

**D50H01  
Military Department**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 08 Actual</u>	<u>FY 09 Working</u>	<u>FY 10 Allowance</u>	<u>FY 09-10 Change</u>	<u>% Change Prior Year</u>
General Fund	\$15,940	\$15,560	\$15,507	-\$53	-0.3%
Contingent & Back of Bill Reductions	0	0	-356	-356	
<b>Adjusted General Fund</b>	<b>\$15,940</b>	<b>\$15,560</b>	<b>\$15,150</b>	<b>-\$410</b>	<b>-2.6%</b>
Special Fund	13,494	12,926	12,799	-127	-1.0%
<b>Adjusted Special Fund</b>	<b>\$13,494</b>	<b>\$12,926</b>	<b>\$12,799</b>	<b>-\$127</b>	<b>-1.0%</b>
Federal Fund	45,348	50,736	72,519	21,784	42.9%
Contingent & Back of Bill Reductions	0	0	-27	-27	
<b>Adjusted Federal Fund</b>	<b>\$45,348</b>	<b>\$50,736</b>	<b>\$72,492</b>	<b>\$21,757</b>	<b>42.9%</b>
<b>Adjusted Grand Total</b>	<b>\$74,782</b>	<b>\$79,222</b>	<b>\$100,442</b>	<b>\$21,220</b>	<b>26.8%</b>

- The fiscal 2010 allowance increases by \$21,220,072, or 26.8%, when funds are adjusted for contingent and across-the-board reductions.
- The increase in the budget is largely attributed to federal funds for the development of a statewide communications system for local and State emergency responders. Adjusting for this federal grant, the budget declines by \$1.8 million, or 2%.

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

For further information contact: Chantelle M. Green

Phone: (410) 946-5530

***Personnel Data***

	<b><u>FY 08</u></b> <b><u>Actual</u></b>	<b><u>FY 09</u></b> <b><u>Working</u></b>	<b><u>FY 10</u></b> <b><u>Allowance</u></b>	<b><u>FY 09-10</u></b> <b><u>Change</u></b>
Regular Positions	383.50	374.50	371.50	-14.00
Contractual FTEs	<u>46.00</u>	<u>34.00</u>	<u>25.00</u>	<u>-9.00</u>
<b>Total Personnel</b>	<b>429.50</b>	<b>408.50</b>	<b>396.50</b>	<b>-23.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	36.26	9.76%
Positions and Percentage Vacant as of 12/31/08	59.00	15.75%

- The allowance abolishes two administrative positions and transfers a StateStat position that was previously detailed to the Governor’s Office. The allowance also eliminates nine honor guard contractual full-time equivalents (FTEs). The department reports that seven of these FTEs were converted to regular positions in fiscal 2009.
- Across-the-board reductions reduce the agency’s position complement by 11.
- Turnover expectancy is increased from 6.33 to 9.76%.
- As of December 31, 2008, the vacancy rate was 15.75%. Fifteen of these vacancies have subsequently been filled, thereby, reducing the vacancy rate to 11.75%.

## *Analysis in Brief*

---

### Major Trends

***Troop Strength Is Expected to Rebound in Fiscal 2010:*** Although the department's troop strength remains below the stated goal, the department anticipates that Maryland's troop strength will rebound to 90% in fiscal 2010.

***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

***The Maryland State Firemen's Association Grant Program:*** The Maryland State Firemen's Association (MSFA) grant program has been beset with problems concerning the improper use of special funds. The fiscal 2009 budget bill included language restricting funds until the department clearly enumerated the expenditures and the revenue sources for the MSFA grant program in the fiscal 2010 budget volumes. The 2008 *Joint Chairmen's Report* also included committee narrative directing the Office of Legislative Audits (OLA) to review the MSFA grant program. However, in correspondence to the budget committees, OLA advised the committees that it was unable to conduct an audit within the specified time frame because the applicable fund records were incomplete and did not reflect current activity. Recent discussions with the department have revealed that irregularities continue to persist within the program. Specifically, the MSFA was overpaid by \$127,000 in fiscal 2009. **In light of the ongoing concerns with MSFA funding, the Department of Legislative Services (DLS) recommends that the committees consider adding budget bill language that restricts \$500,000 of the general fund appropriation for the Department of Budget and Management and \$500,000 of the general fund appropriation for the Military Department until the expenditure and revenue sources for the MSFA grant program are clearly enumerated in the fiscal 2011 budget volumes. DLS also recommends legislation and corresponding budget bill language that would require all future grants to the MSFA for administrative expenses and the Widows and Orphans Fund be expended from outstanding loan receivables under the Volunteer Company Assistance Fund (VCAF), and that the expenditures be capped at the current level of funding. Lastly, DLS recommends a \$127,000 reduction in funding due to a fiscal 2009 overpayment made to MSFA.**

**Recommended Actions**

	<u>Funds</u>	<u>Positions</u>
1. Add budget bill language restricting funds until a report is submitted on the Maryland State Firemen’s Association grant program.		
2. Delete a long-term vacant position.	\$ 40,248	1.0
3. Reduce increase in funding for tuition assistance.	187,000	
4. Add budget bill language that reduces the general fund appropriation made for the purpose of providing grant funds to the Maryland State Firemen’s Association contingent upon the enactment of legislation.		
5. Delete grant funds for the Widows and Orphans Fund due to overpayment.	127,000	
6. Delete surplus funding for the Public Safety Interoperable Communications Grant Program.	65,407	
<b>Total Reductions</b>	<b>\$ 419,655</b>	<b>1.0</b>

**Updates**

***Funding for the VCAF Is Expected to Approach the Statutory Limit by Fiscal 2018:*** Chapter 136 of 2005 stipulates that the State will contribute \$20.0 million to the VCAF. The State has contributed a total of \$10.1 million to the VCAF through fiscal 2008. If funding allocated to the VCAF was to remain at the fiscal 2010 allowance amount of \$1.0 million, the State will have satisfied its obligation by fiscal 2018.

**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:

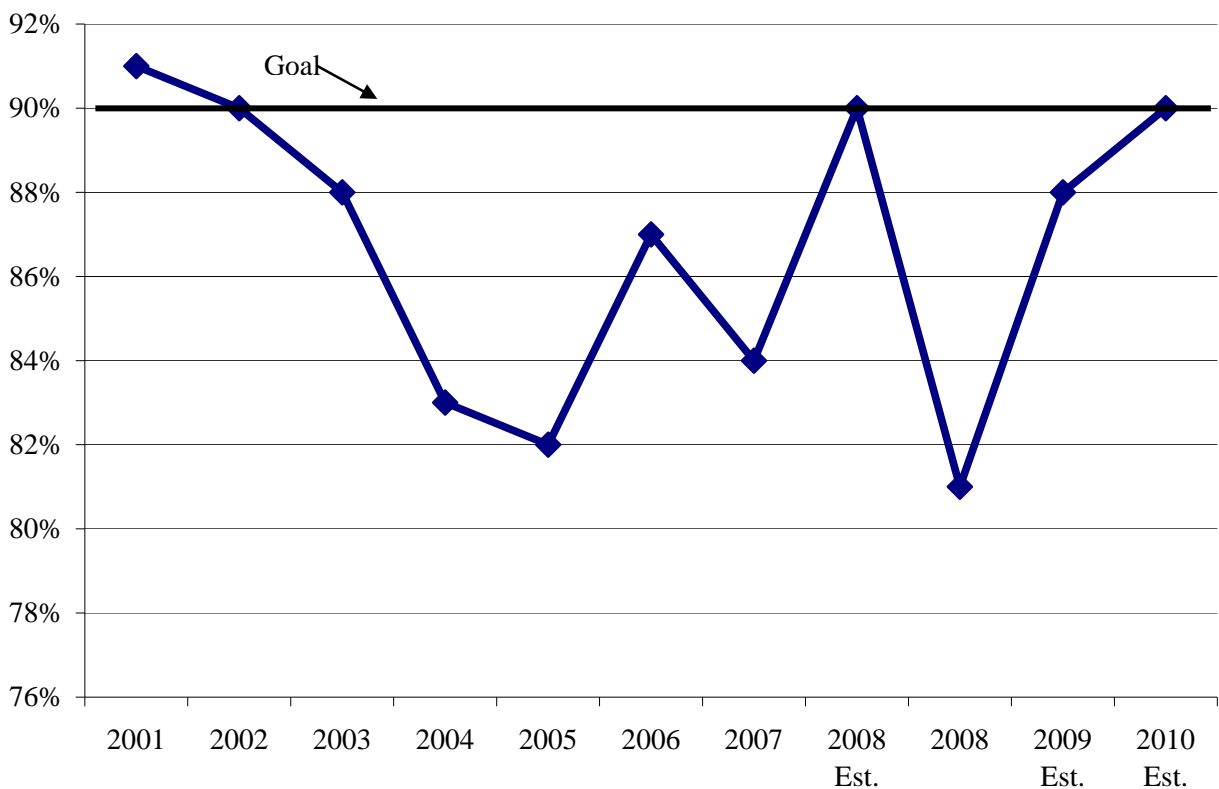
- ensure proper readiness for its missions;
- maintain all facilities so that they are adequate for training and supporting MDNG in its operations;
- successfully operate the Military Youth Challenge Program for at-risk youth; and
- develop and maintain the capability to perform the 13 emergency management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

## Performance Analysis: Managing for Results

### Troop Strength Is Expected to Rebound in Fiscal 2010

The Maryland Guard has a goal of reaching 90% of the 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 a toll on recruitment and retention. **Exhibit 1** shows that the department's troop strength has remained under 90% since 2002. However, the department anticipates that Maryland's troop strength will rebound to 90% in fiscal 2010. **The department should comment on recruiting and retention efforts, including whether the authorized troop strength goal is achievable.**

**Exhibit 1**  
**Percent of Authorized Troop Strength**  
**Fiscal 2001-2010**

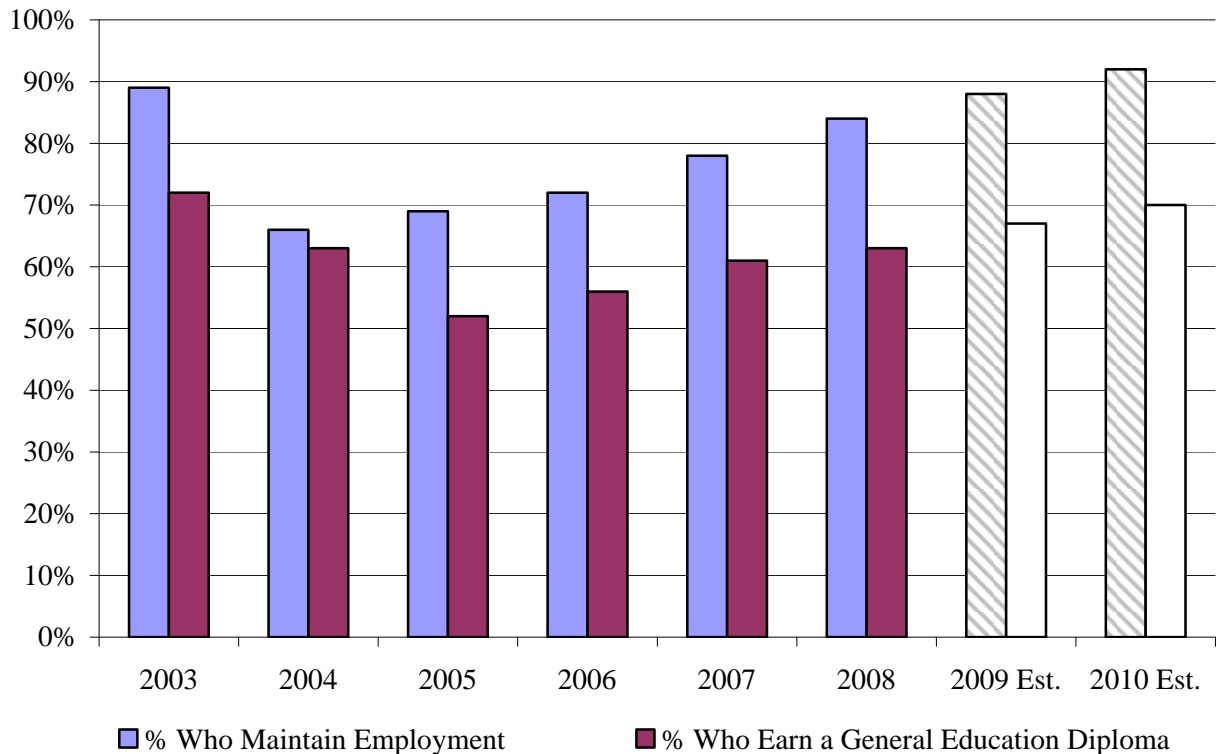


Source: Governor's Budget Books, Fiscal 2001-2010

## 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. The 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 2003-2010**



Source: Governor’s Budget Books, Fiscal 2010

Performance is slowly rebounding from a low in fiscal 2005; however, performance still falls far short of goals. In fiscal 2008, 84% of students maintained employment and 63% graduated with a GED.

## **Fiscal 2009 Actions**

### **Impact of Cost Containment**

The department was required to reduce the total budget by \$1.4 million due to cost containment actions taken by BPW in fiscal 2009. Cost savings were primarily achieved by:

- across-the-board reductions in health insurance, Other Post Employment Benefits, and travel (\$451,000);
- reducing funds for soldier reintegration services (\$300,000);
- reducing funds for tuition assistance (\$250,000);
- deferring facility repair and maintenance projects (\$208,000); and
- abolishing six vacant positions within the department (\$170,000).

## **Proposed Budget**

As shown in **Exhibit 3**, the fiscal 2010 allowance increases by \$21,220,072, or 26.8%, when funds are adjusted for contingent and across-the-board reductions.

### **Public Safety Interoperable Communications Grant**

The department's fiscal 2010 grant allocation increases by approximately \$23.2 million, or 55.8%. This increase is primarily attributed to a \$23.0 million increase in grant funding within the MEMA program to support 18 new projects providing interoperability communications throughout the State.

By executive order, the Governor created Maryland's first Communications Interoperability Office in July 2008. The office was created to ensure that Maryland's first responders have the ability to communicate with each other during large-scale emergencies. For decades, State agencies have procured separate, incompatible radio systems, and have not closely coordinated the purchase of these systems with local governments to ensure interoperability. The office will be charged with centrally coordinating all State projects, resulting in the redirection of funds allocated to uncoordinated radio projects into a single statewide coordinated radio system procurement for local and State responders. This project is expected to impact every region of Maryland and include radio tower construction in areas such as Allegany, Frederick, and Prince George's counties. The fiscal 2010 allowance includes \$23.0 million in federal funds to support this effort.

**Exhibit 3**  
**Proposed Budget**  
**Military Department**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General</u> <u>Fund</u></b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Federal</u> <u>Fund</u></b>	<b><u>Total</u></b>
2009 Working Appropriation	\$15,560	\$12,926	\$50,736	\$79,222
2010 Allowance	<u>15,507</u>	<u>12,799</u>	<u>72,519</u>	<u>100,826</u>
Amount Change	-\$53	-\$127	\$21,784	\$21,604
Percent Change	-0.3%	-1.0%	42.9%	27.3%
Contingent Reductions	-\$356	\$0	-\$27	-\$383
Adjusted Change	-\$410	-\$127	\$21,757	\$21,220
Adjusted Percent Change	-2.6%	-1.0%	42.9%	26.8%

**Where It Goes:**

**Personnel Expenses**

Across-the-board position reductions (11) .....	-\$213
Position transfer to the Governor’s Office.....	-79
Position abolishment (2 administrative positions).....	-88
Employee and retiree health insurance pay-as-you-go costs .....	539
Employee increments.....	270
Employees’ retirement.....	-43
Turnover adjustments .....	-680
Workers’ compensation .....	-340
Reduction of Other Post Employment Benefits’ unfunded liability .....	-336
Deferred compensation (after reducing fiscal 2010 for contingent reductions) .....	-70
Other adjustments .....	-36

**Other Changes**

Contractual full-time equivalent reduction (9) .....	-198
Across-the-board reduction in contractual employee services (Section 23).....	-45
Interoperable Communications Systems grant .....	23,000
Increased electricity expenses.....	251
National guard tuition assistance .....	187
Soldier reintegration program.....	-400
Facilities repairs and maintenance.....	-351

*D50H01 – Military Department*

**Where It Goes:**

Reduced travel .....	-171
Across-the-board reduction in contractual services (Section 24) .....	-55
Other miscellaneous increases .....	78
<b>Total</b>	<b>\$21,220</b>

Note: Numbers may not sum to total due to rounding

---

**Tuition Assistance**

The allowance includes an additional \$187,000 in general funds for tuition assistance. This funding, designed to supplement tuition assistance provided by the federal government for members of the National Guard, was historically funded at \$500,000. Funding for tuition assistance was reduced by \$250,000 in fiscal 2009 as a cost containment measure. The fiscal 2010 allowance restores a portion of this funding.

**Soldier Reintegration Program**

The allowance reflects a \$400,000 decrease in funding for soldier reintegration services. The program, which began in fiscal 2009, provides services for soldiers returning from tours of duty and their families. Funding is used to support a variety of services aimed at easing the return to civilian life. For example, the department plans to conduct 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.

**Impact of Cost Containment**

The fiscal 2010 allowance abolishes two vacant administrative positions within the department, a cost savings of \$87,742. The allowance also reflects a contractual full-time equivalent reduction of nine FTEs totaling \$198,157.

Contingent and across-the-board reductions further reduce the fiscal 2010 allowance by \$383,449. These reductions include the following:

- the deletion of 11 vacant positions (\$213,143);
- a reduction in contractual services (\$55,225);
- a reduction in deferred compensation (\$70,400); and
- a reduction in contractual employee services (\$44,681).

## ***Issues***

---

### **1. The Maryland State Firemen’s Association Grant Program**

The Maryland State Firemen’s Association (MSFA) 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 briefly handled by MSFA. In November 2006, the Office of Legislative Audits (OLA) conducted a special review of State funds received by the 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 the MSFA return all VCAF funds and copies of the related accounting records to MEMA. OLA also recommended that the MSFA, in conjunction with MEMA, continue to investigate and resolve all of the cited discrepancies noted in the recordation of certain loan repayments.

#### ***2008 Joint Chairmen’s Report***

In response to concerns regarding the accuracy of the accounting of loan receivables, fiscal 2009 budget bill language restricted funds until the department clearly enumerated the expenditures and the revenue sources for the MSFA grant program in the fiscal 2010 budget volumes. Additionally, the *Joint Chairmen’s Report* (JCR) included committee narrative directing OLA to review the MSFA grant program. OLA was to submit a report to the committees by November 2008, documenting the outstanding loans in the Volunteer Company Assistance Fund and the Fire Truck Revolving Loan Fund; fund receivables and balances in each fund; and loan repayment schedules.

#### **Budget Bill Language Not Followed**

In an effort to track the expenses and multiple revenue sources of the VCAF, language was added to the fiscal 2008 and 2009 budget bills that expressed 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.

While the fiscal 2010 budget volume does in fact provide additional detail regarding funding sources, it still fails to show the level of specificity that was requested. Specifically, it fails to provide detail regarding administrative and Widows and Orphans Fund expenditures. The absence of this information is significant, as the intent of the language was to provide a single-source document that

*D50H01 – Military Department*

outlays all of the general and special funding expenditures relating to the MSFA. **Exhibit 4** displays a template that illustrates the type of information that was requested. At this time, it remains unclear to the Department of Legislative Services (DLS) why the information was not displayed in the format requested. **DLS recommends that the \$100,000 in restricted general funds not be released for failure to comply with the stipulations in the fiscal 2009 budget bill language.**

---

**Exhibit 4  
Example Template**

		<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
		<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>
VCAF	General Funds			
	Special Funds: MEMSOF			
	Special Funds: Fire Truck Revolving Loan Fund			
	Special Funds: VCAF Loan Payments			
	Special Funds: Moving Violations Surcharge			
MSFA	Administration			
	General Funds			
	Special Funds: Fire Truck Revolving Loan Fund			
MSFA	Widows and Orphans			
	General Funds			
	Special Funds: Fire Truck Revolving Loan Fund			
MEMSOF	Repayment			
	Special Funds: MEMSOF			
Amoss Fund	Special Funds: MEMSOF			

MEMSOF: Maryland Emergency Medical System Operations Fund

MSFA: Maryland State Firemen's Association

VCAF: Volunteer Company Assistance Fund

Source: Department of Legislative Services

---

## **OLA Audit**

As previously mentioned, the 2008 JCR included committee narrative directing OLA to review the MSFA grant program. OLA was to submit a report to the committees by November 2008, documenting the outstanding loans in the Volunteer Company Assistance Fund and the Fire Truck Revolving Loan Fund; fund receivables and balances in each fund; and loan repayment schedules.

In correspondence dated September 29, 2008, OLA requested that the report's submission date be extended. According to OLA, the initial inquiry disclosed that the applicable fund records were incomplete and did not reflect current activity. Subsequent discussions between OLA and the Military Department revealed that the department would have to reconstruct the loan records received from the MSFA before OLA could proceed with the review. Based on the department's estimate of how long it would take to reconstruct the loans, OLA requested an extension until February 27, 2009. The extension was granted by the committees on October 31, 2008.

In correspondence dated December 17, 2008, OLA requested that the submission date of the report be further extended from February 27, 2009, and that OLA be allowed to submit the required report during the 2009 interim. At that time, the department anticipated that the loan reconstruction would not be completed until March 2009. Due to the extent of the subsequent work that would have to be performed by OLA to complete the review requested, the committees granted an extension until November 1, 2009.

## **Audit Update**

In order to reconstruct the loan receivable records, the department contacted the 47 local volunteer fire companies with active loans. The department requested that the local fire companies provide documentation that included a copy of the original contract and any amendments, as well as bank documentation (*e.g.*, canceled checks) of payments made. According to the department, the reconstruction process is approximately 90% complete. **The department should comment on the current status of reconstructing the loan receivables.**

## **Irregularities Continue to Persist with MSFA Funding Due to a Lack of Transparency and Accountability**

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 the VCAF) were authorized to be used to fund grants to the 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. Because the estimate of receivables was overstated, Chapter 180 of 2007 authorized the VCAF to provide a portion of funding for the grants in fiscal 2008 for administrative expenses and grants to the Widows and Orphans Fund. Additional funds receivable

*D50H01 – Military Department*

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 proposed to use \$550,000 in balances from the allegedly depleted fund. However, the amount of receivables was again overstated. In an effort to ensure sufficient funding for the Widows and Orphans Fund as well as MSFA’s administrative expenses, an additional \$298,000 in general funds was provided via the supplemental budget during the 2008 legislative session. This funding was to be used in conjunction with the remaining fund balance in the Fire Truck Revolving Loan Fund. However, legislation that would have permitted the use of special funds from the Fire Truck Revolving Loan Fund failed. In an effort to replace the funding shortfall, the budget and legislative policy committees approved a one-time use of special funds from the Maryland Emergency Medical System Operations Fund in the amount of \$127,000.

Since that time, discussions between DLS and the department have revealed that the MSFA was overpaid by \$127,000 in fiscal 2009. As illustrated in **Exhibit 5**, while the MSFA should have received a total payment of \$425,000 in fiscal 2009, the MSFA received duplicate payments of \$127,000 from the Maryland Institute of Emergency Medical Services Systems and the department. **The overpayment merely provides further evidence of the need for transparency and accountability regarding MSFA funding. As a result of the overpayment, DLS recommends that the fiscal 2010 allowance for be reduced by \$127,000.**

---

**Exhibit 5**  
**Maryland State Firemen’s Association**  
**Widows and Orphans and Administrative Funding**  
**Fiscal 2009**

	<u>Dollar Amount</u>	<u>Fund Source</u>	<u>Agency</u>
	\$127,000	MEMSOF	MIEMMS
	200,000	General funds	Military Department
	<u>98,000</u>	General Funds	Military Department
<b>Approved Funding</b>	<b>\$425,000</b>		
	127,000	Fire Truck Revolving Loan Fund	Military Department
<b>Total Payments Made</b>	<b>\$552,000</b>		
<b>Overpayment</b>	<b>\$127,000</b>		

MEMSOF: Maryland Emergency Medical System Operations Fund

Source: Military Department; Department of Legislative Services

---

### *D50H01 – Military Department*

It should also be noted that in addition to the \$127,000 overpayment, an additional \$125,000 was transferred from the Fire Truck Revolving Loan Fund to the VCAF. According to the department, the transfer reflected an annual transfer made pursuant to a historical agreement between the Department of Budget and Management (DBM) and the MSFA. Again, there does not appear to be a statutory basis for this annual transfer.

The fiscal 2010 allowance includes \$425,000 in general funds for grants to the MSFA for administrative expenses and the Widows and Orphans Fund.

### **Recommendations**

**In light of the ongoing concerns with MSFA funding, DLS recommends that the committees consider adding budget bill language that restricts \$500,000 of the general fund appropriation for DBM and \$500,000 of the general fund appropriation for the Military Department until the expenditure and revenue sources for the MSFA grant program are clearly enumerated (as shown in Exhibit 4) in the fiscal 2011 budget volumes. DLS also recommends legislation and corresponding budget bill language that would require all future grants to the MSFA for administrative expenses and the Widows and Orphans Fund be expended from outstanding loan receivables under the VCAF, and that the expenditures be capped at the current level of funding. Lastly, DLS recommends a \$127,000 reduction in funding due to the fiscal 2009 overpayment.**

## ***Recommended Actions***

---

1. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That \$500,000 of the general fund appropriation for the Department of Budget and Management (DBM) and \$500,000 of the general fund appropriation for the Military Department may not be expended until DBM and the Military Department provide, within the submission of the fiscal 2011 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 DBM and the Military Department clearly enumerate the expenditures and the revenue sources for the Maryland State Firemen’s Association grant program in the fiscal 2011 budget volumes.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Budget submission detail	DBM Military Department	With the submission of the fiscal 2011 allowance and each year thereafter

		<b><u>Amount Reduction</u></b>		<b><u>Position Reduction</u></b>
2.	Delete a youth worker position that has been vacant for over 12 months.	\$ 16,100	GF	1.0
		\$ 24,148	FF	
3.	Reduce increase in funding for tuition assistance. This action will level fund tuition assistance at \$250,000 in fiscal 2010.	187,000	GF	

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

, provided that \$298,000 of the general fund appropriation made for the purpose of providing grant funds to Maryland State Firemen’s Association (MSFA) for the Trustee’s Relief Account (Widows and Orphans Fund) and administrative expenses are reduced contingent upon the enactment of legislation that requires all future grants to the MSFA for

*D50H01 – Military Department*

administrative expenses and the Widows and Orphans Fund to be expended from the cash balance of the outstanding loan receivables from the Volunteer Company Assistance Fund. The total amount of annual expenditures granted to MSFA for administrative expenses and the Widows and Orphans Fund shall not exceed \$425,000.

Further provided that the Governor is authorized to process a budget amendment for up to \$298,000 from the Volunteer Company Assistance Fund to supplement the fiscal 2010 appropriation.

**Explanation:** This action reduces the general fund appropriation made for the purpose of providing grant funds to Maryland State Firemen’s Association for Trustee’s Relief Account (Widows and Orphans Fund) and administrative expenses pending the enactment of legislation that requires all future grants to the MSFA for administrative expenses and the Widows and Orphans Fund be expended from outstanding loan receivables under the Volunteer Company Assistance Fund (VCAF), and that the expenditures be capped at a certain amount. The action also authorizes the Governor to increase the fiscal 2010 VCAF appropriation by a certain amount.

	<u>Amount Reduction</u>	<u>Position Reduction</u>
5. Delete grant funds for the Widows and Orphans Fund due to overpayment. The remaining appropriation for the Widows and Orphans Fund and administrative expenses total \$298,000.	127,000	GF
6. Delete surplus funding for the Public Safety Interoperable Communications Grant Program. The total amount of the award is \$22,934,593.	65,407	FF
<b>Total Reductions</b>	<b>\$ 419,655</b>	<b>1.0</b>
<b>Total General Fund Reductions</b>	<b>\$ 330,100</b>	
<b>Total Federal Fund Reductions</b>	<b>\$ 89,555</b>	

## ***Updates***

---

### **1. Funding for the VCAF Is Expected to Approach the Statutory Limit by Fiscal 2018**

Chapter 136 of 2005 stipulates that the State will contribute \$20.0 million to the VCAF. However, Chapter 416 of 2006 established an additional revenue source for the VCAF. The legislation requires that half of the revenue generated from a traffic citation surcharge be credited to the VCAF. While fiscal estimates predicted that the new funding source would generate approximately \$1.5 million annually for purposes of the VCAF, the fund generated approximately \$1.1 million in fiscal 2008. This revenue enhancement is expected to shorten the length of time it will take to reach the \$20 million cap. As illustrated in **Appendix 4**, the State has contributed a total of \$10.1 million to the VCAF through fiscal 2008. If funding allocated to the VCAF were to remain at the fiscal 2010 allowance amount of \$1.0 million, the State will have satisfied its obligation by fiscal 2018.

## *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>
<b>Fiscal 2008</b>					
Legislative Appropriation	\$15,163	\$13,224	\$50,516	\$0	\$78,903
Deficiency Appropriation	1,000	0	0	0	1,000
Budget Amendments	182	760	1,653	0	2,595
Cost Containment	-395	0	-126	0	-521
Reversions and Cancellations	-10	-490	-6,694	0	-7,194
<b>Actual Expenditures</b>	<b>\$15,940</b>	<b>\$13,494</b>	<b>\$45,349</b>	<b>\$0</b>	<b>\$74,783</b>
<b>Fiscal 2009</b>					
Legislative Appropriation	\$16,688	\$12,926	\$50,815	\$0	\$80,429
Cost Containment	-1,300	0	-79	0	-1,379
Budget Amendments	172	0	0	0	172
<b>Working Appropriation</b>	<b>\$15,560</b>	<b>\$12,926</b>	<b>\$50,736</b>	<b>\$0</b>	<b>\$79,222</b>

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

---

## **Fiscal 2008**

In fiscal 2008, the total budget for the department decreased by approximately \$4.1 million. The general fund appropriation increased by \$777,000 due to the following:

- a \$1.0 million general fund deficiency for MEMA. The department received additional funding to offset the increased share of federal funds being distributed to local jurisdictions for homeland security purposes;
- a \$158,000 cost-of-living adjustment (COLA) that was centrally budgeted in the Department of Budget and Management;
- a \$24,000 increase in telephone communications expenditures due a realignment of statewide communications expenses; and
- a \$395,000 reduction in personnel and general operating expenditures due to cost containment actions taken by BPW. Cost savings were achieved by deferring maintenance projects and abolishing a long-term vacancy within the Honor Guard program.

Additionally, there was a general fund reversion of approximately \$10,000 due to unrealized operating expenditures.

The special fund appropriation increased by \$760,000 over the fiscal 2008 legislative appropriation. This increase, which was derived from armory rentals, was used for contractual salary expenses, facility operations and maintenance, and the Maryland Youth Challenge Program. Additionally, there was a special fund cancellation of approximately \$490,000. The cancellation was primarily due to unexpended Fire Truck Revolving Loan Funds.

The federal fund appropriation decreased by \$5.2 million mostly due to the following:

- a \$1.7 million increase in funding for routine operations and maintenance expenditures at local armories throughout the State; and
- a \$126,000 reduction in salaries and wages due to cost containment actions taken by BPW. In January 2009, BPW abolished eight positions within the department.

Additionally, the department cancelled approximately \$6.7 million in federal funds. The cancellation was primarily due to unexpended grants for homeland security.

## **Fiscal 2009**

The fiscal 2009 total budget for the department decreased by \$1.2 million. This decrease is the result of the following:

- a COLA (\$161,000);
- an annual salary review increase for engineers and scientists (\$11,000);
- across-the-board reductions in health insurance, Other Post Employment Benefits, and travel (\$451,000);
- a reduction in funding for soldier reintegration services (\$300,000);
- a reduction in tuition assistance (\$250,000);
- a reduction in facility repair and maintenance funding (\$208,000); and
- the abolishment of six vacant positions within the department (\$170,000).

**Object/Fund Difference Report  
Military Department**

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	383.50	374.50	371.50	-3.00	-0.8%
02 Contractual	46.00	34.00	25.00	-9.00	-26.5%
<b>Total Positions</b>	<b>429.50</b>	<b>408.50</b>	<b>396.50</b>	<b>-12.00</b>	<b>-2.9%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 19,675,560	\$ 22,174,130	\$ 21,381,943	-\$ 792,187	-3.6%
02 Technical and Spec. Fees	1,787,890	1,002,621	804,464	-198,157	-19.8%
03 Communication	640,979	773,783	776,456	2,673	0.3%
04 Travel	308,573	464,583	294,008	-170,575	-36.7%
06 Fuel and Utilities	3,681,094	3,926,227	4,111,910	185,683	4.7%
07 Motor Vehicles	425,919	318,442	250,527	-67,915	-21.3%
08 Contractual Services	7,413,219	3,378,470	3,219,930	-158,540	-4.7%
09 Supplies and Materials	1,198,589	821,877	754,677	-67,200	-8.2%
10 Equipment – Replacement	317,062	174,221	174,221	0	0%
11 Equipment – Additional	0	35,572	35,572	0	0%
12 Grants, Subsidies, and Contributions	37,413,691	41,569,470	64,756,039	23,186,569	55.8%
13 Fixed Charges	224,027	318,873	352,936	34,063	10.7%
14 Land and Structures	1,695,362	4,263,803	3,912,910	-350,893	-8.2%
<b>Total Objects</b>	<b>\$ 74,781,965</b>	<b>\$ 79,222,072</b>	<b>\$ 100,825,593</b>	<b>\$ 21,603,521</b>	<b>27.3%</b>
<b>Funds</b>					
01 General Fund	\$ 15,939,505	\$ 15,560,012	\$ 15,506,949	-\$ 53,063	-0.3%
03 Special Fund	13,494,232	12,926,267	12,799,267	-127,000	-1.0%
05 Federal Fund	45,348,228	50,735,793	72,519,377	21,783,584	42.9%
<b>Total Funds</b>	<b>\$ 74,781,965</b>	<b>\$ 79,222,072</b>	<b>\$ 100,825,593</b>	<b>\$ 21,603,521</b>	<b>27.3%</b>

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Fiscal Summary  
Military Department**

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk Approp</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
01 Administrative Headquarters	\$ 3,243,374	\$ 3,086,739	\$ 2,912,882	-\$ 173,857	-5.6%
02 Air Operations and Maintenance	4,906,255	6,000,135	5,538,286	-461,849	-7.7%
03 Army Operations and Maintenance	14,124,453	12,412,157	11,895,399	-516,758	-4.2%
05 State Operations	4,807,476	5,601,015	5,833,099	232,084	4.1%
06 Maryland Emergency Management Agency	47,700,407	52,122,026	74,645,927	22,523,901	43.2%
<b>Total Expenditures</b>	<b>\$ 74,781,965</b>	<b>\$ 79,222,072</b>	<b>\$ 100,825,593</b>	<b>\$ 21,603,521</b>	<b>27.3%</b>
General Fund	\$ 15,939,505	\$ 15,560,012	\$ 15,506,949	-\$ 53,063	-0.3%
Special Fund	13,494,232	12,926,267	12,799,267	-127,000	-1.0%
Federal Fund	45,348,228	50,735,793	72,519,377	21,783,584	42.9%
<b>Total Appropriations</b>	<b>\$ 74,781,965</b>	<b>\$ 79,222,072</b>	<b>\$ 100,825,593</b>	<b>\$ 21,603,521</b>	<b>27.3%</b>

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Anticipated State Payments to the Volunteer Company Assistance Fund  
Fiscal 2001-2018  
(\$ in Thousands)**

	<u>Actual 2001</u>	<u>Actual 2002</u>	<u>Actual 2003</u>	<u>Actual 2004*</u>	<u>Actual 2005</u>	<u>Actual 2006</u>	<u>Actual 2007</u>	<u>Actual 2008</u>	<u>Est. 2009</u>	<u>Est. 2010</u>	<u>Est. 2011</u>	<u>Est. 2012</u>	<u>Est. 2013</u>	<u>Est. 2014</u>	<u>Est. 2015</u>	<u>Est. 2016</u>	<u>Est. 2017</u>	<u>Est. 2018</u>	<u>Total</u>	
MEMSOF	\$500	\$1,000	\$1,000	\$6,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$8,500</b>
Moving Violations Surcharge	0	0	0	0	0	0	488	1,094	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	918	<b>\$11,500</b>
<b>Total</b>	<b>\$500</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$6,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$488</b>	<b>\$1,094</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$918</b>	<b>\$20,000</b>

\* \$5,000,000 was transferred in fiscal 2004 from the Maryland Emergency Medical System Operations Fund to the loan fund to be repaid from fiscal 2005 through 2009.

Source: Department of Legislative Services