

## I. INTRODUCTION AND HIGHLIGHTS

### I.1 New and Reminders for FY 2027

#### I.1.1 *New for FY 2027*

##### **New TDS Email Addresses**

OBA's Technical Data and Systems Team (TDS) has launched two new email addresses to replace the current [dlbudgethelp\\_dbm@maryland.gov](mailto:dlbudgethelp_dbm@maryland.gov). This email address is still operational, but emails sent to it are now being forwarded to their appropriate account by TDS and responded to from there.

Going forward:

- For budget amendments and allotments, please email: [dbm.bawa@maryland.gov](mailto:dbm.bawa@maryland.gov)
- For any TDS business otherwise, please email: [oba.tds1@maryland.gov](mailto:oba.tds1@maryland.gov)

##### **Position Reconciliation - New Process**

As outlined in an email to agencies on July 3, 2025, OBA implemented a new Position Reconciliation (POS REC) process for FY 2027. Please see the separate [Position Reconciliation Guide](#) for a reiteration of that email and the actions that OBA has already implemented on agency position data prior to agency access to BARS.

Following OBA's actions, agencies are required to:

- Zero out any value in 0192, where OBA placed the GF impact of the POS REC actions. Please note 0192 will also include the rollover of the FY 2026 Sections 38 and 41 legislative reduction which will also need to be zeroed out prior to submitting the BRS. The amount specifically tied to the impacts of POS REC can be found in the agency target memo.
- Move positions within their budgets and change position details. As outlined in the POS REC guide, OBA will have already copied Class, Grade, and Step from Workday. At this stage, agencies will be able to use the position reconciliation adjustment type to move and change positions as necessary up until they submit their budget in BARS by their due date. **However, agencies must release POS REC adjustments prior to finalizing their submission since this type of adjustment does not go through the Budget Request Submission (BRS) module.**

##### **Sections 38 and 41 Reductions - FY 2026**

Headed into the FY 2026 budget cycle, Maryland faced both a \$3 billion budget gap and an unpredictable federal outlook, which was also driving revenue uncertainty, the worst fiscal crisis in two decades. While the Governor's submitted budget closed the estimated deficit, the Board of Revenue Estimates (BRE) met in March and adjusted the revenue forecast down by \$347 million between FY 2025 and FY 2026.

Following this write down, the Administration worked with the General Assembly to finalize a budget plan that both leaves a cash surplus and eliminates the structural deficit in FY 2026. As part of that ultimate plan, the General Assembly took two unallocated personnel reductions in the budget totaling \$121 million in general funds for FY 2026 (Sections 38 and 41 of the budget bill).

As a result of the \$121 million reduction by the General Assembly, the Administration reduced the salary and fringe budget for each executive branch agency proportionate to their share of the total salary and fringe budget (objects 01 and object 02). 24/7 facility operations were excluded from this calculus. This

reduction was taken in the FY 2026 Legislative Appropriation in every subprogram in agencies with general fund salaries and fringes, in subobject 0192.

The Governor announced four initiatives to capture the savings:

- Identifying opportunities for promoting innovative cost savings and enhanced efficiency without PIN reductions, such as through facility consolidations;
- Launching a Voluntary Separation Program (VSP);
- Assessing opportunities to eliminate vacant PINS based on alignment with mission priorities; and
- Implementing a hiring freeze effective July 1st.

Agencies are currently working through these initiatives in the current year (FY 2026) budget. Any questions about the hiring freeze should go to [dbm.exemptions@maryland.gov](mailto:dbm.exemptions@maryland.gov). Questions on the VSP should go to [vsp.administrator@maryland.gov](mailto:vsp.administrator@maryland.gov).

Agencies may submit FY 2026 deficiency requests in BARS if they have remaining operational shortfalls in the current year after implementing the Governor's initiatives outlined above. Current year backfill funding is extremely limited, so agencies are encouraged to take every step possible to find cost savings per the Governor's guidance before submitting such requests.

### **Sections 38 and 41 Reductions - FY 2027**

Going forward, Maryland continues to face unprecedented times. The current outlook due to federal actions is extremely challenging in terms of the impact on the Maryland workforce, the State budget, and on the larger Maryland economy. **The 0192 reductions in the FY 2026 Legislative Appropriation were therefore rolled over into FY 2027 agency targets.** Similar to the POS REC negative amounts in this subobject, agencies are required to zero out any negative amounts in their budget submissions.

As outlined in [Section A.6](#), agencies may submit an over-the-target request for funding to backfill the portion of its reductions it was unable to capture by identifying savings through the four initiatives or other operational efficiencies. As with current year funding availability, the Administration's ability to support such requests will be extremely limited.

### **New Position Requests**

Given the State's fiscal situation and the FY 2026 position reductions taken by the General Assembly, requests for additional staff are unlikely to be approved in FY 2027. In addition, requests for new positions will not be seriously considered in agencies where there are persistently vacant positions.

### **Federal Fund Rescissions**

As outlined in [Section A.6](#), if an agency has had federal funds rescinded and is requesting backfill funding (i.e., an internal operational shortfall or pass-through grants), they should submit an FY 2027 over-the-target for the program.

### **Government Modernization Initiative - Fleet Impacts**

As part of the Government Modernization Initiative, launched by the Governor via Executive Order [01.01.2025.08](#) in January, agencies worked with DBM to validate vehicle usage data and identify underutilized vehicles for disposal. In line with this utilization analysis, the approval for a number of vehicles initially budgeted in the FY 2026 Governor's Allowance and FY 2026 legislative appropriation was revoked. Agencies should keep this analysis in mind when developing FY 2027 requests and should contact their OBA analysts with any questions.

**New Form Requirement - Greenhouse Gas (GHG) Emissions**

Maryland is required by [Environment Article §2-1304](#) to produce an annual report that identifies the total amount of state money spent on measures to reduce Greenhouse Gas (GHG) emissions during the immediately preceding fiscal year and the percentage of that spending that benefited disproportionately affected communities.

To provide accurate spending data in the report, the agencies listed below are required to report their FY 2025 GHG emission reduction spending in the GHG Reduction Spending Template (FY 2025) that will be emailed to their Chief Fiscal Officer in August. Completed templates are due the Maryland Department of the Environment (MDE) by October 15, 2025. See template for additional information.

Agency Code	Agency Name
K00	DNR
L00	MDA
D40	MDP
U00	MDE
R00	MSDE
R13/R14/R30	Higher Ed (MSU, SMCM, USM)
J00	MDOT
D13	MEA
H00	DGS

If an agency not listed above is interested in submitting their FY 2025 GHG emission reduction expenditures for the 2025 Maryland report, please contact the MDE coordinators: [Chris Beck](#), [Josey Schwartz](#), and [Tom Jones](#).

**Health Insurance**

BARS now includes functionality to auto-calculate health insurance costs at the PIN level using the positions SD tab. In the past, health insurance costs were not linked to PIN data or the positions SD tab; rather, agencies were required to submit their requests with health insurance level-funded to the prior year, and DBM would update health insurance across all budgets in December. Just as with other fringes in the positions SD tab, agencies will not be able to alter the amounts that BARS auto-calculates.

*1.1.2 Key Submission Reminders for FY 2027*

**REVIEW BARS Guides and Videos**

[Section B.6](#) includes a list of guides and videos on the use of BARS for agencies, all of which are available on the Budget Instructions website. **Please refer to these helpful resources for training and reminders regarding BARS functionality.**

### **REFRESH on the Maryland Budget Process**

Section I.3 provides an overview of the budget process in Maryland, including key terminology and concepts. Please encourage new staff to review.

### **PLAN AHEAD for Chart of Accounts (COA) Updates**

Agencies are encouraged to review their agency's units, programs, subprograms, or agency subobjects in BARS through the Agency Administration - COA Maintenance tab. If a necessary code is disabled or not yet created, agency users will not be able to use that code while making adjustments. **Please plan ahead for needed COA changes and work on them early on in budget season** so that the processing of COA additions does not hold up agency budget work. Most adjustments require correspondence with [oba.tds1@maryland.gov](mailto:oba.tds1@maryland.gov). See Section A.3.1 for additional details.

### **CONFIRM all Submission Requirements With Official Checklist**

Section B.2 includes an exhaustive list of requirements for submission and identifies those that are submitted in BARS vs. those that still must be submitted electronically outside of the BARS system. **Make sure your agency reviews the list prior to submission, and ask your OBA analyst if you have any questions. All checklist items are required at the time of submission.** A few key reminders:

- **Budget Submission Memos:** As listed in Section B.2, agencies must submit a budget request memo from their agency heads. These memos can be high-level and narrative in nature. However, all references to budget values should match the agency's budget request data. The memo should:
  - Provide an overview of the agency's budget and its alignment with the agency's strategic plan and the Administration's priorities.
  - List and summarize over-the-target requests by category and priority (see Section A.6).
  - List and summarize any FY 2026 deficiency requests in priority order.
  - Explain major changes the budget request makes from the FY 2026 budget. For example, realignment of funding or PINs from one program to another.
- **Over-the-Target Requests:** Given the fiscal constraints facing FY 2027, OBA is again requiring agencies to limit over-the-target requests and categorize them appropriately. Notably, OBA is limiting the number of enhancement over-the-target requests an agency can submit (see your agency's target memo) and highly encourages agencies to link those enhancement requests to evidence-based solutions. If no evidence is available for an enhancement request, agencies should acknowledge the lack of data and explain why they are still pursuing the approach. See Section A.6 for additional guidance.
- **Deficiencies:** Both the Administration and Department of Legislative Services prefer that fall adjustments be made to the appropriation through the deficiency/budget bill process rather than via budget amendments. These requests should be for operational shortfalls rather than enhancements.
- **Reductions:** To assist DBM in preparing a balanced budget proposal for the Governor's consideration, agencies will be asked to submit budget reduction proposals with the FY 2027 budget submission. General fund reduction targets will be provided when DBM distributes agency general fund targets. Please refer to Section A.7 for more information.

- **Fee Inventories:** DBM now requires agencies to submit an inventory of fees they're responsible for setting and collecting. Agencies should use the DA-29 form (new last year) to compile this information. Agencies planning to increase fees (regulatory or statutory) should submit an over-the-target request. See [Section B.3](#) for more details on the DA-29 form.

### **NOTIFY OBA of Official Budget Submission**

As listed in [Section B.2](#), even if the OBA analyst is handling submission for the agency in BARS, agencies must send an email to [oba.tds1@maryland.gov](mailto:oba.tds1@maryland.gov) and their OBA budget analyst to confirm the agency's submission of the FY 2027 budget request and all checklist items.

- **NOTE - Late Submissions:** Budget submission deadlines are listed in your agency's target memo. **Please submit all extension requests to the OBA Executive Director, Nathan Bowen at [nathan.bowen@maryland.gov](mailto:nathan.bowen@maryland.gov) and cc your OBA analyst.** OBA will consider extension requests of **no longer than one week**. Deadlines and extensions are inclusive of any time an agency needs to work through BRS validation errors (i.e., an agency will not be granted additional time after the due date to fix such errors). Should an agency not meet the extension, DBM will take steps to finalize the request on behalf of the agency with the information already submitted in BARS and/or use the FY 2027 target as the FY 2027 budget request. DBM is not required to consider over-the-target requests of agencies with late submissions.

#### *1.1.3 Key Technical Reminders for FY 2027*

### **Turnover and Salary Costs**

Salary and fringe shortfalls in FY 2026 or FY 2027 due to success in hiring should be accommodated within the current budget and target. Agencies are expected to stay within their budget, which may require more strategic hiring in FY 2026. DBM will consider deficiencies and/or over-the-target requests for these costs on a very limited basis and only those supported with detailed salary and fringe projections. **Agencies should NOT increase the overall turnover rate in the FY 2027 base request.** Agencies must provide ample justification to increase the turnover rate in their base budgets; meeting the agency's general fund target is not an acceptable justification.

### **Controlled Subobjects**

Controlled subobjects are nondiscretionary. The amounts in the request must be exactly the same, by fund source, as those in the FY 2026 legislative appropriation. While BARS will validate this, the agency should ensure this is correct and contact the assigned OBA budget analyst if there are any questions or concerns. These specific subobjects are 0175, 0217, 0305, 0322, 0697, 0704, 0831, 0833, 0839, 0874, 0876, 0882, 0894, 0897, 1302, and 1303. NOTES: 1) Health insurance (0152 and 0154) previously fell under this category but are now auto-calculated as fringes in BARS; and 2) State Retirement Agency Allocation (0875) also previously fell under this category but **will no longer be budgeted** due to a change in the way SRA is funded.

### **Scheduled Subobjects**

Other *scheduled* subobjects that must be budgeted according to guidance in [Section A.1](#) include 0698 and Capital Lease Payments to Treasurer (1021, 1041, 1121, and 1141). While BARS does not validate these subobjects, your OBA analyst will be checking amounts against those listed in [Appendices 2 and 5](#), respectively.

### **Turnover in Actuals (0189 and 0289)**

All agencies must ensure that \$0 remains in comptroller subobjects 0189 and 0289 in the FY 2025 Actual Expenditures in the final budget submission.

### **Fringe Calculations in BARS (FICA, Retirement Rates, Unemployment Insurance, and Health Insurance)**

Fringe rates (including health insurance - new last year) calculated using a position or contractual position's salary will be automatically calculated within BARS during the Position Reconciliation process based on each position's class code, step, and fund split. See [Section A.1](#) for details on the specific rates.

#### *I.1.4 Key Miscellaneous Reminders for FY 2027*

### **Current Year (FY 2026) Funding Requests - Deficiencies and Budget Amendments**

As mentioned above, agencies are strongly encouraged to avoid processing amendments in the fall, as both the Administration and Department of Legislative Services prefer that fall adjustments be made to the appropriation through the deficiency/budget bill process. If an agency *does* need to submit a budget amendment in the fall, they are due to OBA no later than **November 1st** if they are to be included in the budget volumes. See "Budget Amendment Instructions" [here](#).

### **Prior Year (FY 2025) Closing Amendments, Closeout Assistance & Budget/Accounting Workgroup**

Separate from the *current year* BA deadline mentioned above (November 1st), the General Assembly has established a *prior year* closing amendment deadline of October 31st. See "Closing Amendment Instructions" [here](#). If an agency has accounting issues related to FY 2025 closeout, please contact DBM's Audit and Fiscal Compliance Unit (AFCU) at [afcu.assist@maryland.gov](mailto:afcu.assist@maryland.gov). AFCU also has a Budget/Accounting Workgroup (BAW) for agency staff to share resources and training; please contact them if interested in joining.

### **Reorganizations**

DBM is no longer accepting reorganization requests for FY 2026. For FY 2027 reorganizations, agencies should submit reorganization requests no later than September 1, 2025. If the proposed reorganization is approved, the new account code structure can be implemented within Workday and FMIS effective on July 1, 2026. The proposal should be sent directly to [the OBA budget analyst](#) for review of funding and organizational design. Additional guidance can be found in [Section A.4.5](#).

### **Pay Plan Adjustments**

The Moore-Miller Administration intends to emphasize the allocation of budget resources toward across-the-board increases for State employees in order to continue progress on improving the competitiveness of our salaries overall rather than emphasizing individual classification upgrades or Annual Salary Reviews (ASRs). Agencies are advised to only submit requests that are deemed absolutely critical for state operations. Pay plan adjustment requests are due **no later than September 1, 2025**, earlier than prior years, to facilitate negotiations. Requests should be submitted to [oba.tds1@maryland.gov](mailto:oba.tds1@maryland.gov), copying your OBA budget analyst. It is not necessary for agencies to submit duplicate requests to the Office of Personnel Services and Benefits (OPSB). OBA works closely with OPSB to review requests for pay plan adjustments or new classifications and provides OPSB with the supporting documentation to review such requests. See [Section A.4.4](#) for additional details.

### **Contractual Conversions**

During the fall 2023 negotiations, the State and AFSCME agreed to language that requires the State to cease hiring new contractual employees into classifications that are assigned to AFSCME bargaining units, effective July 1, 2024, **unless**:

- The individual is hired pursuant to a short-term grant or for a defined temporary project (defined as 24 months or less).
- The hire is short-term (i.e., 12 months or less) on an emergency basis to a nonrenewable contract.
- The individual is a State retiree.
- The percentage employed is less than fifty percent (50% FTE).

Although this obligation is expressly stated only in the MOU for bargaining units A, B, C, D, F, and H, agencies should examine all existing long-term contractals, move them into vacant regular PINS where possible and, if sufficient vacancies do not exist, consider submitting a Contractual Conversion Over-the-Target request wherein new positions are requested to replace contractual employees (subobject 0220). See [Section A.4.3](#) for additional details.

### **Zero-Emission Vehicles (ZEVs)**

It is required that 50% of vehicles purchased for the State Fleet must be electric vehicles that have a zero emission vehicle (ZEV) equivalent. To facilitate this, the DA-8 form includes two columns where agencies must indicate whether the vehicle being replaced can be a ZEV, and a justification for any non-ZEV requests. Due to the current fluctuations in the estimated purchase price for ZEVs, agencies are instructed to budget for and request gasoline vehicles. DBM, in consultation with the Department of General Services (DGS), will determine which vehicles will be replaced with ZEVs. The price difference between the ZEV and the gasoline-powered vehicle will be paid by DBM utilizing funding from the Strategic Energy Investment Fund (SEIF). Please refer to [Section A.5.3](#) for more information.

### **Out-of-Cycle Vehicle Requests**

When an agency submits an out-of-cycle (OOC) vehicle request to [DBM Fleet](#), agencies will be required to submit, on official agency letterhead, a certification of funding availability for purchase. This must be signed by the Agency Head/Chief Fiscal Officer/Official Designee.

## I.2 Operating Budget Calendar

Mid-April – June	<p>OBA develops budget submission requirements and budget targets</p> <ul style="list-style-type: none"> <li>● OBA projects expenditures and revenues for the current level of service</li> <li>● OBA considers items in addition to the current level of service which might be necessary in the next fiscal year</li> </ul>
End of May	Legislative appropriations finalized
	<p>Mid-July OBA implements a statewide copy of Workday data for SPS agencies (i.e., the new Position Reconciliation process)</p>
End of July – Early August	Fiscal Digest available on DBM website
	<p>End of July – Early August Budget targets, including calculated salaries and fringe benefits, released to agencies</p>
End of July – Early August	DBM hosts virtual Budget Instructions training(s) for agencies
August – October	<p>Agencies release remaining position reconciliation adjustments and prepare remainder of budget submission. Agencies review Prior Year 2025 Central Payroll Bureau Actuals and Position Control (POSCON) PIN counts</p>
August – October	Agency budget requests due to OBA
October – November	Agency budget meetings occur as needed
December – Mid-January	<p>Governor’s Allowance created</p> <ul style="list-style-type: none"> <li>● Decisions regarding agency budgets and statewide issues are finalized by the Governor and senior staff</li> <li>● OBA prepares the Governor’s Allowance budget and various complementary publications</li> </ul>
3rd Wednesday in January*	Introduction of the Governor’s Budget, including a press conference and publication on DBM’s website
January – Early April	<p>Legislative Session &amp; Supplemental Budget</p> <ul style="list-style-type: none"> <li>● General Assembly holds public hearings on the Governor’s budget and recommends changes, restrictions on funds, and budget-specific language affecting agency operations</li> <li>● Agencies submit supplemental budget requests to DBM</li> <li>● Governor may introduce supplemental budget</li> <li>● General Assembly passes amended version of the Governor’s Budget and Governor signs</li> </ul>

\* Or 10 days after the 2<sup>nd</sup> Wednesday if a newly elected Governor

### **I.3 Primer on the Operating Budget Process**

#### **Starting Point: Targets/Current Services Budget (CSB)**

The CSB is a “fixed ceiling” technique of budget formulation that allows the Governor to designate the maximum amount an agency can request in its base budget for the next fiscal year (i.e. budget target). The legislative appropriation for the current fiscal year is used as a starting point for computing the CSB budget for the next fiscal year.

The following are typical adjustments made to compute the CSB budget:

- Funds are removed for one-time expenditures.
- Annualizations are made to programs or activities that were not operational for the complete fiscal year.
- Adjustments are made to expenditures that are driven by a formula, caseload, or population change (mandates and entitlements).
- Funds may be added to implement newly enacted legislation, including funding mandates, and to cover the costs of any new facilities that are due to open.
- Funds may also be removed to reflect a change in policy or sunset of statute.
- Multi-year funding commitments are honored.

The CSB, or budget target, for an agency usually only applies to general funds, but certain special funds also receive targets. OBA formulates the CSB for each department and independent agency or component unit as necessary. Some agencies also receive targets at a lower level--usually to reflect mandates, entitlements, or the Governor’s initiatives.

OBA implements all target detail via adjustments in the DBM budgeting system, BARS (Budget Analysis and Reporting System). DBM provides agencies with a memo summarizing the target and changes made, and agencies can then review the associated data in BARS.

The target memo also includes the agency’s budget submission due date, which is determined to allow DBM to process and review the large magnitude of data entailed with all State agency budget submissions. **Please submit all extension requests to the OBA Executive Director, Nathan Bowen at [nathan.bowen@maryland.gov](mailto:nathan.bowen@maryland.gov) and cc your OBA analyst.** OBA will consider extension requests of **no longer than one week**. Deadlines and extensions are inclusive of any time an agency needs to work through BRS validation errors (i.e., an agency will not be granted additional time after the due date to fix such errors). Should an agency not meet the extension, DBM will take steps to finalize the request on behalf of the agency with the information already submitted in BARS and/or use the FY 2027 target as the FY 2027 budget request. DBM is not required to consider over-the-target requests of agencies with late submissions.

#### **Budget Request and Submission**

For situations where there is one CSB figure for the entire agency, the agency head will determine the allocation of the CSB to agency units, whose administrators will in turn reapportion that amount to the various elements and programs within the individual units. Agencies are encouraged to allocate resources through strategic planning to achieve outcome-based results.

Agencies prepare their budgets in accordance with the format and instructions prescribed by the Secretary of Budget and Management in this document.

The budget requests, including detailed explanations, are submitted to OBA in BARS from August through October. This data is submitted along with: 1) actuals for the *prior* fiscal year; and 2) any realignments to the *current* year budget that have a net zero impact, by fund type, on program-level appropriations.

### **OBA Review, Meetings**

Once agencies submit their budget requests to DBM, OBA analysts check submission data for technical flaws (such as negative expenditure amounts or incorrectly budgeted scheduled subobjects) and work with agencies to correct those issues. Then, analysts review the requests, analyze year-to-year changes, and assess any deficiency, over-the-target, and reduction proposals submitted by agencies. Analysts determine if changes should be recommended to DBM leadership. During this time, analysts may ask agencies about spending trends, performance, and other budget-related topics. Analysts are often working on tight schedules during this period, so timely responses are much appreciated.

Once analysts complete their review of agency budgets, they report to DBM management with any recommended changes or requests for agency comment, and DBM collectively finalizes recommendations internally. This may involve inviting agencies to meet with DBM management to discuss an agency's request and DBM's proposed recommendations. In these instances, DBM will provide agencies with a copy of the DBM analysis several days in advance of the meeting. After these meetings, final recommendations are sent to the Governor.

### **Spending Affordability Committee (SAC)**

This committee was established during the 1982 session and is composed of the President of the Senate, the Speaker of the House, Majority and Minority leaders of the Senate and the House, the chairpersons of the four standing fiscal committees, and other members selected by the presiding officers.

The committee must report to the Legislative Policy Committee and Governor by December 20 of each year with recommendations for fiscal goals for the budget to be considered in the next legislative session.

Specifically, this report includes the following recommendations:

- A level of state spending
- A level of new debt authorization
- A level of state personnel
- The use of any anticipated surplus
- End-of-year general fund balance
- End-of-year balance in the Revenue Stabilization Account (aka Rainy Day Fund)
- Structural (aka long-term) balance goal

The SAC examines the following in making recommendations:

- Continuation of current laws
- Recognition of inflation
- Removal of one-time expenses & non-recurring PAYGO
- Identification of deficiencies
- Observation of federal mandates and multi-year commitments

- Funding of prior session legislation
- Recognition of workload changes
- Annualization of program costs
- New facility costs
- Adjustment of employee turnover

### **Governor's Budget Submission**

The State constitution requires the Governor to annually present a balanced budget to the General Assembly shortly after it convenes in regular session. In essence, the figure for the total proposed appropriations shall not exceed the figure for total estimated revenues as determined by the Bureau of Revenue Estimates (i.e., a balanced budget).

#### Budget Books

The Governor's funding decisions are incorporated into the budget using the BARS system and are characterized as the *Governor's Allowance*. The Allowance, in effect, is the Governor's "request" to the General Assembly to spend that amount of money for the purpose specified.

The allowances, which are set at the program level by fund type, are grouped by department/agency, and then included in a two-volume set of budget books. Digital versions of these books are accessible through the DBM website. Each agency's allowance carries an alphanumeric code, which determines the placement of an agency's budget in the two volumes.

With each allowance is a description of the program for which funds will be appropriated. Information is provided showing what each program spent the previous fiscal year, its current fiscal year appropriation, and the proposed allowance for the upcoming fiscal year. This detail is provided at the spending-object level. For each program, the budget book also shows fund type and fund source data.

Beyond this budget detail in the books, DBM publishes additional information online including (a) goals and objectives of the agency's strategic plan and measures of performance (Managing for Results) and (b) personnel detail that lists each position classification and the number of positions in each class together with the total salary for the previous, current, and next fiscal year.

A separate Budget Highlights book describes key aspects of the budget and the Governor's main priorities.

#### Budget Bill

The Governor submits the budget bill in accordance with the provisions of Article III, Section 52 of the Constitution of Maryland.

The legislative session formally begins the second Wednesday of January. The budget bill is introduced in each chamber (i.e., the Senate and the House of Delegates) of the General Assembly by the presiding officers on the third Wednesday of January. This date is extended to the tenth day of the legislative session every four years for the newly elected governor.

The budget bill is introduced independently in both chambers, and the first reader (i.e., the bill as printed for the first time with its bill number and committee assignment) includes both bill numbers. One chamber

passes the budget bill first in one year and, by prearranged schedule, the other chamber passes the bill first in the next year.

The budget bill has three major parts:

- 1) The first (and largest) part contains specific appropriations proposed for each unit of state government;
- 2) The second part contains a number of sections that provide certain standard details pertaining to the expenditure of the appropriations contained in the first part. The Legislature can and does amend this section through restrictions on appropriations, across-the-board cuts, re-appropriations of funding cut from elsewhere in the budget, and additional language; and
- 3) The third part of the budget bill is a one-page “Budget Summary Table” showing a summary of the general fund balance, estimated revenues, and expenditures during the current and coming fiscal years.

#### Budget and Reconciliation Financing Act (BRFA)

Sometimes, the Governor may propose amending existing statute to balance the proposed budget through a BRFA. The BRFA bill is separate from the budget bill but both bills are considered in tandem with one another. The BRFA may seek to balance the budget through the suspension, reduction, or elimination of statutorily mandated funding, or through a change in the State’s tax code.

#### **Legislative Session**

##### Supplemental Budget

If the situation arises where the Governor may want to change or increase the budget bill, he can do this through a Supplemental Budget in accordance with State Finance and Procurement Article, Section 7-102 of the annotated Code of Maryland.

The supplemental budget may be used to correct an oversight, fund pending legislation, use unappropriated revenue, or to address an emergency. Supplementals can be submitted any time before the budget bill passes. The Governor can choose to submit one supplemental budget, none, or multiple.

##### Legislative Review and Enactment

Maryland underwent a major budget process change beginning with the FY 2024 budget. Prior to the FY 2024 budget, the Governor introduced a balanced budget and the General Assembly could only reduce that budget. Starting with the FY 2024 budget, due to the passage of Maryland Question 1 on the 2020 ballot which amended Article II Section 17 and Article III Sections 14 and 52 of the Maryland Constitution, the process is as follows:

- The General Assembly may now increase, reduce, or add to the budget, or restrict funding for different purposes, although restrictions are likely to be less common given their ability to add to the budget.
- The legislature must pass a budget that is equal to or less than the budget proposed by the Governor. Any restricted, or fenced-off, funding is left to the Governor’s discretion to release.

- Under the new constitutional amendment, the Governor may issue line-item vetoes on items that the General Assembly added to the budget.
- The General Assembly must still enact a balanced budget.

Shortly after the Governor introduces the budget, the Department of Legislative Services presents a fiscal briefing to the budget committees on the provisions and implications of the Governor's proposed budget. This briefing would include an overview of the BRFA bill, should it exist.

The budget overview presents extensive data concerning expenditures by highlighting new programs and significant program changes introduced in the budget. Additionally, the overview summarizes the positions being created or abolished in the budget.

#### Budget Analysis - Department of Legislative Services (DLS)

Legislative analysts communicate with the agencies, reviewing the budget request and obtaining information on any expenditure not adequately explained or justified. The budget bill is reviewed by the legislative analysts piece-by-piece, similar to the manner in which the DBM analysts review agency requests.

#### Legislative Budget Hearings

The budget committees (Senate Budget and Taxation and House Appropriations) hold public hearings on the budget bill following a schedule for various agencies prepared by DLS and approved by the chairmen of both committees. The structure of budget committee hearings has varied from session to session. Hearings may be held in sub-committees, by the chamber's entire budget committee, or jointly between both chambers' budget committees.

#### Committee/Subcommittee Decisions

After the budget hearings are completed, the decisions concerning the appropriation and expressions of legislative intent and fiscal policy for each agency are determined. The following are the types of decisions that can occur:

- The most prominent form of reduction is the "line-item" reduction. The item being eliminated is specifically identified and the resulting action is applied to the object classification in the program. These reductions are made in the same section where proposed agency appropriations are indicated.
- In some instances, an overall reduction is made to one or more agency's allowance and the specific items or functions to be affected are left to the discretion of the agency or department. This action permits the General Assembly to exercise overall financial control and to set fiscal policy without interfering with the management of the agency. These types of reductions are proposed in separate sections at the back of the budget bill, after the listing of proposed appropriations.
- When the legislature wants to add funding for a particular purpose, it will use funding reduced from elsewhere in the budget and add it back in, along with language specifying the use of the funds. The FY 2024 budget was the first fiscal year the legislature had this authority; these

additions are provided in a separate section at the back of the budget bill rather than in the same part where reductions were made.

- In addition to appropriation changes, the committees also propose language for inclusion in the budget bill placing limitations on the expenditure of funds or expressing legislative intent as to the use of funds. This can take two forms:
  - Fencing, a practice by the General Assembly of restricting the expenditure of appropriated funds to a specific purpose (either in the same program or in another program).
  - Restricted funding, the General Assembly may choose to make certain funding contingent upon agencies completing an action, such as submitting a report (i.e., a JCR report). This funding will not be released until the legislature has reviewed that report, confirmed to DBM that the funding is released, and DBM has notified the General Accounting Division (GAD) in the Comptroller's Office to that effect.

When the budget committees arrive at their final position on the budget bill, the DLS Office of Policy Analysis prepares the respective committee reports. The two reports differ according to which chamber moves the budget bill.

#### *First Chamber Action*

When the first chamber's budget committee has completed its deliberation and its report is prepared, the chairman is ready to bring the bill to the floor. This occurs around the end of the ninth week of the legislative session.

Recent practice has been to report the bill out of the committee and then delay the debate (lay the bill over) for two to three days. This additional time permits members to review the recommended amendments and other supporting documentation.

#### *Second Chamber Action*

When the bill is received in the second chamber, the bill is referred to the budget committee for review and comment by any member of that committee. The changes made as a result of the action in the first chamber are explained to the committee by DLS.

Committee amendments, which differ from the first chamber amendments, are applied to the bill, and the committee report and reprint of the bill are completed. The bill is brought to the floor for second reading around the end of the eleventh week of the session.

The bill is then laid over to permit time for review and study. If the second chamber does not further amend the budget bill, it is enacted upon passage at this point. However, if the second chamber has amended the bill, the amended bill must be returned to the first chamber. At this point the first chamber must accept the bill as amended, or a conference committee must be called to resolve differences.

### Conference Committee

The conference committee is composed of three members of each chamber, and is, by rule, restricted to dealing only with those amendments that have not received concurrence in both chambers. The conference committee recommendations must be accepted in their entirety by each chamber. If they are not, the conference committee must be reinstated, or another appointed.

### Governor's Signature

Following passage of the budget bill by the legislature, the Governor can sign the bill with no revisions or veto specific items changed by the legislature. If the Governor vetoes items, the General Assembly can then vote to override that veto.

### Joint Chairmen's Report

The Office of Policy Analysis at DLS prepares the Joint Chairmen's Report detailing every action taken by the General Assembly upon the budget bill and submits the report to the chairmen of both budget committees. Compiling this report usually takes 3 weeks to a month after the budget bill passes.

The report contains an explanation of each budget alteration and statements of legislative policy and intent that were accepted by the General Assembly, and includes the status of the budget as enacted by the General Assembly.

The report is used by each agency to comply with legislative direction in executing its budget and preparing studies or special reports required by the General Assembly.

### **Fiscal Digest**

Once the specific budget changes are identified, OBA, in consultation with the agencies, makes specific adjustments within BARS. In some instances, the General Assembly will make a statewide percentage reduction in an object category and allow the Governor to designate the allocation of the reduction among the state agencies.

Once the adjustments have been allocated, DBM prepares and publishes the Fiscal Digest by the beginning of the fiscal year (July). The digest includes the following:

- Summary of the status of the general funds
- Estimate of revenues for the coming fiscal year
- Details of the appropriations for operating purposes
- A schedule of withheld allotments
- A summary of authorized positions
- A listing of deficiency appropriations for the current fiscal year
- Summary of the enacted capital budget.

The digest consolidates all modifications to each appropriation--changes made by the Governor through supplemental budgets and the changes made by the General Assembly--and reflects the final legislative appropriation.

## **Other Key Operating Budget Components/Concepts**

### Board of Public Works

A three-member panel (Governor, Comptroller, and Treasurer) charged with ensuring that significant State expenditures are necessary and appropriate. Specifically, the Board:

- approves the expenditure of all general obligation (GO) bond funds
- approves the expenditure of funds for capital improvements except for State roads, bridges, and highways
- approves the sale, lease, or transfer of State real and personal property
- controls procurement policy, adopts procurement regulations, and approves most contracts exceeding \$200,000
- preserves and protects the State's submerged lands, shoreline, and tidal wetlands and issues licenses to dredge or fill wetlands

The Governor can present a Board item that reduces an appropriation (program level) by up to 25% (commonly referred to as “cost containment” or “BPW reductions”).

### Contingent Fund

A general fund reserve in the BPW budget available to increase an agency’s appropriation in the event of an emergency or other reason.

- DBM monitors/recommends/controls disbursements from the Contingent Fund. Any use of the fund must be proposed to DBM and DBM prepares the BPW item.
- Upon approval from the BPW, transfers from the contingent fund are made by budget amendment (processed by DBM).

### State Reserve Fund

Comprised of the:

- Dedicated Purpose Account, which was created for the purpose of retaining appropriations for multi-year expenditures or to address certain fiscal contingencies.
- Revenue Stabilization Account (Rainy Day Fund), retaining revenues for future fiscal shortfalls.
- Economic Development Opportunity Fund (Sunny Day Fund), established for the purpose of acting on economic development opportunities beyond the capabilities of existing programs.
- Catastrophic Event Fund (Stormy Day Fund), established for the purpose of enabling the State to respond without undue delay to a natural disaster or catastrophic event.

### Mandates

A statutory or constitutional requirement that a specific amount be appropriated or a specific formula be used to calculate the appropriation. To truly be a mandate, the legislation must state “shall” (i.e. “the Governor *shall* include XXX in the budget”) and it must be a specific dollar amount or be a formula that is calculable at the time of budget submission in January each year.

### Statewide Controlled Subobjects

"Statewides" are charges that apply to most agencies and go towards covering certain statewide costs. Usually, they fund the costs of a central control agency that provides services throughout the State (ex: DBM or the Department of Information Technology (DoIT)). Because DBM needs to ensure that those central control agencies are adequately funded, DBM "controls" their allocation in the budget, making sure that every agency budgets correctly by fund type.

Each of these statewide subobjects has a fee schedule that is determined by various factors, including some that are set in statute. For example, the Annapolis Data Center (ADC) in the Office of the Comptroller is funded by agencies that utilize its mainframe computer services, so the schedule is based on total hours of usage for each agency.

For these statewides, BARS ensures that agencies submit their budget request with exactly what was in the Legislative Appropriation (by agency by fund type). The reason is because if an agency was able to realign funding elsewhere within their budget target, the Administration would have to provide additional funding to make up the difference for the central cost. In other words, these statewide costs are part of what makes up the CSB, and an agency's target assumes that they budgeted the same as the appropriation. However, agencies are able to realign the charges between units/programs/subprograms in their request should they choose so, provided the net amount by fund type does not change.

In late November/early December, DBM updates these statewide schedules to support centralized costs in the Allowance. For example, if ADC requires replacement servers, subobject 0882 (the statewide ADC charge) must increase in other agencies to cover these charges. DBM undergoes the following process:

1. Reaches out to agencies to determine whether the fund types supporting the statewides should change based on the specific fee schedule allocation. In the case of the SRA charge, if more positions in a given agency are now supported by federal funds, it would make sense to increase the federal fund percentage for the 0875 charge.
2. Uses these revised funding splits combined with the updated statewide allocation schedule (i.e., split between agencies) and the Allowance for the central charge to update every agency's charge in BARS. NOTE that BARS automatically increases/decreases these charges based on where funding was in the request, so if an agency wants to realign the charges they should do so in the request or via budget amendment during the fiscal year.

More detail on the allocation process for each statewide controlled subobject is in Section A.1 of Budget Instructions.

**I.4 Important Contacts**

Please do not hesitate to contact your OBA budget analyst with any questions you have about the budget submission requirements or other issues that arise, as they are your main contact for all questions. If you need specific help regarding an issue listed below, please make sure to **copy your OBA analyst** on any communications with related contacts.

TOPIC	CONTACT	EMAIL
BARS and General Questions	Your OBA Budget Analyst	
Budget Amendments	TDS BA Email	<a href="mailto:dbm.bawa@maryland.gov">dbm.bawa@maryland.gov</a>
Indirect Cost Recovery/Reversion Reporting	TDS General Email	<a href="mailto:oba.tds1@maryland.gov">oba.tds1@maryland.gov</a>
Org Charts		
Pay Plan Adjustments/New Classifications		
Position Reconciliation and Salary Forecast		
Salary Tables		
Vehicle Requests and DA-8 Forms		
DBM Fleet Administration		
DGS Lease Management	Wendy Scott-Napier	<a href="mailto:wendy.scott-napier@maryland.gov">wendy.scott-napier@maryland.gov</a>
DGS Operational Maintenance	Courtney League	<a href="mailto:courtney.league@maryland.gov">courtney.league@maryland.gov</a>
Equipment Financing	Tanya Mekeal	<a href="mailto:tmekeal@treasurer.state.md.us">tmekeal@treasurer.state.md.us</a>
FMIS, RSTARS, and Accounting Questions	GAD	<a href="mailto:gad@marylandtaxes.gov">gad@marylandtaxes.gov</a>
Local Aid Submissions	Emily Ford	<a href="mailto:emily.ford@maryland.gov">emily.ford@maryland.gov</a>
MFR/Performance Management	Corinne DeFrancisci	<a href="mailto:corinne.defrancisci@maryland.gov">corinne.defrancisci@maryland.gov</a>
Personnel Classifications and Other Staffing Matters	OPSB	See <a href="#">OPSB contacts page</a>
SEIF/State Agency Loan Program/Energy Performance Contracts	Mario Sto. Domingo	<a href="mailto:mario.stodomingo@maryland.gov">mario.stodomingo@maryland.gov</a>