



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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DEPARTMENT OF BUDGET AND MANAGEMENT - SECRETARY FY 2026 Budget Hearing

Testimony of
Helene Grady, Secretary
Department of Budget and Management

Senate Budget & Taxation Committee
February 18th, 2025

House Appropriations Committee
February 21, 2025

The Administration appreciates the thorough analysis put forward by the Department of Legislative Services (DLS).

The mission of the Department of Budget and Management (DBM) is to assist the Governor, State agencies, and their employees in providing effective, efficient, and fiscally sound government to the citizens of Maryland. We support agency efforts to achieve results by helping them obtain the fiscal, capital, and personnel resources needed to provide services to Maryland citizens. We are dedicated to providing advice and assistance with professionalism, state-of-the-art technology, modern management techniques, and teamwork. DBM supports Maryland's State government workforce with competitive benefits and opportunity for growth.

DBM's responses to the DLS recommendations in the analysis are below. We are available to answer any questions.

Central Collection Unit (CCU) Revenues (page 5): CCU should discuss any cost containment actions taken to reduce expenditures to the level of available resources and efforts to return to a net profit

The CCU is focused on returning a net profit while also enhancing our customer service levels, which are currently challenged given significant increases in collection placement volumes over the past year. MDTA resumed referrals of EZ Pass accounts, and we anticipate an increase in collection revenue. MDTA placement volume increased from zero in FY2023 (due to pandemic) to 3.7 million debts for \$118.5 million in FY2024. In the first half of FY2025, EZ Pass has placed an additional 8.7 million debts for \$281.3 million. The increased number of accounts has caused increased call and email

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volumes and longer wait times. To mitigate the customer service issues, we are planning to add 15 contractual staff to respond to calls and emails and authorize overtime as needed. We will also enhance our website to make it easier to get account information and facilitate payments. In addition, CCU recently reduced our IT contractors from 6 to 4, which saves \$400,000. This is a result of the completion of the upgrades to the debt collection system.

Budget Reconciliation and Financing Act (BRFA) of 2025 (page 12): DLS recommends modifying the BRFA provision to eliminate the requirement that across-the-board reductions be specified to apply to fiscal 2026 only.

DBM concurs

ARPA Funds Past Obligation Deadline, Spending Deadline Approaching (page 23): DBM should discuss whether the State obligated all available funds in advance of the deadline.

In DBM's most recent project and expenditure reporting submission to the United States Treasury on January 31, 2025, the State reported that all State and Local Fiscal Relief Funds were fully obligated. The funds that were shown as unallocated in the DLS analysis were obligated as part of the December monthly FMIS closeout, which occurred in mid-January. The funding was allocated to MDH to allow the department to cover costs that have been disallowed by FEMA.

Closeout Assistance Provided by AFCU (page 26): DLS recommends adopting committee narrative requesting that DBM submit a report, due August 1, 2025, on efforts to improve the training, recruitment, and retention of fiscal staff across State agencies to improve fiscal processes, particularly at closeout.

DBM respectfully does not concur. As noted in prior year testimony, the Audit and Financial Compliance Unit (AFCU) at DBM offers support and consultation for agencies facing capacity limitations in the areas of accounting and budgeting, but does not have authority or direct responsibility for addressing audit findings or overseeing the accounting functions in other State agencies. DBM collaborates with the Comptroller's Office and State agencies on this work and will continue to enhance our collaborations. As mentioned in the analysis, the AFCU does provide technical assistance and limited training to agencies' accounting and budget staff. The AFCU works with DBM Office of Budget Analysis (OBA) and the Comptroller's General Accounting Division (GAD) to enhance closing instructions to provide better guidance to agencies and to determine which agencies need targeted assistance. DBM OBA provides training and support for the budget submission process to which Department staff devote considerable time to each fall. The AFCU also has been working with the Comptroller's newly launched Maryland Accounting Academy (MDAA) that includes the goal of providing training to enhance the culture of financial management across State government. In conjunction with input and recommendations from AFCU, we understand MDAA will focus training on year-end closeout and agency fiscal processes that result in a more efficient and accurate year-end closing. The Comptroller's Office and its MDAA, not AFCU, is the lead and has been charged with the specific task on development and implementation of training for State agency fiscal staff to improve fiscal processes. We see DBM as having a key role in collaborating with the Comptroller's Office and State agencies on this critical work but do not agree that DBM should be considered the responsible party for overseeing this work.

Timing of Budget Amendments (page 30): DLS recommends adding annual budget bill language

but modifying this language from prior years to require budget amendments to be submitted by October 31 of the next fiscal year. In addition, DBM should discuss efforts it will undertake to submit budget amendments in a timely manner.

DBM concurs with the goal of having all amendments submitted by October 31st of the next fiscal year, although we would appreciate some flexibility in the case of exceptional circumstances.

DBM intends to undertake a number of actions to assist agencies with closing their books and processing closing budget amendments in a more timely manner including: improving communication and coordination with the General Accounting Division of the Comptroller's Office heading into and throughout closeout, clarifying DBM's closing instructions, and collaborating with GAD to improve closeout training with the agencies.

Growing Cost of Contract Extensions (page 31): DBM should provide more information on the cause of recent procurement delays and the reason for increasing extension costs.

The State's average monthly cost utilized on the fleet maintenance and repair contract is approximately \$2.5 million. The contract extension in November 2024 included \$14 million, which we understand allows for additional time if needed until the next procurement is awarded. DBM is actively working with State Procurement on the next contract award, which State Procurement has advised they anticipate being completed in the May 2025 timeframe. We anticipate State Procurement may pursue a no-cost extension in the meantime. The State only pays the vendor for services rendered so the \$14 million is a ceiling amount but will be paid out only if that level of service is provided.

DLS Recommendations and DBM Responses

1) DLS recommends adding language restricting funds pending a report on funds remaining to expend from the State Fiscal Relief Fund award.

DBM concurs.

2) DLS recommends adding language restricting funds pending receipt of performance measures for the Audit and Finance Compliance Unit.

DBM concurs. We apologize for the oversight in failing to include the AFCU in our agency MFR report this year, as we had intended to do but fell short of completing it in time. We have been working on developing those metrics and will share a copy of our draft with DLS soon.

3) DLS recommends adopting narrative requesting a report on efforts made to improve training, recruitment, and retention of State agency fiscal staff.

DBM respectfully does not concur. See the response above.

4) DLS recommends adopting annual narrative requesting submission of budget details for contracts and grants.

DBM concurs.

5) DLS recommends amending Section 2 to limit appropriations that can be placed into

contingency reserve to items restricted by the General Assembly.

DBM respectfully does not concur with this proposed limitation on the Secretary's authority to manage the budget and would ask the committees to accept the language in this section in the budget as introduced.

6) DLS recommends amend Sectioning 17 to add tracking structure necessary for legislative audits and to disallow transfers to other purposes.

DBM respectfully does not concur with the recommendation to disallow transfers from restricted objects of expenditure to other purposes as in very limited circumstances this can be a useful budget management tool. 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. Given that, DBM respectfully requests the committees reject the analyst's recommendation and allow the current Administration to resume this authority.

7) DLS recommends adding a section requiring long-term General Fund, Blueprint for Maryland's Future Fund, and higher education Current Unrestricted Fund accounts.

DBM concurs.

8) DLS recommends adding a section applying across-the-board reductions to institutions of higher education.

DBM concurs.

9) DLS recommends adding a section requiring reporting on federal funds received by the State.

DBM concurs.

10) DLS recommends adding a section defining the use of federal funds in the budget.

DBM concurs.

11) DLS recommends adding a section requiring consistent presentation of budget data and organizational charts.

DBM concurs.

12) DLS recommends adding a section requiring reporting on interagency agreements and approval by the Department of Budget and Management.

DBM concurs.

13) DLS recommends adding a section defining the budget amendment process.

DBM concurs with the goal of having all amendments to be submitted by October 31st of the next fiscal year, although we would appreciate some flexibility in the case of exceptional circumstances.

14) DLS recommends adding a section requiring the maintenance of accounting systems for certain programs.

DBM concurs.