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DEPARTMENT OF BUDGET AND MANAGEMENT – OFFICE OF THE SECRETARY

Testimony of David R. Brinkley Secretary

*Senate Budget and Taxation Committee
February 24, 2015*

Chairman Kasemeyer and members of the Committee, the Department of Budget and Management (DBM) appreciates this opportunity to respond to the Department of Legislative Services' (DLS) analysis of the agency's budget.

ISSUES

Interagency Agreements

Reform of the State's procurement process is an area the Administration will be focusing on in the coming months and we believe it would be appropriate to review the issue of interagency agreements within this broader context. However, as a short-term measure, we propose agencies submit new interagency agreements and extensions of existing agreements to DBM for review and approval prior to their execution. This will allow DBM to ensure the appropriateness of the proposed agreement as well as the reasonableness of the rate of overhead being charged.

FY 2014 Closeout Audit and Unresolved General Fund Liabilities

The Governor's FY 2016 budget reflects the Administration's effort to "true up" the budget and address outstanding liabilities. We will be working with agencies to document the amounts outstanding and to evaluate their capacity to absorb some of these shortfalls within their budget. The Administration will continue to address liabilities as part of the budget process.

~Effective Resource Management~

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Two Percent Across the Board Reductions Detail

It is not unprecedented or a budget “gimmick” to impose an across the board reduction. Both Governor Schaefer and Governor Glendening submitted budgets with across the board reductions and there have only been three years out of the previous thirteen in which the General Assembly has not required an across the board reduction of positions and/or executive branch appropriations.

The Administration has been in office for just over thirty days and new cabinet officials and agency heads need to be given the opportunity to review their agencies and assess how best to allocate the two percent reductions. As the new leadership explores their agency operations, missions, and resources, the Governor believes they will identify new savings and efficiencies. The first order of business for the cabinet and agency heads is to allocate the FY 2015 reduction made by the Board of Public Works in January. It is unreasonable to expect this to be accomplished without providing time for adequate review.

Managing for Results (MFR) State Comprehensive Plan

The State Comprehensive Plan is being finalized and will be submitted to the budget committees by February 28. As work on the performance report began in November 2014, the goals and measures reported have not been updated to reflect specific priorities of the new Administration. The performance report submitted in 2016 will be aligned to a new State Plan, which will offer the Administration the opportunity to consider modifying reported goals and measures.

In addition, DBM’s Office of Budget Analysis is currently undertaking an internal evaluation of Managing for Results to update processes and procedures to find operational efficiencies and to make performance data more accessible to all users, particularly the public. DBM is working to schedule a meeting with the MFR Steering Committee within the next few weeks to discuss these ideas.

DLS RECOMMENDATIONS

DBM concurs with eleven of the fifteen recommendations proposed by the analyst. Specifically, DBM concurs with recommendations 4-10 and 12-15 which propose annual budget bill language. The Department does not concur with recommendations 1-3, as discussed below. Recommendation 11 was addressed earlier under the Issues section of the testimony.

Recommendation 1: Abolish three regular positions

DBM Response: DBM does not concur with the analyst’s recommendation to abolish three regular positions as a means of ensuring the agency’s two percent reduction produces ongoing savings. Consistent with the earlier discussion, the Department should be given the opportunity and flexibility to determine the most appropriate means of implementing the two percent reduction.

Recommendation 2: Provide detail on the two percent reduction in the fiscal 2016 Fiscal Digest

DBM Response: Consistent with the earlier discussion on this issue, the Department does not concur with this recommendation.

Recommendation 3: Using Funds for their Intended Purpose

DBM Response: The Department does not concur with this recommendation. The language permitting the Secretary of Budget and Management to approve the transfer of funds from various statewide allocations for other purposes has been included in the annual budget bill for several years. DBM believes the new Administration should be afforded the same flexibility to manage funds in this manner as the prior administration and therefore respectfully requests the Committee reject the analyst's recommendation.

A summary of agency accomplishments for 2014 is attached.

2014 AGENCY ACCOMPLISHMENTS

- Developed two statewide budget reduction proposals approved by the Board of Public Works as part of an FY 2015 budget balancing plan and produced an FY 2016 budget proposal that solves a \$1.2 billion shortfall, reduces spending growth by more than half, and achieves structural balance.
- Evaluated capital budget requests from State agencies, local governments, and private organizations, and developed recommendations for the FY 2016 capital budget and five-year capital improvement program that address the State's infrastructure needs, remain within debt affordability limits, and reduce out year debt service costs.
- Successfully launched the new State Personnel System on schedule and under budget for core human resources and compensation in November 2014, bringing with it real-time data, enhanced reporting capabilities, and numerous employee and manager self-service features.
- Collected more than \$134 million in delinquent debts due the State; drafted 6,000 suits to pursue debt repayments – a 100% increase over the prior year – and over 3,000 wage garnishments; and transferred \$5.6 million from the Central Collection Fund to the General Fund in FY 2014.
- Directly conducted or oversaw procurements with a total contract value of \$1.2 billion.
- Worked with thirteen agencies to resolve legislative audit findings and offered seven formal training sessions for State agency internal auditors.
- Held an EEO Conference for nearly 90 State EEO professionals; monitored the overall State Fair Practices program for statutory and regulatory compliance; developed training and outreach opportunities for Fair Practices and EEO staff; and collaborated with the Department of Disabilities to offer training and technical assistance on ADA matters.