

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE
 Revised

Senate Bill 556

(Senator Jones, *et al.*)

Budget and Taxation

Appropriations

State Funding Accountability Act

This bill requires grantors to submit a report to the Department of Budget and Management (DBM) by September 1 after each fiscal year they provide State aid to a grantee. The Department of Information Technology (DoIT) must develop and operate a searchable web site, accessible to the public at no cost, which provides grantee report information in a specified format. The Office of Legislative Audits (OLA) is authorized to conduct audits or reviews of grantees.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: General fund expenditures increase by \$231,100 in FY 2010 for an additional position and contractual services. General fund expenditures may also increase to the extent OLA conducts audits or reviews of grantees. Future year estimates reflect elimination of one-time costs and inflation. Revenues are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	231,100	103,600	107,900	112,400	117,100
Net Effect	(\$231,100)	(\$103,600)	(\$107,900)	(\$112,400)	(\$117,100)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: A “grantee” is a for-profit or nonprofit entity or association that receives State aid during a fiscal year and is not a unit of State or local government. A “grantor” is a unit of State government or other State entity that provides State aid to a grantee. “State aid” is a contribution, grant, or subsidy of \$50,000 or more provided through the State operating or capital budget or by the action of a unit of State government from State funds appropriated to that unit. “State aid” does not include reimbursements to providers participating in a State program.

Grantor reports must contain the following information: the name, address, and zip code of each grantee that received State aid from the grantor during the previous fiscal year; the amount of any State aid provided to the grantee; and a description of the State aid provided to the grantee. The reports must be in a form and format that DBM determines after consulting with DoIT.

The web site must provide specified information and be searchable by, at a minimum, the name and zip code of the grantee and the name of the grantor.

Current Law/Background: Chapter 659 of 2008, the Maryland Funding Accountability and Transparency Act of 2008, required DBM to develop a free, public, searchable web-based database by January 1, 2009, that includes detailed information on State payments made to vendors of at least \$25,000. Payments to State employees and retirees as compensation or retirement allowance were excluded. This web-based database, providing fiscal 2008 information, is complete and available at www.spending.dbm.maryland.gov. Chapter 659 also required the Chief of Information Technology to conduct a study, by June 30, 2010, of the feasibility and cost of expanding the web site to search by different elements and include information on other forms of assistance in the amount of \$25,000 or more.

The Department of General Services operates eMaryland Marketplace (eMM), a web-based procurement portal that serves as the primary vehicle for State agencies to post procurement notices, receive online bids, and announce contract awards. In July 2006, eMM unveiled an archival search function that allows any member of the public to submit queries for all contract awards made by State agencies within date ranges designated by the individual.

DBM operates R*STARS, an in-house financial management system that monitors and records all State payments, except those made to State personnel and retirees. It is not linked to eMM and, because it serves administrative and management functions, is not available to the public.

The Federal Funding and Accountability Act of 2006 required the federal government to establish a searchable web site for all federal grants, contracts, and other funding awarded to public and private organizations. The web site, managed by the federal Office of Management and Budget, became operational in December 2007 at www.USAspending.gov. The Congressional Budget Office projected an initial start-up cost of \$4 million for the web site, and ongoing annual operating expenses of \$2.75 million.

OLA serves the General Assembly and the citizens of Maryland by providing independent, objective, and nonpartisan audits and evaluations of State government agencies. OLA reports to the General Assembly's Joint Audit Committee and its responsibilities include:

- performing fiscal compliance audits of State agencies to evaluate fiscal operations and determine compliance with laws and regulations;
- conducting performance audits to evaluate whether a State agency or program is operating in an economic, efficient, and effective manner;
- conducting performance audits of the financial management practices of local school systems; and
- monitoring the financial reporting practices and financial condition of local governments in Maryland.

DoIT, created by Chapter 9 of 2008, is responsible for information technology (IT) matters across State agencies. The former DBM Office of Information Technology and the Major Information Technology Development Fund were consolidated into DoIT. The mission of DoIT is to provide IT leadership to the Executive Branch in order to effectively oversee and manage State IT resources. DoIT is also responsible for coordinating, purchasing, and managing all telecommunications devices and systems utilized by State agencies.

State Expenditures:

Department of Budget and Management

DBM reports the exact number of grantees in the State is not known, as grantees are not coded in the State Financial Management Information System in a clear and consistent manner. As a result, the web-based database on State vendor payments cannot be modified to provide the information required by this bill. Nevertheless, DBM has developed the following estimates:

- 1,084 Department of Human Resources grantees, totaling \$21.2 million, in fiscal 2008;
- 136 capital grantees, totaling \$25.0 million, in fiscal 2009; and
- 100 Department of Health and Mental Hygiene grantees, totaling \$51.9 million, in fiscal 2010.

In fiscal 2008, OLA estimates there were approximately 1,000 grantees receiving over \$100,000 in State aid on an annual basis, totaling approximately \$900 million in State funds.

Therefore, DBM general fund expenditures increase by \$91,106 in fiscal 2010, which reflects the bill's June 1, 2009 start date. This estimate reflects the cost of hiring one administrator to coordinate, track, and ensure submission of grantee reports. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$84,431
Operating Expenses	<u>6,675</u>
Total FY 2010 DBM Expenditures	\$91,106

Future year expenditures reflect a full salary with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

Department of Information Technology

DoIT general fund expenditures increase by \$140,000 in fiscal 2010 for contractual services associated with developing and maintaining the web site. Future year expenditures reflect ongoing web site maintenance expenses.

Office of Legislative Audits

To the extent OLA conducts audits or reviews of grantees, expenditures may increase.

Additional Information

Prior Introductions: None.

Cross File: HB 1192 (Delegate Conway, *et al.*) - Appropriations.

Information Source(s): Department of Budget and Management, Department of Information Technology, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2009
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