

F10A
Office of the Secretary
Department of Budget and Management

Operating Budget Data

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$8,554	\$9,381	\$9,612	\$231	2.5%
Special Fund	9,364	9,885	11,559	1,674	16.9%
Reimbursable Fund	<u>222</u>	<u>255</u>	<u>170</u>	<u>-85</u>	<u>-33.4%</u>
Total Funds	\$18,140	\$19,521	\$21,341	\$1,819	9.3%

- The budget bill proposes appropriating \$330,000 in special funds to support the Central Collection Unit's (CCU) federal vendor payments initiative.
- The fiscal 2009 allowance increases by \$1,819,472, or 9.3%, when compared to the fiscal 2008 working appropriation. However, this change is distorted due to changes in health insurance budgeting. Absent health insurance costs, the budget actually increases by approximately \$831,442 million, or 4.7%.
- Special funds support the CCU, whose budget increases \$1.7 million, or 16.9%, from the working appropriation.
- General fund spending increases by \$230,532, or 2.5%, when compared to the fiscal 2008 working appropriation.

Personnel Data

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	201.80	205.80	212.80	7.00
Contractual FTEs	<u>12.90</u>	<u>27.90</u>	<u>15.90</u>	<u>-12.00</u>
Total Personnel	214.70	233.70	228.70	-5.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	5.75	2.70%
Positions Vacant as of 01/01/08	19.00	9.23%

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

For further information contact: Patrick S. Frank

Phone: (410) 946-5530

- On January 30, 2008, 6.0 vacant positions were deleted, reducing the amount of vacant positions to 13.0, the number of regular positions to 199.80, and the percent of positions vacant to 6.5%.
- The fiscal 2009 allowance includes 13 new CCU regular positions with salary and fringe benefit costs totaling \$509,889. These costs are partially offset by CCU's reductions in contractual payroll, which totals \$318,324.

Analysis in Brief

Major Trends

Expenditure Growth Is Attributable to Increased Personnel Costs: Fiscal 2009 personnel costs (including the cost of contractual employees) increases by \$1.75 million when compared to fiscal 2008. Insofar as the remainder of the budget grows by \$65,799, this represents over 96% of growth.

Issues

Budget Reconciliation and Financing Act Proposes to Transfer \$25 Million of the Central Collection Fund's Balance into the General Fund: The fund supports the operations of the CCU. Excess funds are transferred to the general fund. Transferring balances requires legislation other than the budget bill. The fund balance has been growing steadily since fiscal 2004. The Administration has introduced legislation that proposes to transfer \$25 million in excess funds to the general fund. **It is recommended that legislation require the transfer of excess balances to the general fund, obviating the need for future legislation.**

Fiscal 2007 Closeout Audit Identifies Transactions That May Require Additional General Funds: Each year the Office of Legislative Audits prepares an audit of the State budget's closeout transactions. This year's audit identifies a number of transactions that may require \$99.4 million in charges against the general fund balance or require general fund appropriations. **The department should brief the budget committees on the audit and address any likely general fund impact.**

Budget Amendments and Comprehensive Plan: Budget Amendment 176-07 transfers general funds across agencies, which is inconsistent with current law. **The department should brief the budget committees on steps being taken to ensure that future budget amendments transfer funds consistent with State law.** State law also requires that a comprehensive plan be submitted each January. **The department should brief the committees on the status of this plan.**

Recommended Actions

1. Amend Section 17, which limits use of certain appropriations for their intended purposes.
2. Add a section applying across-the-board reductions in the Executive Branch to higher education institutions, unless otherwise specified.
3. Add a section providing for an accounting of workers' compensation funds.
4. Add a section requiring consistent reporting of federal monies received by the State.
5. Add a section requiring PAYGO capital funds to be budgeted in separate eight-digit programs.
6. Add a section that defines the policies under which federal funds may be used in the State budget.
7. Add a section that requires a report on indirect costs.
8. Add a section that requires the Administration to submit a general fund forecast and defines the conditions under which it is provided.
9. Add a section that provides for consistent reporting of fiscal 2008, 2009, and 2010 budget data and other related requirements.
10. Add a section that requires the maintenance of accounting systems for certain programs and other requirements.
11. Add a section that requires reporting on interagency agreements.
12. Add a section which limits the allowable use of budget amendments.
13. Add a section denying the payment of a Secretary or an Acting Secretary's salary when his/her nomination as Secretary has been rejected by the Senate.

F10A
Office of the Secretary
Department of Budget and Management

Operating Budget Analysis

Program Description

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

- **Executive Direction** manages the department. It includes executive staff, Attorneys General, and the Equal Employment Opportunity program.
- **Division of Finance and Administration** is responsible for the accounting, budgeting, payroll, and purchasing functions of the department.
- **Central Collection Unit (CCU)** collects delinquent debts, claims, and accounts due State government.
- **Division of Procurement Policy and Administration** provides centralized review and approval or rejection of procurement of services and information technology for Executive Branch agencies. The Administration also procures vehicles and manages State fleet operations.
- **Office of Budget Analysis** analyzes State agency programs, expenditures, revenues, and performance. The office recommends funding allocations and develops the operating budget with legal requirements and the Administration's directions.
- **Office of Capital Budgeting** develops an annual capital budget, prepares a five-year *Capital Improvement Plan*, and reviews the master plans of State agencies.

DBM has identified three key outcomes: effective budgeting; effective resource management; and effective public policy. Supporting the outcomes of effective budgeting and public policy is the key goal that allocated resources contribute to achievement of outcome goals by State agencies. The department has also identified two key goals with respect to resource management. DBM's goals are that Executive Branch agencies have a high quality workforce that reflects the diversity of the State and that State government maximizes the benefit and value from investments in the information technology supporting State business processes.

DBM also has an Office of Personnel Services and Benefits (F10A02) and an Office of Information Technology (F10A04). These budgets are discussed in separate analyses.

Performance Analysis: Managing for Results

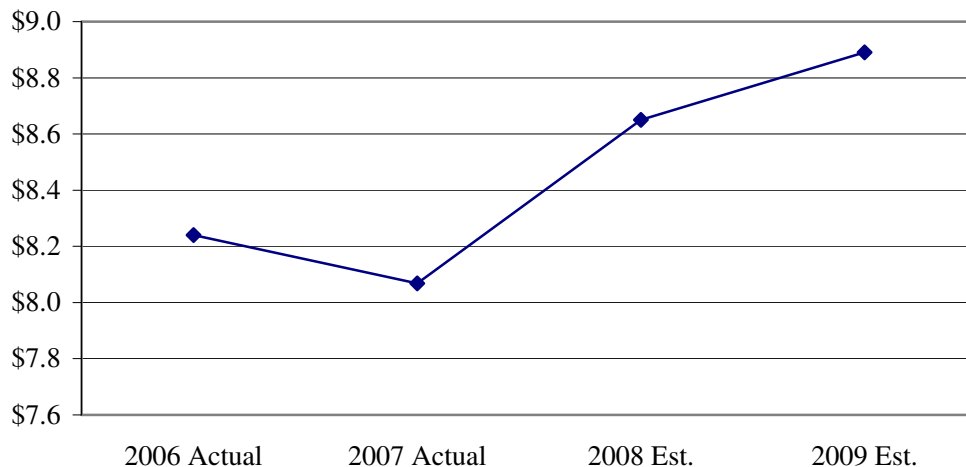
Managing for Results (MFR) is an Executive Branch initiative that measures State agency performance. The initiative requires agencies to develop strategic plans which include missions, visions, goals, objectives, and performance measures. With respect to DBM, MFR data for two of its functions are evaluated.

Collecting Debts

The CCU collects delinquent debts, claims, and accounts due State government. Its mission is to collect these receivables in the “quickest and most effective manner while employing the highest professional standards.” Typical debts collected include student tuition and fees, restitution for damage to State property, reimbursement for institutional care, local health department fees, workers’ compensation premiums, and State grant overpayments. It does not collect nontax debts, such as unpaid child support payments.

The unit’s goal is to maximize returns on collections. With respect to this goal, one objective is to increase or maintain profits annually. **Exhibit 1** shows that profits dipped slightly in fiscal 2007 and are expected to increase in fiscal 2008 and 2009. Though profits declined in fiscal 2007, they are still quite a bit above the profits achieved in prior fiscal years. The high level of profits generated recently allows the transfer of \$25 million to the general fund. The details of this transfer are discussed in Issue 1.

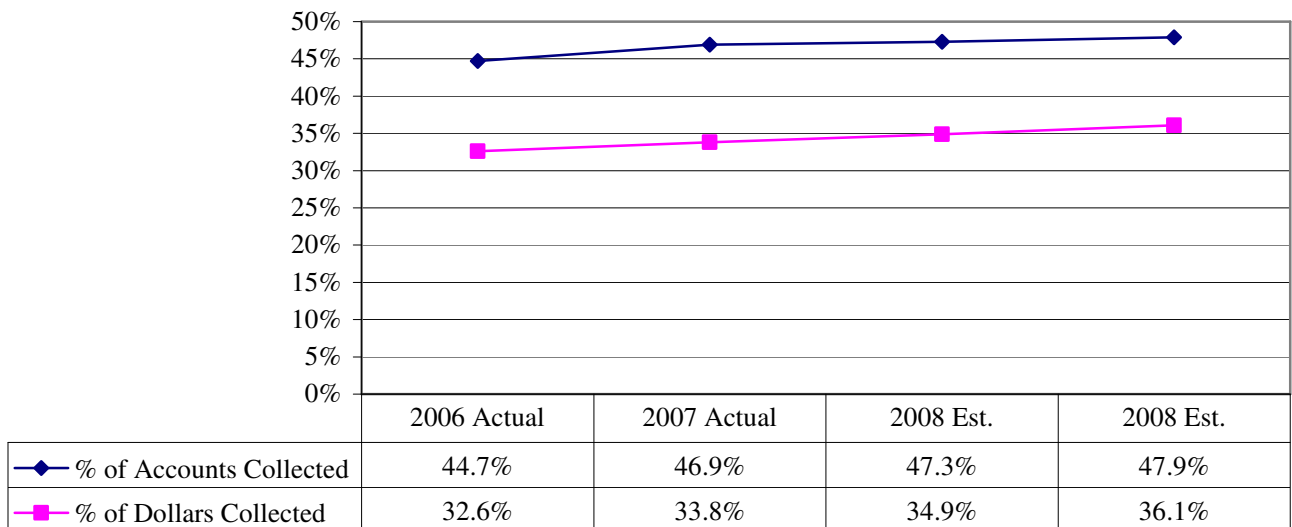
Exhibit 1
Central Collection Unit Net Profits
Fiscal 2006-2009
(\$ in Millions)



Source: Governor’s Budget Books, Fiscal 2009

Another set of objectives relate to what percentage of debt owed the State is being collected. The unit has two such objectives: to collect some or all of the debt of at least 40% of the accounts; and to collect at least 33% of the debt from the total value of referrals received. **Exhibit 2** shows that the unit met the objective to collect at least 40% of debt in fiscal 2006 and 2007 and is projected to meet the objective in fiscal 2008 and 2009. With respect to the objective to collect at least 33% of the value of delinquent receivables, the unit did not meet it in fiscal 2006 but met it in 2007 and is projected to meet it again in fiscal 2008 and 2009. Both of these objectives have shown improvement in recent years.

Exhibit 2
Central Collection Unit
Percent of Debt Accounts Collected and Percent of Dollar Debt Collected
Fiscal 2006-2009

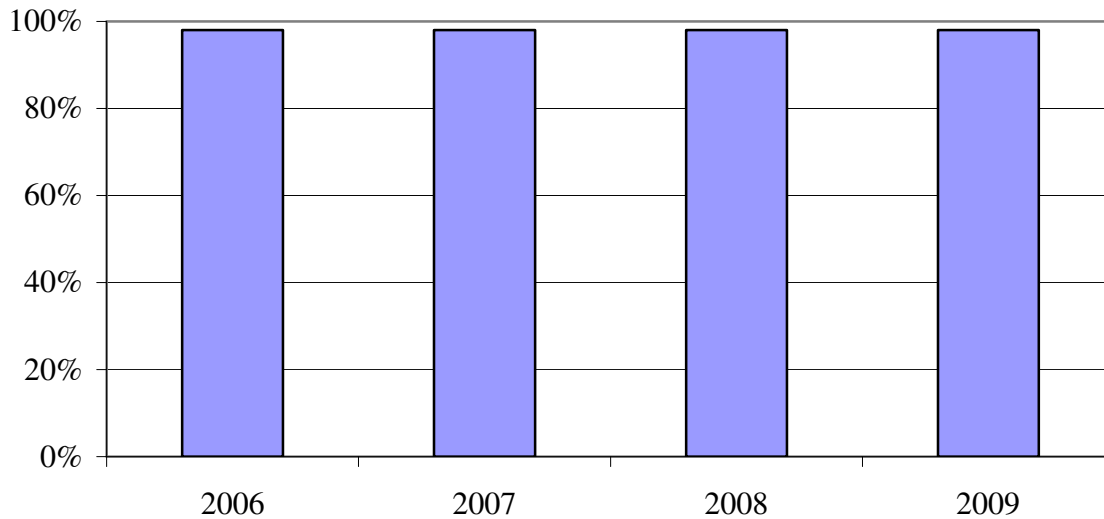


Source: Governor’s Budget Books

Fleet Management

The Division of Procurement Policy and Administration has a Fleet Administration Unit that manages the State’s motor vehicle fleet. The unit’s goal is that “State agencies use fleet vehicles efficiently.” It has developed an objective that at least 90% of State vehicles be driven the minimum number of official miles. **Exhibit 3** shows that DBM has met this objective since fiscal 2006 and is projected to meet it again in fiscal 2008 and 2009. While this objective may be appropriate, the concern is that this objective is not sufficient. Missing from the objectives is a direct measure of costs. An example of a performance measure related to cost is the cost per vehicle mile. This measure could also be compared to the performance of other fleets and to evaluate best practices. **It is recommended that the department develop and publish fleet management cost data.**

Exhibit 3
Percent of Vehicles Meeting Minimum Driving Standards
Fiscal 2006-2009



Source: Governor's Budget Books, Fiscal 2009

Fiscal 2008 Actions

Proposed Deficiency for Central Collection Unit

The budget bill includes \$330,000 in special funds for CCU. The source of the funds is the Central Collection Fund (CCF), which receives the State's share of the unit's collections. The fund supports the unit. The unit has been realizing revenues in excess of its costs, as noted in the previous MFR discussion, and plans on transferring some of the excess funds to the general fund, as discussed in Issue 1.

If appropriated, the funds support the federal vendor payments program. The program allows the State to enter into reciprocal agreements with the federal government to collect delinquent debts. These agreements require additional notification. The deficiency appropriation supports this additional notification. In prior years, this deficiency appropriation would most likely have been provided through a budget amendment. This deficiency appropriation satisfies the legislature's request that the Administration appropriate funds through deficiency appropriations, instead of budget amendments.

Impact of Cost Containment

On July 11, 2007, the Board of Public Works (BPW) reduced State agencies' general fund appropriations. DBM's general fund budget was reduced by \$90,000. Specific reductions were \$60,000 to delete one regular fiscal administrator position, \$20,000 to reduce contractual information technology services, and \$10,000 to reduce supplies. The working appropriation reflects the cost containment reductions.

Governor's Proposed Budget

Exhibit 4 shows that DBM's fiscal 2009 allowance totals \$21.3 million. This is \$1.8 million, or 9.3%, greater than the fiscal 2008 working appropriation.

Exhibit 4
Governor’s Proposed Budget
DBM – Office of the Secretary
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
2008 Working Appropriation	\$9,381	\$9,885	\$255	\$19,521
2009 Governor’s Allowance	<u>9,612</u>	<u>11,559</u>	<u>170</u>	<u>21,341</u>
Amount Change	\$231	\$1,674	-\$85	\$1,819
Percent Change	2.5%	16.9%	-33.4%	9.3%
 Where It Goes:				
Personnel Expenses				
New positions.....				\$510
Abolish positions				-309
Increments and other compensation.....				292
Health insurance – pay-as-you-go costs.....				241
Health insurance – reduce long-term Other Post Employment Benefits liability				678
Central Collection Unit bonus payments				244
Reduce turnover rate and delete one-time hiring freeze adjustment.....				228
Reclassify Central Collection Unit position as deputy				64
Part-time assistance.....				50
Central Collection Unit Expenses				
New collections system project management and development costs.....				250
Additional postage costs for federal vendor offset program.....				195
Workload contracts such as secondary collection, credit card, fees, etc.....				161
Reduce contractual payroll.....				-268
Reduce collection system’s vendor operating costs.....				-125
Supplies and equipment replacement.....				-113
Other Expenses				
State network telecommunications costs				-108
Fund transfer to Office of Administrative Hearings				-57
Delete media research contract				-100
Other				-14
Total				\$1,819

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

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Spending growth is attributable to increased personnel expenditures, which add \$2 million to the allowance. The largest personnel items relate to health insurance, which increases by approximately \$919,000 when current costs are combined with appropriations to reduce the Other Post Employment Benefits unfunded liability, and 13 new positions in the CCU, whose costs are shown in **Exhibit 5**. The new positions will support collecting uninsured motorist penalties. Section 17-106 of the Transportation Article stipulates that excess fees are deposited into the general fund. The administration expects \$2 million to be deposited into the general fund. Growth in personnel costs are offset by a decline in contractual position costs (primarily attributable to contractual conversions at the CCU), which totals approximately \$268,000. Nonpersonnel costs, which account for the remaining 20% of the budget, increase by approximately \$65,000.

Exhibit 5
New Positions for the Central Collection Unit
(\$ in Thousands)

<u>Title</u>	<u>PINs</u>	<u>Salary</u>	<u>Fringe Benefits</u>	<u>Total Cost</u>	<u>Contractual Conversion</u>
Collection Agent I	3	\$84	\$41	\$125	No
Collection Agent IV	1	33	14	48	No
Office Clerk II	9	217	120	337	Yes
Total	13	\$334	\$176	\$510	

Source: Department of Budget and Management, January 2008

The fiscal 2009 allowance is supported by special funds generated by the CCU (54% of spending), general funds (45% of spending), and reimbursable funds (1% of spending). Changes from fiscal 2008 to 2009 include:

- special fund expenditures in the allowance are \$1.7 million (16.9%) more than the fiscal 2008 working appropriation, most of which is attributable to increased personnel costs (\$1.6 million);
- general fund growth totaling approximately \$231,000 (2.5%) is attributable to increases in personnel costs (\$396,000), offset by decreases in statewide telecommunications costs (\$108,000), and reduced transfers to the Office of Administrative Hearings (\$59,000); and
- reimbursable funds decline approximately \$85,000 as increases in personnel costs (\$15,000) are offset by ending a contract for media research services (\$100,000).

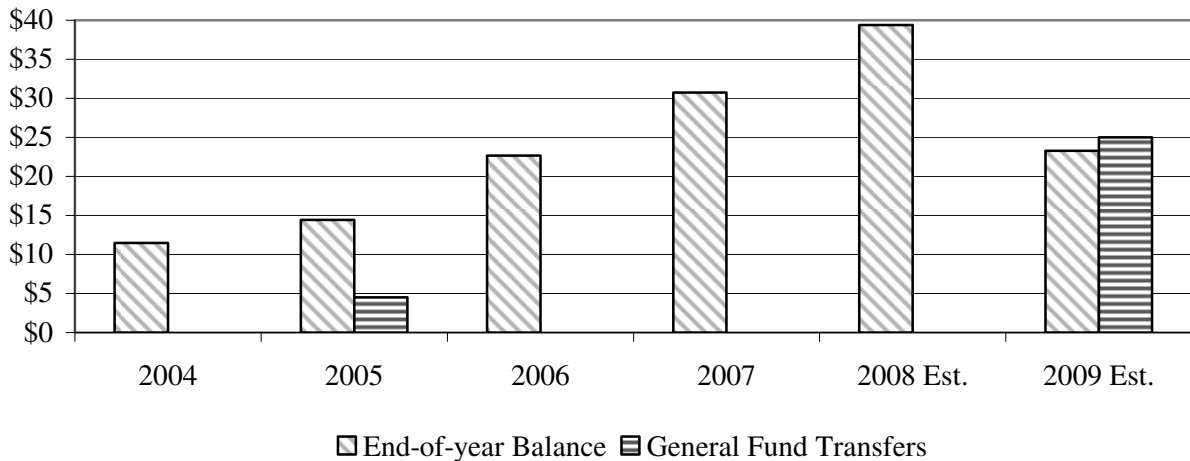
Issues

1. Budget Reconciliation and Financing Act Proposes to Transfer \$25 Million of the Central Collection Fund’s Balance into the General Fund

CCU collects delinquent debts, claims, and accounts due State government. Sections 3-301 to 3-306 of the State Finance and Procurement Article require that the collections be deposited into the CCF and that collections support CCU operations. The law does not provide for the transfer of excess collections to the general fund. To transfer excess funds to the general fund, specific legislation, such as a reconciliation act, must be enacted.

As discussed previously in the MFR section, collections have been exceeding expenditures. **Exhibit 6** shows that the CCF balance increased from \$11.0 million at the end of fiscal 2004 to more than \$30.0 million at the end of fiscal 2007. The fund balance has grown in spite of a \$4.5 million transfer¹ in fiscal 2005 to the general fund. Senate Bills 91 and 540 and House Bills 101 and 1244 of 2008 propose to transfer another \$25.0 million by June 30, 2009. The fund is projected to have a \$23.0 million balance at the end of fiscal 2009 after the \$25.0 million transfer.

Exhibit 6
Central Collection Fund End-of-year Balance and General Fund Transfers
Fiscal 2004-2009
(\$ in Millions)



Source: Department of Budget and Management, January 2008

¹Section 2, Chapter 430 of 2004 (Budget Reconciliation and Financing Act of 2004) transferred \$4.5 million from the CCF to the general fund in fiscal 2005.

As discussed in the MFR section, the CCU is projected to generate at least \$8 million annually in profits. When the CCF balance reaches a certain level, the excess funds are transferred into the general fund. Concerns are that when the profits are transferred is arbitrary and that legislation other than the budget bill is required each time a transfer is made. **To simplify the transfer of excess funds from the CCF to the general fund, it is recommended that the legislature pass legislation requiring the transfer of excess funds. The proposed language will be discussed at the bill hearings for Senate Bill 91 and House Bill 101 (Budget Reconciliation and Financing Act of 2008). Specifically, the following language is recommended to be added to Section 3-306 of the State Finance and Procurement Article:**

(H) ANY BALANCE IN THE FUND AT THE END OF JUNE 30 OF EACH FISCAL YEAR IN EXCESS OF 10 PERCENT OF THE ACTUAL EXPENSES OF OPERATING THE CENTRAL COLLECTION UNIT FOR THAT FISCAL YEAR REVERTS TO THE GENERAL FUND.

2. Fiscal 2007 Closeout Audit Identifies Transactions That May Require Additional General Funds

Each year the Office of Legislative Audits (OLA) prepares an audit of the State budget’s closeout transactions. The audit identifies closeout transactions that were not in compliance with current laws or Generally Accepted Accounting Standards. With respect to this analysis, the concern is that the audit identifies \$99.4 million in transactions that may require writing down general fund balance or additional general fund appropriations. **Exhibit 7** details the audits findings and the possible general fund effect.

The Department of Budget and Management should brief the committees on OLA’s Statewide Review of Budget Closeout Transactions for Fiscal 2007. This should address the likely general fund impact.

Exhibit 7
Office of Legislative Audits
Statewide Review of Budget Closeout Transactions for Fiscal 2007
(\$ in Millions)

<u>Agency</u>	<u>Explanation</u>	<u>Amount</u>	<u>Possible General Fund (GF) Effect</u>	<u>GF Action to Date</u>
MSDE	Recorded unsubstantiated federal fund revenues related to TANF grants in fiscal 2002 and 2003	\$13.3	Agency advises that as of November 2007, \$2.1 million in general funds have been identified, remainder may need to be appropriated	
DHR	Recorded unsubstantiated federal fund revenues related to TANF and Foster Care Title IV-E grants	12.4	General fund appropriations to support remaining amount due	

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<u>Agency</u>	<u>Explanation</u>	<u>Amount</u>	<u>Possible General Fund (GF) Effect</u>	<u>GF Action to Date</u>
DSP	Recorded unsubstantiated reimbursable fund revenues from MEMA and other State agencies	1.2	Insofar as there is a lack of documentation, general fund appropriations appear necessary	
DSP	Recorded unsubstantiated special fund revenues from State agencies	0.6	General fund appropriations may be necessary	
DSP	Recorded revenues as both accounts receivable and received	5.5	General funds necessary to eliminate deficit	
DHCD	Recorded fiscal 2007 nonbudgeted revenues as fiscal 2008 revenues	7.4	None, since no net revenue effect	No general fund action necessary
DHMH	Incurred but not reported Medicaid claims would have been reverted to the general fund. Projected total is \$190 million while \$231 million has been accrued	41.0	Administration assumes \$31 million reversion in fiscal 2008; the remainder may support other costs	
DHMH	Federal audit disallows local school systems' health claims due to lack of documentation	16.4	State may get a substantial portion	
DHMH	Federal audit disallows local school systems' health claims due to State error in rates that led to overcharge	32.8	General fund appropriations may be necessary	
MHEC	Unfunded accounts payable related to community college retirement plans and Statewide and Health Manpower programs	9.0	General fund deficiency appropriation	
DJS	Unfunded accounts payable related to various operations	8.8	General fund deficiency appropriation	Deficiency in budget bill
DHR	Unfunded accounts payable related to legal services contracts	2.6	General fund deficiency appropriation	Deficiency in budget bill
DSP	Unfunded accounts payable related to increased utility costs and unexpected physical structure repairs	1.3	General fund deficiency appropriation	Deficiency in budget bill
OPD	Unfunded accounts payable	0.8	General fund deficiency appropriation	

DHCD: Department of Housing and Community Development
 DHMH: Department of Health and Mental Hygiene
 DHR: Department of Human Resources
 DJS: Department of Juvenile Services

DSP: Department of State Police
 MSDE: Maryland State Department of Education
 OPD: Office of the Public Defender
 TANF: Temporary Assistance for Needy Families

Source: Office of Legislative Audits

3. Budget Amendments and Comprehensive Plan

Budget Amendments

Section 7-209 of the State Finance and Procurement Article prohibits the transfer of general funds across agencies unless authorized by statute or in the budget bill. Budget Amendment 176-07 transfers general funds from the Maryland Energy Administration (Financial Agency D13) to the Office of the Governor (D10), Office of the Deaf and Hard of Hearing (D11), and Governor’s Boards, Office, and Commissions (D15). Transferring funds across agencies is inconsistent with current law. **The department should brief the budget committees on steps being taken to ensure that future budgets transfer funds consistently with State law.**

Annual Performance Report

Section 3-1002 of the State Finance and Procurement Article requires that DBM provide the budget committees an annual performance report each January. The report has not yet been received by the budget committees. **The department should brief the committees on the status of this report.**

Recommended Actions

1. Add the following section:

Section 17 Using Funds For Their Intended Purpose

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), 0157 (Other Post Employment Benefits), 0175 (Workers' Compensation), 0217 (Health Insurance – Maryland Department of Transportation only), 0305 (DBM Paid Telecommunications) and 0322 (Capital Lease Telecommunications) 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, 0305, and 0322 between State departments and agencies by approved budget amendment in fiscal year 2008 and fiscal year 2009. 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 of the Annotated Code of Maryland. Any funds restricted in this budget to be utilized for other post ~~retirement~~ employment benefits (Comptroller Object 0157) that are unspent shall be credited to the Postretirement Health Benefits Trust Fund as established in accordance with Sections 34-101 of the State Personnel and Pensions Article of the Annotated Code of Maryland.

Further provided that each agency that receives funding in this budget in any of the restricted Comptroller Objects herein 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 cancelled.

Explanation: This amendment withdraws the opportunity for the Secretary of Budget and Management to redirect certain funds for other purposes and makes it possible for the Office of Legislative Audits to track the disposition of funds in statewide subobjects 0152, 0154, 0157, 0175, 0217, 0305, and 0322.

2. 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.

3. Add the following section:

Section XX Injured Workers’ Insurance Fund Accounts

SECTION XX. AND BE IT FURTHER ENACTED, That the Comptroller of the Treasury’s General Accounting Division shall establish a subsidiary ledger control account to debit all State agency funds budgeted under subobject 0175 (workers’ compensation coverage) and to credit all payments disbursed to the Injured Workers’ Insurance Fund (IWIF) via transmittal. The control account shall also record all funds withdrawn from IWIF and returned to the State and subsequently transferred to the general fund. IWIF shall submit monthly reports to the Department of Legislative Services concerning the status of the account.

Explanation: This section provides continuation of a system to track workers’ compensation payments to IWIF for payment of claims, current expenses, and funded liability for incurred losses by the State.

Information Request	Author	Due Date
Report on status of ledger control account	IWIF	Monthly beginning on July 1, 2008

4. Add the following section:

Section XX Reporting Federal Funds

SECTION XX. AND BE IT FURTHER ENACTED, That Executive budget books shall include a summary statement of federal revenues by major federal program source 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
Report of components of each federal fund appropriation	DBM	With submission of fiscal 2010 budget

5. Add the following section:

Section XX PAYGO Capital Appropriations

SECTION XX. AND BE IT FURTHER ENACTED, That for fiscal 2010, capital funds shall be budgeted in separate eight-digit programs. When multiple projects and/or programs are budgeted within the same non-transportation eight-digit program, each distinct program and project shall be budgeted in a distinct subprogram. To the extent possible, subprograms for projects spanning multiple years shall be retained to preserve funding history. Furthermore, the budget detail for fiscal 2008 and 2009 submitted with the fiscal 2010 budget shall be organized in the same fashion to allow comparison between years.

Explanation: This annual language requires that capital funds be budgeted in separate eight-digit programs to aid in the identification of individual capital projects.

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 2009, 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; this policy does not apply to the Department of Human Resources with respect to federal funds to be carried forward into future years for child welfare or welfare reform activities, or to the Department of Health and Mental Hygiene with respect to funds to be carried forward into future years for the purpose of reducing the waiting list for community services for individuals with developmental disabilities or with respect to funds to be carried forward into future years for HIV/AIDS-related activities, or to the Maryland State Department of Education with respect to funds to be carried forward into future years for child care;
 - (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, whether opportunities exist to use these federal revenues to support existing operations rather than to expand programs or establish new ones; and
 - (c) the Department of Budget and Management shall take appropriate actions to effectively establish these as policies of the State with respect to 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 Indirect Costs Report

SECTION XX. AND BE IT FURTHER ENACTED, That the Department of Budget and Management (DBM) shall provide an annual report on indirect costs to the General Assembly in January 2009 as an appendix in the Governor’s fiscal 2010 budget books. The report shall detail by agency for the actual fiscal 2008 budget the amount of statewide indirect cost recovery received, the amount of statewide indirect cost recovery transferred to the general fund, and the amount of indirect cost recovery retained for use by each agency. In addition, it shall list the most recently available federally approved statewide and internal agency cost recovery rates. As part of the normal fiscal/compliance audit performed for each agency once every three years, the Office of Legislative Audits shall assess available information on the timeliness, completeness, and deposit history of indirect cost recoveries by State agencies. Further provided that for fiscal 2009, excluding the Maryland Department of Transportation, the amount of revenue received by each agency from any federal source for statewide cost

recovery may only be transferred to the general fund and may not be retained in any clearing account or by any other means, nor may the Department of Budget and Management or any other agency or entity approve exemptions to permit any agency to retain any portion of federal statewide cost recoveries.

Explanation: This is annual language that requires a report on indirect costs and disallows waivers of statewide cost recovery, requiring that recovered funds may only be transferred to the general fund.

Information Request	Author	Due Date
Annual report on indirect costs	DBM	With submission of the Governor's fiscal 2010 budget books

8. Add the following section:

Section XX Executive Long-term Forecast

SECTION XX. AND BE IT FURTHER ENACTED, That the Executive budget books shall include a forecast of the impact of the executive budget proposal on the long-term fiscal condition of general fund, Transportation Trust Fund, and higher education current unrestricted fund accounts. This forecast shall estimate aggregate revenues, expenditures and fund balances in each account for the fiscal year last completed, the current year, the budget year, and four years thereafter. Expenditures shall be reported at such agency, program or unit levels or categories as may be determined appropriate after consultation with the Department of Legislative Services. A statement of major assumptions underlying the forecast shall also be provided, including but not limited to general salary increases, inflation, and growth of caseloads in significant program areas.

Explanation: This annual language provides for the delivery of the Executive's general fund forecast and defines the conditions under which it is to be provided.

Information Request	Author	Due Date
Executive's general fund forecast	Department of Budget and Management	With submission of the Governor's fiscal 2010 budget books

9. Add the following section:

Section XX Reporting on Budget Data and Organizational Charts

SECTION XX. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that all State departments, agencies, bureaus, commissions, boards, and other organizational units included in the State budget, including the Judiciary, shall prepare and submit items for the fiscal 2010 budget detailed by Comptroller subobject classification in accordance with instructions promulgated by the Comptroller of the Treasury. The presentation of budget data in the State budget books shall include object, fund, and personnel data in the manner provided for in fiscal 2009 except as indicated elsewhere in this Act; however, this shall not preclude the placement of additional information into the budget books. For actual fiscal 2008 spending, the fiscal 2009 working appropriation, and the fiscal 2010 allowance, the budget detail shall be available from the Department of Budget and Management’s 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 2008 spending, the fiscal 2009 working appropriation, and the fiscal 2010 allowance. The agencies shall exercise due diligence in reporting these data and ensuring correspondence between reported position and expenditure data for the actual, current, and budget fiscal years. These data shall be made available upon request and in a format subject to the concurrence of the Department of Legislative Services. 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 the Treasury.

Further provided that due diligence shall be taken to accurately report full-time equivalent position counts of contractual positions in the budget books. For the purpose of this count, contractual positions 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 the Department of Budget and Management shall provide to the Department of Legislative Services 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.

Explanation: This annual language provides for consistent reporting of fiscal 2008, 2009, and 2010 budget data, and provides for the submission of department, unit, agency, office, and institutions’ organizational charts to the Department of Legislative Services with the allowance.

10. Add the following section:

Section XX Maintenance of Accounting Systems

SECTION XX. AND BE IT FURTHER ENACTED, That:

- (1) The Secretary of Health and Mental Hygiene shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2008 in program M00Q01.03 Medical Care Provider Reimbursements have been disbursed for services provided in that fiscal year and shall prepare and submit the periodic reports required under this section for that program.
- (2) The State Superintendent of Schools shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2008 to program R00A02.07 Students With Disabilities for Non-Public Placements have been disbursed for services provided in that fiscal year and to prepare periodic reports as required under this section for that program.
- (3) The Secretary of Human Resources shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2008 in program N00G00.01 Foster Care Maintenance Payments have been disbursed for services provided in that fiscal year and to prepare the periodic reports required under this section for that program.
- (4) For the programs specified, reports shall indicate total appropriations for fiscal 2008 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 on November 1, 2008, March 1, 2009, and June 1, 2009.
- (6) It is the intent of the General Assembly that general funds appropriated for fiscal 2008 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 Department of Health and Mental Hygiene (DHMH), the Maryland State Department of Education (MSDE), and the Department of Human Resources (DHR).

Information Request	Authors	Due Date
Report on appropriations and disbursements in M00Q01.03, R00A02.07, and N00G00.01	DHMH MSDE DHR	November 1, 2008 March 1, 2009 June 1, 2009

11. Add the following section:

Section XX Interagency Agreements

SECTION XX. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that on or before August 1, 2008, each State agency and each public institution of higher education shall report to the Department of Budget and Management (DBM) any agreements in place for any part of fiscal 2008 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 the Department of Budget and Management 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-time and part-time, associated with the agreement; and
- (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.

Further provided that the Department of Budget and Management shall submit a consolidated report to the budget committees and the Department of Legislative Services by December 1, 2008, 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 2008.

Explanation: The language requires all State agencies and public institutions of higher education 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 between State agencies and public institutions of higher education. Further, it requires that the Department of Budget and Management (DBM) submit a consolidated report on all agreements by December 1, 2008, to the budget committees and the Department of Legislative Services.

Information Request	Author	Due Date
Consolidated report on all interagency agreements	DBM	December 1, 2008

12. 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 Control and Prevention or the Maryland Emergency Management Agency, made in Section 1 of this Act shall be subject to the following restrictions:

- (1) This section shall not apply to budget amendments for the sole purpose of:
 - (a) appropriating funds available as a result of the award of federal disaster assistance;
 - (b) transferring funds from the State Reserve Fund – Economic Development Opportunities Fund for projects approved by the Legislative Policy Committee; and
 - (c) appropriating funds for Major Information Technology Development Project Fund projects approved by the budget committees.
- (2) Budget amendments increasing total appropriations in any fund account by \$100,000 or more may not be approved by the Governor until (i) that amendment has been submitted to the Department of Legislative Services and (ii) the budget committees or

the Legislative Policy Committee have considered the amendment or 45 days have elapsed from the date of submission of the amendment. Each amendment submitted to the Department of Legislative Services shall include a statement of the amount, sources of funds and purposes of the amendment, and a summary of impact on budgeted or contractual position and payroll requirements.

- (3) Unless permitted by the budget bill or the accompanying supporting documentation or by 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 shall be restricted as provided in Section 1 of this Act;
 - (c) increase the scope of a capital project by an amount 7.5 percent or more over the approved estimate or 5 percent or more over the net square footage of the approved project until the amendment has been submitted to the Department of Legislative Services 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 the Maryland Department of Transportation; and
 - (d) provide for the additional appropriation of special, federal, or higher education funds of more than \$100,000 for the reclassification of a position or positions.
- (4) A budget may not be amended to increase a federal fund appropriation by \$100,000 or more unless documentation evidencing the increase in funds is provided with the amendment and fund availability is certified by the Secretary of Budget and Management.
- (5) No expenditure or contractual obligation of funds authorized by a proposed budget amendment may be made prior to approval of that amendment by the Governor.
- (6) Notwithstanding the provisions of this section, any federal, special, or higher education fund appropriation may be increased by budget amendment upon a declaration by the Board of Public Works that the amendment is essential to maintaining public safety, health, or welfare, including protecting the environment or the economic welfare of the State.

- (7) Further provided that the fiscal 2009 appropriation detail as shown in the Governor’s budget books submitted to the General Assembly in January 2009 and the supporting electronic detail shall not include appropriations for budget amendments that have not been signed by the Governor, exclusive of the Maryland Department of Transportation PAYGO capital program.
- (8) 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 2010 allowance the Department of Budget and Management shall continue policies and procedures to minimize reliance on budget amendments for appropriations that could be included in a deficiency appropriation.

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

13. Add the following section:

Section XX Secretary’s or Acting Secretary’s Nomination and Salary

SECTION XX. AND BE IT FURTHER ENACTED, That no funds in this budget may be expended to pay the salary of a Secretary or Acting Secretary of any department whose nomination as Secretary has been rejected by the Senate or an Acting Secretary who was serving in that capacity prior to the 2008 session whose nomination for the Secretary position was not put forward and approved by the Senate during the 2008 session.

Explanation: This language ensures that the intentions of the Senate are reflected in the payment of executive salaries.

Current and Prior Year Budgets

Current and Prior Year Budgets DBM – Office of the Secretary (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$9,133	\$9,438	\$0	\$283	\$18,854
Deficiency Appropriation	0	325	0	0	325
Budget Amendments	175	108	0	0	283
Reversions and Cancellations	-755	-507	0	-61	-1,323
Actual Expenditures	\$8,554	\$9,364	\$0	\$222	\$18,140
Fiscal 2008					
Legislative Appropriation	\$9,280	\$9,780	\$0	\$255	\$19,315
Cost Containment	-90	0	0	0	-90
Budget Amendments	191	105	0	0	296
Working Appropriation	\$9,381	\$9,885	\$0	\$255	\$19,521

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

Fiscal 2007

The legislative appropriation totaled \$18.9 million. The CCU received an additional \$325,000 in 2007 general fund deficiency appropriations. Budget amendments added approximately \$283,000 to the budget by providing \$595,000 (\$487,000 in general funds and \$108,000 in special funds) for the general salary increase, deleting \$385,000 in general funds for cost containment, and the remainder reflecting transfers between various DBM Offices.

Another \$1.3 million was unspent. General fund reversions total \$755,000 and consisted primarily of reduced personnel (\$235,000), telecommunications (\$88,000), and information system contacts (\$204,000) spending. Special funds totaling \$507,000 were cancelled, consisting primarily of unspent collections bonuses (\$165,000), information system supplies (\$137,000), and telecommunications expenditures.

Fiscal 2008

The legislative appropriation totals \$19.3 million. On July 11, 2007, BPW approved \$90,000 in general fund cost containment reductions supporting one regular position (\$60,000), contractual information technology services (\$20,000), and supplies (\$10,000). Budget amendments added another \$191,057 in general funds and \$104,838 in special funds to support a 2% general salary increase.

**Object/Fund Difference Report
DBM – Office of the Secretary**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	201.80	205.80	212.80	7.00	3.4%
02 Contractual	12.90	27.90	15.90	-12.00	-43.0%
Total Positions	214.70	233.70	228.70	-5.00	-2.1%
Objects					
01 Salaries and Wages	\$ 13,543,176	\$ 14,359,484	\$ 16,380,953	\$ 2,021,469	14.1%
02 Technical and Spec. Fees	372,167	899,394	631,598	-267,796	-29.8%
03 Communication	1,292,246	1,444,134	1,527,563	83,429	5.8%
04 Travel	38,000	41,700	40,500	-1,200	-2.9%
07 Motor Vehicles	28,371	13,051	25,072	12,021	92.1%
08 Contractual Services	2,159,428	1,985,174	2,080,004	94,830	4.8%
09 Supplies and Materials	263,072	340,942	265,000	-75,942	-22.3%
10 Equip. – Replacement	111,599	82,350	45,700	-36,650	-44.5%
13 Fixed Charges	331,572	354,830	344,141	-10,689	-3.0%
Total Objects	\$ 18,139,631	\$ 19,521,059	\$ 21,340,531	\$ 1,819,472	9.3%
Funds					
01 General Fund	\$ 8,553,509	\$ 9,381,031	\$ 9,611,563	\$ 230,532	2.5%
03 Special Fund	9,364,100	9,884,611	11,558,943	1,674,332	16.9%
09 Reimbursable Fund	222,022	255,417	170,025	-85,392	-33.4%
Total Funds	\$ 18,139,631	\$ 19,521,059	\$ 21,340,531	\$ 1,819,472	9.3%

Note: The fiscal 2008 appropriation does not include deficiencies.

Fiscal Summary
DBM – Office of the Secretary

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk. Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
0101 Executive Direction	\$ 1,275,637	\$ 1,346,471	\$ 1,477,780	\$ 131,309	9.8%
0102 Division of Finance and Administration	2,438,892	2,535,182	2,356,223	-178,959	-7.1%
0103 Central Collection Unit	9,364,100	9,884,611	11,558,943	1,674,332	16.9%
0104 Division of Policy Analysis	1,836,548	2,246,087	2,165,837	-80,250	-3.6%
0501 Budget Analysis and Formulation	2,231,808	2,466,128	2,690,367	224,239	9.1%
0601 Capital Budget Analysis and Formulation	992,646	1,042,580	1,091,381	48,801	4.7%
Total Expenditures	\$ 18,139,631	\$ 19,521,059	\$ 21,340,531	\$ 1,819,472	9.3%
General Fund	\$ 8,553,509	\$ 9,381,031	\$ 9,611,563	\$ 230,532	2.5%
Special Fund	9,364,100	9,884,611	11,558,943	1,674,332	16.9%
Total Appropriations	\$ 17,917,609	\$ 19,265,642	\$ 21,170,506	\$ 1,904,864	9.9%
Reimbursable Fund	\$ 222,022	\$ 255,417	\$ 170,025	-\$ 85,392	-33.4%
Total Funds	\$ 18,139,631	\$ 19,521,059	\$ 21,340,531	\$ 1,819,472	9.3%

Note: The fiscal 2008 appropriation does not include deficiencies.