

**D50H01
Military Department**

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	\$22,601	\$25,799	\$21,199	-\$1,402	\$21,516	\$317
Contractual Services	1,936	2,165	5,119	3,183	1,520	-3,599
Grants	10,494	27,623	61,280	50,786	23,364	-37,915
Contingent & Back of Bill Reductions	0	0	0	0	-70	-70
Adjusted Grand Total	\$35,030	\$55,587	\$87,598	\$52,567	\$46,330	-\$41,268
General Funds	12,841	16,389	13,372	530	13,617	245
Contingent & Back of Bill Reductions	0	0	0	0	-70	-70
Adjusted General Funds	\$12,841	\$16,389	\$13,372	\$530	\$13,547	\$175
Special Funds	874	355	174	-700	174	0
Federal Funds	21,154	38,577	74,052	52,898	32,609	-41,443
Reimbursable Funds	161	266	0	-161	0	0
Adjusted Grand Total	\$35,030	\$55,587	\$87,598	\$52,567	\$46,330	-\$41,268
Annual % Change		58.7%	57.6%		-47.1%	

- The \$1.4 million decrease in spending on operations between fiscal 2002 and 2004 is attributable to a \$700,000 one-time special fund grant program for assistance to the victims of the Southern Maryland tornado in fiscal 2002 and over \$1 million in cost containment actions in fiscal 2003 and 2004.
- The largest change in the fiscal 2005 allowance is a \$41.4 million decrease in federal grants.

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

For further information contact: Brian Baugus

Phone: (410) 946-5530

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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	323.0	343.0	331.0	8.0	334.0	3.0
Contractual FTEs	54.5	54.5	44.5	-10.0	41.5	-3.0
Total Personnel	377.5	397.5	375.5	-2.0	375.5	0.0

Vacancy Data: Regular Positions

Turnover Expectancy	16.29	4.92%
Positions Vacant as of 12/31/03	23.00	6.95%

- Cost containment actions between fiscal 2002 and 2004 have required the Military Department to defer plans to add 50 regular honor guard positions over a five-year period. The personnel increase that has occurred over this time period has been for staffing the watch center.
- The fiscal 2005 allowance includes three federal funded contractual conversions for the Maryland Emergency Management Agency (MEMA).
- The department currently has sufficient vacancies to meet its turnover target.

Analysis in Brief

Major Trends

Army Facilities Need Upgrading: The army division of the Maryland National Guard reports that only about 60% of its facilities are fully functional.

Accidents and Lost Work Hours Up Sharply in Fiscal 2003: In fiscal 2002 the army reported two accidents with a total of 60 lost work hours. In fiscal 2003 there were eight accidents and 3,050 lost work hours.

Veterans Burial Detail Program Is Successful: One of the most visible activities the guard performs is providing an honor guard at the burial of veterans.

Emergency Preparedness Measures Show Signs of Slippage: Since fiscal 2002, MEMA's evaluation of its emergency response exercises has been trending down.

Issues

Homeland Security: The department has a significant role in homeland security preparations for the State.

Re-enlistments: Rises in the number of activations and the extended tours of duty may lead to a decrease in re-enlistments.

Recommended Actions

	<u>Funds</u>
1. Increase turnover expectancy by approximately 1%.	\$ 173,365
2. Adopt narrative requiring an armory needs study.	
Total Reductions	\$ 173,365

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Operating Budget Analysis

Program Description

The Military Department provides overall direction, development, and maintenance of the Maryland National Guard (MDNG), which is comprised of the Maryland Army Guard and the Maryland Air Guard. It also operates the Maryland Emergency Management Agency (MEMA). MDNG may be called up by the Governor during State emergencies or may be activated by the federal Department of Defense. MEMA is responsible for the overall statewide direction, development, implementation, and coordination of a number of emergency response activities. MEMA works in concert with local jurisdictions, State departments and agencies, federal departments and agencies, and private and volunteer organizations.

To fulfill its mission the Military Department oversees the construction, operation, and maintenance of armories and other facilities. Operating expenses of MDNG facilities are a shared State and federal responsibility. Equipment for MDNG is solely a federal responsibility provided for under the U.S. Department of Defense, National Guard Bureau (NGB). Active members of MDNG units receive pay and allowances while under inactive status (drill) or active duty status (training). These expenses are also the sole responsibility of NGB. During Governor call-ups, MDNG salaries and expenses are the responsibility of the State (see Article 65, Section 32 of the Annotated Code); however, there is no funding provision in the Military Department's State operating budget for these expenses. The Board of Public Works makes mission-specific emergency allocations of funds for State call-ups. These activities include mitigation, preparedness, response, and recovery.

The Military Department's goals are to:

- ensure proper readiness for its missions;
- maintain all facilities so that they are adequate for training and supporting MDNG in its operations; and
- develop and maintain the capability to perform the 13 emergency management functions in the Capability Assessment for Readiness standard.

Performance Analysis: Managing for Results

Military Readiness

There are several standards NGB provides for a state guard to measure its readiness and training effectiveness. The readiness program requirement consists of measuring personnel, training, equipment, and weeks to achieve mission. In most of these measures, MDNG ranks at, or above, the ninetieth percentile nationally. MDNG has consistently completed its readiness program requirements with a 100% rating for fiscal 2001 through 2004 and is expected to maintain that rating in fiscal 2005.

Maintaining Facilities

In order to train for and complete assigned missions, MDNG must maintain its facilities in fully functional status as measured by the NGB. As **Exhibit 1** below shows, the air branch of the guard is much more successful at maintaining its facilities at fully functional status than the army branch.

Exhibit 1
Facility Maintenance of Maryland National Guard
Fiscal 2000 – 2005

<u>Measure</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Est.</u> <u>FY 2004</u>	<u>Est.</u> <u>FY 2005</u>
Air Guard						
Number of facilities	48	48	48	48	48	48
Percent fully functional	85%	91%	92%	93%	95%	98%
Army Guard						
Number of facilities	42	42	42	43	43	43
Percent fully functional	53%	55%	58%	61%	62%	66%

Source: Governor's Budget Books

The army has a much older inventory of facilities of which many were already past due for upgrades and improvements before the cost containment actions began in fiscal 2002. While there has been some improvement since fiscal 2000, the army is still well below its goal of having 95% of its facilities fully functional.

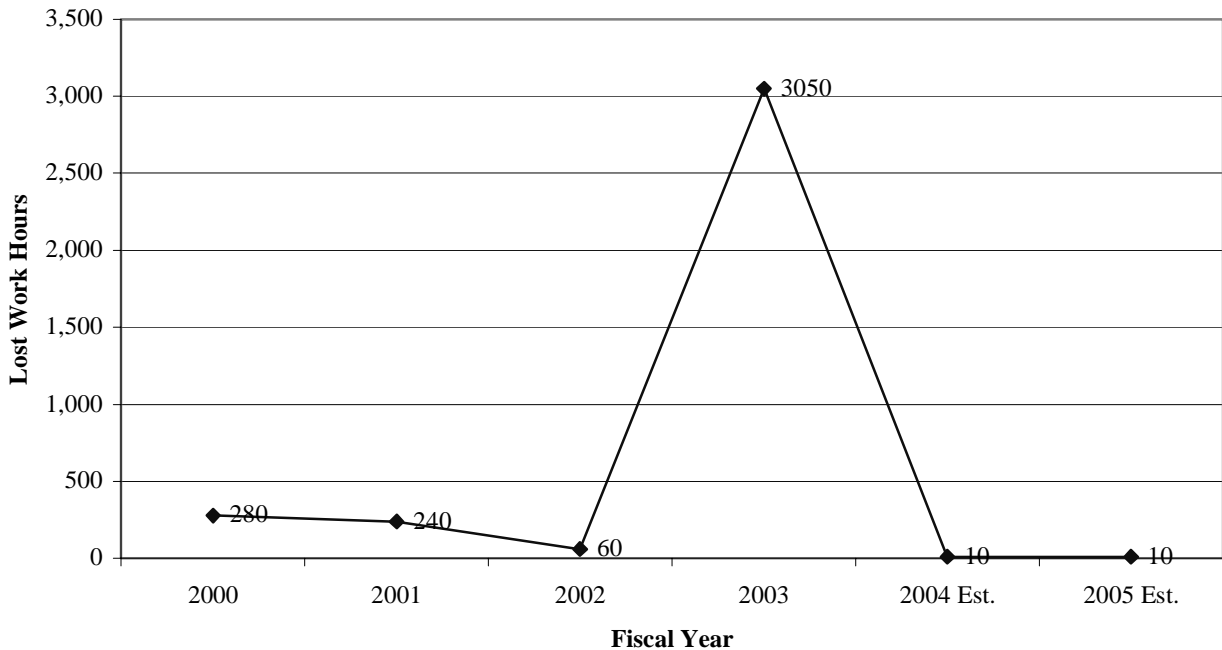
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The department should discuss how having a large portion of the army facilities not fully functional affects mission accomplishment.

Accidents and Lost Work Hours

Much of the work the Military Department does has certain inherent risks. An unfortunate fact of the job is that there will be accidents, and in some cases, these accidents will result in serious injury. Overall, Maryland’s Army National Guard has a respectable record in accident avoidance, but in fiscal 2003 there was a large spike in accidents and lost work hours as **Exhibit 2** shows.

Exhibit 2
Lost Work Hours
Maryland Army National Guard
Fiscal 2000 – 2005



Source: Military Department

The Military Department should be prepared to explain this spike in lost work hours, its causes, and preventative measures that were taken as a result.

Veterans Burial Program

MDNG provides an honor guard at the burial of all veterans in Maryland. Inasmuch as a burial honor guard represents the President of the United States and the nation at a veteran’s funeral, it is as much a part of MDNG’s mission and readiness as any other element. MDNG has not received a single complaint about its burial honor guards in over five years, despite having to curtail its personnel expansion plans for this service.

Emergency Preparedness

MEMA has two measures which it uses to evaluate its emergency preparedness. The Capability Assessment for Readiness (CAR) is a measure developed by the Federal Emergency Management Agency to assess an agency’s ability to prepare for, mitigate against, respond to, and recover from disasters. The rating is developed by evaluating the agency’s performance on each of the 13 components in CAR on a 1 to 5 scale and then taking the average of those scores. In fiscal 2003 MEMA averaged a 4.3 or 86% on its CAR score. The second measure is an evaluation of emergency exercises. **Exhibit 3** presents the details.

Exhibit 3
MEMA Preparedness Measures
Fiscal 2002 – 2005

<u>Measure</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Est. FY 2004</u>	<u>Est. FY 2005</u>
CAR Actual	80%	86%	80%	80%
CAR Goal	80%	80%	80%	80%
Exercise Evaluation	100%	98%	90%	90%
Exercise Evaluation Goal	90%	90%	90%	90%

Source: Military Department

As Exhibit 3 shows, MEMA’s ratings have remained relatively flat since fiscal 2002 and are expected to trend downward from the fiscal 2003 performance level. **The department should be prepared to explain why a downward trend in performance is anticipated and what steps are being taken or are planned to address this trend.**

Fiscal 2004 Actions

Impact of Cost Containment

As a result of the Board of Public Works' actions in July 2003, the Military Department took \$1.08 million in cost containment. **Exhibit 4** provides the details of how these reductions were distributed.

Exhibit 4
Board of Public Works Cost Containment Actions
(\$ in Thousands)

<u>Program</u>	<u>Reduction</u>	<u>Affect on Operations</u>
Headquarters	\$170	Reduce payroll and training.
Air Operations	48	Reduce utility expenditures.
Army Operations	340	Eliminate planned vehicle purchase, reduce contractual services and equipment purchases.
State Operations	360	Eliminate "About Face" program, reduce Maryland Youth Challenge and related expenses, reduce distributive training technology expenses, and delete five contractual positions for burial honor guard.
MEMA	162	Reduce payroll for emergency watch center staff (grade reductions).
Total	\$1,080	

Source: Military Department

Governor's Proposed Budget

Exhibit 5 presents the details of the Governor's fiscal 2005 allowance. The fiscal 2005 allowance decreases by \$41.2 million from the fiscal 2004 working appropriation. This is almost entirely (\$37.9 million) due to a decrease in federal grants from the federal Department of Homeland Security that MEMA passes through to the local jurisdictions. The department appropriates federal homeland security money as it becomes available; therefore, its fiscal 2004 working appropriation

Exhibit 5
Governor's Proposed Budget
Military Department
(\$ in Thousands)

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
General Funds	\$16,389	\$13,372	\$13,617	\$245	1.8%
Contingent & Back of Bill Reductions	0	0	-70	-70	
Adjusted General Funds	\$16,389	\$13,372	\$13,547	\$175	1.3%
Special Funds	\$355	\$174	\$174	\$0	0.0%
Federal Funds	\$38,577	\$74,052	\$32,609	-\$41,443	-56.0%
Reimbursable Funds	\$266	\$0	\$0	\$0	n/a
Adjusted Grand Total	\$55,587	\$87,598	\$46,330	-\$41,268	-47.1%

Where It Goes:

Personnel Expenses

Turnover adjustments.....	\$395
Increments and other compensation.....	207
Three federally funded contractual conversions for domestic preparedness planners for MEMA	134
Retirement	88
Other fringe benefit adjustments.....	53
Workers' compensation premium assessment	39
Employee and retiree health insurance	-325

Other Changes

Amount of federal grants from the federal Department of Homeland Security not yet certain	-37,902
Reduction in the portion of federal homeland security grants the department retains for anti-terrorism related contracts	-3,554
Reduction in other homeland security related purchases due to a decline in federal funds	-428

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Where It Goes:

Department of Budget and Management allocation for telecommunication expenses	106
Other changes	-81
Total	-\$41,268

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

increased significantly over its fiscal 2004 legislative appropriation due to budget amendments. In fiscal 2004 the department received grants and for terrorism planning and disaster relief. This is the department’s standard approach to federal grants; to not budget them in the allowance but submit budget amendments as the funds become available. This creates the appearance of a large decrease between the fiscal 2004 working appropriation and the fiscal 2005 allowance.

There is also a \$3.6 million decrease in contractual services in the fiscal 2005 allowance. These are various services MEMA contracts as part of the State’s anti-terrorism efforts. These contracts are funded by a portion of the federal grants that MEMA is entitled to retain. There is also a \$427,000 decrease in equipment purchases also related to homeland security grants.

The department should be prepared to provide an estimate of how much it expects in federal homeland security grants in fiscal 2005. The department should also explain in detail the grants management process and provide the latest organizational chart for MEMA.

Since the homeland security grants dominate the Military Department’s budget, it is important to note that the rest of the allowance is fairly flat compared to fiscal 2004. Special funds are completely flat in comparison to fiscal 2004, and general funds increase by \$175,000 over the fiscal 2004 working appropriation. Of that amount, \$106,000 is a Department of Budget and Management allocation for telecommunication expenses.

Impact of Cost Containment

The fiscal 2005 allowance reflects the elimination of \$70,000, the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

Issues

1. Homeland Security

The bulk of homeland security responsibilities within the Military Department belong to MEMA. While the army and air branches do some training and are resources available for response and recovery should the Governor activate them, MEMA has a significant role in all phases of homeland security.

MEMA is responsible for coordinating the State response to any major emergency or disaster. These duties include coordinating federal assistance, writing and implementing emergency plans, and training emergency personnel. The most visible activity MEMA performs is serving as the pass through agency for a large portion of the federal grants that are available from the Office of Domestic Preparedness within the federal Department of Homeland Security. In fiscal 2003 these grants totaled about \$49.5 million. **Appendix 4** details how much each jurisdiction and State agency has received so far from the three grant programs.

MEMA also has a division dedicated to anti-terrorism called the Domestic Preparedness Division. The Domestic Preparedness Division has four primary goals:

- provide support and assistance to local jurisdictions to improve local, regional, and statewide capabilities to manage a terrorist incident involving a weapon of mass destruction;
- address the concerns of the citizens of the State of Maryland relating to preparedness;
- coordinate State initiatives related to terrorism consequence management; and
- work with federal and private partners to integrate efforts into State and local planning.

The department should be prepared to comment on its current and planned homeland security activities with specific references to training and preparedness.

2. Re-enlistments

The Military Department should be prepared to comment on the morale and re-enlistment expectations of the members of the Maryland Guard, especially of those that have been activated for significant out-of-state tours of duty.

Recommended Actions

- | | <u>Amount
Reduction</u> |
|--|------------------------------------|
| 1. Increase expected turnover to approximately 6%.
This is lower than the department's current vacancy rate of 7% and lower than the fiscal 2004 budgeted turnover as well. | \$ 173,365 GF |
| 2. Adopt the following narrative: | |

Armory Closing Study: The Maryland National Guard has regularly reported that its armories are outdated and in need of costly upgrades and repairs. The committees are sympathetic to this need, but also recognize that the number of armories the National Guard needs has changed over the years and believes that the National Guard could realize some savings by closing some armories and then apply that savings to upgrade the remaining armories.

Information Request	Author	Due Date
Report on armory closings	Maryland National Guard	December 1, 2004
Total General Fund Reductions		\$ 173,365

Current and Prior Year Budgets

Current and Prior Year Budgets Military Department (\$ 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	\$14,743	\$391	\$14,353	\$266	\$29,752
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	1,800	0	50,806	0	52,606
Cost Containment	0	0	0	0	0
Reversions and Cancellations	-154	-36	-26,582	0	-26,771
Actual Expenditures	\$16,389	\$355	\$38,577	\$266	\$55,587
Fiscal 2004					
Legislative Appropriation	\$14,454	\$308	\$14,279	\$0	\$29,041
Cost Containment	-1,082	-133	0	0	-1,215
Budget Amendments	0	0	59,773	0	59,773
Working Appropriation	\$13,372	\$174	\$74,052	\$0	\$87,598

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

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Fiscal 2003

The \$26 million reversion in fiscal 2003 is due to unneeded federal assistance in the wake of the snowstorms in January and February 2003. The assistance application must be completed very shortly after the disaster, and the amount of needed assistance must be estimated. The department overestimated to insure that assistance was available to all who qualified.

**Object/Fund Difference Report
Military Department**

<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	343.00	331.00	334.00	3.00	0.9%
02 Contractual	54.50	44.50	44.50	0	0%
Total Positions	397.50	375.50	378.50	3.00	0.8%
Objects					
01 Salaries and Wages	\$ 16,386,436	\$ 15,036,743	\$ 15,698,337	\$ 661,594	4.4%
02 Technical & Spec Fees	1,841,644	1,046,963	1,005,654	-41,309	-3.9%
03 Communication	871,589	605,776	755,300	149,524	24.7%
04 Travel	536,803	166,446	139,446	-27,000	-16.2%
06 Fuel & Utilities	2,409,929	1,683,724	1,694,354	10,630	0.6%
07 Motor Vehicles	167,438	157,878	160,003	2,125	1.3%
08 Contractual Services	2,165,455	5,119,320	1,520,121	-3,599,199	-70.3%
09 Supplies & Materials	1,236,276	797,467	707,720	-89,747	-11.3%
10 Equip - Replacement	655,500	358,178	365,178	7,000	2.0%
11 Equip - Additional	337,849	689,600	255,101	-434,499	-63.0%
12 Grants, Subsidies, Contracts	27,622,971	61,279,761	23,364,278	-37,915,483	-61.9%
13 Fixed Charges	119,308	161,011	228,675	67,664	42.0%
14 Land & Structures	1,235,738	495,001	506,041	11,040	2.2%
Total Objects	\$ 55,586,936	\$ 87,597,868	\$ 46,400,208	-\$ 41,197,660	-47.0%
Funds					
01 General Fund	\$ 16,389,071	\$ 13,371,646	\$ 13,616,600	\$ 244,954	1.8%
03 Special Fund	354,828	174,267	174,267	0	0%
05 Federal Fund	38,576,987	74,051,955	32,609,341	-41,442,614	-56.0%
09 Reimbursable Fund	266,050	0	0	0	0.0%
Total Funds	\$ 55,586,936	\$ 87,597,868	\$ 46,400,208	-\$ 41,197,660	-47.0%

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

**Fiscal Summary
Military Department**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
01 Administrative Headquarters	\$ 4,590,972	\$ 2,980,852	\$ 2,809,570	-38.8%	\$ 2,641,480	-6.0%
02 Air Operations and Maintenance	4,014,020	3,833,406	3,785,548	-5.7%	3,928,535	3.8%
03 Army Operations and Maintenance	10,135,704	8,033,139	7,692,785	-24.1%	7,779,251	1.1%
05 State Operations	6,381,882	5,416,978	4,922,363	-22.9%	4,955,686	0.7%
06 Maryland Emergency Management Agency	30,464,358	8,776,275	68,387,602	124.5%	27,095,256	-60.4%
Total Expenditures	\$ 55,586,936	\$ 29,040,650	\$ 87,597,868	57.6%	\$ 46,400,208	-47.0%
General Fund	\$ 16,389,071	\$ 14,454,099	\$ 13,371,646	-18.4%	\$ 13,616,600	1.8%
Special Fund	354,828	307,538	174,267	-50.9%	174,267	0%
Federal Fund	38,576,987	14,279,010	74,051,955	92.0%	32,609,341	-56.0%
Total Appropriations	\$ 55,320,886	\$ 29,040,650	\$ 87,597,868	58.3%	\$ 46,400,208	-47.0%
Reimbursable Fund	\$ 266,050	\$ 0	\$ 0	-100.0%	\$ 0	0.0%
Total Funds	\$ 55,586,936	\$ 29,040,650	\$ 87,597,868	57.6%	\$ 46,400,208	-47.0%

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

Domestic Preparedness Grants Fiscal 2002 – 2004 Award Summary

<u>Jurisdiction</u>	<u>FY 2002 Total</u>	<u>FY 2003 Total</u>
Allegany	\$154,113	\$395,740
Annapolis	164,100	726,105
Anne Arundel	239,745	1,458,020
Baltimore City	621,380	4,474,242
Baltimore	317,342	1,678,633
Calvert	127,243	412,256
Caroline	113,682	319,412
Carroll	159,763	607,768
Cecil	156,959	437,150
Charles	153,443	414,170
Dorchester	134,065	340,178
Frederick	166,752	604,459
Garrett	111,338	235,835
Harford	181,066	932,427
Howard	243,051	976,176
Kent	121,718	317,015
Montgomery	319,476	1,424,589
Ocean City	0	416,891
Prince George's	253,933	1,496,332
Queen Anne's	149,341	332,808
St. Mary's	136,534	367,031
Somerset	143,189	281,184
Talbot	126,322	334,500
Washington	166,543	553,150
Wicomico	147,876	435,918
Worcester	147,751	488,745
Central Region	150,000	4,158,660
National Capital Region*	150,000	1,852,843
Upper Eastern Shore	150,000	673,199
Lower Eastern Shore	150,000	655,774
Southern Region	150,000	489,903
Western Region	150,000	489,757
Total	<u>\$5,656,725</u>	<u>\$28,780,871</u>

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Appendix 4

<u>State Agency</u>	<u>FY 2002 Total</u>	<u>FY 2003 Total</u>
Agriculture	\$0	\$150,000
DGS Police	0	14,617
DNR Police	0	36,543
DPSCS	0	175,407
Mass Transit Admin	0	29,235
MD Police/Correctional Training	0	40,000
MDE	150,000	490,000
MDOT	165,253	670,000
MFRI	0	210,000
MSP	19,050	30,133
MT Authority Police	0	73,086
State Fire Marshal	289,698	0
Towson State	0	8,222
UM-Baltimore County	0	40,000
UM-College Park	4,158	14,617
Total State Agencies	<u>\$628,159</u>	<u>\$1,981,861</u>
Total Awarded Dollars	\$6,284,884	\$30,762,732

* Montgomery and Prince George's counties also received a combined \$16.4 million Byrne grant in fiscal 2002. This was reimbursement for costs directly related to 9/11 emergency response.