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DEPARTMENT OF BUDGET AND MANAGEMENT –
OFFICE OF THE SECRETARY
FY 2020 BUDGET HEARING

**Testimony of David R. Brinkley
Secretary**

*Senate Budget and Taxation Committee
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The Department of Budget and Management (DBM) appreciates the 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.

DLS Issues

Transition to New Budget System

DBM is proud of our new budget system: BARS. It provides the Executive branch with the necessary tools to evaluate a complex, \$46 billion enterprise—tools that were not available with our 35-year-old legacy budget system. The staff of the Office of Budget Analysis did an amazing job training State agencies on the new system.

DBM is also proud that we were able to bring the project in under the original cost estimate. The Department learned an important lesson from a previous failed budget system project: business processes needed to change. DBM could not keep collecting all the information it used to collect exactly in the manner that the data used to be collected. We needed to change with the times and the technology; however, we do remain committed to making sure our staff and the staff at DLS has the information necessary to analyze state agency budgets.

Just as with any new major information technology project, we experienced some great successes during the transition, along with some challenges. Some agencies adapted to change well while others did not. DBM will continue working with all State agencies to make sure that the features of our new system are fully utilized. The new system also helped DBM to identify that some agencies do not do as good a job as they could in budget development. To that end, the Department will offer new training on budget development as part of the budget instructions process. As a result, we expect the quality of future budget submissions to continue to improve.

Submission of Executive Branch Organizational Charts

DBM will submit the outstanding organizational charts to DLS. Moving forward, we will work with other State agencies to ensure compliance with the requirement and to provide the information to DLS in a timely manner.

FY 2018 Closeout Audit

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

With regard to the transactions identified in Exhibit 7 of the analysis:

- DLLR has developed a multi-year plan to pay off this liability.
- DBM will work with MSP regarding the \$1 million not reverted to the General Fund.
- MHBE indicates that it does not anticipate the federal government will follow-up on this reimbursement. Should a request be made for reimbursement, then DBM will work with the agency; however, the federal government has had this finding since FY 2015 and still no request has yet been made.
- DBM will work with DoIT regarding unclaimed reimbursable funds as it relates to major IT funding.

Many of the items in Exhibit 8 have been addressed through the budget or do not need to be addressed at this time. As noted in the analysis, much of the MDH funding relates to accruals for Medicaid and BHA that are resolved. There are two DDA items related to federal funds where the federal government has not yet asked for funding, and the State disputes the finding in one instance.

As we do each year, DBM will work with the agencies as these issues arise 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.

Funding Accountability Website

The Maryland Funding Accountability and Transparency website is a joint effort between DBM and the Department of Information Technology (DoIT), which maintains the DBM website and the Funding Accountability site. As noted in the analysis, DBM is responsible under statute for collecting grant and loan data from State agencies, while DoIT is responsible for posting vendor payment data and operating the site. Grant and loan data for FY 2018 was posted to the site in January. In the decade since the Funding Accountability site was launched, data has generally been posted in January, consistent with the requirements under the initial legislation.

With regard to the *Following the Money* evaluation by the U.S. Public Interest Research Group (PIRG), Maryland's grade in the evaluation is the result of a significant change in criteria instituted in the 2018 report. PIRG essentially reset the bar by allocating substantial points for certain user-friendly features that Maryland's site lacks, due largely to limitations of our vendor payment data source, the State's financial accounting system (FMIS). Put simply, Maryland lost 18 points on a 100-point scale because PIRG focus groups were unable to locate on the site information such as how much the Office of the Attorney General spent on contracted legal services and how much the Department of Agriculture spent on motor fuel. While some of this information is available in the State's budget books, the PIRG evaluation only looked at the vendor payment site, where data is captured by payee, agency, zip code, and amount, consistent with statutory requirements. In addition, points were lost because Maryland does not produce a "citizen-friendly" Comprehensive Annual Financial Report (CAFR), a responsibility that is not under DBM's purview.

As a result of the change in evaluation criteria, Maryland's grade, which had risen over a five-year period from "C" to "B+," dropped to "D+." Maryland was not alone in this outcome: New York fell from an "A-" to "C+" and Oklahoma fell from "A" to "D+." As the PIRG report noted, "Our focus groups put these transparency websites to the test and found only a handful meet the expectations of a 21st century user." (*Following the Money 2018*).

While the PIRG evaluation certainly helps us explore best practices across the states and consider improvements, it is not the only standard by which to judge transparency. DBM maintains a substantial amount of information for public consumption on our website. This includes budget books dating back to FY 2005, Managing for Results and personnel detail, Fiscal Digests dating back to FY 2004, and Tax Expenditure Reports dating back to FY 2006. Budget, MFR, and personnel data are also posted to the DBM site in the .CSV file format to facilitate data analysis. We also recently posted a document with appropriations by agency for General Funds and Total Funds dating back to FY 2000 to make historical information available to the public. And we are currently exploring an update to our Citizen's Guide to the Budget page to make it more user-friendly and comprehensive. As part of that effort, we will examine ways to improve the transparency website, recognizing all the while that we are somewhat limited by the data available from the State's accounting system and by potential costs of enhancements.

DLS Recommendations

DBM concurs with eleven (11) of the thirteen (13) operating budget recommendations made by the analyst. The Department does not concur with recommendations 3 and 4, and we have concerns about recommendation 10, as described below:

Recommendation 3: *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 4: *Disallow transfers from restricted objects of expenditure to other purposes.*

DBM Response: The Department does not concur with the recommendation to disallow transfers from restricted objects of expenditure to other purposes. 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.

Recommendation 10: *Require information on special and federal fund accounts as well as a list of all subprograms used by State entities.*

DBM Response: DBM concurs with the analyst's recommendation, but notes that the subprogram detail is not something we have compiled in the past; this is a new information request unrelated to the transition to the new budget system. In addition, providing the fund and subprogram detail as requested by DLS will require system changes and additional effort by State agencies.

Recommendations 5, 6, 7, 8, 9, 11, 12, and 13 are annual language with which DBM concurs.