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**Analysis of Fiscal 2009 Budget Reductions**  
**Approved by the Board of Public Works On June 25, 2008**  
**Reduction Detail**

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**Presentation to the**  
**Senate Budget and Taxation Committee**

**Department of Legislative Services**  
**Office of Policy Analysis**  
**Annapolis, Maryland**

**July 8, 2008**

**Major Reduction Items  
Fiscal 2009 Budget**

Budget Code	Budget Category	Action Type	Agency	Item	Description	GF Amount	One-Time/ Ongoing	Filled Positions	Vacant Positions
C81C	State Agencies	Fund Swap	Office of the Attorney General	Consumer Protection	Increased use of special funds to offset general funds. Funds come from existing multi-settlement consumer protection recoveries. The projected fiscal 2008 balance for consumer protection recoveries is approximately \$1.8 million.	\$100,000	Ongoing		
D05	State Agencies	Administrative	Board of Public Works (BPW)	Hold Procurement Advisor position vacant for 6 months	The Procurement Advisor position has been vacant since April 2007. The position cannot be cut because it is statutorily mandated. The board has not been able to find a suitable candidate thus far, so postponing the hiring effort by six months will result in a one-time savings of half of the position's base salary (scale 023).	32,761	One-time		
D05	State Agencies	Administrative	BPW	Reduce costs in printing and reproduction	These costs are budgeted in subobject 0804 and represent the monies required to produce the transcripts for the BPW meetings. The original allotment for printing was \$22,000. The reduction will not interrupt services but may reduce extra copies of transcripts available.	4,479	Ongoing		
D10A	State Agencies	Administrative	Office of the Governor	Operating Expenses	The office is reducing various operating expenses.	50,000	Ongoing		
D15	State Agencies	Administrative	Office of the Governor	Boards, Commissions and Offices	Reduce discretionary spending from each board, commission, or office; primarily, from communications, travel, and equipment purchases.	72,000	Ongoing		
D16A06	State Agencies	Administrative	Secretary of State	Hiring Freeze	The agency will achieve savings by holding positions vacant.	50,000	One-Time		
D17B	State Agencies	Administrative	Historic St. Mary's City Commission	Hiring Freeze	Freeze the executive director position for several more months. Currently a search is underway; based on the reduction this would delay hiring until September 2008.	25,000	One-time		
D27L	State Agencies	Administrative	Human Relations	Position Reduction	Abolish 0.5 human relations representative position. This position was vacant. The Maryland Commission on Human Relations indicated that this may impact the length of time it takes to process cases and that a backlog of cases could develop.	37,465	Ongoing		0.5
D40W	State Agencies	Administrative	Planning	Hiring Freeze	Achieve savings by continuing the hiring freeze in fiscal 2009.	210,000	One-time		
D40W	State Agencies	Administrative	Planning	Operating Expenses	Reduce various operating expenses.	40,000	Ongoing		

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E00	State Agencies	Fund Swap	Comptroller	Increase in fees for debt collection	A memorandum of understanding has been executed between the Office of the Comptroller and DBM regarding the payment of fees for debt collection. The Central Collection Unit will now pay a 1 percent fee to the Comptroller for collecting past due taxes using its offset programs.	500,000	Ongoing		
E00	State Agencies	Administrative	Comptroller	Delay equipment purchase	Delay the lease purchase for the replacement of remittance processors. This action is consistent with the implementation schedule of the agency's new tax collection system (Modernized Integrated Tax System).	100,000	One-time		
E20	State Agencies	Administrative	Treasurer	Banking Services	Save funds by increasing use of standard automated bank files.	50,000	Ongoing		
F10A01	State Agencies	Administrative	Department of Budget and Management (DBM)	Hiring freeze salary and wage reduction	Maintain positions vacant longer to reduce salary and wage expenditures.	150,000	One-time		
F10A02	State Agencies	Fund Swap	DBM – Personnel	Health Insurance Fund Balance Usage	Recouping of prescription overpayments: The October 2005 Legislative Audit of the Department of Budget and Management's (DBM) Office of Personnel Services and Benefits (OPSB) noted that administering its contract with Caremark – the State's previous Prescription Benefit Manager (PBM) – properly. The audit noted that ineffective recouping of available discounts resulted in overpayments by the State to the PBM. DBM has recently finalized negotiations with Caremark to recover the overpayments for plan years 2001 to 2004.	2,900,000	One-time		
F10A02	State Agencies	Fund Swap	DBM – Personnel	Health Insurance Fund Balance Usage	Receipt of higher than anticipated prescription rebates: The recent contracts signed with Catalyst, the State's current PBM, provide for higher rebates to accrue to the State than previously anticipated. Rebates include holdovers from the final quarter of fiscal 2007 and additional collections thus far in fiscal 2008.	3,800,000	Ongoing		

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F10A02	State Agencies	Fund Swap	DBM – Personnel	Health Insurance Fund Balance Usage	Return of un-levied capitation charges: United Health Care has a capitated arrangement with its physicians whereby it makes a fixed per-person payment in advance to the healthcare provider regardless of how many services that particular individual needs or utilizes. However, when individuals do not select a primary care physician, the capitation fee need not be paid until the individual seeks services. DBM recently negotiated a return of the monies that United Health Care did not have to disburse to providers due to this arrangement.	1,600,000	Ongoing		
F10A02	State Agencies	Fund Swap	DBM – Personnel	Health Insurance Fund Balance Usage	Refinement of IBNR figure: DBM's health insurance actuary originally calculated the fiscal 2008 Incurred but Not Received (IBNR) total to be \$79.3 million. The IBNR calculation projects the amount of money needed to be held in reserve to cover the cost of health insurance expenses that are incurred in one fiscal year but will not be paid until the next fiscal year. A recent review of claim experience by DBM's actuary adjusted this figure downward to \$73.0 million. Thus, \$6.3 million fewer dollars will need to be held in reserve to meet liabilities and are thus available to be applied from the fund balance.	4,000,000	One-time		
F10A02	State Agencies	Fund Swap	DBM – Personnel	Health Insurance Fund Balance Usage	Higher education reversions: Annual budget bill language in Section 17 states that all general funds destined for health insurance costs that are unspent at year's end revert to the Health Benefits Fund. In fiscal 2007, \$2.0 million unspent higher education health insurance general funds were not reverted as the language requires due to a question as to the legal obligation to revert those funds. The legal question has been resolved and \$2.0 million of fiscal 2007 higher education-related health insurance funding has been reverted.	1,300,000	One-time		

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F10A02	State Agencies	Fund Swap	DBM – Personnel	Health Insurance Fund Balance Usage	Interest earnings: Health Benefits Fund interest earnings were higher than anticipated because the above items created a larger fund balance that earned a larger return.	700,000	One-time		
F50B04	State Agencies	Administrative	Department of Information Technology (DOIT)	IV&V reduction	The Maryland General Assembly reduced funding for the State Police Computer Aided Dispatch/Records Management System but left \$200,000 in IV&V funding in case IV&V of project work to date was required. DBM/DOIT has determined the funding is not needed at this time.	200,000	One-time		
H00	State Agencies	Administrative	Department of General Services (DGS)	Abolish two vacant positions	This item would abolish two vacant DGS Police positions responsible for facilities security. DBM and DGS continue to use attrition to reduce the size of the DGS police force.	108,322	Ongoing		2.0
H00	State Agencies	Administrative	DGS	Abolish one vacant position	This item would abolish a vacant acquisition specialist position assigned to the department's lease management and procurement unit in the Office of Real Estate. The position is primarily responsible for procuring and managing private sector commercial leased space for State agencies.	71,554	Ongoing		1.0
K00	State Agencies	Administrative	Department of Natural Resources	Hiring Freeze	The current hiring schedule for the Natural Resources Police force will result in salary savings.	666,000	One-time		
L00	State Agencies	Administrative	Agriculture	Hiring Freeze	Achieve savings by slowing the hiring process. This will not prevent the filling of critical positions.	300,000	One-time		
M00	State Agencies	Administrative	Department of Health and Mental Hygiene (DHMH)	Hiring Freeze	Hiring delays.	612,280	One-time		
M00	State Agencies	Fund Swap	DHMH	Management Efficiencies	Reduce general fund budget based on increased federal fund recoveries including indirect cost recoveries. It is unclear how this will be realized as the fiscal 2009 assumed current indirect cost rates.	50,000	Ongoing		
M00	State Agencies	Administrative	DHMH	Management Efficiencies	Replace management positions with staff-level positions.	182,684	Ongoing		
M00	State Agencies	Administrative	DHMH	Operating expenses	Various operating cost reductions.	83,200	Ongoing		

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M00F02	State Agencies	Service Reduction	DHMH	Public Health Residency Program	Reduce funding for the Public Health Residency Program by 62 percent.	200,000	Ongoing		
M00F03	State Agencies	Cost Shift	DHMH	Montebello at Kernan	Reduce a portion of the grant to Montebello at Kernan, which will be backfilled with the uncompensated care adjustment to hospital rates.	2,304,679	Ongoing		
M00L	State Agencies	Administrative	DHMH	Finan Center patient mix change	Change bed mix from intermediate/long-term care to assisted living/transitional beds which requires lower levels of staff support. No reduction in positions at this point as positions are not vacant. The savings will be generated through attrition. The position reduction may be seen as part of fiscal 2010 budget.	393,000	Ongoing		
M00M	State Agencies	Administrative	DHMH	Potomac Center	Reduce allocation based on DHMH plan to discontinue the forensic unit at the Potomac Center as originally scheduled with the fiscal 2009 budget submission. The balance of the funds designated for the forensic ward at the Potomac Center will be used to cover costs at the newly designated facilities for the forensic population.	400,000	One-time		
M00Q	Entitlements	Fund Swap	Medicaid	Cigarette Restitution Funds (CRF)	Reduce general funds for Medicaid to be backfilled with Cigarette Restitution Funds at a future date.	3,094,000	One-time		
M00Q	Entitlements	Overbudgeted	Medicaid	Medicaid Hospital Costs	Negative mid-year adjustment due to overestimation of calendar 2008 hospital rates.	8,238,549	Ongoing		
M00Q	Entitlements	Overbudgeted	Medicaid	State Subsidized Adoptions	The fiscal 2009 budget included double-budgeting for the Medicaid services related to State subsidized adoptions.	860,308	Ongoing		
M00Q	Entitlements	Overbudgeted	Medicaid	Primary Adult Care Program	Recently released financial audit information shows a 20 percent profit margin for the Managed Care Organizations (MCOs) participating in the Primary Adult Care program. This action makes a mid-year adjustment to the rates that amounts to a 5 percent reduction, which is the largest allowable under current statute.	1,135,000	Ongoing		
M00Q	Entitlements	Administrative	Medicaid	MCO Efficiencies	Reduce growth in payments to managed care providers to reflect improved efficiencies.	1,805,000	One-time		

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N00	State Agencies	Administrative	Department of Human Resources (DHR)	Hiring freeze	Savings from continuing hiring freeze through fiscal 2009. Will not impact child welfare nor local Departments of Social Services positions according to DHR.	1,809,385	One-time		
P00	State Agencies	Fund Swap	Department of Labor, Licensing, and Regulation (DLLR)	Elevator Safety Review Board	Chapter 484 of 2008 switched the funding of the Elevator Safety Review Board to special funds from general funds. The agency expects about 400 to 450 licensees.	73,907	Ongoing		
P00	State Agencies	Administrative	DLLR	Operating Expenses	The agency is reducing various operating expenses including consultant services, equipment, and travel.	39,250	Ongoing		
P00	State Agencies	Service Reduction	DLLR	Reduce Racing Days	The number of racing days in 2009 was reduced from 95 to 40 days for harness racing and from 186 to 176 days for thoroughbred racing. This will result in a reduced need for contractual track staff and related expenses. However, there is a likelihood that wagering tax revenues will decline as well.	168,500	Ongoing		
Q00	State Agencies	Administrative	Department of Public Safety and Correctional Services (DPSCS)	Hiring Freeze	Achieve savings by slowing the hiring process. DPSCS believes the hiring process will be unintentionally slowed due to ongoing staffing problems primarily in the Western Maryland and Jessup regions.	650,000	One-time		
R00A01	State Agencies	Administrative	Maryland State Department of Education (MSDE)	Position Reduction	Abolishes two vacant positions in Headquarters – a vacant Fiscal Accounts Clerk and a Financial Compliance Auditor. Since these are federally funded positions, federal funds supporting these positions will be shifted to other areas in place of general funds, producing the general fund savings.	106,567	Ongoing		2.0
R00A01	State Agencies	Fund Swap	MSDE	Maintenance Contracts	Reduces general fund expenditures due to the availability of federal funds to cover maintenance contracts at the Library for the Blind and Physically Handicapped and one position in instruction.	115,000	Ongoing		

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R00A01	State Agencies	Administrative	MSDE	Operating Expenses	Reduces Headquarters operating budget for contractual services for data processing, new initiatives, certification processing, and for curriculum, assessment, and professional development services in the school improvement fund.	235,350	Ongoing		
R00A01	State Agencies	Administrative	MSDE	Operating Expenses	Reduces funds for travel, food, supplies, printing, contractual positions, professional development, and employee tuition assistance within the office of the State Superintendent.	510,981	Ongoing		
R00A01	State Agencies	Administrative	MSDE	Position Reduction	Abolishes five vacant positions. Positions are in the Office of the State Superintendent, Division of Business Services, Division of Student, Family, and School Support, Division of Career Technology, and the Division of Certification and Accreditation.	472,074	Ongoing		5.0
R00A01	State Agencies	Administrative	MSDE	Education and training contracts	Reduces content specialist contracts with local education agencies at Headquarters in Leadership Development, Early Childhood Education, Instruction, and Student, Family, and School Support.	500,000	Ongoing		
R00A01	State Agencies	Service Reduction	MSDE	ReBoot Program	Reduces funding for program that provides refurbished computers to local school systems. This reduction would leave \$40,000 of the original \$70,000 allocation and allow for the refurbishing of 750 computers instead of the planned 1,500.	30,000	Ongoing		
R00A01	State Agencies	Service Reduction	MSDE	Reduce Education Information System	Reduces funds for the maintenance and refinement of the Educator Information System which is the online tool that allows to teachers to complete on-line certification and track certification status.	9,000	Ongoing		
R00A01	State Agencies	Service Reduction	MSDE	Fine Arts Grants	Reduces Fine Arts Grants to local education agencies by 10 percent.	150,000	Ongoing		
R00A0302	State Agencies	Service Reduction	MSDE – State Aided Institutions	Blind Industries and Services.	Reduces funding for Blind Industries and Services by 5 percent.	31,649	Ongoing		
R00A0303	State Agencies	Service Reduction	MSDE – State Aided Institutions	State Aided Educational Institutions	Reduces funding available for all State Aided Educational Institutions by 5 percent.	311,400	Ongoing		

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R13M	Higher Education	Fund Swap	Morgan State University	Operational Expenses	Legislative action reduced statewide Other Post Employment Benefits (OPEB). As applied to higher education, the General Assembly reduced general funds from the budget leaving non-general fund revenues, primarily from tuition and fees, that were previously budgeted for OPEB in the fiscal 2009 budget.	195,270	One-time		
R15P	State Agencies	Administrative	Maryland Public Television	Hiring Freeze	Turnover is increased from 4 percent to approximately 5 percent to achieve savings.	100,000	One-Time		
R62I	State Agencies	Administrative	Maryland Higher Education Commission (MHEC)	Hiring Freeze	Achieve savings by slowing hiring process. DBM states this will not prevent MHEC from hiring critical positions but that is not the case. Currently, MHEC is actively recruiting for six of the nine vacancies. Reducing the budget by \$50,000 means MHEC will need to leave positions open and not recruit.	50,000	One-time		
R62I	State Agencies	Service Reduction	MHEC	Interstate Compacts in Optometry	Reduce funding for three student slots to reflect decreased applications to program this past year. On average, MHEC awards 20 recipients each year at \$8,275 which totals \$165,500. The program will be reduced by 3 recipients.	24,825	Ongoing		
R62I	State Agencies	Service Reduction	MHEC	Sellinger Program	Reduce aid to nonpublic institutions of higher education resulting in level funding over fiscal 2008. Reduces grant per full-time equivalent from \$1,456 to \$1,393.	2,528,551	One-time		
R75	Higher Education	Fund Swap	University System of Maryland	OPEB	Legislative action reduced statewide OPEB. As applied to higher education, the General Assembly reduced general funds from the budget leaving non-general fund revenues, primarily from tuition and fees, that were previously budgeted for OPEB in the fiscal 2009 budget.	4,500,000	One-time		

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S00	State Agencies	Fund Swap	Department of Housing and Community Development	Division of Neighborhood Development	Use special funds in the General Bond Reserve Fund (GBRF) to replace general funds for personnel expenses; GBRF contributes to administrative costs across the agency in addition to securing the repayment of Community Development Administration bonds. With this action, the fiscal 2009 appropriation from the fund is \$13.5 million, with \$1.6 million in the Division of Neighborhood Revitalization, for operating expenses.	100,000	Ongoing		
T00	State Agencies	Administrative	Department of Business and Economic Development (DBED)	Hiring Freeze	Savings would result from continuing the hiring freeze on vacant positions through fiscal 2009; departmentwide, this action would increase turnover from 4 to 6 percent, approximately.	286,882	One-time		
T00	State Agencies	Administrative	DBED	Vacant position	Abolish one vacant economic policy analyst position; legislative, policy, and economic development commission support to be handled by other existing staff.	66,992	Ongoing		1.0
W00	State Agencies	Administrative	Department of State Police	Patrol vehicles	The agency is reducing the increase in funds for the purchase of new patrol vehicles. This will still allow the department to purchase 110 vehicles, about 40 vehicles more than the average number of vehicles purchased in a year.	351,088	Ongoing		
W00	State Agencies	Administrative	Department of State Police	Hiring Freeze	The agency will continue the hiring freeze it currently has in place for civilian personnel. Sworn personnel are not affected by the freeze. As of June 2008, the agency reports 77 civilian vacancies.	298,912	One-time		
<b>Total</b>						<b>\$50,141,864</b>		<b>0.0</b>	<b>11.5</b>