

D10A01
Executive Department – Governor

Operating Budget Data

(\$ in Thousands)

	FY 04	FY 05	FY 06	FY 05-06	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$8,154	\$8,572	\$8,487	-\$86	-1.0%
Reimbursable Fund	<u>46</u>	<u>73</u>	<u>74</u>	<u>1</u>	<u>0.9%</u>
Total Funds	\$8,200	\$8,646	\$8,561	-\$85	-1.0%
Contingent & Back of Bill Reductions			-29	-29	
Adjusted Total	\$8,200	\$8,646	\$8,532	-\$114	-1.3%

- The Strategic budgeting initiative resulted in reductions of \$303,363 compared to fiscal 2005.

Personnel Data

	FY 04	FY 05	FY 06	FY 05-06
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	85.50	84.00	81.00	-3.00
Contractual FTEs	<u>3.50</u>	<u>3.50</u>	<u>2.00</u>	<u>-1.50</u>
Total Personnel	89.00	87.50	83.00	-4.50

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	1.62	2.00%
Positions Vacant as of 12/31/04	8.00	9.52%

- Three regular positions are abolished.
- 1.5 full-time equivalent (FTE) contractual positions were abolished.
- The Governor's Office currently has 97.0 positions including 12 positions on other department payrolls, 1 position in the Secretary of State's Office, 1 position in the Governor's Office of Service and Volunteerism, 2 FTE contractual positions, and a military liaison position for the Office of Homeland Security. This count excludes 3 currently vacant positions to be abolished in fiscal 2006.

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

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Analysis in Brief

Major Trends

Governor's Office Staffing: The Governor's Office staff has been reduced to 97 positions.

Issues

Office of Homeland Security: The Office of Homeland Security was not budgeted under the Executive Department as a separate program as required by budget bill language in the fiscal 2005 budget.

Governor's Office of Community Initiative: The Governor created the Governor's Office of Community Initiatives by Executive Order 01.01.2004.57.

Recommended Actions

1. Add budget language to require a separate budget program for the Office of Homeland Security.

Updates

Positions Detailed to the Governor's Office: There are currently 12 positions detailed to the Governor's Office from other agencies compared to 16 positions this time last year.

Governor's Staff in the Third Year of the Term: The Governor's Office now has 97 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 to the legislature in the annual budget a work program and the financial requirements for the ensuing year 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.

Governor's Proposed Budget

The fiscal 2006 adjusted allowance decreases \$114,056, or a 1.3% decrease as indicated in **Exhibit 1**. The salary portion decreases a net \$157,841 with abolition of three positions (\$213,853). The allowance provides for the fourth year salary increase for the Governor and Lt. Governor. Effective January 2006, the Governor's salary will be \$150,000, and the Lt. Governor's salary will be \$125,000. Currently, the salary of the Governor is \$145,000, and the Lt. Governor \$120,833.

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

How Much It Grows:	<u>General Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2005 Working Appropriation	\$8,572	\$73	\$8,646
2006 Governor's Allowance	8,487	74	8,561
Contingent & Back of Bill Reductions	<u>-28</u>	<u>0</u>	<u>-29</u>
Adjusted Allowance	<u>8,458</u>	<u>74</u>	<u>8,532</u>
Amount Change	-\$114	\$0	-\$114
Percent Change	-1.3%	0.4%	-1.3%

Where It Goes:

Personnel Expenses

Three positions are abolished	-\$214
Increments and other compensation	154
Employee and retiree health insurance	-7
Workers' compensation premium assessment	-16
Retirement system contribution.....	59
Turnover adjustments	-134

Other Changes

Reduction of 1.5 full-time equivalents in contractual payroll; increased cost for remaining contractual positions.....	16
Increased cell phone costs and Cingular data e-mail service	28
Department of Budget and Management paid telecommunication expenses and miscellaneous communication charges	51
Contractual services.....	30
Travel supplies and office equipment.....	-66
Motor vehicles and operating expenses.....	-23
Other changes	8

Total **-\$114**

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

Impact of Contingent Reductions

The fiscal 2006 allowance reflects the elimination of \$28,536 (subobject 0172), the appropriation for matching employee deferred compensation up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

Impact of Strategic Budget Reductions

Appendix 5 indicates that the Governor's Office anticipates \$217,959 in fiscal 2006 savings from the strategic budget reductions. However, the savings are more in the order of \$303,363 as indicated below.

- Three positions currently vacant will be abolished – Executive Aide VI (\$68,087), Administrator VII (\$55,971), and Administrator IV (\$46,081) – for salary savings of \$170,139 or \$213,853 with fringe benefits.
- Operating expenses are reduced \$89,510 as indicated in Exhibit 1 to reflect a \$66,953 reduction in travel, office supplies, and equipment and \$22,557 savings in motor vehicle operations.

Cell Phone Expenses

Cell phone expenses are \$27,729 over the amount budgeted in fiscal 2005. The Governor's Office has Cingular wireless data service that synchronizes the agency e-mail server with wireless Blackberries. Cingular wireless polls the agency e-mail server and synchronizes all incoming and outgoing e-mail to the wireless Blackberry that many individuals in the Governor's Office carry.

Government House – the Governor's Official Residence

The Department of General Services' budget includes 11 positions and \$1,035,280; a reduction of \$16,280 from the fiscal 2005 appropriation and one less position than this time last year.

Issues

1. Office of Homeland Security

The Office of Homeland Security was not budgeted under the Executive Department as a separate program as required by budget bill language in the fiscal 2005 budget. The Governor's Finance Officer has indicated that the office has salary expenses of \$226,167 for two personnel budgeted out of the Governor's office – a Director of Homeland Security (Executive Aide IX \$150,396) and an Administrator III (\$70,380) – and operating expenses of \$9,020 for total operating expenses of \$235,237. In addition to \$161,124 in general funds, the Office of Homeland Security receives \$74,003 from the Military Department. There is also one position detailed from the Maryland Transportation Authority (MdTA) (\$90,729 + fringe benefits) and a second active duty military position currently vacant on the National Guard federal payroll.

It is recommended that the Governor's Office establish a separate budget program within the Governor's Office for the Office of Homeland Security to track all Homeland Security Expenses in a supplemental budget as directed by the General Assembly.

It is also recommended that the Director of Homeland Security update the committees on the operational aspects of the Office of Homeland Security and the State's Homeland Security Organization.

2. Governor's Office of Community Initiatives

The Governor issued Executive Order 01.01.2004.57 on October 7, 2004 creating the Governor's Office of Community Initiatives. One existing position in the Secretary of State's Office was transferred to the Governor's Office of Service and Volunteerism (GOSV) under the Executive Department – Boards, Commissions, and Offices, to be the Executive Director of the Governor's Office of Community Initiatives. The executive order indicates that the Executive Director shall be primarily responsible for directing and coordinating GOSV, and Volunteer Maryland (VM), a State office GOSV grantee. The Executive Director will direct community initiatives across the State government and coordinate with federal and local government, private sector entities, academia, and community organizations to strengthen community and volunteer service programs and services. The executive order also indicates a number of duties for the position including:

- serving as the principal liaison to the White House Office of Faith-Based and Community Initiatives and serving as a liaison to Governor's Commission on Service and Volunteerism and the Corporation for National and Community Service;
- coordinating State programs providing health, social, educational or other community services within the restrictions created by the Maryland General Assembly through language in the fiscal 2005 budget, which maintains the eligibility of faith-based organizations to receive monies under any program funded in the 2005 budget; and

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- directing and coordinating policy actions relating to the community and volunteer service initiatives across State government and legislative recommendations to enhance community and volunteer efforts.

Aside from directing the existing GOSV and VM grant programs by adding an additional level of supervision, the Department of Legislative Services can discern no change in the existing programs of GOSV, VM, or for that matter any other office or public supported program.

It is recommended that the Governor's Office brief the committees on (1) the activities of the office since the executive order was promulgated relating to both faith-based and community-based organizations, (2) the number of positions dedicated to the implementation of the order on a full-time or part-time basis; and (3) the measures and policies the office has in place to assure that its operations conform to the standards established by the General Assembly's budget bill language.

Recommended Actions

1. Add the following language:

, provided that \$1,000,000 of this appropriation is contingent upon establishing a separate program 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 Administrative program. The General Assembly wishes to have all expenses of the Office of Homeland Security in a separate budget program or to insure fiscal accountability and visibility.

Information Request	Author	Due Date
Separate budget program for Homeland security within the Governor’s Office contingent upon release of \$1.0 million.	Governor’s Office	Notification of creation of a separate program for the Office of Homeland Security.

Updates

1. Positions Detailed to the Governor’s Office

Twelve positions listed in **Exhibit 2** are currently detailed to the Governor’s Office in fiscal 2005. This time last year there were 16 positions detailed to the Governor’s Office. **Exhibit 3** lists the detailed positions by agency. The Department of Natural Resources with four positions had the most positions detailed to the Governor’s Office. The position detailed from MdTA to the Office of Homeland Security is legitimate and directly related to Homeland Security issues of MdTA. All the bridge and tunnel facilities and the Port of Baltimore are high risk targets for terrorist activity. Noted earlier in the Office of Homeland Security, but not on the detail list, is an active duty military officer from the National Guard assigned to the Governor’s Office of Homeland Security. This position is currently vacant, but the Military Department is currently interviewing candidates for the assignment. Likewise this liaison officer from the military is legitimate given the high risk targets in the Washington Military District – the National Security Agency at Ft. Meade, the U. S. Coast Guard at Curtis Bay, the Naval Academy in Annapolis, Ft. Dietrich in Frederick, and other military targets in the Washington – Baltimore region as well as the approach channels to the Port of Baltimore.

Exhibit 2 Sixteen Positions Detailed to the Governor's Office

<u>Agency</u>	<u>Office</u>
Department of Human Resources (DHR)	Appointments
DHR	Appointments
Maryland Department of Transportation (MDOT)	Homeland Security
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
DNR	Legislative/Policy
Department of Budget and Management	Executive Services/IT
DHR	Executive Services
DNR	Executive Services

Source: Governor’s Finance Office, February 15, 2005

Exhibit 3
Positions Detailed to the Governor’s Office
Ranked by Agency

<u>Agency</u>	<u>Number Assigned</u>
Department of Natural Resources	4
Department of Human Resources	3
Maryland Department of Transportation	2
Department of Health and Mental Hygiene	2
Department of Budget and Management	1

Source: Governor's Finance Office, February 15, 2005

2. Governor’s Staff in the Third Year of the Term

Exhibit 4 compares the size of the current Governor’s staff with previous administrations over the past 35 years. The Governor’ Office now has 97 positions including:

- 81 regular positions;
- 2 full-time equivalent (FTE) contractual positions;
- 12 detailed positions noted above;
- 2 intergovernmental relations positions – 1 in the Secretary of State Office and 1 in the Governor’s Office of Service and Volunteerism; and
- 1 military liaison officer assigned to the Office of Homeland Security in addition to the 12 detailed positions listed in Exhibit 2.

**Exhibit 4
Executive Department – Governor’s Staff**

Governor	Mandel	Lee	Hughes	Schaefer		Glendening		Ehrlich		
Term of Office	1971-1976	1976-1978	1979-1986	1987-1994		1996-2003		2003	2004	2005
FY/CY Data	<u>CY 1976</u>	<u>CY 1977</u>	<u>CY1986</u>	<u>FY 1992</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 2003</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Constitutional Officers	2	2	2	2	2	2	2	2	2.0	2.0
Governor's Office, Annapolis	4	4	5	8	8	4	5	6.1	7.1	7.1
Governor's Office, Baltimore	5	4	6	2	1	2	6	2	0.0	0.0
Lt. Governor's Office	5	0	4	4	3	5	12	7	9.0	8.0
Red Tape Hot Line	0	0	0	1	1	1	0	0	0.0	0.0
Washington DC Office	6	6	6	7	5	6	5	2	2.0	2.0
Washington Regional Office	4	4	2	0	0	0	0	0	0.0	0.0
Finance & Personnel	3	3	4	7	7	7	7	6	6.0	6.0
Appointments Office	6	6	6	5	5	5	5.5	10.5	9.0	7.0
Press Office	5	5	6	10	7	8	14	8	10.0	10.0
Scheduling & PR	0	0	0	6	6	7	7	3	3.0	3.0
Support/Executive Services	9	9	10	15	15	14	13	13.9	19.4	17.0
Policy Office								3	0.0	0.0
Chief of Staff/Programs	6	12	19	14	15	15	16	15	16.0	15.0
Legislative Office	8	7	7	8	7	7	10	7.5	8.7	8.3
Operations/ Public Safety	0	0	6	8	6	4	0	0	0.0	0.0
Cabinet Special Projects	0	0	0	3	3	3	0	0	0.0	0.0
Independent Agencies	0	0	0	2	2	1	0	0	0.0	0.0
Legal Labor Special Issues	0	0	0	6	6	5	5	3	4.9	5.0
Homeland Security									4.0	4.0
Function Not Defined				1				12	3.5	0.0
Intergovernmental							1	2.5	2.1	1.6
Total Office of Governor	63	62	83	109	99	96	108.5	103.5	106.7	96.0
Other Personnel										
Maryland You Are Beautiful	0	0	0	3	2	0		0		
Sec. of State										
Intergovernmental	0	0	0	6	6	6	3	2	2	1
Governor’s Office of Service and Volunteerism – Community Service										1.0
Total Regular Positions	63	62	83	118	107	102	111.5	105.5	108.7	97.0

Analysis of the FY 2006 Maryland Executive Budget, 2005

Notes: Position counts include positions assigned to the 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.

The fiscal 2005 count excludes three vacant positions to be abolished in the fiscal 2006 budget.

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

Current and Prior Year Budgets

Current and Prior Year Budgets

Governor's Office

(\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$8,374	\$0	\$0	\$0	\$8,374
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	5	0	0	55	60
Cost Containment	-215	0	0	0	-215
Reversions and Cancellations	-10	0	0	-9	-19
Actual Expenditures	\$8,155	\$0	\$0	\$46	\$8,200
Fiscal 2005					
Legislative Appropriation	\$8,502	\$0	\$0	\$74	\$8,576
Budget Amendments	70	0	0	0	70
Working Appropriation	\$8,572	\$0	\$0	\$74	\$8,646

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

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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.

Fiscal 2005

The \$70,182 general fund budget amendment covers the \$752 pay increase for all State employees.

Audit Findings

Audit Period for Last Audit:	January 29, 2001 – January 14, 2003
Issue Date:	November 2003
Number of Findings:	8
Number of Repeat Findings:	3
% of Repeat Findings:	37.5%
Rating: (if applicable)	n/a

- Finding 1:** (Policy Issue) The Executive Order on Public Corruption and Misconduct could be improved to help insure that investigations and potential prosecutions are not compromised.
- Finding 2:** **The department did not adequately oversee the reimbursement and reporting of a federal grant.**
- Finding 3:** The internal computer network was not adequately secured.
- Finding 4:** A formal disaster recovery plan did not exist.
- Finding 5:** User accounts and passwords were not adequately controlled.
- Finding 6:** **Adequate controls were not in place to insure the propriety of credit card disbursements.**
- Finding 7:** **Sufficient controls were not established over the equipment inventory.**
- Finding 8:** Special funds totaling \$296,000 were improperly retained.

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

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

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	85.50	84.00	81.00	-3.00	-3.6%
02 Contractual	3.50	3.50	2.00	-1.50	-42.9%
Total Positions	89.00	87.50	83.00	-4.50	-5.1%
Objects					
01 Salaries and Wages	\$ 6,528,018	\$ 7,136,461	\$ 7,007,156	-\$ 129,305	-1.8%
02 Technical & Spec Fees	167,127	126,205	142,450	16,245	12.9%
03 Communication	298,583	330,719	406,566	75,847	22.9%
04 Travel	93,242	104,000	92,500	-11,500	-11.1%
07 Motor Vehicles	14,641	59,073	36,516	-22,557	-38.2%
08 Contractual Services	102,390	230,100	260,000	29,900	13.0%
09 Supplies & Materials	278,660	284,492	259,000	-25,492	-9.0%
10 Equip - Replacement	403,506	77,922	63,961	-13,961	-17.9%
11 Equip - Additional	34,466	15,000	0	-15,000	-100.0%
13 Fixed Charges	279,539	281,798	292,388	10,590	3.8%
Total Objects	\$ 8,200,172	\$ 8,645,770	\$ 8,560,537	-\$ 85,233	-1.0%
Funds					
01 General Fund	\$ 8,154,442	\$ 8,572,391	\$ 8,486,534	-\$ 85,857	-1.0%
09 Reimbursable Fund	45,730	73,379	74,003	624	0.9%
Total Funds	\$ 8,200,172	\$ 8,645,770	\$ 8,560,537	-\$ 85,233	-1.0%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

Fiscal 2006 Cost Containment Actions
As Submitted by the Agency
Estimated Fiscal 2006 Savings
Compared to Fiscal 2005

<u>Cost Saving Action/Efficiency Measure</u>	Comptroller <u>Object Code</u>	<u>General Funds</u>	<u>Positions Reduced</u>	<u>Impact of Action</u>
Elimination of 3 Full-time Equivalent PINs	.01	-\$130,941	3.0	See Below*
Reduce travel	.04	-10,500		
Reduce vehicle expenses	.07	-22,557		
Reduce office supplies	.09	-25,000		
Reduce equipment purchases	.10/.11	-28,961		
Total reductions		-\$217,959		

*Reductions reflect the reorganization of staff responsibilities and trimming of expenses wherever possible; no adverse impacts are anticipated.

Source: Governor's Office of Finance February 15, 2005