JOINT CHAIRMEN'S REPORT – OPERATING BUDGET

D15A
Executive Department

D15A05.22 Governor's Grants Office

Reduce appropriation for the purposes indicated:	Funds	Positions
1. Delete vacant administrator IV position in the Governor's Grants Office.	57,894 GF	1.00
Total Reductions	57,894	1.00

Effect	Allowance	Appropriation	Amount Reduction	Position Reduction
Position	5.00	4.00		1.00
General Fund	389,420	331,526	57,894	
Total Funds	**389,420**	**331,526**	**57,894**	

Committee Narrative

Federal Fund Quarterly Expenditure Report: The Executive Department Financial Control Unit shall submit 31 days after the quarter ending September 30, 2004, and quarterly thereafter, a federal fund expenditure report that indicates the following for each federal revenue source:

- Catalogue of Federal Domestic Assistance number;
- federal fiscal year;
- total authorized amount;
- federal authorization code;
- amount currently reflected in the State budget appropriation;
- State obligations recorded against the revenue;
- amount of drawdown against federal reserve; and
- federal fund accounts receivable.

Information Request	Author	Due Date
Quarterly report on federal fund expenditures	Governor's Finance Office	31 days after the quarter ending September 30, 2004, and quarterly thereafter

D40W
Department of Planning

Committee Narrative

Integrating Smart Growth into the Maryland Department of Planning: The committees are concerned that less focus will be placed on promoting Smart Growth if the Maryland Department of Planning (MDP) is given primary responsibility for the State's Smart Growth programs and policies. Smart Growth principles should be incorporated into MDP's State development planning process, as outlined in the State Finance and Procurement Article Chapter 5 Subtitle 6.

The State Development Plan should reflect the status of State and local efforts to achieve the goals and objectives of the plan as they evolve over time. Among other items, the next update of the State Development Plan should reflect the goals and objectives established through State planning policy under State Finance and Procurement §5-7A-01, the Priority Funding Areas Act of 1997, the new "Priority Places Strategy", and Maryland's land preservation plans, policies, and guidelines. The State Development Plan should evaluate:

- how each local government has used its planning and land use management authority;
- the degree to which State agencies represented on the Smart Growth Subcabinet have oriented their plans, programs, regulations, and procedures to support the State Development Plan; and
- whether State plans, policies, programs, procedures, and capital expenditures are supportive of the State Development Plan.

MDP should submit a report by October 1, 2004, outlining how it has integrated Smart Growth into the State Development Plan and its overall programs, goals, and organizational structure.

Information Request	Author	Due Date
Smart Growth report	MDP	October 1, 2004

F10A
Department of Budget and Management

Committee Narrative

Vehicle Replacement Report: The committees are interested in the Administration's policies and practices for replacing vehicles in the State's fleet. The Department of Budget and Management (DBM) should provide with its annual budget submission information on vehicle replacements anticipated in the Administration's upcoming budget. The report should address the mileage and the type of vehicle to be replaced, the type of vehicle that will be purchased to replace the older vehicle, the trade in value for the older vehicle, and the expected price of the new vehicle. If a replacement vehicle will be of a different type than the existing vehicle, the department should provide an explanation for why a different vehicle type is necessary and the reason for replacement. This information should be provided for all State vehicles. A separate section should be provided with identical information on the sale, trade in, or acquisition of alternative fuel vehicles.

Information Request	Author	Due Date
Vehicle Replacement Report	DBM	Annual budget submission

Managing for Results Performance Measure Audits: For several years the Office of Legislative Audits (OLA) prepared performance audits of select Managing for Results (MFR) performance measures, culminating in the 2003 determination that more than 60% of reported measures in audited agencies could not be certified. Following this finding, the committees directed OLA to prepare a comprehensive performance audit of the use of MFR by the Executive Branch. Now that this audit has been completed it is the intent of the committees that OLA resume the preparation of performance audits of MFR performance measures in fiscal 2005.

Budget Amendment

Add the following language:

Provided that health, dental, mental health, or prescription insurance plan contract provisions, premium levels and structures, copayment requirements, deductible levels, and coverage levels in place related to these insurance plans in calendar 2004 remain in place in calendar 2005. The only exceptions shall be provision changes included in signed memoranda of understanding between exclusive representatives of State employee labor organizations and the State. Details on health, dental, mental health, and prescription insurance plans, contracts with providers, negotiated changes, enrollment information, and costs associated with these plans shall be provided to the Department of Legislative Services by January 15, 2005.

Explanation: Changes to the health, dental, mental health, or prescription insurance plans are to be negotiated with the exclusive representatives of State employee labor organizations, and data are to be provided to the Department of Legislative Services in a timely fashion.

Information Request	Author	Due Date
Health, dental, mental health, and prescription insurance plans, negotiated changes, enrollment information, and associated funds	Department of Budget and Management	January 15, 2005

Add the following language:

Further provided that the Department of Health and Mental Hygiene and the Department of Budget and Management shall jointly explore the possibility of developing a single preferred drug list for the State employees' prescription drug program and Medicaid. The departments shall submit the report and a timetable for implementing a preferred drug list to the Senate Finance Committee, the House Health and Government Operations Committee, and the budget committees by July 1, 2004.

Explanation: The State of Maryland spends more than $500 million to purchase prescription drugs on a fee-for-service basis for State employees, Medicaid enrollees, and Maryland Pharmacy Assistance Program beneficiaries. In an effort to control costs, some states have created a single preferred drug list for State employees and medical assistance programs for the poor. The single drug list provides states with leverage in pursuing discounts from manufacturers desiring inclusion of their products on the formulary. A 1% reduction in prescription drug costs alone would save the State about $3 million in general funds.

Information Request	Authors	Due Date
Evaluation of feasibility and plan for a single preferred drug list for Medicaid and State employees	Department of Health and Mental Hygiene Department of Budget and Management	July 1, 2004

Budget Amendments

F10A02.08 Statewide Expenses

Add the following language to the general fund appropriation:

, provided that a cost-of-living increase of $752 shall be added to the base salaries of all eligible State employees in fiscal 2005, effective July 1, 2004.

Explanation: The budget contains funds to provide a 1.6% cost-of-living increase to all State employees. Because this increase is a percentage of salary, this means larger increases for the higher-paid employees. It is the intent of this language that the Department of Budget and Management reallocate the State cost-of-living increase to provide an equal dollar amount, $752, to all eligible employees.

Reduce appropriation for the purposes indicated:	Funds		Positions
1. Reduce general funds by $4,800,000 attributable to an overestimation of the cost of the general salary increase. This reduction is net of the inclusion of approximately $341,000 in general funds necessary to fund the increase in reimbursable fund agencies.	4,800,000	GF	
2. Delete funds for Judicial Compensation Commission recommended salary enhancements. Unless amended, a joint resolution in the Senate (Senate Joint Resolution 1) and House (House Joint Resolution 1) provides for recommended increases in salaries for judges, and for the Public Defender and the State Prosecutor, whose salaries are tied to judges' salaries. Both the Senate and the House versions were amended to provide for no increases in fiscal 2005 and 2006.	1,048,627	GF	
Total Reductions	5,848,627		0.00

Effect	Allowance	Appropriation	Amount Reduction	Position Reduction
General Fund	57,960,627	52,112,000	5,848,627	
Total Funds	**57,960,627**	**52,112,000**	**5,848,627**	

Supplemental Budget No. 1

Strike the following language:

~~Amendment No. 6:~~
~~On page 167, in line 29 and ending in line 33 , strike the words ", notwithstanding" through "Funding" in their entirety and substitute "contingent upon the enactment of legislation to eliminate the payment of employer contributions for State supplemental plans in the Optional Defined Contribution System in fiscal year 2005, funding".~~

~~*Clarifies that the proposed reduction is contingent on the enactment of legislation.*~~

Explanation: This amendment clarifies that the proposed elimination of the fiscal 2005 deferred compensation match is contingent upon enactment of legislation. This language is unnecessary as the General Assemlby adopted alternative language deleting the deferred compensation match without requiring action in budget reconciliation legislation.

Committee Narrative

The State's Workforce Planning: To ensure that recent experience with retirements, position abolitions in State agencies, and the hiring freeze may be used to inform future workforce planning in the State, the Office of Legislative Audits (OLA) shall attempt to determine how well State agencies are identifying and addressing their future workforce needs. OLA should identify a select number of agencies that may have workforce and succession planning issues in the near future. In selecting agencies, consideration should be given to the current status of the State workforce in terms of age, length of service, and expected time until retirement. By looking at these select agencies, OLA should answer the following questions:

- What efforts have the Governor, the Department of Budget and Management (DBM), and other agencies with independent personnel systems undertaken to identify and plan for the State's future workforce needs?

- What actions have DBM and other agencies with independent personnel systems taken to address identified workforce needs?

- How well have those actions worked to ensure the State maintains a workforce that can provide the necessary services to the public?

Using the results of its investigation, OLA should develop a comprehensive list of best practices to aid the State and individual agencies in making better workforce decisions in the future. This report should be completed by November 1, 2004.

Information Request	Author	Due Date
Performance audit and list of workforce planning best practices in the State	OLA	November 1, 2004

Annual Report of State Personnel: The Department of Budget and Management (DBM), Office of Personnel Services and Benefits, shall produce an annual report for agencies in the State Personnel Management System (SPMS) and for select groups not in SPMS covered by collective bargaining, as a document of record. The report shall include, but not be limited to, the same information provided in the *Annual Report of State Personnel, Fiscal Year 2003*, updated for fiscal 2004. If complete information is not available for certain sections as of the due date of October 1, 2004, updated information shall be provided when it is available.

Information Request	Author	Due Date
Annual Report of State Personnel, Fiscal Year 2004	DBM	October 1, 2004

Teleworking in State Agencies: The committees are concerned about the need for the Department of Budget and Management (DBM) to identify positions in State government that could be eligible and would be appropriate for teleworking. Chapter 466, Acts of 1999 required the Secretary of Budget and Management to adopt a telework policy and guidelines to implement a pilot program for all participating State agencies. The legislation directed DBM to hire a telework consultant to provide technical assistance, including training for employees and managers, and develop a proposal for the program. It also directed each Executive Branch agency to establish a goal of 10% employee participation in the program and required the Secretary to submit a report about the program's effectiveness. While the statutory mandate to continue teleworking in the Executive Branch has expired, DBM has indicated that it continues to work with agencies to identify positions that would be eligible for teleworking at least four times a month or once a week.

The committees request that DBM provide a report by October 1, 2004, on its plan to encourage employees to telework at least four times a month or once a week. In addition, the report should explain the department's methodology for identifying positions that would be eligible for teleworking. Finally, the report should provide detail on how DBM and State agencies currently track the number of individuals who telework in State government.

Information Request	Author	Due Date
Report on teleworking	DBM	October 1, 2004

Committee Narrative

50-65-80 Initiative: Chapter 5, Acts of 2000 required all units of the Executive Branch (excluding higher education institutions) to make 50% of their information and services available to the public over the Internet by calendar 2002, rising to 65% and 80% by calendar 2003 and 2004, respectively. Currently, it is not possible to assess compliance with statute. In any event, a previous survey of how agencies are determining compliance revealed that some of the information and services used to make that determination were not the kind of information or services that citizens actually want. The committees request that the Department of Budget and Management (DBM) work with agencies to identify what services and information offered by agencies should be available to citizens on-line and how many are available on-line. The intent of the report is not to highlight compliance or otherwise with current statute but rather identify function that government should be providing electronically both for consumer ease as well as to potentially generate operating savings.

Information Request	Author	Due Date
Provision of services and information over the Internet	DBM	December 1, 2004

H00C01.01 Facilities Operation and Maintenance

Add the following language to the general fund appropriation:

, provided that $250,000 of the general fund appropriation may not be expended until the Department of General Services (DGS) submits a detailed assessment of the deferred operating maintenance backlog to the budget committees. DGS should work with the Department of Budget and Management on this report to develop a funding plan to address the maintenance backlog, and should also assess what level of exemption from the General Assembly's Spending Affordability Committee would induce greater annual spending for operating maintenance. The budget committees shall have 45 days to review and comment prior to the release of funds.

Explanation: There is concern that the backlog of deferred operating maintenance projects is growing to an unreasonable level. This language requires DGS and the Department of Budget and Management (DBM) to report to the budget committees on their plans to address this issue.

Information Request	Authors	Due Date
Plan to address deferred operating maintenance backlog	DGS DBM	45 days prior to expenditure

Reduce appropriation for the purposes indicated:	Funds	Positions
1. Reduce funding for carpet and painting initiative. Due to the fiscal condition of the State, this amount is reduced by $250,000. The remaining $750,000 should be used to replace only the most critically worn carpet, paint, and ceiling tiles resulting in a safety hazard to employees and visitors.	250,000 GF	
Total Reductions	250,000	0.00

Effect	Allowance	Appropriation	Amount Reduction	Position Reduction
Position	234.00	234.00		0.00
General Fund	25,479,131	25,229,131	250,000	
Special Fund	382,249	382,249	0	
Federal Fund	570,529	570,529	0	
Total Funds	**26,431,909**	**26,181,909**	**250,000**	

Committee Narrative

Minority Business Enterprise Participation in Procurement Contracts: The committees are concerned that statutorily required Minority Business Enterprise (MBE) participation levels have not been met by the Department of General Services (DGS). The department has acknowledged that these goals have not been met and has subsequently made operational changes in an effort to meet these goals. The committees request that DGS prepare a report documenting changes in operations to increase MBE participation in State procurement opportunities, as well as any resulting change in MBE participation levels. This report should be submitted to the committees by August 1, 2004.

Information Request	Author	Due Date
MBE participation level report	DGS	August 1, 2004

Update on Privatization Efforts: The committees are concerned about potential efficiencies going unrealized. The Department of General Services (DGS) documented in its response to the 2003 *Joint Chairmen's Report* that opportunities for privatization could provide cost savings for the State and should be explored further. DGS should develop and submit a status report by October 1, 2004, which details the progress made in implementing privatization opportunities.

Information Request	Author	Due Date
Update on privatization efforts	DGS	October 1, 2004

New Managing for Results Goals for Customer Service: The committees are concerned about the lack of Managing for Results (MFR) goals relating to customer service. The ability to serve other State agencies reflects not only the Department of General Services' (DGS) success but the success of State government as a whole. In that DGS has created a new Assistant Director of External Affairs for DGS Services, the department should submit a report to the committees detailing new MFR measures which track overall customer service levels. This report should include all the new MFR measures to be tracked, as well as goals to be achieved in the coming fiscal years. The report should be submitted to the committees by July 1, 2004.

Information Request	Author	Due Date
New MFR goals relating to customer service	DGS	July 1, 2004

K
Department of Natural Resources

Budget Amendments

Add the following language:

Provided that the Department of Natural Resources and Department of Budget and Management shall develop a report by October 1, 2004, that describes the process and timeline as well as the estimated cost savings associated with proposed efforts to consolidate the law enforcement functions of the State Forest and Park Service and Natural Resources Police. The budget committees shall have 45 days to review and comment upon the report.

Explanation: This language requires the Department of Natural Resources (DNR) and the Department of Budget and Management (DBM) to submit a report to the committees by October 1, 2004, providing detailed information about the proposed consolidation of the State Forest and Park Service and Natural Resources Police law enforcement functions. This report should provide information about how and when this reorganization would be implemented as well as the estimated cost savings associated with implementation.

Information Request	Authors	Due Date
DNR law enforcement reorganization report	DNR DBM	October 1, 2004

Add the following language:

Further provided that the Department of Natural Resources (DNR) and Department of Budget and Management shall develop a report by October 1, 2004, that outlines a multi-year plan for reducing the percentage of Waterway Improvement Fund (WWIF) revenues allocated to DNR's administrative purposes over the next five years. The report shall identify funds to help replace WWIF that are no longer used for administrative expenses. The budget committees shall have 45 days to review and comment upon the report.

Explanation: This language requires DNR and the Department of Budget and Management (DBM) to submit a report describing DNR's multi-year plan for reducing the percentage of WWIF revenues allocated to administrative purposes over the next five years. This language stipulates that the report should identify funds to supplant redirected WWIF revenue.

The DNR Special Funds Work Group found that DNR had not complied with statutory language limiting the usage of the WWIF and recommended several changes. One recommendation was to require DNR to reduce the percentage of available WWIF revenue used for administrative purposes over the next five years. Currently, DNR applies an administrative cost rate of approximately 10% to all special funds including the WWIF. Budget reconciliation legislation establishes a schedule for reducing the administrative cost rate.

Information Request	**Authors**	**Due Date**
WWIF administrative costs report	DNR DBM	October 1, 2004

Add the following language:

Further provided that the $1,399,415 in general funds and $939,994 in special funds appropriated for vehicle purchases in the Department of Natural Resources may only be expended for vehicle purchases. General funds unexpended at the end of the fiscal year shall revert to the State General Fund. Unexpended special fund appropriations will be cancelled.

Explanation: In the past, the Department of Natural Resources (DNR) has not made vehicle replacement a priority. Consequently, the vehicle fleet has fallen into disrepair. This language requires DNR to spend funds appropriated for vehicle purchases only on vehicle purchases or to revert or cancel the funds.

Add the following language:

Further provided that $228,437 in general funds and three full-time equivalent positions are deleted from the budget of the Department of Natural Resources.

Explanation: This language reduces the Department of Natural Resources' budget by $228,437 and three vacant positions. This reduction reflects the fact that the Maryland Independence yacht was sold in December 2003, making operating and maintenance funds unnecessary.

WILDLIFE AND HERITAGE SERVICE

K00A03.01 Wildlife and Heritage Service

Reduce appropriation for the purposes indicated:	Funds	Positions
1. Reduce funding for the Wildlife and Heritage Service. The Wildlife and Heritage Service will benefit from special funds in fiscal 2005 due to fee increases for hunting licenses and stamps approved during the 2002 session. The Department of Natural Resources should use special fund balances and potential new revenue from proposed wildlife management program fees (House Bill 496) to offset this general fund reduction.	235,000 GF	
Total Reductions	235,000	0.00

Effect	Allowance	Appropriation	Amount Reduction	Position Reduction
Position	92.00	92.00		0.00
General Fund	470,573	235,573	235,000	
Special Fund	6,126,589	6,126,589	0	
Federal Fund	2,488,882	2,488,882	0	
Total Funds	**9,086,044**	**8,851,044**	**235,000**	

CAPITAL GRANTS AND LOAN ADMINISTRATION

Add the following language:

Provided that the Department of Natural Resources, Maryland Department of Agriculture, Maryland Department of Planning, and Department of Budget and Management shall submit a report to the budget committees by November 1, 2004, describing a proposed, overarching, State land preservation goal. This report shall provide recommendations for how the State can ensure that consistent and consolidated State and local data on acreage preserved and associated funding levels is readily available. Furthermore, the report shall address how the State intends to strengthen local jurisdictions' land preservation efforts and utilize new land preservation funding tools in fiscal 2006. The committees shall have 45 days to review and comment upon this report.

Explanation: This language requires the Department of Natural Resources (DNR), Maryland Department of Agriculture (MDA), Maryland Department of Planning (MDP), and Department of Budget and Management (DBM) to submit a report by November 1, 2004, describing a proposed, overarching, State land preservation goal, recognizing that this goal may be revised when the ongoing land preservation and recreation planning process is completed. This report shall provide recommendations for how the State can ensure that consistent and consolidated State and local data on acreage preserved and associated funding levels is readily available. Currently, different State agencies maintain different land preservation data, making it difficult to evaluate progress. Furthermore, the report shall address how the Administration intends to strengthen local jurisdictions' land preservation efforts and utilize new land preservation funding tools in fiscal 2006. The committees have 45 days to review and comment upon this report.

Information Request	**Authors**	**Due Date**
Land preservation goal report	DNR MDA MDP DBM	November 1, 2004

NATURAL RESOURCES POLICE

K00A07.04 Field Operations

Reduce appropriation for the purposes indicated:	Funds		Positions
1. Reduce funds for Natural Resources Police (NRP) field operations. Current statute stipulates that only $1,000,000 in Waterway Improvement Funds (WWIF) should be directed to NRP for marine operations. The Department of Natural Resources Special Funds Work Group recently recommended that this amount should be increased to $1,500,000 in fiscal 2006 to account for inflation. The fiscal 2005 budget allowance provides $1,667,421 in WWIF revenue for NRP field operations. With this action, the same amount of WWIF revenue will be provided in fiscal 2005 as is recommended by the work group for fiscal 2006. This action allows funds to be redirected to waterway projects.	167,421	SF	
Total Reductions	167,421		0.00

Effect	Allowance	Appropriation	Amount Reduction	Position Reduction
Position	206.00	206.00		0.00
General Fund	14,929,459	14,929,459	0	
Special Fund	3,450,035	3,282,614	167,421	
Federal Fund	1,213,647	1,213,647	0	
Total Funds	**19,593,141**	**19,425,720**	**167,421**	

Committee Narrative

Managerial Oversight of Maryland's State Forests: The committees realize that a need exists to assure Maryland's citizenry that the State's multi-benefit forest management policies on its State forests are scientifically-based with due environmental consideration afforded land use goals attendant to watershed, wildlife, fish, biodiversity, recreation, wood fiber, and wilderness management. However, the committees are concerned that the Department of Natural Resources' (DNR) Forest Service, with its professional staff of licensed foresters knowledgeable in these land use goals, does not exercise full administrative authority over the management of Maryland's State forests within DNR. Instead, this authority is shared with other units within DNR, which ostensibly speaks to an inefficient utilization of trained personnel. The committees request that DNR submit a report by November 1, 2004, describing what action could be taken to centralize managerial authority over Maryland's State forests within DNR's Forest Service.

Information Request	Author	Due Date
State forest management report	DNR	November 1, 2004

Budget Amendments

Section 2 Withheld Allotments

Strike the following section:

~~SECTION 2. AND BE IT FURTHER ENACTED, That in order to carry out the provisions of these appropriations the Secretary of Budget and Management is authorized:~~

~~(a) To allot all or any portion of the funds herein appropriated to the various departments, boards, commissions, officers, schools and institutions by monthly, quarterly or seasonal periods and by objects of expense and may place any funds appropriated but not allotted in contingency reserve available for subsequent allotment. Upon the Secretary's own initiative or upon the request of the head of any State agency, the Secretary may authorize a change in the amount of funds so allotted.~~

~~The Secretary shall, before the beginning of the fiscal year, file with the Comptroller of the Treasury a schedule of allotments, if any. The Comptroller shall not authorize any expenditure or obligation in excess of the allotment made and any expenditure so made shall be illegal.~~

~~(b) To allot all or any portion of funds coming into the hands of any department, board, commission, officer, school and institution of the State, from sources not estimated or calculated upon in the budget.~~

~~(c) To fix the number and classes of positions, including temporary and permanent positions, or person years of authorized employment for each agency, unit, or program thereof, not inconsistent with the Public General Laws in regard to classification of positions. The Secretary shall make such determinations before the beginning of the fiscal year and shall base them on the positions or person years of employment authorized in the budget as amended by approved budgetary position actions. No payment for salaries or wages nor any request for or certification of personnel shall be made except in accordance with the Secretary's determinations. At any time during the fiscal year the Secretary may amend the number and classes of positions or person years of employment previously fixed by the Secretary; the Secretary may delegate all or part of this authority. The governing boards of public institutions of higher education shall have the authority to transfer positions between programs and campuses under each institutional board's jurisdiction without the approval of the Secretary, as provided in Section 15-105 of the Education Article.~~

~~(d) To prescribe procedures and forms for carrying out the above provisions.~~

Explanation: Deleting Section 2 removes authorization for the Governor to unilaterally withhold allotments from agencies.

Section 2 Position Reporting Requirement

And add the following section:

SECTION 2. AND BE IT FURTHER ENACTED, That the Department of Budget and Management (DBM) shall prepare a report for the budget committees upon creation of regular full-time equivalent (FTE) positions through Board of Public Works (BPW) action and upon transfer or abolition of positions. This report shall be provided in addition to that provided for in Section 21 of the 2004 session budget bill and as an appendix in the Governor's budget book. It shall note, at the program level:

(1) where regular FTE positions have been abolished;

(2) where regular FTE positions have been created;

(3) from where and to where regular FTE positions have been transferred; and

(4) where any other adjustments have been made.

Provision of contractual FTE position information in the same fashion as reported in the appendices of the fiscal 2005 Governor's budget book shall also be provided.

Explanation: It is necessary that DBM and the Department of Legislative Services have a shared understanding of where positions are located throughout State agencies. This reporting requirement provides that with BPW and administrative adjustments to the FTE regular and contractual position count both agencies will be working with the same data.

Information Request	Author	Due Date
Record of regular and contractual FTE position activity	DBM	As needed

Section 17 Expenditure Restrictions

Amend the following section:

SECTION 17. AND BE IT FURTHER ENACTED, That funds appropriated to the various State agency programs and subprograms in Comptroller objects 0152 (Health Insurance), 0154 (Retirees Health Insurance Premiums), 0175 (Workers' Compensation), 0217 (Health Insurance – MDOT only), and 0305 (DBM Paid Telecommunications) are to be utilized for their intended purposes only. ~~The expenditure or transfer of these funds for other purposes requires the prior approval of the Secretary of Budget and Management.~~ Notwithstanding any other provision of law, the Secretary of Budget and Management may transfer amounts appropriated in Comptroller object 0305 between State departments and agencies by approved budget amendment in fiscal year 2004 and fiscal year 2005.

Explanation: This amendment withdraws the opportunity for the Secretary of Budget and Management to redirect certain funds for other purposes.

Section 18 Creation of New Positions

Amend the following section:

SECTION 18. AND BE IT FURTHER ENACTED, That the Board of Public Works, in exercising its authority to create additional positions pursuant to Section 7-236 of the State Finance and Procurement Article, may authorize during the fiscal year no more than ~~250~~ 50 positions in excess of the total number of authorized State positions on July 1, 2004, as determined by the Secretary of Budget and Management. Provided, however, that if the imposition of this ceiling causes undue hardship in any department, agency, board, or commission, additional positions may be created for that affected unit to the extent that positions authorized by the General Assembly for the fiscal year are abolished in that unit or in other units of State government. It is further provided that the limit of ~~250~~ 50 does not apply to any position that may be created in conformance with specific manpower statutes that may be enacted by the State or federal government nor to any positions created to implement block grant actions or to implement a program reflecting fundamental changes in federal/State relationships. Notwithstanding anything contained in this section, the Board of Public Works may authorize additional positions to meet public emergencies resulting from an act of God and violent acts of men, which are necessary to protect the health and safety of the people of Maryland.

The Board of Public Works may authorize the creation of additional positions within the executive branch provided that 1.25 full-time equivalent contract positions are abolished for each regular position authorized and that there be no increase in agency funds in the current budget and the next two subsequent budgets as the result of this action. It is the intent of the General Assembly that priority is given to converting individuals that have been in a contract position for at least two years. Any position created by this method shall not be counted within the limitation of ~~250~~ 50 under this section.

In addition to any positions created within the limitation of ~~250~~ 50 under this section, the Board of Public Works may authorize the creation of no more than 150 positions within the Department of Human Resources to provide services purchased by Local Management Boards through contracts with local departments of social services. If a Local Management Board terminates a contract with a local department of social services during the fiscal year, all the positions created by the Board of Public Works to provide services under the terms of that contract shall be abolished.

In addition to any positions created within the limitation of ~~250~~ 50 under this section, the Board of Public Works may authorize the creation of positions within the Department of Human Resources to provide services funded by grants from sources other than Local Management Boards. If any grant entity terminates a grant award with a local department of social services or other unit during the fiscal year, all positions created by the Board of Public Works to provide services under the terms of the grant award shall be abolished. The employee contracts for these positions shall explicitly state that the positions are abolished at the termination of the grant award. General funds, special funds, or any other State funds shall not be used to pay any of the salaries or benefits for these positions. Furthermore, the Department of Human Resources must provide a summary to the budget committees by December 1 of each year on the number of positions created under this section.

The numerical limitation on the creation of positions by the Board of Public Works established in this section shall not apply to positions entirely supported by funds from federal or other non-state sources so long as both the appointing authority for the position and the Secretary of Budget and Management certify for each position created under this exception that:

(1) funds are available from non-state sources for each position established under this exception; and

(2) any positions created will be abolished in the event that non-state funds are no longer available.

The Secretary of Budget and Management shall certify by June 30, 2005, the status of positions created with non-state funding sources during fiscal 2003, fiscal 2004, and fiscal 2005 under this provision as remaining authorized or abolished due to discontinuation of funds.

Explanation: This limitation on the number of positions created through Board of Public Works (BPW) actions was raised from 50 to 500 for fiscal 2003 with the implementation of a limit of 75,600 in the number of State employees authorized by the legislature in that year. The increase in the limit of BPW-created positions was to allow flexibility by the Administration given the newly necessary decrease in the workforce. The ceiling on the number of employees authorized was lowered again in fiscal 2004, to 74,100, as was the number of positions BPW was authorized to create (to 250). The Administration and agencies were better able to anticipate the decreases in the size of their workforces, and less flexibility in the ability to create new positions was necessary. In fiscal 2005 the ceiling on the number of positions is only 300 lower than allowed for fiscal 2004. The same level of flexibility inherent in the number of BPW-created positions allowed in fiscal 2004 is no longer necessary given that neither the Administration nor the agencies have to respond to significant workforce size fluctuations during fiscal 2005.

Information Request	**Authors**	**Due Date**
Department of Human Resources positions created through grants from sources other than local management boards	Department of Human Resources	December 1, 2004
Status of positions created with non-state funding sources	Department of Budget and Management	June 30, 2005

Section 28 Interagency Agreements

Amend the following section:

SECTION 28. AND BE IT FURTHER ENACTED, That any agreement between State agencies and any public higher education institutions, or between two or more State agencies, involving an expenditure of more than $100,000 shall be published in the Maryland Contract Weekly and reported to the budget committees, the Department of Legislative Services, and the Board of Public Works by the State agency. The report to the budget committees, the Department of Legislative Services, and the Board of Public Works shall include information on the creation of positions related to the agreement.

Explanation: This language modifies the current reporting requirements for interagency agreements. It requires State agencies to report interagency agreements with a value of more than $100,000 to the Department of Legislative Services and the Board of Public Works as well as the budget committees. It also requires the agency to identify if the agreements result in the creation of any positions.

Section 29 State Match of Employee Deferred Compensation

Strike the following section:

~~SECTION 29. AND BE IT FURTHER ENACTED, That, notwithstanding the provisions of § 32-205 of the State Personnel and Pensions Article, in fiscal 2005 the State shall not be required to make the employer contributions to the applicable State supplemental plan for participating employees in the Optional Defined Contribution System. Funding for this purpose (subobject 0172) shall be reduced in fiscal 2005 by the following amounts:~~

~~Department~~	~~Fund~~	~~Amount~~
~~Executive~~	~~General~~	~~7,742,016~~
~~Executive~~	~~Special~~	~~3,342,996~~
~~Executive~~	~~Federal~~	~~3,252,339~~

And add the following section:

SECTION 29. AND BE IT FURTHER ENACTED, That notwithstanding the provisions of § 32-205 of the State Personnel and Pensions Article, in fiscal 2005 the State shall not be required to make the employer contributions to the applicable State supplemental plan for participating employees in the Optional Defined Contribution System. Funding for this purpose (subobject 0172) shall be reduced in fiscal 2005 by the following amounts:

Department	Fund	Amount
Executive	General	7,742,016
Executive	Special	3,342,996
Executive	Federal	3,252,339
Legislative	General	255,268
Judiciary	General	1,031,285
Judiciary	Federal	16,755

Authorization for executive agencies to expend $400,076 in reimbursable funds for subobject 0172 is hereby withdrawn. Allocation of the reduction to reimbursable funds shall be made by the Governor prior to July 1, 2004.

Explanation: This language provides for a reduction in the State's match of the deferred compensation benefit in the budget bill. It also provides that the reduction is not contingent on passage of budget reconciliation legislation.

Section 30 Agency Head's Salary Tied to Audit Findings

Add the following section:

SECTION 30. AND BE IT FURTHER ENACTED, That whenever the Joint Audit Committee, through its review and evaluation process of audit reports issued by the Legislative Auditor, and after consultation with the Legislative Auditor, determines, based upon exceptions contained in the audit reports, that a particular agency (to include department, administration, division, bureau, board, or commission) does not adequately comply with State laws, rules, and regulations regarding the agency's fiscal and accounting record and procedures and/or fiscal administration activities, that the committee may recommend to the Governor that the Comptroller withhold up to 25 percent of the salary of the Secretary of the department and/or of the State official deemed responsible. The amount to be withheld, the duration of such withholding, and the date of release of any amount withheld shall be recommended by the committee after consultation with the Legislative Auditor, including any recommendations that the Legislative Auditor deems appropriate. The Governor shall advise the committee as to the decision regarding the committee's recommendations. If the Governor directs that the salary of the head of the agency and/or salary of the Secretary of the department and/or salary of the State official deemed responsible be withheld, the Governor may recommend the date on which the salary shall be restored to the full amount as provided in the budget and the amount withheld to be paid. The committee shall consider the recommendations of the Governor and advise the Governor as to its decision whether or not to allow the salary to be restored to the full amount as provided in the budget and the amount withheld to be paid.

Explanation: This annual language provides for the possible reduction of up to 25% of a Secretary's salary in the event that the agency does not adequately comply with State laws, rules, and regulations regarding the agency's fiscal support.

Section 31 Workers' Compensation Ledger Control Account

Add the following section:

SECTION 31. AND BE IT FURTHER ENACTED, That the Comptroller of the Treasury's General Accounting Division (GAD) shall establish a subsidiary ledger control account to debit all State agency funds budgeted under subobject 0174 (workers' compensation coverage) and to credit all payments disbursed to the Injured Workers' Insurance Fund (IWIF) via transmittal. The control account shall also record all funds withdrawn from the IWIF and returned to the State and subsequently transferred to the general fund. GAD and/or the Treasurer's Office shall submit monthly reports to the Department of Legislative Services concerning the status of the account.

Explanation: This provides continuation of a system to track workers' compensation payments to IWIF for payment of claims, current expenses, and funded liability for incurred losses by the State.

Information Request	Authors	Due Date
Report on status of ledger control account	State's Treasurer's Office GAD	Monthly beginning July 1, 2004

Section 32 Homeland Security Spending Report

Add the following section:

SECTION 32. AND BE IT FURTHER ENACTED, That the Governor's Office of Homeland Security shall be required to submit a report to the General Assembly by October 1, 2004, detailing specific spending for purposes related to homeland security by agency and by funding source for fiscal 2004 and estimated for fiscal 2005. Information on pass-through funding made available to local jurisdictions by jurisdiction and funding sources shall also be given. This report shall list the uses to which these funds have been put at the State level. Restrictions, contingencies, and any applicable expiration dates shall be given for funds made available through the federal government.

Explanation: Consolidated information on funds that have been made available for the purpose of homeland security is not readily available. This report will provide that information for the second year.

Information Request	Author	Due Date
Report on funding for homeland security	Governor's Office of Homeland Security	October 1, 2004

Section 34 Maintain Subobject Reporting

Add the following section:

SECTION 34. AND BE IT FURTHER ENACTED, That the Department of Budget and Management (DBM) shall maintain three statewide subobjects for fiscal 2006. Subobject 0111 is for leave payout funds used when long-term employees leave State service and are entitled to payment for accrued leave, subobject 0112 is for funds to be used for reclassifications and hiring above the minimum for a classification, and subobject 0306 is for cell phone expenditures. DBM shall further require that agency programs and subprograms specify in agency budget requests the use to which subobjects 0110 (Miscellaneous Adjustments) and 0199 (Other Fringe Benefit Costs) are being put.

Explanation: Agencies have treated two potentially notable personnel expenditures inconsistently. Some agencies in the past have budgeted vacation leave payout and expenditures related to hiring above the minimum rate in subobject 0110. Both of these are expenditures that other agencies have taken into consideration when calculating their turnover expectancy because they budgeted them within regular earnings (subobject 0101). By treating these expenditures differently in different agencies, it is difficult to consistently calculate and adequately compare turnover expectancy between agencies or to an agency's vacancy experience.

The addition of the cell phone expenditure subobject was necessary because it was found that without it, agencies were budgeting cell phone expenditures in as many as 30 different subobjects, making them extremely difficult to track.

Agencies also have the option of using subobjects 0110 and 0199 for various purposes, making it possible that expenditures more appropriately budgeted elsewhere will be reflected in these undefined categories.

Section 35 Sick Leave Incentive Pilot Program

Add the following section:

SECTION 35. AND BE IT FURTHER ENACTED, That the scope of the sick leave incentive program established in Chapter 179, Acts of 2000 be limited to the number of pilot sites, units, or facilities selected by the Department of Budget and Management (DBM) for purposes of a continuing pilot evaluation program. DBM shall select any additional pilot sites, units, or facilities in the sick leave incentive pilot program based on sick leave usage and hours of operation; variation between agencies shall be considered. Sick leave incentive payments made shall be limited to the use of existing funds. DBM shall use the same system used in the February 1, 2002, report to the budget committees for tracking the costs and savings related to the sick leave incentive program and shall make another report on February 1, 2005, no matter the scope of the pilot.

Explanation: The first report of the sick leave incentive pilot program showed promising results. Funding constraints during fiscal 2005 do not allow additional expenditures to broaden the scope of the pilot, but the General Assembly believes that it should be continued and expanded if possible. Consideration should be given to extending the pilot to facilities that are not open 24 hours and do not use an inordinate amount of overtime to cover personnel out on sick leave. The language allows DBM to extend the scope of the pilot using existing funds, if possible.

Information Request	Author	Due Date
Report on pilot sick leave incentive program	DBM	February 1, 2005

Section 37 Cell Phone Expenditures

Add the following section:

SECTION 37. AND BE IT FURTHER ENACTED, That:

(1) to recognize anticipated savings from the usage of cell phones, funds appropriated in this budget in Comptroller subobject 0306 shall be reduced as provided in this section;

(2) the Governor shall develop a schedule for allocating this reduction to the programs of the Executive Branch; and

(3) aggregate reductions under this section shall equal at least the amounts indicated for the budgetary types listed:

Fund	Amount
General	$666,000
Special	217,000
Federal	217,000

Explanation: According to the Department of Budget and Management, a recently negotiated cell phone contract will produce $1 million in annual savings to the State. As actual expenditures on cell phone usage in fiscal 2003 were just over $4.5 million and the fiscal 2005 allowance contains just over $4.6 million, savings of $1 million over current utilization (dropping anticipated expenditures to $3.5 million) generates a reduction in proposed expenditures of $1.1 million.

Section 40 Position Cap

Add the following section:

SECTION 40. AND BE IT FURTHER ENACTED, That:

(1) For fiscal 2005, the total number of full-time equivalent (FTE) regular positions may not exceed 52,834 in Executive Branch agencies and the number of FTE contractual positions, as reported in the State Budget Books, may not exceed 2,811 in Executive Branch agencies. For the purposes of this section, Executive Branch agencies shall exclude the University System of Maryland, St. Mary's College of Maryland, Morgan State University, and Baltimore City Community College.

(2) The Governor shall submit to the Board of Public Works not later than June 15, 2004, a schedule for aligning the authorizations in Section 1 of this Act to the levels established in paragraph (1) of this section, and shall take such actions as necessary to implement any necessary reductions. This schedule may only alter position authorizations for agencies of the Executive Branch, excluding the University System of Maryland, St. Mary's College of Maryland, Morgan State University, and Baltimore City Community College.

(3) In implementing this section the Governor shall abolish the number of positions in Executive Branch agencies, excluding the University System of Maryland, St. Mary's College of Maryland, Morgan State University, and Baltimore City Community College, necessary to reach the limit. At least 50 percent of those reductions shall be positions defined as belonging to the "Officials and Administrators" job family in the Title Rate File maintained by the Division of Salary Administration and Position Classification in the Department of Budget and Management or positions identified as providing government relations, legislative liaison, or public information work. The positions identified as providing government relations, legislative liaison, or public information work in the Department of Budget and Management response to a 2003 Joint Chairman's Report shall be considered the pool of available positions in those employment categories.

(4) The reductions (133.3 FTEs) scheduled to take place by June 30, 2005, from the Department of Health and Mental Hygiene shall be used to reach the limit established in paragraph (1). However, if any of these reductions do not take place for any reason, an identical number of positions shall be abolished from the Executive Branch.

(5) The number of exempt or non-State funded positions added in fiscal 2004 through the Board of Public Works in non-higher education agencies, under the authority of Section 19 of the 2003 budget bill (Chapter 202, Acts of 2003) shall not count under the limit established in paragraph (1).

(6) Funding for the agencies of the Executive Branch shall be reduced by not less than $13,000,000 in accordance with a schedule determined by the Governor. This reduction shall consist of at least $9,000,000 in general funds and $4,000,000 in special funds. This reduction may be allocated to any object or subobject of expenditure, unless otherwise restricted.

(7) The Secretary of Budget and Management shall provide to the budget committees a list of abolished positions by eight-digit budget code on or before July 1, 2004.

Explanation: FTE Executive Branch positions included in the fiscal 2005 allowance exceed the position cap established by the Spending Affordability Committee (SAC) by 78.3 FTE positions. The language imposes a cap of 52,834 regular positions for Executive Branch agencies, excluding the University System of Maryland, St. Mary's College of Maryland, Morgan State University, and Baltimore City Community College, and requires the abolition of 512.4 positions. This reduction is well below the 3,100 current vacancies in non-higher education Executive Branch agencies and is also well below the 635 vacancies for which there is funding in the budget.

Requiring the abolition of officials and administrators reflects the fact that, with the exception of the 75.8 FTE additional protective services positions, the Officials and Administrators job family is the only category showing growth with 150.1 FTE additional positions since fiscal 2001. Further, as of December 31, 2003, there were 226 vacant positions in the Officials and Administrators job family.

Position abolitions (133.3 FTEs) are assumed in the budget to accommodate planned consolidation of regional mental health facilities in the Mental Hygiene Administration. This language provides for the possibility that these plans may change and all the abolitions may not occur. The language also excludes from the cap positions created by the Board of Public Works in fiscal 2004 that are funded by non-State funds.

This language requires that, as the result of the necessary position abolitions, a savings of $13.0 million is realized. General fund savings are to be at least $9.0 million in general funds and $4.0 million in special funds.

SAC recommended a position cap of 74,100 regular Executive Branch positions. Excluding higher education institutions results in a revised cap of 53,134; this language goes beyond the SAC recommendation and lowers the cap to 52,834.

Information Request	Author	Due Date
List of abolished positions	Department of Budget and Management	July 1, 2004

Section 42 Executive Pay Plan Reporting Requirement

Add the following section:

SECTION 42. AND BE IT FURTHER ENACTED, That the Department of Budget and Management (DBM) and the Maryland Department of Transportation (MDOT) are required to submit to the Department of Legislative Services' (DLS) Office of Policy Analysis:

(1) a report listing the grade, salary, title, and incumbent of each position in the Executive Pay Plan (EPP) as of July 1, 2004, October 1, 2004, January 1, 2005, and April 1, 2005; and

(2) detail on any lump-sum increases given to employees paid on the EPP subsequent to the previous quarterly report.

Flat rate employees on the EPP shall be included in these reports. Each position in the report shall be assigned a unique identifier, which describes the program to which the position is assigned for budget purposes and corresponds to the manner of identification of positions within the budget data provided annually to DLS' Office of Policy Analysis.

Explanation: Legislation enacted during the 2000 session altered the structure of the EPP to give the Governor flexibility to compensate executives at appropriate levels within broad salary bands established for their positions, without reference to a rigid schedule of steps, and through other compensation methods such as a flat rate salary. These reports are considered to fulfill a requirement for documentation of any specific recruitment, retention, or other issues that warrant a pay increase.

Information Request	**Authors**	**Due Date**
Report of all Executive Pay Plan positions	DBM MDOT	July 15, 2004 October 15, 2004 January 15, 2005 April 15, 2005

Section 47 Release of Funds

Add the following section:

SECTION 47. AND BE IT FURTHER ENACTED, That:

(a) Prior to July 1, 2004, the Department of Budget and Management shall file with the Comptroller of the Treasury a list of the appropriations for each program in the State budget.

(b) Prior to July 1, 2004, the Presiding Officers of the General Assembly shall submit to the Comptroller of the Treasury a list of the appropriations restricted in this act. The Comptroller of the Treasury shall place the restricted appropriations into a contingency reserve until such time as the Comptroller of the Treasury receives written notification from the chairmen of the Senate Budget and Taxation Committee and House Committee on Appropriations that the funds may be released from the contingency reserve and made available to the appropriate department, board, commission, officer, school, or institution.

(c) Except as provided in paragraph (b) of this section, the Comptroller of the Treasury may not authorize any expenditure or obligation that requires use of funds in the contingency reserve and any expenditure so made shall be illegal.

(d) The Secretary of Budget and Management is authorized to fix the number and classes of positions, including temporary and permanent positions, or person years of authorized employment for each agency, unit, or program thereof, not inconsistent with the Public General Laws in regard to classification of positions. The Secretary shall make such determinations before the beginning of the fiscal year and shall base them on the positions or person years of employment authorized in the budget as amended by approved budgetary position actions. No payment for salaries or wages nor any request for or certification of personnel shall be made except in accordance with the Secretary's determinations. At any time during the fiscal year the Secretary may amend the number and classes of positions or person years of employment previously fixed by the Secretary; the Secretary may delegate all or part of this authority. The governing boards of public institutions of higher education shall have the authority to transfer positions between programs and campuses under each institutional board's jurisdiction without the approval of the Secretary, as provided in Section 15-105 of the Education Article.

Explanation: This section provides a process for the release of funds restricted by the General Assembly and ensures that the Department of Budget and Management maintains control over the number and classes of positions.