
Maryland Environmental Service (MES) Budget and Personnel Overview

**Presentation to the Joint Committee on Fair Practices and State
Personnel Oversight**

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

August 25, 2020

Presentation Summary

- Overview
- Budget/Revenues
- Board of Directors
- Personnel
- Audits

Overview

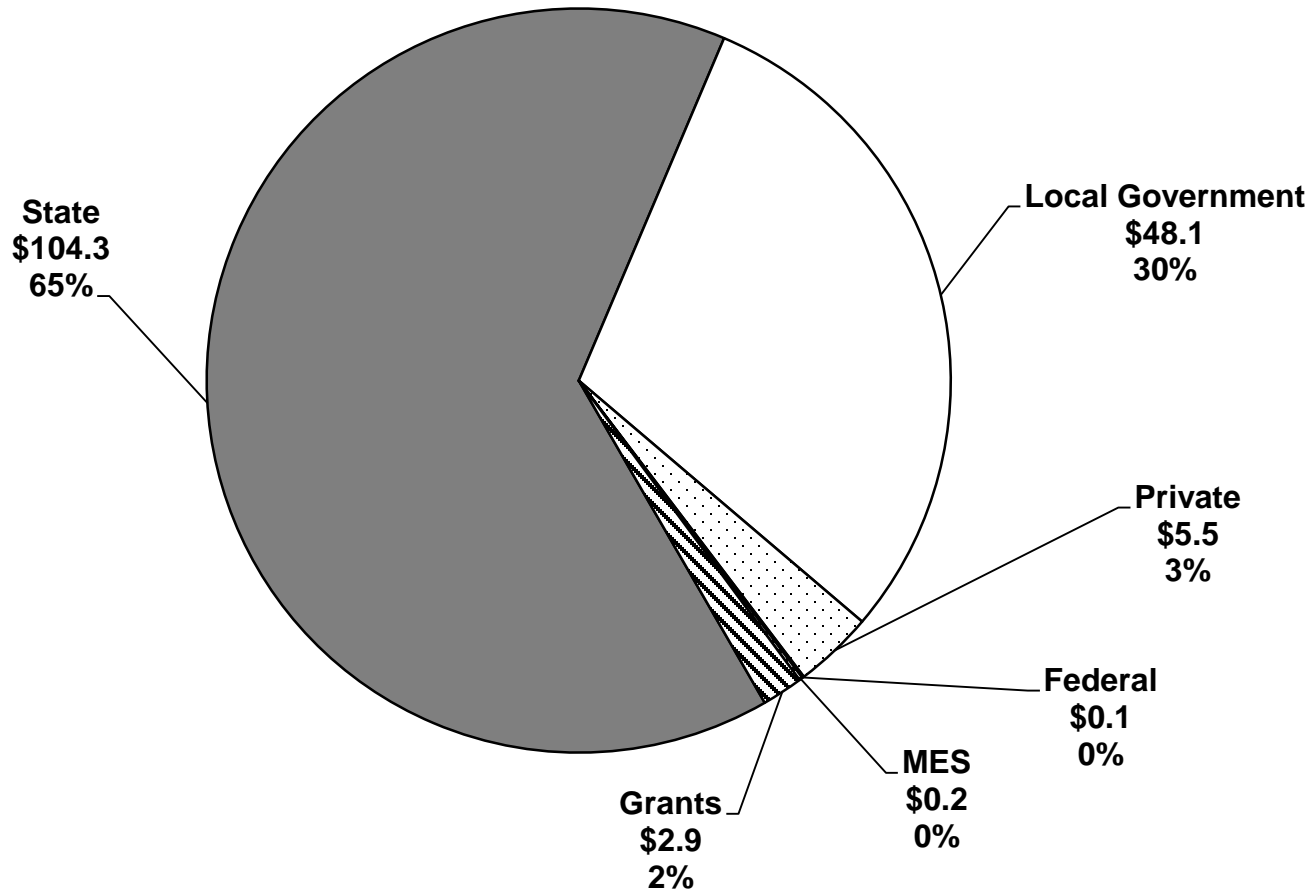
- Originally created as an independent agency in 1970, MES joined the Department of Natural Resources in 1972 and became a public instrumentality of the State in 1993
- MES provides dredging, water/wastewater operations, solid waste, environmental monitoring, recycling, energy co-generation, hazardous waste, grants, environmental engineering, and other services
- Authorities include exercising eminent domain and establishing and collecting rates, fees, and charges for projects, products, and services

Budget/Revenues

- For fiscal 2019, approximately 95% of MES's revenue (\$152.4 million) comes from State and local government
 - The remainder (\$8.7 million) comes from the private sector, federal government, MES's own services, and grants
- MES operates on a fee-for-service cost recovery model and so is reflected in State agency budgets as a specific utility charge for reimbursable projects and otherwise for contractual services
 - reimbursable projects are related to requirements that MES operate wastewater and drinking water plants for State agencies; and
 - contractual projects for which MES has a contract with a State agency to do the work

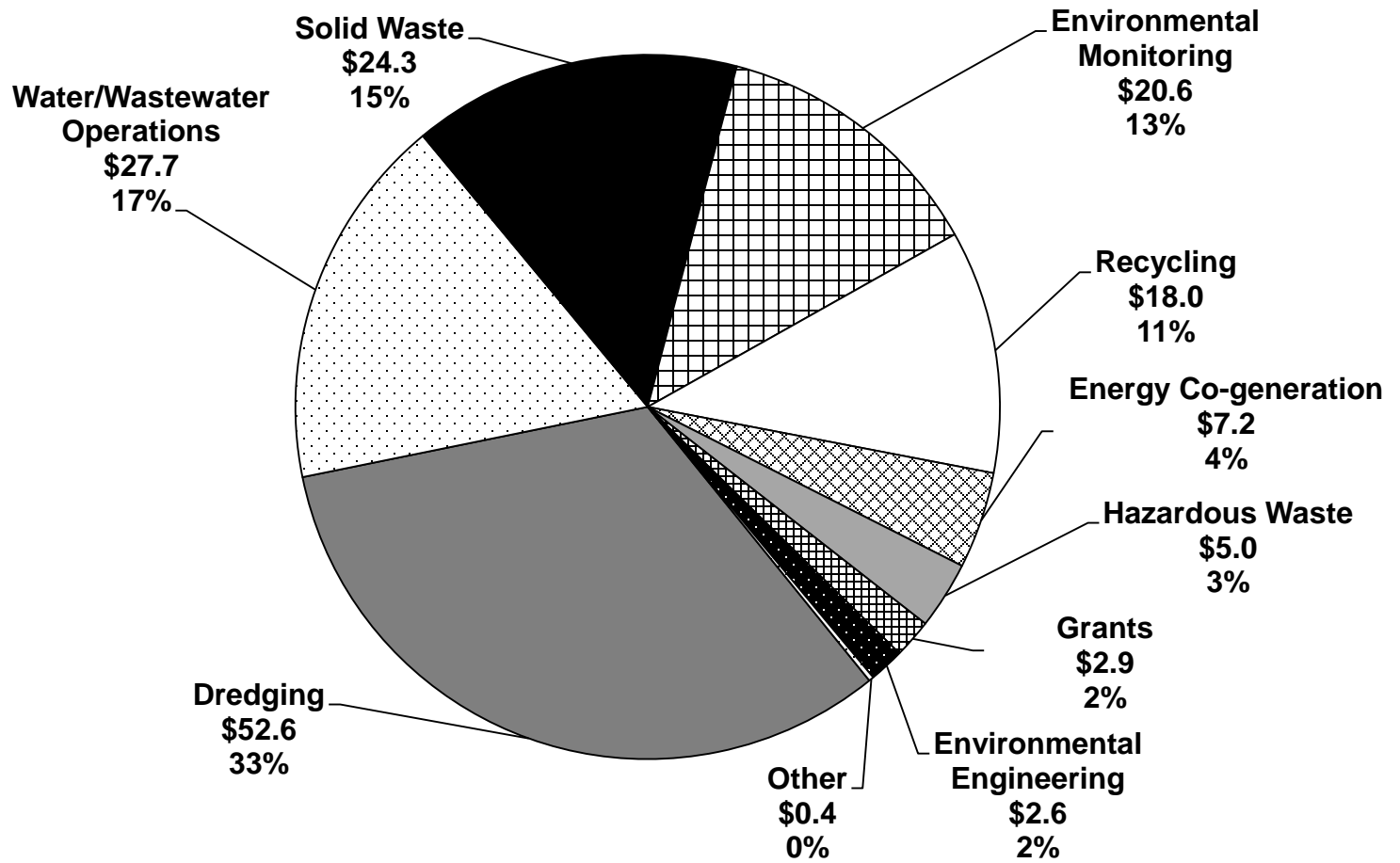
Fiscal 2019

Revenue by Fund Source (\$ in Millions)



Fiscal 2019

Revenue by Business Activity (\$ in Millions)



Fiscal 2019-2021 Budget Operating Expenses (\$ in Millions)

Operating Expense	Expenditures 2019	Legislative Appropriation 2020	Allowance 2021	Change 2019-2020	Change 2020-2021
Salaries, Wages, and Fringe Benefits	\$53.8	\$55.7	\$57.3	\$1.9	\$1.6
Technical and Special Fees	10.1	11.5	11.9	1.4	0.4
Communication	0.4	0.5	0.5	0.1	0.0
Travel	0.1	0.3	0.3	0.2	0.0
Fuel and Utilities	7.5	8.0	8.3	0.5	0.3
Motor Vehicle Operation and Maintenance	4.0	5.0	5.2	1.0	0.2
Contractual Services	29.2	30.5	31.6	1.3	1.1
Supplies and Materials	9.3	10.0	10.4	0.7	0.4
Equipment – Replacement	5.3	5.5	5.7	0.2	0.2
Fixed Charges	14.4	15.0	15.5	0.6	0.5
Land and Structures	22.4	23.0	23.8	0.6	0.8
Total Operating Expenses	\$156.5	\$165.0	\$170.4	\$8.5	\$5.5

Budget Fund Balance

- MES considers its undesignated unrestricted net assets – money not committed to any other purpose -- to be its fund balance
- MES's estimated fund balance is \$4.0 million in fiscal 2019, which is approximately 2.5% of its \$156.4 million operating budget
- The estimated fund balance for fiscal 2020 is \$3.3 million
- MES has used its fund balance to pay for
 - Workday human resources software implementation;
 - building expansion costs at its Millersville headquarters to accommodate staff aggregation and growth; and
 - expansion of health care benefits to retirees beginning in January 2019

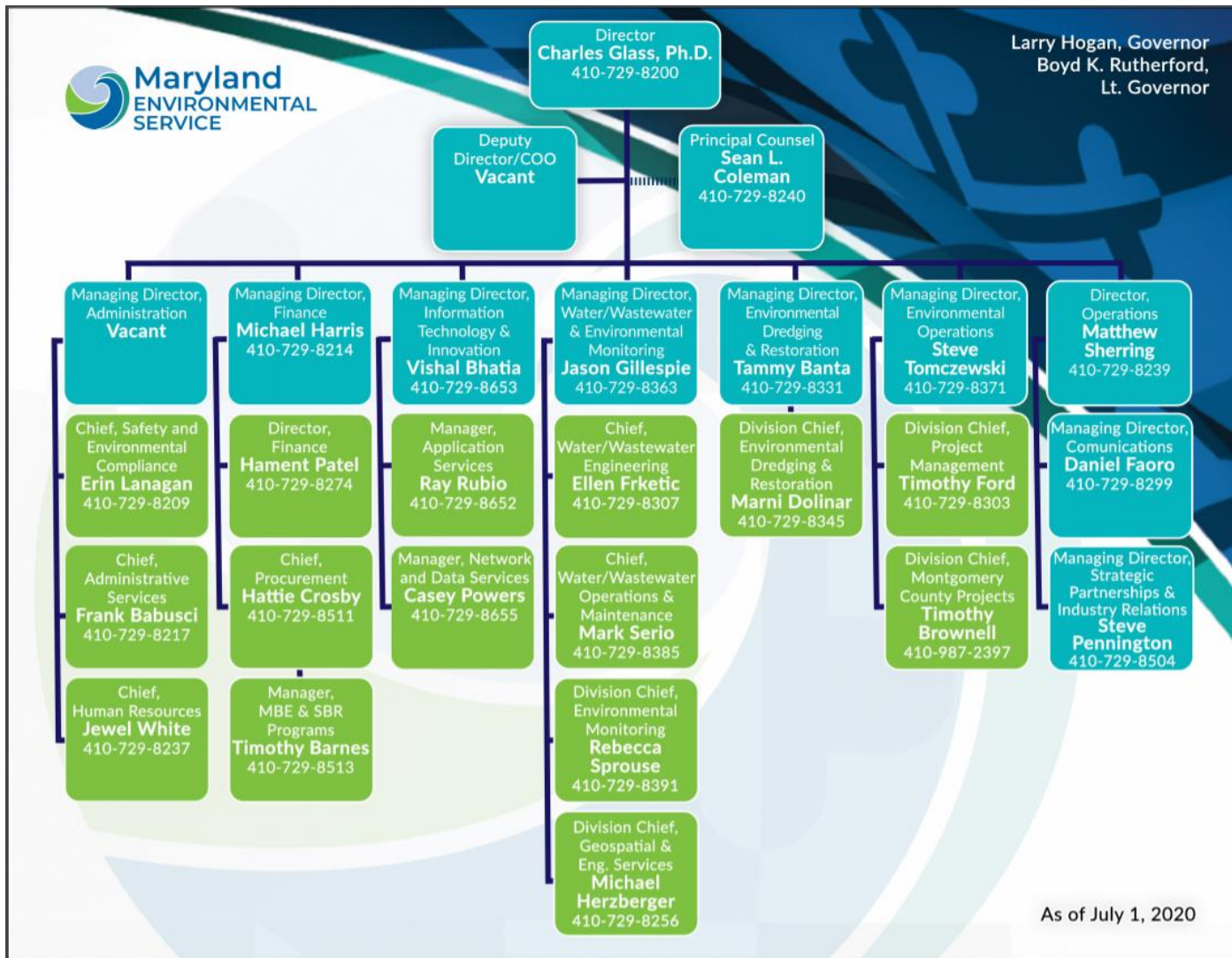
Board of Directors

- MES is governed by a nine-member board of directors
- The board consists of the MES director, three members from the public sector, two members from the private sector, and the MES deputy director, secretary, and treasurer
- The Governor appoints the MES director and the five public and private sector members, with the advice and consent of the Senate
 - The public and private sector members serve four year terms
- The MES director appoints the deputy director, secretary, and treasurer and serves as the presiding officer of the board

Personnel – Overview

- MES's budget estimates 845 positions in fiscal 2021, but this is dependent on available work
- Since becoming a public instrumentality of the State in 1993, MES has operated its own personnel system that is not part of the State personnel system
 - A limited number of employees remain in the Maryland State Retirement and Pension System
- According to MES's website, MES offers a 401(k); choice of health and dental plans through the State Health and Welfare Benefits Program; paid leave; competitive performance-based pay; a flexible work schedule; and tuition reimbursement
- Chapter 15 of 2017 requires that collective bargaining be conducted under the same requirements and procedures applicable to most State employees, but no action has been taken to date

Personnel – Organizational Chart



Audit Findings

March 24, 2015 – March 10, 2019

- **Finding 1:** MES lacked formal written agreements with State agencies for 69 facilities to clarify responsibilities of services it performed, as required.
- **Finding 2:** MES obtained services from two vendors totaling \$8.4 million using a sole source procurement method without necessary MES board approval to waive its competitive procurement procedures. Furthermore, MES did not have a written contract with one of the vendors.
- **Finding 3:** MES had not established effective controls over the processing of invoice payments.
- **Finding 4:** MES check receipt and deposit procedures were inadequate and duties related to cash receipts and accounts receivable were not properly segregated.
- **Finding 5:** Human resources and payroll user capabilities were not adequately restricted, and independent documented reviews of personnel and payroll transactions were not performed.
- **Finding 6:** MES did not ensure that user access capabilities assigned to employees on its financial management systems were adequately restricted.

*Bold denotes item repeated in full or part from preceding audit report.