiscal 2026 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, 2026, and monthly thereafter

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11. Strike the following language from the general fund appropriation:

~~; provided that this appropriation shall be reduced by \$40,000 contingent upon the enactment of legislation removing the requirement for printed budget books.~~

Explanation: This action strikes language that reduces funds contingent on removing the requirement to print budget books. Fiscal 2026 and 2027 include \$40,000 each for this purpose. The Budget Reconciliation and Financing Act of 2026, however, proposes to modify this requirement so that only online publishing is required.

12. Add the following section:

Section XX Timing of Budget Amendments

SECTION XX, AND BE IT FURTHER ENACTED, That \$100,000 of the general fund appropriation to the Department of Human Services, \$100,000 of the general fund appropriation of the Maryland Department of Health, \$100,000 of the general fund appropriation of the Department of Commerce, \$100,000 of the general fund appropriation for the Office of the Public Defender, and \$100,000 of the appropriation for the State Department of Assessment and Taxation may not be expended unless the respective agency submits all fiscal 2026 budget amendments prior to October 31, 2026. Funds restricted pending the receipt of the budget amendments may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the budget amendments are not submitted.

Explanation: Fiscal 2026 Budget Bill language required the Department of Budget and Management to submit all budget amendments to the Department of Legislative Services no later than October 31, 2025. Several agencies submitted budget amendments over a month late, impeding legislative review in some cases and limiting transparency into agency finances. This action restricts funding in agencies that submitted fiscal 2025 budget amendments after November 1, 2025 pending timely submission of fiscal 2026 budget amendments.

Information Request	Author	Due Date
Fiscal 2026 budget amendments	Department of Human Services Maryland Department of Health Department of Commerce Office of the Public Defender State Department of Assessment and Taxation	October 31, 2026

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

, provided that \$100,000 of this appropriation made for the purpose of administrative expenses may not be expended until the Department of Budget and Management submits a report on the expenditure of federal funds available through the American Rescue Plan Act award for the State Fiscal Relief Fund (SFRF) program. The report shall include a table listing the amount available to the State through each SFRF grant, the amount expended for each fiscal year, and the remaining balance. The report shall identify the reasons why any funds are expected to expire prior to use. The report shall be submitted by September 15, 2026, and the budget committees shall have 45 days from the date of receipt of the 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: Appendix O of the Governor’s Fiscal 2027 Budget Highlights showed unexpended balances in federal SFRF monies totaling \$160 million. This language requires a full accounting of SFRF grants to increase transparency and oversight of federal fund spending and maximize utilization of available resources.

Information Request	Author	Due Date
SFRF grant balances	Department of Budget and Management	September 15, 2026

14. Adopt the following narrative:

Submission of Select Budget Detail: The committees request that the Department of Budget and Management (DBM) submit complete fiscal 2028 subobject detail by program for Comptroller Objects 08 and 12 by the tenth day of the 2027 legislation session 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 2027 legislation session

Budget Reconciliation and Financing Act Recommended Actions

1. Strike the provision that would permanently repeal the requirement to print budget books.

Appendix 1
American Rescue Plan Act State Fiscal Relief Fund
Fiscal 2021-2026
(\$ in Millions)

	<u>Total Allocation</u>	<u>Spending (2021-2025)</u>	<u>Reported 2026 Expenditures</u>	<u>Unspent Allocation (2021-2026)</u>	<u>Share of Allocated Funds Remaining</u>
Broadband					
Device Subsidy	\$29.7	\$27.5	\$0.3	\$2.1	7%
Digital Inclusion Fund	2.0	1.6	0.0	0.3	16%
Digital Navigators	1.8	1.2	0.2	0.6	32%
Gap Networks	3.0	2.6	0.0	0.4	14%
Network Infrastructure	83.8	53.4	13.3	30.3	36%
Rural Broadband	2.0	2.0			0%
Rural Broadband – Legislative Initiative	45.2	40.7		4.4	10%
Service Fee Subsidy	44.8	41.9	0.2	3.0	7%
USM Digital Divide	\$3.8	\$3.4	\$0.2	\$0.5	12%
Total	\$216.1	\$174.4	\$14.2	\$41.7	19%
Economic Assistance for Business, Nonprofits, and Community Organizations					
Arts Council	\$5.0	\$5.0			0%
Food Bank Grants	10.0	10.0			0%
Hotel, Motel, and Bed and Breakfast Grants	10.0	10.0			0%
Live Entertainment Venues Grants	10.0	10.0			0%
Local Commuter Bus Assistance Grants	8.0	8.0			0%
Main Street Program	2.0	2.0			0%
Maryland Legal Services Corporation Grant	3.0	3.0			0%
Maryland Small, Minority, and Women-Owned Business Account	10.0	10.0			0%
Non-Profit Assistance Grants	20.0	20.0			0%
Non-Sales and Use Tax Grants	10.0	10.0			0%

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	<u>Total Allocation</u>	<u>Spending (2021-2025)</u>	<u>Reported 2026 Expenditures</u>	<u>Unspent Allocation (2021-2026)</u>	<u>Share of Allocated Funds Remaining</u>
On-Line Sales					
Framework Grants	0.5	0.5			0%
Private Sector Telework					
Support	5.0	5.0			0%
Restaurant Grants	22.0	22.0			0%
Rural and Agricultural					
Business					
Grants – MARBIDCO	2.0	2.0			0%
Rural and Agricultural					
Business					
Grants – TEDCO	1.5	1.5			0%
Small Business					
Marketing Grants	1.0	1.0			0%
Volunteer Fire					
Department and Rescue					
Squad Grants	\$4.0	\$4.0			0%
Total	\$124.0	\$124.0			0%
Higher Education					
Community					
Colleges – Baltimore					
City Community					
College	\$1.2	\$1.2			0%
Community					
Colleges – Maryland					
Higher Education					
Commission	8.6	8.6			0%
Vaccine Incentive					
Scholarships	1.0	1.0			0%
Total	\$10.8	\$10.8			0%
Housing and Community Development					
HOW	\$10.1	\$7.6	\$0.0	\$2.5	24%
Maryland Community					
Safety Program	10.3	10.3			0%
Project Restore	45.1	37.5	2.2	7.6	17%
Total	\$65.5	\$55.4	\$2.3	\$10.1	15%
K-12 Education					
**Child Care IT					
Contracts	\$19.4	\$19.0		\$0.4	2%
*Summer School	10.9	10.1		0.8	8%

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	<u>Total Allocation</u>	<u>Spending (2021-2025)</u>	<u>Reported 2026 Expenditures</u>	<u>Unspent Allocation (2021-2026)</u>	<u>Share of Allocated Funds Remaining</u>
*Supplemental Instruction/Tutoring	132.7	131.2	\$0.7	1.5	1%
*Transitional Supplemental Instruction	19.9	19.6	0.1	0.3	1%
*Trauma and Behavioral Health Services	24.9	24.1	0.1	0.9	3%
Adaptive Learning Tutoring Program (Arnold Venture)	10.6	1.1	0.4	9.5	89%
Education Trust Fund Backfill	116.1	116.1			0%
Juvenile Education Services	0.9	0.9			0%
Math and Science Reading Initiative	7.6	3.0	0.0	4.6	60%
School Reopening	0.4	0.3		0.1	13%
Student Support Network Transitional Supplemental Instruction – Blueprint	1.0	1.0			0%
Total	\$390.6	\$372.6	\$1.3	\$17.9	5%
Local Aid					
Disparity Grants	\$5.0	\$5.0			0%
Total	\$5.0	\$5.0			0%
Public Assistance					
30-Day Emergency Housing Grants	\$15.0	\$15.0			0%
Fiscal 2022 TCA and TDAP Monthly Supplements	40.2	40.2			0%
Housing Counseling Support	1.1	1.1			0%
Pending UI Claim Payments	35.6	35.6			0%
Temporary Cash Assistance	140.0	140.0			0%
Temporary Disability Assistance Program	11.3	11.3			0%

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	<u>Total Allocation</u>	<u>Spending (2021-2025)</u>	<u>Reported 2026 Expenditures</u>	<u>Unspent Allocation (2021-2026)</u>	<u>Share of Allocated Funds Remaining</u>
Utility Arrearage					
Retirement	83.0	83.0			0%
Utility Bill Assistance	20.0	20.0			0%
Water and Sewer					
Assistance	19.9	19.9			0%
Total	\$366.1	\$366.1			0%
Public Health					
Adult Day Care					
Operational Costs	\$14.4	\$14.4			0%
ACES Reduction					
Programs	3.0	3.0			0%
Assistance 8-507					
Providers	5.0	5.0			0%
Behavioral Health					
Services – Community					
Services	10.9	10.9			0%
Behavioral Health					
Services – Community					
Services Provider Rate					
Increase	3.5	3.5			0%
Behavioral Health					
Services – Community					
Services Provider Rate					
Increase, Medicaid	1.1	1.1			0%
Behavioral Health					
Services – Community					
Services, Medicaid	2.0	2.0			0%
Charlotte Hall Veterans					
Home	2.6	2.6			0%
DDA Provider Grants	4.9	4.9			0%
Expansion of the Boys &					
Girls Clubs MD	2.0	2.0			0%
Health Zones	11.5	11.5			0%
Healthy Schools/HVAC	76.9	35.7	\$1.2	\$41.2	54%
Hospitals – COVID-19					
Support	54.9	54.9			0%
Local Health	3.7	3.7			0%
Local Health Department					
Grants	57.7	57.7			0%

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	<u>Total Allocation</u>	<u>Spending (2021-2025)</u>	<u>Reported 2026 Expenditures</u>	<u>Unspent Allocation (2021-2026)</u>	<u>Share of Allocated Funds Remaining</u>
Local Health Department					
Infrastructure Grants	4.0	4.0			0%
Medicaid Advantage	49.9	49.9			0%
Mobile Crisis and Stand-Alone Crisis Services	7.6	7.6			0%
Nursing Home Temporary Rate Increase	26.0	26.0			0%
Nursing Homes – COVID-19 Support	48.8	48.8			0%
Overtime – Post-Mortem	0.1	0.1			0%
Placeholder for COVID-19 Support	4.8	4.8			0%
Residential Treatment Center	7.9	7.9			0%
VaxCash 2.0	2.0	2.0			0%
Total	\$405.1	\$363.9	\$1.2	\$41.2	10%
Public Safety					
Baltimore City Crime Prevention Initiative	\$1.2	\$0.5	\$0.5	\$0.7	62%
FAMLI Contractual Services	28.7	12.3	1.3	16.4	57%
Home Detention for Early Release	5.0	5.0			0%
Security Personnel for Non-Profit Faith Based Organizations	0.9	0.9			0%
Summer Safe – DHS	1.0	1.0			0%
Summer Safe – DJS	3.1	3.1			0%
Summer Safe – GOCPP	0.8	0.8			0%
VOCA Safe at Home Address Confidentiality Program	0.4	0.4			0%
VOCA Community Service Coordinators	0.1	0.1			0%
VOCA New Futures Bridge Subsidy	1.0	1.0			0%

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	<u>Total Allocation</u>	<u>Spending (2021-2025)</u>	<u>Reported 2026 Expenditures</u>	<u>Unspent Allocation (2021-2026)</u>	<u>Share of Allocated Funds Remaining</u>
VOCA Victim Services	2.4	2.4			0%
Total	\$44.5	\$27.4	\$1.8	\$17.1	39%
State Employee Compensation and Incentives					
Extension of Response					
Pay for State					
Employees	\$61.8	\$61.8			0%
Public Safety Salaries	251.7	251.7			0%
Response/Quarantine Pay	54.1	54.1			0%
Vaccine Incentive					
(Judiciary and					
Legislature only)					
Legislature only)	0.0	0.0			0%
Total	\$367.7	\$367.7			0%
State Government Administration					
**DBM Salary Support	\$0.8	\$0.8			0%
**MDH Ernst and					
Young Costs					
Young Costs	5.4	5.4			0%
Administrative Support	17.0	7.4		\$9.6	56%
Analytical Support					
Services					
Services	0.2	0.1		0.0	25%
Broadband Programmatic					
Support					
Support	0.5	0.3	\$0.0	0.1	32%
ENOUGH Act Support	0.2	0.2	0.0	0.0	22%
Federal Transition					
Support Services					
Support Services	0.2	0.2			0%
Government Efficiency					
Initiative					
Initiative	13.0	0.1	2.2	12.9	99%
Health Insurance	75.0	75.0			0%
Maryland 250					
Commission					
Commission	1.5	1.5			0%
Software Subscription	0.1	0.1			0%
State Telework					
Expansion					
Expansion	2.2	2.2			0%
Telework for State					
Employees					
Employees	5.0	5.0			0%
Transportation Trust					
Fund					
Fund	500.0	500.0			0%

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	<u>Total Allocation</u>	<u>Spending (2021-2025)</u>	<u>Reported 2026 Expenditures</u>	<u>Unspent Allocation (2021-2026)</u>	<u>Share of Allocated Funds Remaining</u>
Unemployment Trust Fund	830.0	830.0			0%
Total	\$1,451.0	\$1,428.3	\$2.3	\$22.7	2%
Transportation					
Additional MDOT Relief	\$40.0	\$40.0			0%
Bus Operations	10.0	10.0			0%
Employment Training and Apprenticeships	73.1	63.5	\$1.9	\$9.6	13%
Jobs that Build	14.6	14.6			0%
Local Workforce Development Boards	7.0	7.0		0.0	0%
Lost Toll Revenue	1.5	1.5			0%
MDOT – Match for IIJA Project	40.0	40.0			0%
Staffing Support	50.0	50.0			0%
State Systems Maintenance	10.0	10.0			0%
Workforce Development	0.0	0.0			0%
Total	\$246.2	\$236.6	\$1.9	\$9.6	4%
Grand Total	\$3,692.4	\$3,532.0	\$25.0	\$160.3	4%

ACES: Adverse Childhood Experiences
 DBM: Department of Budget and Management
 DDA: Developmental Disabilities Administration
 DHS: Department of Human Services
 DJS: Department of Juvenile Services
 ENOUGH: Engaging Neighborhoods, Organizations,
 Unions, Governments, and Households
 FAMLI: Family and Medical Leave Insurance
 GOCPP: Governor’s Office of Crime Prevention and
 Policy
 HOW: Homeownership Works
 IIJA: Infrastructure Investment and Jobs Act

IT: information technology
 MARBIDCO: Maryland Agriculture and
 Resource-Based Industry Development Corporation
 MDH: Maryland Department of Health
 MDOT: Maryland Department of Transportation
 TCA: Temporary Cash Assistance
 TDAP: Temporary Disability Assistance Program
 TEDCO: Maryland Technology Development Corporation
 USM: University System of Maryland
 UI: unemployment insurance
 VOCA: Victims of Crime Act

Source: Governor’s Fiscal 2027 Budget Books

Appendix 2
2025 Joint Chairmen’s Report Responses from Agency

The 2025 JCR requested that DBM prepare four reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***ARPA funding:*** DBM submitted a report regarding the spending, monitoring, and use of \$3.7 billion in awarded federal SLFRF resources as part of the COVID-19 pandemic stimulus packages. Further discussion of this data can be found in Issue 5 of this analysis.
- ***AFCU Performance Measures:*** DBM submitted a report identifying outputs, outcomes, and activities of AFCU for the purposes of tracking performance. Further discussion of this data can be found in Issue 2 of this analysis.
- ***Report on Efforts to Improve Training, Recruitment, and Retention of Fiscal Staff:*** DBM submitted a report regarding activities that DBM and the Office of the Comptroller engage in to assist agencies with fiscal compliance. Further discussion of this report can be found in Issue 1 of this analysis.
- ***Processing of Grant Payments:*** Given the need to compile complete data and conduct a thorough data call across all agencies, and in consideration of the time required for budget preparation responsibilities at the time of the due date, the department requested an extension of the submission deadline to February 15, 2026.

Appendix 3
Capital Reporting, Analysis, and Budgeting System
Major Information Technology Development Project
Department of Budget and Management

New/Ongoing: Ongoing					
Start Date: 02/01/2022			Est. Completion Date: 06/30/2026		
Implementation Strategy: Agile					
(\$ in Millions)	Prior Year	2026	2027	Remaining	Total
ITIF	\$4.964	\$0.000	\$0.000	Up to \$5.034	\$0 to \$10.000
Total	\$4.964	\$0.000	\$0.000	Up to \$5.034	\$0 to \$10.000

- **Project Summary:** DBM completed a major IT project in fiscal 2018 for the Enterprise Budget System, which allows for the creation and management of the State operating budget. The Capital Reporting, Analysis, and Budget System (CRABS) will expand on the Enterprise Budget System so that not only can operating budgets be created through the software but also capital budgets. CRABS will address needed functionality, gaps, and deficiencies of OCB’s current system.

- **Need:** The existing Capital Budget Information System (CBIS) is outdated and requires manual entry that has led to inconsistencies and errors. The goal is to reduce manual entry by 80%, increase analyst productivity by 20%, and allow for enhanced data capabilities similar to the operating process.

- **Observations and Milestones:** The project began in fiscal 2021 but was only started in earnest in July 2023. Work was paused in February 2023 due to procurement issues related to the single-source solicitation. A contract award was approved by BPW on April 3, 2024, which was modified on June 5, 2024, to correct the contract term. The contract extends from April 2024 through December 2026, totaling \$4.0 million. The current Enterprise Budget System contract has been extended by two years to allow for the completion of the CRABS project with the final go-live estimated for January 1, 2026. So far, milestones completed include the following:
 - project planning, solution strategy, and technical design;
 - prototype development, review, and build and test for about 20% of the system components;
 - core functionality pertaining to capital projects and programs; and
 - migration of CBIS data to CRABS for fiscal 2016 to 2027.

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- ***Other Comments:*** Budget book reporting functionality is expected for completion and testing in April 2026. The next phase (in addition to any issues identified during testing) is the facilities module, which includes mapping, integration with the Maryland Department of Planning, and the facilities plan.

Appendix 4
Fleet Management System Replacement
Major Information Technology Development Project
Department of Budget and Management

New/Ongoing: Ongoing					
Start Date: 02/01/2024			Est. Completion Date: 04/30/2027		
Implementation Strategy: Agile					
(\$ in Millions)	Prior Year	2026	2027	Remainder	Total
ITIF	\$0.200	\$1.250	\$0.900	Up to \$5.300	-\$0 to \$10.000
Total	\$0.200	\$1.250	\$0.900	Up to \$5.300	\$0 to \$10.000

- Project Summary:** DBM Fleet Management division for the statewide vehicle fleet has initiated a software system acquisition project to obtain a fully functional, customizable fleet management software system to replace the WebFleetMaster system that no longer meets business needs. The project aims to enable effective services for the fleet and house all data records for each State of Maryland vehicle including, but not limited to, acquisition, registration, lease, usage, maintenance, repair, claim, fuel, and disposal data.
- Need:** The system must keep track of vehicles, repairs, usage, drivers, and telematics data. The system must also interface with the existing established fleet maintenance and repair system, fuel vendor system, the State’s Financial Management Information System, eMaryland Marketplace Advantage, the State Comptroller’s Office – Payroll Division, and the State Treasurer’s Office Insurance Division. Currently, the system is not conformant to State IT securities policies.
- Observations and Milestones:** The RFP was issued on November 13, 2024, and closed to submissions on January 20, 2025. A vendor has been selected and an intent to award has been issued, pending BPW approval, in early 2026.

Appendix 5
Object/Fund Difference Report
Department of Budget and Management – Secretary

<u>Object/Fund</u>	<u>FY 25</u> <u>Actual</u>	<u>FY 26</u> <u>Wrk Approp</u>	<u>FY 27</u> <u>Allowance</u>	<u>FY 26 - 27</u>	
				<u>\$ Change</u>	<u>% Change</u>
Positions					
01 Regular	195.00	197.00	205.00	8.00	4.1%
02 Contractual	9.85	13.60	11.00	-2.60	-19.1%
Total Positions	204.85	210.60	216.00	5.40	2.6%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$26,150,253	\$27,542,351	\$30,729,479	\$3,187,128	11.6%
02 Technical and Special Fees	920,239	1,095,692	671,182	-424,510	-38.7%
03 Communications	1,902,358	1,048,500	1,556,000	507,500	48.4%
04 Travel	18,901	81,467	81,791	324	0.4%
07 Motor Vehicle Operation and Maintenance	683	7,400	8,546	1,146	15.5%
08 Contractual Services	28,595,597	13,025,463	14,356,507	1,331,044	10.2%
09 Supplies and Materials	91,031	105,000	105,000	0	0.0%
10 Equipment – Replacement	12,035	198,000	198,000	0	0.0%
11 Equipment – Additional	0	39,048	8,473	-30,575	-78.3%
13 Fixed Charges	156,109	1,116,979	1,526,891	409,912	36.7%
Total Objects	\$57,847,206	\$44,259,900	\$49,241,869	\$4,981,969	11.3%
Funds					
01 General Funds	\$13,961,391	\$16,579,714	\$18,354,734	\$1,775,020	10.7%
03 Special Funds	22,975,122	24,255,432	27,803,902	3,548,470	14.6%
05 Federal Funds	16,386,746	0	0	0	N/A
09 Reimbursable Funds	4,523,947	3,424,754	3,083,233	-341,521	-10.0%
Total Funds	\$57,847,206	\$44,259,900	\$49,241,869	\$4,981,969	11.3%

Note: The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.

Appendix 6
Fiscal Summary
Department of Budget and Management – Secretary

<u>Program/Unit</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>	<u>FY 26 - 27</u>	
	<u>Actual</u>	<u>Wrk Approp</u>	<u>Allowance</u>	<u>\$ Change</u>	<u>% Change</u>
01 Executive Direction	\$20,483,479	\$5,899,999	\$6,810,425	\$910,426	15.4%
02 Division of Finance and Administration	1,304,210	1,874,110	2,856,776	982,666	52.4%
03 Central Collection Unit	22,975,122	24,255,432	27,803,902	3,548,470	14.6%
05 Major Information Technology Development Projects	2,868,452	0	0	0	N/A
01 Budget Analysis and Formulation	7,821,607	9,704,794	9,009,892	-694,902	-7.2%
01 Capital Budget Analysis and Formulation	2,394,336	2,525,565	2,760,874	235,309	9.3%
Total Expenditures	\$57,847,206	\$44,259,900	\$49,241,869	\$4,981,969	11.3%
General Funds	\$13,961,391	\$16,579,714	\$18,354,734	\$1,775,020	10.7%
Special Funds	22,975,122	24,255,432	27,803,902	3,548,470	14.6%
Federal Funds	16,386,746	0	0	0	N/A
Total Appropriations	\$53,323,259	\$40,835,146	\$46,158,636	\$5,323,490	13.0%
Reimbursable Funds	\$4,523,947	\$3,424,754	\$3,083,233	-\$341,521	-10.0%
Total Funds	\$57,847,206	\$44,259,900	\$49,241,869	\$4,981,969	11.3%

Note: The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.