

**D10A01**  
**Executive Department – Governor**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 05</u></b> <b><u>Actual</u></b>	<b><u>FY 06</u></b> <b><u>Working</u></b>	<b><u>FY 07</u></b> <b><u>Allowance</u></b>	<b><u>FY 06-07</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$8,122	\$8,569	\$8,937	\$368	4.3%
Reimbursable Fund	<u>65</u>	<u>74</u>	<u>94</u>	<u>20</u>	<u>27.5%</u>
<b>Total Funds</b>	<b>\$8,187</b>	<b>\$8,643</b>	<b>\$9,032</b>	<b>\$388</b>	<b>4.5%</b>

- The fiscal 2007 allowance increases \$388,156 over the fiscal 2006 working appropriation, driven largely by increases in salaries and wages and employee and retiree health insurance expenses.

***Personnel Data***

	<b><u>FY 05</u></b> <b><u>Actual</u></b>	<b><u>FY 06</u></b> <b><u>Working</u></b>	<b><u>FY 07</u></b> <b><u>Allowance</u></b>	<b><u>FY 06-07</u></b> <b><u>Change</u></b>
Regular Positions	84.00	80.00	80.00	0.00
Contractual FTEs	<u>1.40</u>	<u>2.00</u>	<u>1.50</u>	<u>-0.50</u>
<b>Total Personnel</b>	<b>85.40</b>	<b>82.00</b>	<b>81.50</b>	<b>-0.50</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	0.84	1.05%
Positions Vacant as of 12/31/05	2.00	2.50%

- The fiscal 2007 allowance includes 80 regular positions and 1.5 full-time equivalent (FTE) contractual positions. This reflects the abolishment of 0.5 FTE contractual position.
- There are two vacant positions as of December 31, 2005, resulting in a 2.5% vacancy rate.

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

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## ***Analysis in Brief***

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### **Recommended Actions**

1. Concur with Governor's allowance.

### **Updates**

***Recommendations of the Governor's Salary Commission:*** The Governor's Salary Commission has recommended annual salary increases for the Governor, Lieutenant Governor, and other constitutional officers.

***Positions Detailed to the Governor's Office:*** There are currently 14 positions detailed to the Governor's office from other agencies, up from 12 positions in the previous year.

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***Operating Budget Analysis***

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**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 2007 allowance increases by \$388,156, or 4.5% over the fiscal 2006 working appropriation, as shown in **Exhibit 1**. The increase is driven almost exclusively by personnel costs, including salary increments, employee and retiree health insurance, and employee retirement system contributions. Lesser increases include a growth in travel expenses for conferences, an increase in rent, and an increase in insurance coverage.

The increase is offset by declines in contractual payroll, communications, consulting services, data processing, supplies, and other contractual services. Contractual staff fell by 0.5 full-time equivalents (FTEs). The allowance includes 1.0 full-time contractual staff person serving as a special assistant to the Governor and a 0.5 contractual staff person serving as a special assistant to the First Lady.

Communications costs fell to reflect fiscal 2005 levels. However, cell phone expenditures have increased. The Governor's office is under a new contract for its cell phones and other wireless communications.

The fiscal 2007 allowance anticipates a reduced need for supplies, consulting, and other services that is closer to the fiscal 2005 appropriation. However, there is a small increase in equipment to replace office personal computers.

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

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Reimbursable Fund</b>	<b>Total</b>
2006 Working Appropriation	\$8,569	\$74	\$8,643
2007 Governor's Allowance	<u>8,937</u>	<u>94</u>	<u>9,032</u>
Amount Change	\$368	\$20	\$388
Percent Change	4.3%	27.5%	4.5%

**Where It Goes:**

**Personnel Expenses**

Increments and other compensation .....	\$223
Employee and retiree health insurance .....	103
Fiscal 2006 health insurance shortfall .....	103
Employees' Retirement System .....	71
Turnover adjustments .....	70
Other fringe benefit adjustments .....	15

**Other Changes**

Reduction of 0.5 FTEs in contractual payroll.....	-49
Decline in communication expenses based upon fiscal 2005 levels.....	-64
Increase in travel for conferences .....	7
Reduced need for consulting, data processing, and other contractual services .....	-52
Reduced need for supplies and equipment .....	-62
Increase in rent.....	4
Increase in insurance coverage .....	19

**Total** **\$388**

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

*D10A01 – Executive Department – Governor*

The fiscal 2007 allowance also includes \$94,181 in reimbursable funds, a \$20,294 increase over the fiscal 2006 working appropriation. These are federal grant funds accounted for in the Military Department budget. The funds are forwarded to the Governor’s Office in support of the Office of Homeland Security.

***Recommended Actions***

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1. Concur with Governor's allowance.

## **Updates**

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### **1. Recommendations of the Governor’s Salary Commission**

The Governor’s Salary Commission has recommended annual salary increases for the Governor, Lieutenant Governor, and other constitutional officers.

#### **Salary Recommendations for Governor and Lieutenant Governor**

The commission voted to recommend the following salaries for the 2007 through 2010 term of office:

##### **Governor**

First year – \$155,000  
Second year – \$160,000  
Third year – \$165,000  
Fourth year – \$170,000

##### **Lieutenant Governor**

First year – \$129,167  
Second year – \$133,333  
Third year – \$137,500  
Fourth year – \$141,667

These proposals are incorporated in a legislative joint resolution (SJR 2 and HJR 1). The State Constitution requires that the commission’s salary recommendation shall be introduced as a joint resolution in each House of the General Assembly, not later than the fifteenth day of the session. The General Assembly may amend the joint resolution to decrease the recommended salaries but may not increase the salaries above the level recommended by the commission. The Constitution of Maryland in Article II Section 21A (d) provides that "if the General Assembly fails to adopt a resolution within 50 days after its introduction, the salaries recommended by the Commission shall apply." SJR 2 and HJR 1 were both introduced on January 18, 2006; therefore, the General Assembly has until March 9, 2006, to amend the joint resolutions.

#### **Salary Recommendations for Other Constitutional Officers**

At the request of Governor Robert L. Ehrlich, Jr., the commission reviewed salaries for the constitutional offices of Attorney General, Comptroller, State Treasurer, and Secretary of State. The commission voted to recommend the following salaries for the other constitutional officers for each year of the four-year term of office:

**Comptroller, Treasurer, and  
Attorney General**

First year – \$129,167  
Second year – \$133,333  
Third year – \$137,500  
Fourth year – \$141,667

**Secretary of the State**

First year – \$90,417  
Second year – \$93,333  
Third year – \$96,250  
Fourth year – \$99,167

The current Governor determines the recommended salary level to be paid these officials by including the salary in his final annual budget. Current law requires that the salaries paid these officials shall be as provided in the State budget. Legislation is required (SB 181 and HB 163) to provide for the annual increases recommended for the second, third, and fourth year because the salary may not be set incrementally by budget action alone. However, the recommendations can be implemented by enactment of a statute prior to the beginning of the new terms, which would prescribe the incrementally increased salaries to be included in subsequent annual budgets.

**Governor’s Pension and Benefits Recommendations**

The commission determined that the current level of retirement benefits and the current practices for other benefits are reasonable and adequate and, therefore, no amendments were recommended.

**2. Positions Detailed to the Governor’s Office**

There are currently 14 positions detailed to the Governor’s office from other agencies, up from 12 the previous year as shown in **Exhibit 2**.

While the number of detailed positions represents an increase from the prior year, the Governor’s office advises that three of such positions are for specific purposes and meant for a short duration. The position from the Maryland Automobile Insurance Fund (MAIF) is in support of the Governor’s Commission on the Administration of Elections. The expenses from this position, unlike the others, are reimbursed by the Governor’s Office because MAIF, as a quasi-state agency is outside of the State budget system. This commission is expected to complete its work early in calendar 2006. Two positions are detailed to the Lt. Governor’s office to temporarily replace regular staff members who are on medical leave.

**Exhibit 3** illustrates the detailed positions ranked by agency. The Department of Natural Resources and the Maryland Department of Transportation had the most positions detailed to the Governor’s Office.

**Exhibit 2**  
**Positions Detailed to Governor's Office**

<u>Agency</u>	<u>Office</u>
Department of Human Resources (DHR)	Appointments
Maryland Department of Transportation (MDOT)	Homeland Security
MDOT	Communications/Photo
Department of Health & Mental Hygiene (DHMH)	Communications/Photo
Department of Business and Economic Development	Deputy Chief of Staff
DHMH	Deputy Chief of Staff
Department of Natural Resources (DNR)	Lt. Governor
MDOT	Lt. Governor
DHR	Lt. Governor
DNR	Legislative/Policy
Maryland Automobile Insurance Fund	Legislative/Policy
Department of Budget and Management (DBM)	Executive Services/IT
DBM	Executive Services/IT
DNR	Executive Services

Source: Governor's Finance Office

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

<u>Agency</u>	<u>Number Assigned</u>
Department of Natural Resources	3
Maryland Department of Transportation	3
Department of Health and Mental Hygiene	2
Department of Budget and Management	2
Department of Human Resources	2
Department of Business and Economic Development	1
Maryland Automobile Insurance Fund	1
<b>Total</b>	<b>14</b>

Source: Governor's Finance Office

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## *Current and Prior Year Budgets*

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### 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>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$8,502	\$0	\$0	\$73	\$8,576
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	70	0	0	0	70
Reversions and Cancellations	-451	0	0	-8	-459
<b>Actual Expenditures</b>	<b>\$8,122</b>	<b>\$0</b>	<b>\$0</b>	<b>\$65</b>	<b>\$8,187</b>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$8,475	\$0	\$0	\$74	\$8,549
Budget Amendments	95	0	0	0	95
<b>Working Appropriation</b>	<b>\$8,569</b>	<b>\$0</b>	<b>\$0</b>	<b>\$74</b>	<b>\$8,643</b>

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

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## **Fiscal 2005**

In fiscal 2005, the Governor's office spent \$389,000 less than was originally appropriated. The budget did include an increase of \$70,000 in general funds for the \$752 employee cost-of-living adjustment that was budgeted in the Department of Budget and Management (DBM) budget and subsequently distributed to each agency. However, \$459,000 in general and reimbursable funds was reverted.

## **Fiscal 2006**

The fiscal 2006 budget increased by \$94,615 in general funds for the 1.5% cost-of-living adjustment that was budgeted in DBM and distributed to each agency.

## ***Audit Findings***

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Audit Period for Last Audit:	January 15, 2003 – December 31, 2004
Issue Date:	November 2005
Number of Findings:	4
Number of Repeat Findings:	4
% of Repeat Findings:	100%
Rating: (if applicable)	n/a

The November 2005 legislative audit reported on the Executive Department and various offices therein. The following is an excerpt of the findings that are attributable to the Governor's office.

***Finding 1:*** The department did not adequately address disaster recovery or backup of critical files.

***Finding 2:*** The internal network was exposed to security risks because of weaknesses involving the department's firewall.

***Finding 3:*** The department's computer network was not adequately secured from internal and external exposures.

***Finding 4:*** The department's internal computer network was not adequately protected because of several software vulnerabilities.

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

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

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	84.00	80.00	80.00	0	0%
02 Contractual	1.40	2.00	1.50	-0.50	-25.0%
<b>Total Positions</b>	<b>85.40</b>	<b>82.00</b>	<b>81.50</b>	<b>-0.50</b>	<b>-0.6%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 6,753,117	\$ 7,091,989	\$ 7,677,210	\$ 585,221	8.3%
02 Technical & Spec Fees	96,176	142,450	93,113	-49,337	-34.6%
03 Communication	338,729	406,566	342,329	-64,237	-15.8%
04 Travel	106,511	92,500	99,000	6,500	7.0%
07 Motor Vehicles	73,614	34,499	35,967	1,468	4.3%
08 Contractual Services	230,260	260,000	208,500	-51,500	-19.8%
09 Supplies & Materials	164,605	259,000	205,500	-53,500	-20.7%
10 Equip - Replacement	15,433	63,961	40,000	-23,961	-37.5%
11 Equip - Additional	104,779	0	15,000	15,000	N/A
13 Fixed Charges	303,870	292,388	314,890	22,502	7.7%
<b>Total Objects</b>	<b>\$ 8,187,094</b>	<b>\$ 8,643,353</b>	<b>\$ 9,031,509</b>	<b>\$ 388,156</b>	<b>4.5%</b>
<b>Funds</b>					
01 General Fund	\$ 8,121,875	\$ 8,569,466	\$ 8,937,328	\$ 367,862	4.3%
09 Reimbursable Fund	65,219	73,887	94,181	20,294	27.5%
<b>Total Funds</b>	<b>\$ 8,187,094</b>	<b>\$ 8,643,353</b>	<b>\$ 9,031,509</b>	<b>\$ 388,156</b>	<b>4.5%</b>

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.