

## Section 7-302

## Annotated Code of Maryland

(1988 Replacement Volume and 1994 Supplement) (1995 Replacement Volume)

## Preamble

WHEREAS, The budgetary system of the State of Maryland, as a rule, requires all unexpended or unencumbered balances of the annual appropriation made to the State's agencies and units to revert to the General Fund of the State Treasury at the end of each fiscal year; and

WHEREAS, While this reversion requirement presumably was intended to promote fiscal responsibility and restraint, it has often worked to foster a "use it or lose it" philosophy among State agency managers; and

WHEREAS, When the General Assembly restructured the higher education system in the State in 1988 it made a deliberate policy decision to exempt the University of Maryland System from the general rule on the reversion of unexpended funds and codified that exemption at § 12-105(d)(3)(ii) of the Education Article; and

WHEREAS, This approach to budgeting, often referred to as "expenditure control budgeting", gives public managers more flexibility in responding to changes in citizens' needs and priorities and more incentive to exercise responsible control over their agency budgets; and

WHEREAS, Expenditure control budgeting has been provided by local law to several counties and municipalities throughout the nation with respect to their budget systems and enables local agencies to shift unused funds to new priorities because they are able to carry forward those funds into the next fiscal year; and

WHEREAS, Expenditure control budgeting is frequently and successfully utilized in the private sector and, as a matter of sound public policy, should be extended to agencies, departments, and other units of the government of the State of Maryland; now, therefore,

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

**Article - State Finance and Procurement**

7-302.

(A) Except as otherwise provided by law AND SUBJECT TO SUBSECTION (B) OF THIS SECTION, at the end of a fiscal year, the unspent balance of each appropriation that was made for that fiscal year to an officer or unit of the State government or to an institution reverts to the General Fund of the State.

(B) SUBJECT TO SUBSECTION (E) OF THIS SECTION, THE GOVERNOR SHALL, ~~ON THE RECOMMENDATION OF THE DEPARTMENT OF BUDGET AND FISCAL PLANNING,~~ ESTABLISH A PILOT PROGRAM WITHIN TWO CABINET AGENCIES OF THE STATE GOVERNMENT IN WHICH: