

D10A01
Executive Department - Governor

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$8,029	\$7,737	\$8,005	-\$24	\$8,553	\$548
Contractual Services	260	193	209	-51	230	21
Grants	0	130	0	0	0	0
Contingent & Back of Bill Reductions	0	0	0	0	-30	-30
Adjusted Grand Total	\$8,289	\$8,060	\$8,214	-\$75	\$8,753	\$540
General Funds	8,289	8,031	8,159	-130	8,709	550
Contingent & Back of Bill Reductions	0	0	0	0	-30	-30
Adjusted General Funds	\$8,289	\$8,031	\$8,159	-\$130	\$8,680	\$521
Special Funds	0	29	0	0	0	0
Adjusted Special Funds	\$0	\$29	\$0	\$0	\$0	\$0
Reimbursable Funds	0	0	55	55	74	19
Adjusted Grand Total	\$8,289	\$8,060	\$8,214	-\$75	\$8,753	\$540
Annual % Change		-2.8%	1.9%		6.6%	

- Cost containment reductions of \$660,695 were taken in fiscal 2003 and \$214,781 in fiscal 2004.
- The Board of Public Works (BPW) approved \$55,000 for the Office of Homeland Security on September 17, 2003.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	86.5	84.5	85.5	-1.0	85.5	0.0
Contractual FTEs	4.0	3.5	3.5	-0.5	3.5	0.0
Total Personnel	90.5	88.0	89.0	-1.5	89.0	0.0

Vacancy Data: Regular Positions

Turnover Expectancy	0.00	0.00%
Positions Vacant as of 12/31/03	7.50	8.77%

- BPW approved one new position for the Office of Homeland Security.
- The Governor’s Office currently has 108.7 positions including 16 positions on other department payrolls, 2 positions in the Secretary of State’s Office, 2 part-time positions (0.7 full-time equivalents) recently added that are not reflected in the contractual payroll numbers, and a military liaison position for the Office of Homeland Security.
- There are currently 3.5 unallocated vacant positions included in the 7.5 vacant positions.

Analysis in Brief

Issues

Office of Homeland Security: BPW approved the establishment of eight positions for Homeland Security on September 17, 2003, funded by two federal grants; one from the federal Centers for Disease Control and one from the federal Department of Homeland Security. **It is recommended that the Office of Homeland Security be a separate budget program within the Executive Department.**

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add budget language to require a separate budget program for Office of Homeland Security.		
2. Reduce funds to reflect turnover.	\$ 30,000	
3. Delete information technology position to be transferred from Office for Smart Growth.	88,774	1.0
Total Reductions	\$ 118,774	1.0

Updates

Positions Detailed to the Governor's Office: There are currently 16 positions detailed to the Governor's Office from other agencies compared with 15 positions this time last year.

The Governor's Staff in the Second Year of the Term: The Governor's Office now has 108.7 positions.

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Operating Budget Analysis

Program Description

As chief executive, the Governor exercises supervision over the agencies of the Executive Branch. Annually, the Governor presents a work program and the financial requirements for the ensuing year to the legislature in the annual budget and reports to the legislature on the condition of the State. Amendments to the enacted budget are approved by the Governor. In discharging the duties of the office, the Governor appoints officials and grants pardons and reprieves. The Governor represents the State in its relations with other jurisdictions and the public.

Performance Analysis: Managing for Results

The strategy of the Governor is contained in his legislative agenda, the budget message, and the operating and capital budgets. Traditional performance measurement data are not appropriate for this office because the performance of individual agencies measures the performance of the administration.

Fiscal 2004 Actions

BPW approved the creation of one administrator III position (\$69,163 full-year funding fiscal 2005) to establish the Governor's Office of Homeland Security. The position and expenses are funded with a \$55,000 Homeland Security grant received from the Military Department. This action is reflected as reimbursable funds in the Governor's Office budget. This position will assist the Director of Homeland Security, an existing position in the Governor's Office (\$145,621) to provide project management for Homeland Security activities.

Impact of Cost Containment

Cost containment approved by BPW on July 30, 2003, reduced the Governor's Office budget \$214,781 in salaries (\$64,478), travel (\$75,000), and office supplies (\$75,000). However, the reduction was achieved with the current 7.5 positions carried as vacancies and not transferring the 15 positions on other agency payrolls to the Governor's Office payroll as promised this time last year.

Governor's Proposed Budget

The fiscal 2005 adjusted allowance increases \$539,582, or 6.6% of which \$500,168 is in salaries as indicated in **Exhibit 1**. The salary increase reflects restoration of the \$64,478 salary portion of the cost containment reduction in fiscal 2004 and the annualized cost of the new Homeland Security Office position (\$21,259) added in fiscal 2004. The significant increases are \$281,704 in higher salaries for the current Governor's staff, the increase in salary of the Governor and Lt. Governor, and \$105,168 for increments.

Exhibit 1
Governor's Proposed Budget
Executive Department - Governor
 (\$ in Thousands)

	FY 03	FY 04	FY 05	FY 04-05	FY 04-05
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$8,031	\$8,159	\$8,709	\$550	6.7%
Contingent & Back of Bill Reductions	0	0	-30	-30	
Adjusted General Funds	\$8,031	\$8,159	\$8,680	\$521	6.4%
Special Funds	\$29	\$0	\$0	\$0	n/a
Reimbursable Funds	\$0	\$55	\$74	\$19	34.0%
Adjusted Grand Total	\$8,060	\$8,214	\$8,753	\$540	6.6%

Where It Goes:

Personnel Expenses

Homeland Security position full-year funding.....	\$21
Higher salaries Governor's staff compensation.....	282
Increments and other compensation	105
Employee and retiree health insurance	-6
Restoration of cost containment reductions	64
Other changes	4

Other Changes

Food service	20
Supplies and materials	44
Other changes	6

Total **\$540**

Note: Numbers may not sum to total due to rounding.

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The Governor's salary increased from \$135,000 to \$140,000 in January 2004 and will increase to \$145,000 effective January 2005. The Lieutenant Governor's salary increases from \$112,500 to \$116,667 effective January 2004 and \$120,833 effective January 2005.

Impact of Cost Containment

The fiscal 2005 allowance reflects the elimination of the \$29,580 appropriation for matching employee deferred compensation contributions up to \$600 contingent upon enactment of a provision in the budget reconciliation legislation.

Government House – the Governor's Official Residence

The Department of General Services' budget includes 12 positions and \$1,059,295 in operating expenses for the Governor's official residence.

The State Yacht – Maryland Independence

The Governor's Office sold the 112-foot Maryland State Yacht *Maryland Independence* on eBay for \$275,100. The Advantage Group which marketed the yacht on-line will take 10% as a commission with the State receiving a net \$247,590. The Department of Natural Resources budget included \$228,437 in operating funds for the former State yacht. The operations included three classified employees (\$138,834) and \$9,353 for the seasonal crew. It should be noted that the sale of the Maryland State Yacht will not leave the Governor boatless. In addition to several smaller Department of Natural Resources vessels, the Maryland Port Administration has at least one vessel worthy of the yacht designation.

Issues

1. Office of Homeland Security

BPW approved the establishment of eight positions for Homeland Security on September 17, 2003, funded by a federal grant.

Seven of the eight new positions are needed to carry out expanded responsibilities that focus on protecting the health of Maryland citizens under the “Maryland Public Health Preparedness and Response for Bio-terrorism” project funded by the federal Centers for Disease Control and Prevention. Six of the positions (\$203,443) will enable the Department of Health and Mental Hygiene to further develop critical capacities, i.e., core expertise and infrastructure, in the following federally designated focus areas: preparedness planning and readiness assessment; surveillance and epidemiology capacity; laboratory capacity – chemical agents; health alert network/communications, and information technology. A seventh position, a program manager (\$55,219) in the Office for Individuals with Disabilities, will coordinate all planning efforts related to assuring that special needs populations are adequately addressed in emergency preparedness and response planning. The remaining position of administrator II funded by the U. S. Department of Homeland Security, Office of Domestic Preparedness will provide project management for the homeland security initiative in the Governor’s Office of Homeland Security.

The Governor’s Office of Homeland Security is headed by the Director of Homeland Security, an existing staff position in the Governor’s Office and the federally funded administrator III discussed above. The Governor’s Office web site indicates that these two positions and two other positions – a deputy director on the Maryland Department of Transportation payroll and a military liaison officer on assignment from the Military Department – comprise the Governor’s Office of Homeland Security. The Department of Legislative Services has prepared a briefing document on Homeland Security.

It is recommended that the Governor’s Office establish a separate budget program for the Office of Homeland Security in the Governor’s Office to track all Homeland Security expenses.

It is also recommended that the Director of Homeland Security brief the committees on the operational aspects of the Office of Homeland Security and the State’s Homeland Security organization.

Recommended Actions

1. Add the following language:

.provided that a separate budget program shall be established within the Executive Department to account for all expenses of the Office of Homeland Security.

Explanation: The Expenses of the Office of Homeland Security are included in the Governor’s Office Administrative program. The General Assembly wishes to have all expenses for the Office of Homeland Security in a separate budget program to insure fiscal accountability and visibility.

	<u>Amount Reduction</u>		<u>Position Reduction</u>
2. Reduce funds to reflect turnover. The Governor’s Office budget did not include an adjustment in salaries to reflect routine turnover. There are currently 7.5 vacant positions.	\$ 30,000	GF	
3. Delete information technology (IT) position to be transferred from Office for Smart Growth to Governor’s Office in fiscal 2005. The Governor’s Office should establish a deadline of July 1, 2004, to complete development of IT applications for State Ethics Commission, Minority Business Enterprise Database, and applications to improve financial management in Governor’s Office and the Governor’s Office of Crime Control and Prevention and maintain and make modifications to existing applications using existing in-house IT personnel.	88,774	GF	1.0
Information Technology Positions \$72,518 Fringe benefits \$16,256			
Total General Fund Reductions	\$ 118,774		1.0

Updates

1. Positions Detailed to the Governor’s Office

The 16 positions listed in **Exhibit 2** are currently detailed to the Governor’s Office in fiscal 2004. This time last year there were 15 positions detailed to the Governor’s Office. **Exhibit 3** lists the detailed positions by agency.

Exhibit 2 Sixteen Positions Detailed to Governor's Office

<u>Agency</u>	<u>Office</u>
Department of Business & Economic Development (DBED)	Appointments
Department of Human Resources (DHR)	Appointments
DHR	Appointments
Maryland Department of Transportation (MDOT)	Chief of Staff (H.S.)
MDOT	Communications/Photo
Department of Health & Mental Hygiene (DHMH)	Communications/Photo
Department of Natural Resources (DNR)	Deputy Chief of Staff
DHMH	Deputy Chief of Staff
DNR	Lt. Governor
DBED	Lt. Governor
DNR	Legislative/Policy
Office for Smart Growth ⁽¹⁾	Executive Services/Information Technology (IT)
Department of Budget and Management	Executive Services/IT
DBM	Executive Services/IT
DHR	Executive Services
DNR	Executive Services

⁽¹⁾ To be transferred into a vacant Office of the Governor PIN prior to June 30, 2004.

Source: Governor's Finance Office, January 30, 2004

Exhibit 3
Positions Detailed to Governor's Office
Ranked by Agency

<u>Agency</u>	<u>Number Assigned</u>
Department of Health and Mental Hygiene	4
Maryland Department of Transportation	4
Department of Human Resources	3
Department of Business and Economic Development	2
Department of Budget and Management	2
Office for Smart Growth	1
Total	16

Source: Governor's Finance Office, January 30, 2004

The Departments of Health and Mental Hygiene and Transportation with four positions each had the greatest number of detailed positions. Three positions are detailed to the Appointments Office, down from five last year, giving this office unit nine positions in all. Three information technology positions are detailed to the Governor's Office. The Executive Department supports a number of information technology (IT) applications with a number of IT applications under development in the Governor's Office, Office of Minority Affairs, State Ethics Commissions, and the Governor's Office of Crime Control and Prevention. The Governor's Finance Office indicates that one IT position detailed from the Office for Smart Growth will be transferred to a vacant position in the Governor's Office on July 1, 2004. The Office for Smart Growth will be abolished in the fiscal 2005 budget. In fiscal 2004 the Chief of Staff indicated that most of the detailed positions would be transferred to vacant Governor's Office positions. This did not happen due to the need to maintain positions vacant to meet cost containment.

2. The Governor's Staff in the Second Year of the Term

Exhibit 4 compares the size of the current Governor's staff with previous administrations over the past 34 years. The significant change in the second year of this administration is abolition of the separate policy office with three positions. The Governor's Office now has three deputy chiefs of staff positions compared to two last year. A Chief of Staff with four deputy chief of staff positions is the more typical organization of previous administrations in recent years. Finally, the Office of Homeland Security is a new office created this year. The Governor's Office now has 108.7 positions including:

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**Exhibit 4
Executive Department - Governor's Staff**

<i>Governor Term of Office FY/CY Data</i>	<i>Executive Department – Governor's Staff</i>								
	Mandel	Lee	Hughes	Schaefer	Glendening	Ehrlich			
	1971-1976	1976-1978	1979-1986	1987-1994	1996-2003	2003	2004		
	CY 1976	CY 1977	CY1986	FY 1992	FY 1994	FY 1995	FY 2003	FY 2003	FY 2004
Constitutional Officers	2	2	2	2	2	2	2	2	2
Governor's Office, Annapolis	4	4	5	8	8	4	5	6.1	7
Governor's Office, Baltimore	5	4	6	2	1	2	6	2	0
Lt. Governor's Office	5	0	4	4	3	5	12	7	9
Red Tape Hot line	0	0	0	1	1	1	0	0	0
Wash DC Office	6	6	6	7	5	6	5	2	2
Wash Regional Office	4	4	2	0	0	0	0	0	0
Finance & Personnel	3	3	4	7	7	7	7	6	6
Appointments Office	6	6	6	5	5	5	5.5	10.5	9
Press Office	5	5	6	10	7	8	14	8	10
Scheduling & PR	0	0	0	6	6	7	7	3	3
Support/Executive Services	9	9	10	15	15	14	13	13.9	19.4
Policy Office								3	0
Chief of Staff/Programs	6	12	19	14	15	15	16	15	16
Legislative Office	8	7	7	8	7	7	10	7.5	8.7
Operations/ Public Safety	0	0	6	8	6	4	0	0	0
Cabinet Special Projects	0	0	0	3	3	3	0	0	0
Independent Agencies	0	0	0	2	2	1	0	0	0
Legal Labor Special Issues	0	0	0	6	6	5	5	3	4.9
Homeland Security									4
Function Not Defined				1				12	3.5
Intergovernmental							1	2.5	2.1
Total Office of Governor	63	62	83	109	99	96	108.5	103.5	106.7
Other Personnel									
MD You Are Beautiful	0	0	0	3	2	0	0	0	0
Sec. of State Intergovernmental	0	0	0	6	6	6	3	2	2
Total Regular Positions	63	62	83	118	107	102	111.5	105.5	108.7

Note: Position counts include positions assigned to Governor's Office full-time but on other agency payrolls beginning with fiscal 1994. Prior to this time this practice was not a significant factor.

Source: State budget documents, telephone directories, Internet web pages, and Governor's Finance Office

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- 85.5 regular positions;
- 3.5 full-time equivalent (FTE) contractual positions;
- 16.0 detailed positions noted above;
- 2.0 intergovernmental relations positions in the Secretary of State’s Office;
- 0.7 FTE for two contractual positions assigned to the Legislative Office to assist in legislation that are in addition to the contractual FTE position count; and
- 1.0 military liaison officer assigned to the Office of Homeland Security in addition to the 16 detailed positions listed in Exhibit 2.

108.7 Total positions assigned to Governor’s Office.

Current and Prior Year Budgets

Current and Prior Year Budgets Executive Department – Governor (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2003					
Legislative Appropriation	\$8,712	\$0	\$0	\$0	\$8,712
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	100	29	0	0	129
Cost Containment	-661	0	0	0	-661
Reversions and Cancellations	-121	0	0	0	-121
Actual Expenditures	\$8,031	\$29	\$0	\$0	\$8,060
Fiscal 2004					
Legislative Appropriation	\$8,374	\$0	\$0	\$0	\$8,374
Cost Containment	-215	0	0	0	-215
Budget Amendments	0	0	0	55	55
Working Appropriation	\$8,159	\$0	\$0	\$55	\$8,214

Note: Numbers may not sum to total due to rounding.

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Fiscal 2003

Two rounds of cost containment (\$656,756) and the deletion of the employee transit subsidy (\$3,939) reduced general funds by \$660,695. The general fund budget amendment transferred \$100,000 from the contingent fund as the State's contribution to the Montgomery County Sniper Reward Fund. There were additional general reversions of \$120,853 from salary savings in the fiscal year closeout.

The special fund amendment transferred \$29,217 to implement the Governor's Salary Commission recommendation for the Governor and Lt. Governor in accordance with a provision in the Budget Reconciliation and Financing Act of 2002 (Chapter 440, Acts of 2002).

Fiscal 2004

The Military Department provided \$55,000 from a federal grant to fund a portion of the expenses of the Office of Homeland Security in the Governor's Office.

**Object/Fund Difference Report
Executive Department – Governor**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	84.50	85.50	85.50	0	0%
02 Contractual	3.50	3.50	3.50	0	0%
Total Positions	88.00	89.00	89.00	0	0%
Objects					
01 Salaries and Wages	\$ 6,363,053	\$ 6,755,818	\$ 7,255,986	\$ 500,168	7.4%
02 Technical & Spec Fees	225,168	126,988	126,205	-783	-0.6%
03 Communication	345,162	347,844	348,448	604	0.2%
04 Travel	94,120	103,750	104,000	250	0.2%
07 Motor Vehicles	35,078	54,684	59,073	4,389	8.0%
08 Contractual Services	192,764	209,100	230,100	21,000	10.0%
09 Supplies & Materials	323,488	240,401	284,492	44,091	18.3%
10 Equip - Replacement	75,575	77,922	77,922	0	0%
11 Equip - Additional	10,611	17,500	15,000	-2,500	-14.3%
12 Grants, Subsidies, Contracts	130,000	0	0	0	0.0%
13 Fixed Charges	264,762	279,855	281,798	1,943	0.7%
Total Objects	\$ 8,059,781	\$ 8,213,862	\$ 8,783,024	\$ 569,162	6.9%
Funds					
01 General Fund	\$ 8,030,564	\$ 8,158,862	\$ 8,709,297	\$ 550,435	6.7%
03 Special Fund	29,217	0	0	0	0.0%
09 Reimbursable Fund	0	55,000	73,727	18,727	34.0%
Total Funds	\$ 8,059,781	\$ 8,213,862	\$ 8,783,024	\$ 569,162	6.9%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.