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DEPARTMENT OF BUDGET AND MANAGEMENT – OFFICE OF THE SECRETARY

Testimony of
David R. Brinkley
Secretary

House Appropriations Committee
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Senate Budget and Taxation Committee
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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

Across-the Board Reductions in FY 2015 and FY 2016

DBM has been asked to comment on the agencies that received FY 2016 deficiencies to restore reductions taken as part of the two percent across-the-board action. In accordance with the 2015 Joint Chairmen's Report, the Department submitted a report to the budget committees in September 2015 detailing the specific actions taken to meet the two percent reduction. As discussed in the report and at the September 24, 2015 public hearing with the committees, there were limited instances in which all or a portion of the reduction could not be absorbed by agencies without impeding operations or services. The particular agencies and dollar amounts were specified in the report and FY 2016 deficiencies were included in the FY 2017 Allowance to restore the necessary funding.

Board of Public Works Transparency Act of 2016

The Department has been asked to comment on the Board of Public Works Transparency Act of 2016 (HB 368/SB 370). As indicated in testimony provided at the bill hearings, DBM opposes the legislation because the 10-day advance notice exacerbates the already limited amount of time that DBM has to assess the State's deteriorating fiscal situation, develop the Board of Public Works (BPW) item, and obtain BPW approval for a budgetary reduction. There is not always

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the luxury of long lead times to determine the budgetary action needed, develop the agenda item, and appear on the BPW's meeting agenda.

In addition, as noted in the bill's fiscal note, delaying BPW action on certain reduction measures could result in lower levels of savings, necessitating additional reductions in order to bring spending in line.

DBM has complied with FY 2016 Budget Bill language to provide the required notice to the BPW within 72 hours (or three days) and will continue to do so. The information is also posted on the DBM website.

Specific Reversions in FY 2016

The analyst recommends restricting the Administration's ability to assume specific agency reversions in excess of the typical $30 million in the budget and instead requires the Administration to withdraw appropriations by deficiency. The Administration respectfully disagrees with the analyst's recommendation for several reasons.

Including a significant number of specified reversions in the ingoing budget is not unprecedented and is routinely done when it is anticipated that appropriations will go unused. In the FY 2017 budget bill, nearly $200 million of the specified reversions are attributable to excess funding in Medicaid reflecting revised enrollment and utilization estimates and prior year accruals. Another $83 million reflects funds restricted by the General Assembly in Section 48 of the FY 2016 budget bill. Other specified reversions are associated with the shared services initiative and caseload changes in foster care and out of home placements.

Accounting for these funds as reversions rather than as negative deficiencies in the budget provides the Administration with greater flexibility as the fiscal year proceeds. This is especially true in the Medicaid program, where recent enrollment changes have made funding needs less predictable.

The analyst suggests that the reversions are problematic because they create uncertainty and are necessary to balance the budget. This is not the case in the FY 2017 budget submission. Even if none of the specified reversions were achieved, the General Fund balance in FY 2017 would still be close to $100 million.

Allocation of Across-the-Board Reductions

The analyst recommends adding budget bill language requiring across-the-board reductions to be allocated in the budget bill. DBM opposes this recommendation. It is not unprecedented to impose an unallocated across-the-board reduction in the budget bill. In fact, unallocated reductions to positions and funding have been made in five of the past six years. Moreover, transparency is not an issue. Once allocations are made, detail on the actions has been provided routinely, as a matter of course.

DLS RECOMMENDATIONS

DBM concurs with ten of the fourteen recommendations proposed by the analyst. The Department does not concur with recommendations 1-3 and 10, as discussed below.

Recommendation 1: Increase Turnover and Reduce $353,012

DBM Response: The Department disagrees with the analyst's recommendation to increase turnover and reduce general funds by $353,012. The Department does not have sufficient flexibility to absorb a reduction of this magnitude, given the nature of our functions and general funded positions.

The proposed reduction will have a significant impact on the Department's ability to fill critical positions and fulfill its essential responsibilities. The recommendation essentially doubles general funded turnover, which will undermine the Department's capacity to hire employees needed to implement the human resources (HR) shared services initiative as well as perform essential functions in the areas of budget development, procurement, and personnel management. The Department's current general funded vacancies are in the operating and capital budget analysis units, procurement, HR shared services, EEO, and other areas of personnel management. These units require staffing in order to produce annual State operating and capital budgets, oversee procurement of services by State agencies, facilitate personnel actions across State agencies, and assist in the recruitment and retention of employees.

In addition, DBM will need to participate in the Section 20 position abolitions in FY 2017, further reducing the number of positions available to meet turnover.

Recommendation 2: Placing Appropriations into Contingency Reserve

DBM Response: The Department does not concur with this limitation on the Secretary's authority to manage the budget, which has been standard language in the budget bill and was provided every year to the prior administration. The Department believes the current administration should be afforded the same authority to manage the budget.

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 had been included in annual budget bills for several years prior to FY 2016. DBM believes the current Administration should be afforded the same flexibility to manage funds as the prior administration and therefore respectfully requests the Committee reject the analyst's recommendation.

Recommendation 10: Reporting on Budget Data

DBM Response: The Department concurs with the annual language in this section regarding reporting of budget data and organizational charts. However, for the reasons stated earlier, the Department does not concur with the new language requiring the allocation of any across-the-board reductions to positions and funding in the FY 2018 budget bill and the withdrawal of excess FY 2017 appropriations in the FY 2018 budget bill rather than as specified reversions.