

**D50H01
Military Department**

Operating Budget Data

(\$ in Thousands)

	<u>FY 07 Actual</u>	<u>FY 08 Working</u>	<u>FY 09 Allowance</u>	<u>FY 08-09 Change</u>	<u>% Change Prior Year</u>
General Fund	\$15,244	\$14,926	\$16,731	\$1,805	12.1%
Special Fund	14,420	13,224	13,224	0	
Federal Fund	<u>46,602</u>	<u>50,516</u>	<u>51,177</u>	<u>661</u>	<u>1.3%</u>
Total Funds	\$76,266	\$78,666	\$81,132	\$2,466	3.1%

- The fiscal 2009 allowance includes a \$1 million general fund deficiency for fiscal 2008 under the Maryland Emergency Management Agency (MEMA).
- The fiscal 2009 allowance is \$81.1 million, an increase of \$2.5 million over the fiscal 2008 working appropriation. However, this growth is distorted due the manner in which health insurance is budgeted. Absent health insurance, the underlying growth in the budget is \$1.1 million, or 1.5%.
- The underlying growth in the budget is due primarily to personnel costs and for services for reintegrating soldiers.

Personnel Data

	<u>FY 07 Actual</u>	<u>FY 08 Working</u>	<u>FY 09 Allowance</u>	<u>FY 08-09 Change</u>
Regular Positions	395.00	391.50	383.50	-8.00
Contractual FTEs	<u>66.00</u>	<u>34.00</u>	<u>34.00</u>	<u>0.00</u>
Total Personnel	461.00	425.50	417.50	-8.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	23.89	6.23%
Positions Vacant as of 12/31/07	59.50	15.20%

- The department eliminated eight positions due to statewide cost containment efforts. The abolished positions include military security officers, environmental positions, and a maintenance mechanic.

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

For further information contact: Jody J. Sprinkle

Phone: (410) 946-5530

- The year-end vacancy rate is 15.2%, significantly higher than the budgeted turnover rate. At this rate, the allowance funds 35.6 more positions than is necessary to meet turnover.

Analysis in Brief

Major Trends

Department Fails to Meet Troop Strength: In light of increased activations and tours of duty in combat zones, the department's troop strength remains below its stated goal.

Challenge Program Slowly Rebounding: After posting low results in fiscal 2004 and 2005, the educational and employment attainment of Challenge students is continuing to slowly improve. However, attainment is still well below expectations.

Issues

Accounting Irregularities Persist within the Maryland State Firemen's Association Grant Program: The administration of the Maryland State Firemen's Association (MSFA) grant program has been beset with recent audit findings and continued improper use of special funds. The accounting irregularities make it difficult to track the actual activity of the program. **The department should comment on the administration of the MSFA grant program and the extent to which accounting discrepancies are being corrected. The MSFA should brief the budget committees on how the administrative funds are being used.**

The Department of Legislative Services (DLS) recommends that budget bill language be added that restricts \$200,000 in special funds until the department and the MSFA submit a report to the budget committees that provides a full accounting of all current loans and loans receivable. The report should show detail for how the MSFA expends the administrative funds provided by the State.

DLS further recommends budget bill language be added that restricts \$100,000 in general funds until the line item detail for the MSFA grant program is included in the fiscal 2010 budget volumes in a manner consistent with the template provided in the analysis.

DLS recommends the adoption of committee narrative directing the Office of Legislative Audits to review all outstanding loans under the Volunteer Company Assistance Fund and the Fire Truck Revolving Loan Fund, balances in the funds, and when and to whom repayment is expected.

Questionable Funding Shortfall within the Maryland Emergency Management Agency: The fiscal 2009 allowance includes a \$1 million general fund deficiency for fiscal 2008 under MEMA. The department advises that the funds are necessary to offset the increased share of federal funds being distributed to local jurisdictions for homeland security purposes. However, there does not appear to

be sufficient justification for the additional funding for the current year. **DLS recommends deleting the deficiency appropriation for MEMA. DLS recommends that the department explain to the budget committees how the change in homeland security funding impacts its operations and funding. The department should comment on its efforts to recoup indirect cost recovery.**

Administrative Redundancies at the Department: MEMA, a program within the Military Department, duplicates many of the administrative functions of the department. **DLS recommends that three positions and associated funding be abolished to encourage administrative streamlining.**

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add budget bill language restricting funds pending budget submission detail for the Maryland State Firemen’s Association grant program.		
2. Delete three positions and associated funding to encourage administrative efficiencies.	\$ 150,000	3.0
3. Add budget bill language restricting funds until a report is submitted on the Maryland State Firemen’s Association grant program.		
4. Adopt committee narrative requesting a legislative audit of the Maryland State Firemen’s Association grant program.		
5. Delete funding for the deficiency request.	1,000,000	
Total Reductions to Fiscal 2008 Deficiency Appropriation	\$ 1,000,000	
Total Reductions to Allowance	\$ 150,000	3.0

Updates

New Performance Measure on Emergency Readiness: The department included in its budget submission a new performance measure on emergency readiness in response to narrative in the 2007 *Joint Chairmen’s Report*. In fiscal 2007, the State met or exceeded all 58 elements within the Emergency Management Accreditation Program.

D50H01 – Military Department

D50H01
Military Department

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, operations, and maintenance of armories and other facilities. Operating expenses of MDNG facilities are a shared State and federal responsibility. The equipment costs for MDNG are 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 Public Safety Article, Title 13 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 (BPW) 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:

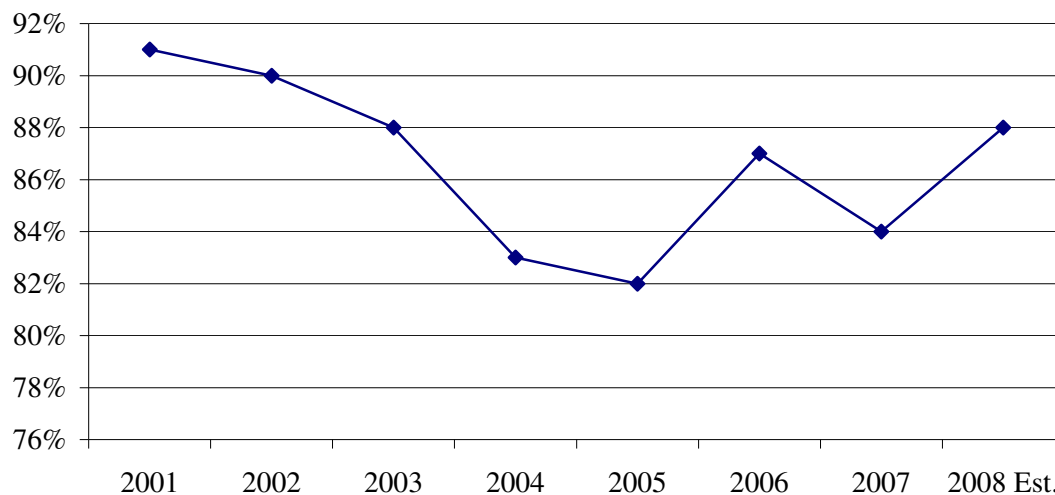
- ensure proper readiness for its missions;
- maintain all facilities so that they are adequate for training and supporting MDNG in its operations;
- successfully operate the Military Youth Challenge program for at-risk youth; and
- develop and maintain the capability to perform the 13 emergency management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

Performance Analysis: Managing for Results

Department Fails to Meet Troop Strength

The Maryland Guard has a goal of reaching 90% of its federally defined authorized troop strength. However, the Maryland Guard has not met this goal since fiscal 2002. The Maryland Guard has been heavily relied upon for activations and extended overseas tours of duty in combat zones. This is taking its toll on recruitment and retention. **Exhibit 1** shows how troop strength has declined since 2002. There was a small resurgence in fiscal 2006; however, strength for 2007 has fallen.

Exhibit 1
Percent of Authorized Troop Strength



Source: Governor's Budget Books, Fiscal 2009

The department should discuss its recruitment and retention efforts in light of current pressures for extended overseas tours of duty. Further, the department should comment on how shortfalls in troop strength may affect its mission performance abilities.

Challenge Program Slowly Rebounding

The Maryland Guard operates the Freestate Challenge Academy for at-risk youths. Twice a year, the department runs the program for 100 students. Its goal is to reach at-risk youth and give them the life skills necessary to maintain employment or to continue their schooling. Specifically, the department aims to have at least 92% of students maintain employment and 75% of students graduate with a general education diploma (GED). **Exhibit 2** shows the performance of the students.

Exhibit 2
Military Youth Challenge Program
Selected Measurements
Fiscal 2003-2009



Source: Governor's Budget Books, Fiscal 2009

Performance is slowly rebounding from a low in fiscal 2005; however, performance still falls far short of goals. In fiscal 2007, 78% of students maintained employment and 61% graduated with a GED.

The department should comment on the slow progress of program participants and whether or not the goals are reasonably achievable.

Fiscal 2008 Actions

Proposed Deficiency

The fiscal 2009 allowance includes a \$1 million general fund deficiency for fiscal 2008 under MEMA. The department advises that the funds are necessary to offset the increased share of federal funds being distributed to local jurisdictions for homeland security purposes. This issue is discussed more thoroughly under the Issues section of this analysis.

Impact of Cost Containment

The department had \$394,846 in general funds withdrawn under the fiscal 2008 cost containment effort. Savings resulted from deferred maintenance projects and the abolishment of one long-term vacant position under the Honor Guard program.

Governor’s Proposed Budget

As shown in **Exhibit 3**, the fiscal 2009 allowance is \$81.1 million, an increase of \$2.5 million over the fiscal 2008 working appropriation. However, this growth is distorted due the manner in which health insurance is budgeted. Absent health insurance, the underlying growth in the budget is \$1.1 million, or 1.5%.

Exhibit 3
Governor’s Proposed Budget
Military Department
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Total</u>
2008 Working Appropriation	\$14,926	\$13,224	\$50,516	\$78,666
2009 Governor’s Allowance	<u>16,731</u>	<u>13,224</u>	<u>51,177</u>	<u>81,132</u>
Amount Change	\$1,805	\$0	\$661	\$2,466
Percent Change	12.1%		1.3%	3.1%

Where It Goes:

Personnel Expenses

Abolished/transferred positions	-\$361
Increments and other compensation.....	-80
Health insurance – pay-as-you-go costs.....	309
Health insurance – long-term Other Post Employment Benefits liability.....	1,112
Workers’ compensation premium assessment	43
Retirement.....	135
Fiscal 2008 Budget Section 45 – one-time hiring freeze	50
Turnover adjustments.....	388
Other fringe benefit adjustments.....	-6

Other Changes

Army Operations and Maintenance

Facilities improvements	606
Increase in fuel costs	60
Increase for purchase of replacement vehicles.....	69

State Operations

New program for soldier reintegration.....	800
--	-----

D50H01 – Military Department

Where It Goes:

Maryland Emergency Management Agency

Decline in travel, contractual services, and other costs to fiscal 2007 levels	-442
Decline in expected federal grant funding	-228
Other miscellaneous expenses	11
Total	\$2,466

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

Impact of Cost Containment

In an effort to contain costs, the department abolished eight positions, seven within Army Operations and Maintenance and one within MEMA. Savings equate to \$360,657 in federal funds.

Reintegration Program

The allowance provides \$800,000 in additional general funds for new reintegration services for soldiers returning from tours of duty and their families. Currently, over 1,200 deployed Maryland guardsmen will be returning this year. According to data provided by the department, significant numbers of returning soldiers experience severe stress or other psychological symptoms, have difficulty maintaining employment or schooling, or have marital problems.

Funds will be for a variety of services aimed at easing the return to civilian life. Primarily, the department plans a two-day reintegration program for returning Maryland guardsmen consisting of a variety of workshops and briefings. Topics covered will range from anger management, chemical abuse prevention, financial services, and dealing with veteran programs.

Facility Maintenance

The fiscal 2009 allowance includes an additional \$605,645 over the fiscal 2008 working appropriation for facility maintenance projects. Of this amount, approximately 42% is general funds and 58% is federal funds. The funding split is based on standards set within the Federal-State Cooperative Agreement that the department has with the National Guard Bureau. Specific projects include installation of new well water systems at the Baker Training Center and Camp Fretterd; installation of a security entrance at the Havre de Grace Military Reservation; and the upgrade of electrical systems at the Greenbelt and Bel Air armories.

Other Expenditures

Included in the allowance are funds to purchase replacements for four maintenance vans to travel between facilities. Federal funds in the amount of \$68,576 are included for this purpose. Also reflected in the allowance is an attempt at MEMA to return funding to fiscal 2007 levels. Travel, contractual services, and equipment costs have all been reduced by approximately \$442,000. This reduction is reflected in both general and federal funds.

Issues

1. Accounting Irregularities Persist within the Maryland State Firemen’s Association Grant Program

The Maryland State Firemen’s Association grant program includes the Volunteer Company Assistance Fund (VCAF), which provides grants and loans to assist companies with purchases, replacement, or refurbishing of equipment or structures; the Trustee’s Relief Account (Widows and Orphans Fund); and administrative expenses.

Accounting for All VCAF Loans

Until 2005, the grant program was administered by BPW. However, prior to moving under MEMA’s purview, the administration of the State funds was then briefly handled by the Maryland State Firemen’s Association (MSFA). In November 2006, the Office of Legislative Audits (OLA) conducted a special review of State funds received by MSFA for the VCAF. Among five specific findings and recommendations, OLA found that internal controls were not adequate over the cash receipts and disbursement processes and necessary accounting records were not maintained, and recommended that MSFA return all VCAF funds and copies of the related accounting records to MEMA. OLA also recommended that MSFA, in conjunction with MEMA, continue to investigate and resolve all of the cited discrepancies noted in the recordation of certain loan repayments.

However it is still unclear if the department or MSFA knows the true accounting of loan receivables. It is further unclear if all loan repayments are being forwarded directly to the Treasurer instead of to the MSFA.

Unknown Balance in the Fire Truck Revolving Loan Fund

In addition to the discrepancies described in the audit, the department continues to attempt to use unauthorized funds. According to Chapter 430 of 2004, the Budget Reconciliation and Financing Act, the loan repayments from the Fire Truck Revolving Loan Fund (the predecessor to VCAF) were authorized to be used to fund grants to MSFA for administrative expenses and for the Widows and Orphans Fund grant program in fiscal 2005, 2006, and 2007 only. The budget committees were advised at the time that this would exhaust the balance in the defunct Fire Truck Revolving Loan Fund.

However, the fiscal 2008 allowance was submitted with \$550,000 in special funds for this purpose, without statutory authority. Subsequently, Chapter 180 of 2007 authorized the fund to provide grants in fiscal 2008 to the association for administrative expenses and grants to the Widows and Orphans Fund. Additional funds receivable provided additional balance to support the fiscal 2008 spending. Again, this was expected to exhaust the balance. Despite this expectation, the fiscal 2009 allowance again proposes to use \$550,000 in balances from this allegedly depleted fund. If this fund balance does not exist, a general fund deficiency will be required to fund the administrative expenses and grants to the Widows and Orphans Fund program in fiscal 2009. However, if it does exist, legislation must be enacted allowing the use of special funds for this purpose in fiscal 2009. This also raises the issue of how much balance and fund receivables exist.

Fiscal 2008 Budget Bill Language Not Followed

In an effort to track the expenses and multiple revenue sources of the VCAF, budget bill language was added to the fiscal 2008 budget bill expressing the intent of the General Assembly that the department clearly enumerate the expenditures and revenue sources for the MSFA grant program. The language asked for line item detail of each component of the program and the revenue sources that support each program. The language also asked that three years of detail be provided.

Despite the language, there is nothing in the budget submission that shows the level of specificity that was requested. **Exhibit 4** displays a template that illustrates the type of information that is required.

Exhibit 4 Example Template

		<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
		<u>Actual</u>	<u>Working</u>	<u>Allowance</u>
VCAF	General Funds Special Funds: MEMSOF Special Funds: Fire Truck Loan Fund Special Funds: VCAF Loan Payments			
MSFA	Administration General Funds Special Funds: Fire Truck Loan Fund			
MSFA	Widows and Orphans General Funds Special Funds: Fire Truck Loan Fund			
MEMSOF	Repayment Special Funds: MEMSOF			
Amoss Fund	Special Funds: MEMSOF			

Source: Department of Legislative Services

MSFA Administrative Expenses

As part of the MSFA grant program, the association receives \$200,000 for administrative expenses and is responsible for reviewing loan applications from the volunteer companies. However, it is unclear how these funds are being spent.

The department should comment on the administration of the MSFA grant program and the extent to which accounting discrepancies are being corrected. Further, MSFA should brief the budget committees on how the administrative funds are being used.

Additionally, DLS recommends that budget bill language be added that restricts \$200,000 in special funds until the department and MSFA submit a report to the budget committees that provides a full accounting of all current loans and loans receivable. The report should show detail how MSFA expends the administrative funds provided by the State.

DLS further recommends budget bill language be added that restricts \$100,000 in general funds until the line item detail for the MSFA grant program is included in the fiscal 2010 budget volumes in a manner consistent with the template provided in the analysis.

DLS recommends the adoption of committee narrative directing the Office of Legislative Audits to review all outstanding loans under VCAF and the Fire Truck Revolving Loan Fund, balances in the funds, and when and to whom repayment is expected.

2. Questionable Funding Shortfall within the Maryland Emergency Management Agency

As mentioned in this analysis, the fiscal 2009 allowance includes a \$1 million general fund fiscal 2008 deficiency for MEMA. The agency advises that it needs this funding due to the fact that a greater percentage of federal homeland security grants are passing through to the local jurisdictions and not remaining with the agency for statewide programs. The agency maintains that it has no funds available for the remainder of fiscal 2008 for general operating expenses.

Pass-through Funding Change Does Not Explain Deficiency Request

The Governor's Office of Homeland Security (GOHS) has changed its policy in regard to pass through funding. Previously, 80% of federal grants were passed through to local jurisdictions, as required by federal standards. GOHS has increased this to 85% for two of the largest programs and 100% for one other program. Funding splits for other federal grants remain unchanged.

However, it is unclear how this is actually affecting MEMA's operations. Operating expenses across MEMA appear fairly stable since fiscal 2007, and there is less reliance on federal funds budgeted for operating costs in fiscal 2008 and 2009 than in fiscal 2007. Otherwise, there has been no significant adjustment made to expenses in fiscal 2009 or to general fund revenues to accommodate any impact of the policy change. Additionally, budgeted federal funds have grown since fiscal 2007 by almost \$4 million. The fiscal 2009 allowance shows an increase in local grants and a commensurate decrease in grants to other State agencies as per the new homeland security policy. Furthermore, the policy change is not a matter of federal or state statutes or regulations. To date in fiscal 2008, the agency has not yet provided 85% of grants to local jurisdictions. According to the Comptroller of the Treasury's General Accounting Division, MEMA has 36% of its federal fund appropriation remaining in fiscal 2008. To the extent that it is the policy change that is causing operational funding issues, the policy change can be delayed until fiscal 2009 or beyond, leaving more federal dollars to cover operating costs.

Funding for Positions in the Joint Operations Center

During the 2007 session, the agency requested 11 new positions for the Joint Operations Center. Because of high numbers of vacant positions, the new positions were denied, and the agency was directed to reclassify existing positions. While the agency did reclassify the positions, it indicates that one of the justifications for the deficiency is that it has no funding for Joint Operations Center positions. Funding was in the fiscal 2008 budget for the vacant positions to be reclassified; therefore, the suggestion that there is not funding for them now is implausible.

Failure to Collect Indirect Cost Recovery

Furthermore, the agency appears to be forgoing funds that are due to it. An April 2007 legislative audit reveals that the agency had not prepared indirect cost recovery plans applicable to federal grant awards totaling approximately \$91 million. Consequently, federal funds that could have been used to cover certain indirect costs of administering these grants instead were generally used for direct program costs or passed through to other State agencies or to local jurisdictions. The Department of Budget and Management regulations require that all State agencies recover all costs associated with the administration of federally funded programs.

DLS recommends deleting the deficiency appropriation for MEMA due to incomplete justification. Further, DLS recommends that the department explain to the budget committees how the change in homeland security funding impacts its operations and funding. Additionally, the department should comment on its efforts to recover indirect costs.

3. Administrative Redundancies at the Department

Prior to fiscal 2001, MEMA was a separate and distinct agency from the Military Department. However, after fiscal 2001, it and all its functions were merged as a program within the Military Department. Unlike many programs within agencies, MEMA retained its administrative functions. In fact, the department reported to the General Assembly in 2001 that it would only eliminate one temporary and two contractual full-time equivalent positions due to the reorganization.

To the extent that the agency needs to reduce expenditures based on funding constraints, certain administrative functions of the agency could be consolidated. For example, MEMA has its own personnel staff, procurement staff, and budget staff. It processes payroll, issues purchases orders, and submits budget amendments to the Department of Budget and Management. The agency should consider consolidating these duplicative functions into the administrative offices of the Military Department.

DLS recommends that three positions and associated funding be abolished to encourage administrative streamlining.

Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$100,000 of this appropriation may not be expended until the Military Department provides, within the submission of the fiscal 2010 budget volumes, the line item detail for the revenues and expenditures associated with the Maryland State Firemen’s Association grant program. The submission should include line item detail for the administrative expenses, the Trustee’s Relief Account (Widows and Orphans Fund), and the Volunteer Company Assistance Fund’s grants and loans. The submission shall include the revenue sources that support each expenditure and three years of detail showing the most recent actual expenditure, the current year working appropriation, and the allowance. The budget committees shall have 45 days from the date of receipt of the report to review and comment.

Explanation: This language restricts funds until the Military Department clearly enumerates the expenditures and the revenue sources for the Maryland State Firemen’s Association grant program in the fiscal 2010 budget volumes.

Information Request	Author	Due Date
Budget submission detail	Military Department	With the submission of the fiscal 2010 allowance and each year thereafter

	<u>Amount Reduction</u>	<u>Position Reduction</u>
2. Delete three positions and associated funding in anticipation of the streamlining of administrative functions within MEMA.	\$ 75,000 GF \$ 75,000 FF	3.0

3. Add the following language to the special fund appropriation:

, provided that \$200,000 of this appropriation may not be expended until the Maryland Emergency Management Agency and the Maryland State Firemen’s Association submit a report by September 1, 2008, to the Senate Budget and Taxation Committee and the House Committee on Appropriations on a full accounting of the financial activities under the Volunteer Company Assistance Fund. Specifically, the report shall provide an accounting of all current loan receivables, including any receivables outstanding for the Fire Truck Revolving Loan Fund. The report shall also include a full description of the use of administrative funds by the Maryland State Firemen’s Association. The budget committees shall have 45 days from the date of receipt of the report to review and comment.

D50H01 – Military Department

Explanation: There have been persistent accounting discrepancies regarding the Maryland State Firemen’s Association grant program. This language restricts funds for the administration of the program until a report is submitted that addresses the discrepancies.

Information Request	Authors	Due Date
Report on the MSFA grant program	MEMA MSFA	September 1, 2008

4. Adopt the following narrative:

Review of Maryland State Firemen’s Association Grant Program: The committees direct the Office of Legislative Audits to review the outstanding loans in the Volunteer Company Assistance Fund and the Fire Truck Revolving Loan Fund; document fund receivables and balances in each fund; and track repayment schedules. A report shall be submitted to the budget committees by November 1, 2008.

Information Request	Author	Due Date
Review of the Maryland State Firemen’s Association Grant Program	OLA	November 1, 2008

	<u>Amount Reduction</u>	<u>Position Reduction</u>
5. Delete funding for the deficiency requested to replace federal funds. The agency’s budget already assumes less federal money for operations, federal grant money increases \$4 million in fiscal 2008, and higher federal grant distributions to local governments can be delayed a year.	1,000,000	GF
Total Reductions to Fiscal 2008 Deficiency	\$ 1,000,000	
Total Reductions to Allowance	\$ 150,000	3.0
Total General Fund Reductions to Allowance	\$ 75,000	
Total Federal Fund Reductions to Allowance	\$ 75,000	

Updates

1. New Performance Measure on Emergency Readiness

The 2007 *Joint Chairmen’s Report* included committee narrative that requested that the department develop performance measures that more accurately reflect its goal of meeting Emergency Management Accreditation Program (EMAP) standards or any other performance measures that would gauge the State’s ability to prepare for and respond to disasters.

The agency is responsible for providing statewide coordination of mitigation, preparedness, and response and recovery activities during emergency situations. Reflecting this responsibility, the agency appropriately includes “readiness” as a goal in its Managing for Results submission. The Federal Emergency Management Agency changed the federal standard of readiness from the Capability Assessment for Readiness to the standards of the EMAP. EMAP is a voluntary review process for state and local emergency management programs. Accreditation is a means of demonstrating, through self-assessment, documentation and peer review, that a program meets national standards for emergency management programs.

In response to the new federal standard, MEMA has altered its readiness goal: *Develop and maintain the capability to effectively perform the 15 program areas, as defined by the National Emergency Management Association, in EMAP, to prepare for, mitigate against, respond to, and recover from disasters.*

The 15 program areas under the EMAP standard are:

- Program Management;
- Laws and Authorities;
- Hazard Identification and Risk Assessment;
- Hazard Mitigation;
- Resource Management;
- Mutual Aid;
- Planning;
- Direction, Control, and Coordination;
- Communications and Warning;

D50H01 – Military Department

- Operations and Procedures;
- Logistics and Facilities;
- Training;
- Exercises, Evaluations, and Corrective Action;
- Crisis Communications, Public Education, and Information; and
- Finance and Administration.

The committee narrative was adopted because although MEMA had adopted the new federal standards within its Managing for Results goals, it had not proposed any performance measures that would gauge its progress in meeting the standard. In the fiscal 2009 budget submission, the department included such a measure as requested. According to the data, the State has met or exceeded all 58 elements within the program areas.

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 2007					
Legislative Appropriation	\$15,280	\$12,124	\$38,808	\$0	\$66,212
Deficiency Appropriation	187	1,019	0	0	1,206
Budget Amendments	-52	1,454	8,306	0	9,708
Reversions and Cancellations	-171	-177	-511	0	-859
Actual Expenditures	\$15,244	\$14,420	\$46,603	\$0	\$76,267
Fiscal 2008					
Legislative Appropriation	\$15,163	\$13,224	\$50,516	\$0	\$78,903
Cost Containment	-395	0	0	0	-395
Budget Amendments	158	0	0	0	158
Working Appropriation	\$14,926	\$13,224	\$50,516	\$0	\$78,666

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

Fiscal 2007

Actual general fund expenditures were slightly less than what was appropriated for fiscal 2007. General fund deficiencies included \$125,000 for costs associated with the gubernatorial inauguration and \$62,054 for unexpected facility maintenance for the Civil Air Patrol. Budget amendments resulted in a decline in general funds, largely due to a cost containment effort executed by BPW in February 2007. Also, an additional cost containment effort resulted in a \$171,000 reversion in general funds.

Special funds increased by almost \$2.3 million over the original appropriation in fiscal 2007. There was a special fund deficiency in order to appropriate \$1,019,314 for loans for MSFA. Budget amendments increased special funds in fiscal 2007 by \$1,454,000. Specifically, \$1.3 million was appropriated to reimburse Montgomery County for costs incurred to provide assistance to states impacted by Hurricane Katrina. Maryland is a participant in the Emergency Management Assistance Compact, Interstate Mutual Aid Request and is, therefore, legally obligated to provide assistance during federally declared disasters. The amendment provided reimbursement funds to those entities that fulfilled the compact's requirements in the aftermath of the hurricane. A second special fund amendment added \$154,000 to Army Operation and Maintenance to reflect rental income from the rental of armories. Such funds are required to be used for maintenance of guard facilities.

Federal funds increased by about \$8.3 million over the original appropriation due to budget amendments. Of this, \$500,000 was made available through the cooperative agreement with the National Guard Bureau for army operations and maintenance. The remaining \$7.8 million was made available to MEMA from the Department of Homeland Security for various grant programs. The vast majority of these funds were passed through to local jurisdictions for emergency management and homeland security measures.

Fiscal 2008

The fiscal 2008 original appropriation has been increased by \$158,099 in general funds due to the cost-of-living salary adjustment. Conversely, \$394,846 in general funds was withdrawn due to statewide cost containment efforts. Reductions were made to deferred maintenance projects and to abolish one long-term vacant position under the Honor Guard program.

Audit Findings

Audit Period for Last Audit:	February 2, 2004 – September 30, 2006
Issue Date:	April 2007
Number of Findings:	5
Number of Repeat Findings:	3
% of Repeat Findings:	60%
Rating: (if applicable)	n/a

Finding 1: Competitive bids were not solicited and approvals were not obtained as required by State Procurement Regulations prior to awarding various personnel services contracts.

Finding 2: Reimbursement requests for federal funds were not submitted timely, resulting in a loss of potential interest income totaling approximately \$35,000.

Finding 3: Indirect costs were not recovered for certain federal grants.

Finding 4: The department did not charge payroll commute fees totaling approximately \$34,000 to certain employees who used assigned State vehicles for commute purposes.

Finding 5: Controls over the issuance of purchasing cards were not adequate.

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

**Object/Fund Difference Report
Military Department**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	395.00	391.50	383.50	-8.00	-2.0%
02 Contractual	66.00	34.00	34.00	0	0%
Total Positions	461.00	425.50	417.50	-8.00	-1.9%
Objects					
01 Salaries and Wages	\$ 18,053,151	\$ 21,720,923	\$ 23,310,844	\$ 1,589,921	7.3%
02 Technical and Spec. Fees	2,492,538	1,013,851	1,002,621	-11,230	-1.1%
03 Communication	706,887	718,034	773,783	55,749	7.8%
04 Travel	405,643	290,085	619,508	329,423	113.6%
06 Fuel and Utilities	3,655,262	3,866,786	3,926,227	59,441	1.5%
07 Motor Vehicles	520,821	252,652	318,442	65,790	26.0%
08 Contractual Services	7,027,761	3,511,902	3,488,570	-23,332	-0.7%
09 Supplies and Materials	963,591	737,877	872,277	134,400	18.2%
10 Equip. – Replacement	320,210	226,155	174,221	-51,934	-23.0%
11 Equip. – Additional	565,424	85,056	35,572	-49,484	-58.2%
12 Grants, Subsidies, and Contributions	38,581,820	42,047,205	41,819,470	-227,735	-0.5%
13 Fixed Charges	278,694	329,639	318,873	-10,766	-3.3%
14 Land and Structures	2,694,527	3,865,910	4,471,555	605,645	15.7%
Total Objects	\$ 76,266,329	\$ 78,666,075	\$ 81,131,963	\$ 2,465,888	3.1%
Funds					
01 General Fund	\$ 15,244,023	\$ 14,925,808	\$ 16,730,768	\$ 1,804,960	12.1%
03 Special Fund	14,420,202	13,224,267	13,224,267	0	0%
05 Federal Fund	46,602,104	50,516,000	51,176,928	660,928	1.3%
Total Funds	\$ 76,266,329	\$ 78,666,075	\$ 81,131,963	\$ 2,465,888	3.1%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary
Military Department**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
01 Administrative Headquarters	\$ 2,711,889	\$ 3,012,870	\$ 3,189,805	\$ 176,935	5.9%
02 Air Operations and Maintenance	4,637,712	5,685,056	6,150,647	465,591	8.2%
03 Army Operations and Maintenance	13,964,944	12,623,609	13,026,728	403,119	3.2%
05 State Operations	4,781,751	5,177,648	6,321,672	1,144,024	22.1%
06 Maryland Emergency Management Agency	50,170,033	52,166,892	52,443,111	276,219	0.5%
Total Expenditures	\$ 76,266,329	\$ 78,666,075	\$ 81,131,963	\$ 2,465,888	3.1%
General Fund	\$ 15,244,023	\$ 14,925,808	\$ 16,730,768	\$ 1,804,960	12.1%
Special Fund	14,420,202	13,224,267	13,224,267	0	0%
Federal Fund	46,602,104	50,516,000	51,176,928	660,928	1.3%
Total Appropriations	\$ 76,266,329	\$ 78,666,075	\$ 81,131,963	\$ 2,465,888	3.1%

Note: The fiscal 2008 appropriation does not include deficiencies.