LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lieutenant Governor

DAVID R. BRINKLEY
Secretary

MARC L. NICOLE
Deputy Secretary

DEPARTMENT OF BUDGET AND MANAGEMENT – OFFICE OF THE SECRETARY

Testimony of
David R. Brinkley
Secretary

Senate Budget and Taxation Committee
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House Appropriations 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 Office of the Secretary budget. The following testimony addresses the requests for comments in the analysis as well as the DLS recommendations.

Office of Transformation and Renewal

The Office of Transformation and Renewal (OTR) has worked extensively with State agencies to identify and implement efficiencies and improvements to State government organizations and operations.

The focus of OTR's efforts has been in government process improvement. The Office trained senior level State executives in LEAN and other problem-solving techniques. The objective is to create a trained cadence of people in each agency to champion transformation work. MDOT's Accelerator program is a prime example of establishing goals and establishing an open process to ensure accountability. OTR's process improvement team worked with numerous agencies such as the Office of Health Care Quality to streamline procedures and improve turnaround times and quality.

OTR has also been responsible for conceptualizing, planning, and executing various government reorganization efforts, including implementing a shared services model with the Governor's Coordinating Offices and inventorying State fuel facilities for a potential consolidation under the Maryland Environmental Service.

Finally, the Office has also worked with Lieutenant Governor Boyd Rutherford and the Regulatory Reform Commission to eliminate unnecessary and duplicate regulations with an eye towards ensuring tighter turnaround, emphasizing simplicity, and implementing the use of modern technology in the public sector.

DBM concurs with the recommendation to delete $47,489 for the new contractual position.

Unsatisfactory Audit Ratings

The Hogan Administration takes the findings of the Office of the Legislative Auditor seriously, and is particularly concerned when their reviews result in unsatisfactory ratings. The agencies in question have all been working to respond to the auditor's findings. DBM's Audit Compliance Unit will also be working with the agencies to help them monitor progress in addressing audit findings and to ensure corrective actions are implemented. DBM did not assist any of these agencies with their prior audits as each had fewer than four repeat findings and therefore did not trigger Audit Compliance Unit intervention.

FY 2017 Closeout Audit and Unresolved General Fund Liabilities

Since taking office, the Administration has worked to "true up" the budget and address outstanding liabilities which, in many cases, were of a longstanding nature. We believe significant progress has been made in eliminating unfunded liabilities and resolving prior year shortfalls. The Administration will continue to work with agencies to resolve these outstanding liabilities and, when necessary, to address them as part of the budget process.

With regard to the items identified in the FY 2017 closeout audit, most of these have been resolved. For example, the Office of Public Defender receives a $2.6 million deficiency in the Governor's FY 2019 allowance to fully resolve the FY 2017 shortfall identified in the closeout report. Similarly, the Governor's budget provides a $17.1 million deficiency to address the FY 2017 shortfall in Behavioral Health - Medicaid. The Department of Aging and the State Department of Education are both reverting funds identified in the audit. The Department of Labor, Licensing, and Regulation finding related to indirect cost recoveries is being addressed through a multi-year strategy developed by the agency that will draw, as allowable, on special fund indirect cost pools. The item related to prior year federal claims for certain Developmental Disabilities Administration services remains under dispute.

As we do each year, as these issues arise DBM will work with the agencies to document the amounts outstanding, to evaluate their capacity to absorb the shortfalls within their existing budgets, and to determine where general fund deficiencies are required.

DLS RECOMMENDATIONS

DBM concurs with eleven of the fifteen recommendations proposed by the analyst, as most are annual language. We would note that while we generally concur with language changes to the maintenance of accounting systems in recommendation 13, DBM would like to work with DLS and MSDE to address some concerns regarding the new monthly reporting requirement. The Department does not concur with recommendations 1, 3, 14, and 15, as discussed below.

Recommendation 1: Restrict $100,000 pending a volume of the fiscal year 2020 Governor's budget books that provides personnel and Managing for Results (MFR) data

DBM Response:
DBM concurs with the intent of the language. However, we oppose the restriction of $100,000 pending compliance with the publication of the required personnel and MFR data. The requested data was included in the published FY 2019 Governor's budget books, and we respectfully ask that the Committees reject this part of the DLS recommendation.

Recommendation 3: Adopt narrative requesting the Department compile an accounting report for all State special funds.

DBM Response:
DBM is currently required to compile and post online a Statement of Dedicated Funds report which provides information on each special fund with revenues dedicated by law. The report includes a description of the purpose of the special fund, its revenue source, prior year income, and prior year closing fund balance. The first such report, covering FY 2016, was posted on DBM's website last February. DBM will release the FY 2017 report shortly.

Preparing the Statement of Dedicated Funds report has required significant DBM staff time, as this information is not available in any single place and needs to be gathered from each agency. Moreover, some agencies have responded with only the funds dedicated by law, as required, while others have provided information on all special funds, which is a much broader universe. In fact, the current version of the report that we are preparing to publish on the web has more than 400 separate special fund entries.

Any additional information DLS requires on the accounting of special funds is best answered by the individual agencies or the General Accounting Division, as they have responsibility for the transactional activities DLS is requesting, rather than DBM. Requiring DBM to gather this accounting data would be unduly burdensome and outside the Department's purview. Therefore, DBM respectfully request the committees reject the DLS recommendation.

Recommendation 14: Impose limitations on placing appropriations into contingency reserve.

DBM Response: The Department does not concur with this limitation on the Secretary's authority to manage the budget. The language recommended for deletion by DLS was standard language in the budget bill that was included every year under the prior administration. The Department believes the current administration should be afforded the same authority to manage the budget.

Recommendation 15: Disallow transfers from restricted objects of expenditure to other purposes

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 and allow the Secretary to retain this management tool.

Further, DLS has included new language this year that would require unspent funds restricted for employee and retiree health insurance to be credited to the State Employees and Retirees Health and Welfare Benefits Fund, rather than canceled or reverted. The cancellation of special and federal funds does not adversely impact the health insurance account. Funds that are canceled/reverted are associated with vacant positions, where spending does not occur. Taking the special funds that aren't needed and crediting them to the Health Benefits Fund, while saving general funds, unnecessarily depletes special fund balances. DBM believes that the new language could be contrary to existing state law regarding use of special funds and with federal regulations and has asked counsel to review this provision.