

D50H01
Military Department

Operating Budget Data

	(\$ in Thousands)				
	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$15,076	\$13,620	\$13,296	-\$324	-2.4%
Back of Bill Reductions	0	0	-256	-256	
Adjusted General Fund	\$15,076	\$13,620	\$13,040	-\$581	-4.3%
Special Fund	13,499	12,799	12,799	0	
Adjusted Special Fund	\$13,499	\$12,799	\$12,799	\$0	0.0%
Federal Fund	47,275	71,783	49,775	-22,008	-30.7%
Back of Bill Reductions	0	0	-260	-260	
Adjusted Federal Fund	\$47,275	\$71,783	\$49,515	-\$22,268	-31.0%
Adjusted Grand Total	\$75,850	\$98,202	\$75,354	-\$22,849	-23.3%

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- The fiscal 2011 allowance decreases by \$22,848,718, or 23.3%, when funds are adjusted for across-the-board reductions.
- The decrease in the budget is primarily attributed to a one-time federal grant in fiscal 2010 for public safety interoperable communications. Adjusting for the grant, the allowance increases by \$85,875, or 0.1%.

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

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Personnel Data

	<u>FY 09 Actual</u>	<u>FY 10 Working</u>	<u>FY 11 Allowance</u>	<u>FY 10-11 Change</u>
Regular Positions	374.50	359.50	353.50	-6.00
Contractual FTEs	<u>44.50</u>	<u>18.00</u>	<u>17.00</u>	<u>-1.00</u>
Total Personnel	419.00	377.50	370.50	-7.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	32.91	9.31%
Positions and Percentage Vacant as of 12/31/09	41.00	11.40%

- The allowance abolishes 6 administrative and maintenance positions in the National Guard Bureau and State Operations Program. The allowance also eliminates a contractual full-time equivalent position.
- Turnover expectancy is decreased from 10.01 to 9.31%.
- As of December 31, 2009, the vacancy rate was 11.40%. Five of these vacancies have subsequently been filled, thereby reducing the vacancy rate to 10.01%.

Analysis in Brief

Major Trends

Challenge Program Performance Fluctuates: While the percentage of students that maintain employment continues to improve, the percentage of students that graduated with a general education diploma declined in fiscal 2009.

Issues

Declaration of Emergency: In recent months, Governor Martin J. O'Malley has issued multiple declarations of emergency in anticipation of severe winter weather. Although federal funds are budgeted annually in anticipation of an emergency situation, the State may not access these funds absent federal approval. It is anticipated that the combination of the two storms into a single event increases the chances of federal approval of the State's application for federal relief. **The department should comment on the timeframe for obtaining federal relief for the recent snow storms, including whether the State is likely to meet the criteria to receive federal reimbursement. Lastly, the department should comment on the projected statewide costs of the recent snowstorms.**

Public Safety Interoperable Communications Grant: 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. The Maryland Emergency Management Agency's fiscal 2010 appropriation included approximately \$23 million in grant funds to support 18 new projects providing interoperability communications throughout the State. **The department should update the committees on what progress has been made regarding this effort. The department should also provide a county-by-county allocation of Public Safety Interoperable Communications grant funds.**

Recommended Actions

Funds

1. Add language to delete funding for deferred compensation.
2. Add language to reduce funding for telephone expenditures.
3. Add language to delete funding for the Freestate Challenge Academy.
4. Reduce allowance for in-state travel expenses. \$ 11,000

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5.	Delete funding for tuition assistance.	\$ 300,000
6.	Reduce allowance for office supplies.	\$ 8,000
	Total Reductions	\$ 319,000

Updates

Trustee’s Relief Account: The 2009 *Joint Chairmen’s Report* (JCR) directed the Maryland State Firemen’s Association (MSFA) to submit a status report on the Trustee’s Relief Account (Widows and Orphans Fund). According to the report, the number of widowers receiving a monthly benefit at the conclusion of fiscal 2009 was 38.

Audit of the Volunteer Company Assistance Fund and the Fire Truck Revolving Loan Fund: The 2008 *Joint Chairmen’s Report* included committee narrative directing the Office of Legislative Audits to review the MSFA grant program and to submit a report documenting the outstanding loans in the Volunteer Company Assistance Fund (VCAF) and the Fire Truck Revolving Loan Fund (FTRLF); fund receivables and balances in each fund; and loan repayment schedules. In correspondence dated November 2, 2009, the Office of Legislative Analysis (OLA) informed the budget committees that the department had substantially reconstructed the loan records (including repayment schedules) for the VCAF and the FTRLF.

Maryland State Firemen’s Association Grant Program Detail Included in the Fiscal 2011 Budget Books: The fiscal 2010 budget bill restricted \$500,000 of the general fund appropriation for the Department of Budget and Management (DBM) and the Military Department until DBM and the Military Department clearly enumerate the expenditures and the revenue sources for the MSFA Grant Program in the fiscal 2011 budget volumes. Upon review, the fiscal 2011 budget book volumes, do, in fact, provide the line item detail of the MSFA grant program as requested.

Funding for the VCAF Is Expected to Approach the Statutory Limit by Fiscal 2021: Chapter 136 of 2005 stipulates that appropriations to the VCAF shall cease after fiscal 2021 or after the State has contributed \$20 million to the fund. The Budget Reconciliation and Financing Act of 2010 authorizes the transfer of 100% of the surcharges collected under Chapter 416 of 2006 to the general fund for fiscal 2010 through 2012. Assuming that the legislation is enacted and the State resumes appropriating \$1 million annually to the VCAF beginning in fiscal 2013, the State’s obligation would be extended by three years to fiscal 2021.

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Operating Budget Analysis

Program Description

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

To fulfill its mission, the Military Department oversees the construction, 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:

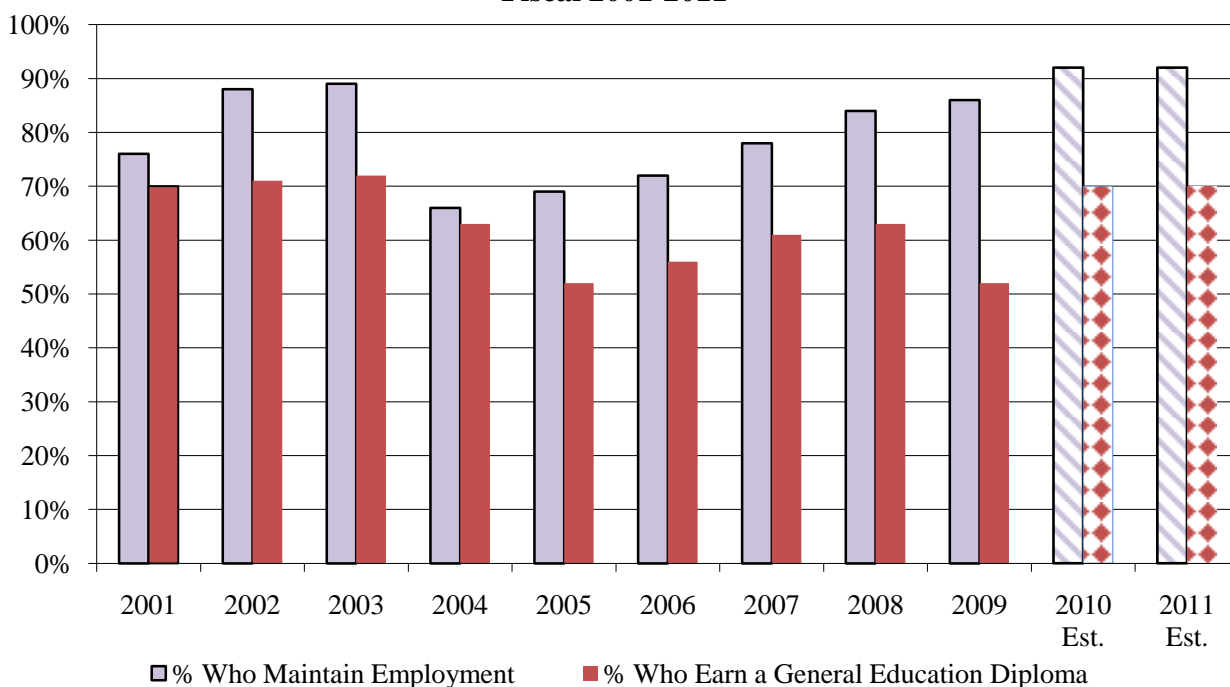
- ensure proper readiness for its missions;
- maintain all facilities so that they are adequate for training and supporting MDNG in its operations;
- successfully operate the Military Youth Challenge Program for at-risk youth; and
- develop and maintain the capability to perform the 13 emergency management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

Performance Analysis: Managing for Results

Challenge Program Performance Fluctuates

The Maryland National 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. The department aims to have at least 92% of students maintain employment and 70% of students graduate with a general education diploma (GED). As shown in **Exhibit 1**, while the percentage of students that maintain employment continues to improve, the percentage of students that graduated with a GED declined to 52% in fiscal 2009. According to the department, given the skill set of students entering the program, students’ performance should not be measured by their ability to pass the GED exam, but by students’ ability to increase their reading and math scores by a minimum of 2.5 grade levels during their stay in the program. **The Department of Legislative Services (DLS) recommends that the Military Department revise this measure if the current measure is inappropriate.**

Exhibit 1
Military Youth Challenge Program
Selected Measurements
Fiscal 2001-2011



Source: Governor’s Budget Books, Fiscal 2004 - 2011

Fiscal 2010 Actions

Impact of Cost Containment

The department was required to reduce the total budget by \$2,042,561 due to cost containment actions taken by BPW in fiscal 2010. Cost savings were primarily achieved by:

- reducing various operating expenses in the MDNG, MEMA, and Honor Guard Unit (\$1,152,000);
- the implementation of employee furloughs (\$237,711);
- reducing funds for tuition assistance (\$200,000);
- reducing contractual payroll expenses at distance learning sites (\$182,000);
- delaying the replacement of air conditioning units at several armories (\$150,000)
- reducing funds for soldier reintegration services (\$100,000); and
- across-the-board reduction in salaries and wages (\$20,850).

Proposed Budget

As shown in **Exhibit 2**, the fiscal 2011 allowance decreases by \$22,848,718, or 23.3%, when funds are adjusted for across-the-board reductions. This decrease is primarily attributed to a one-time federal grant in fiscal 2010 for public safety interoperable communications. Adjusting for the grant, the allowance increases by \$85,875, or 0.1%.

Exhibit 2
Proposed Budget
Military Department
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2010 Working Appropriation	\$13,620	\$12,799	\$71,783	\$98,202
2011 Allowance	<u>13,296</u>	<u>12,799</u>	<u>49,775</u>	<u>75,870</u>
Amount Change	-\$324	\$0	-\$22,008	-\$22,332
Percent Change	-2.4%		-30.7%	-22.7%
Contingent Reductions	-\$256	\$0	-\$260	-\$517
Adjusted Change	-\$581	\$0	-\$22,268	-\$22,849
Adjusted Percent Change	-4.3%	0.0%	-31.0%	-23.3%
Where It Goes:				
Personnel Expenses				
Six position abolitions				-\$260
Employees' retirement system				388
Turnover adjustments				74
Deferred compensation.....				67
Workers' compensation (after reducing fiscal 2011 for across-the-board reductions)				43
Unemployment compensation				28
Employee and retiree health insurance (after reducing fiscal 2011 for across-the-board reductions)				-332
Employee earnings (after reducing fiscal 2011 for furloughs).....				-195
Social Security contributions.....				-18
Other adjustments.....				-1
Other Changes				
Contractual employee salaries due to full-time equivalent reduction				-56
Security services at Camp Fretterd.....				431
Office supplies based on actual expenditures.....				223
Energy performance contract payments to upgrade lighting, fuel burners, and HVAC controls				89
Laundry services for the honor guard detail				25
Interoperable Communications Systems grant.....				-22,935
Communications expenses				-126

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Where It Goes:

Travel expenses	-98
Four motor vehicles	-51
Rent paid to the Maryland Aviation Administration	-45
Other	-100
Total	-\$22,849

HVAC: heating, ventilation, and air conditioning

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

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. As shown in **Exhibit 3**, the fiscal 2011 allowance includes \$3.1 million in general and special funds for grants to MSFA.

Exhibit 3 Maryland State Fireman’s Association Grant Program Funding

<u>Use</u>	<u>Revenue Source</u>	<u>2009 Actual Expenditures</u>	<u>2010 Working Appropriation</u>	<u>2011 Allowance</u>
VCAF	MEMSOF	\$1,400,000	\$400,000	\$400,000
VCAF	Remaining Balance in Defunct FTRLF	125,000	0	0
VCAF	VCAF Loan Repayments	1,059,432	1,225,000	1,225,000
VCAF	Moving Violation Surcharge	0	1,000,000	1,000,000
	Subtotal	\$2,584,432	\$2,625,000	\$2,625,000
MSFA – Admin.	General Funds	200,000	200,000	200,000
MSFA – W&O	General Funds	98,000	275,000	275,000
MSFA – W&O	MEMSOF	127,000	0	0
	Subtotal	\$425,000	\$475,000	\$475,000
	Total Funds	\$3,009,432	\$3,100,000	\$3,100,000

MEMSOF: Maryland Emergency System Operations Fund
VCAF: Volunteer Company Assistance Fund
W&O: Windows and Orphans

MFSA: Maryland State Fireman’s Association
FTRLF: Fire Truck Revolving Loan Fund

Source: Governor’s Budget Books, Fiscall 2011; Department of Legislative Services

Other Expenditures

Other notable increases include additional funding for office supplies and materials (\$222,724), energy performance contract payments (\$88,500), and laundry services for the honor guard detail (\$25,000).

Impact of Cost Containment

The fiscal 2011 allowance abolishes 6 vacant administrative and maintenance positions throughout the department, a cost savings of \$259,943. The fiscal 2011 budget also reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

Budget Reconciliation and Financing Legislation

Chapter 416 of 2006 requires that half of the revenue generated from a \$7.50 traffic citation surcharge be credited to the VCAF. The Budget Reconciliation and Financing Act (BRFA) of 2010 authorizes the transfer of 100% of the surcharges collected under Chapter 416 to the general fund for fiscal 2010 through 2012. According to the Maryland Judiciary, \$1,142,906 in surcharge revenue was collected for purposes of the VCAF in fiscal 2009. It is estimated that at least \$1 million will be collected due to the surcharge in fiscal 2010 through 2012.

Issues

1. Declaration of Emergency

In recent months, Governor Martin J. O’Malley has issued multiple declarations of emergency in anticipation of severe winter weather. Although federal funds are budgeted annually in anticipation of an emergency situation, the State may not access these funds absent federal approval. The Administration recently reported that the federal government has agreed to consider the two most recent snow storms as a single event for purposes of applying for federal disaster relief. It is anticipated that the combination of the two storms into a single event increases the chances of federal approval of the State’s application for federal relief. Assuming that Maryland is able to meet the federal disaster assistance threshold for reimbursement, the federal government will reimburse the State of Maryland for 75% of eligible costs. According to the Maryland Emergency Management Agency (MEMA), State agencies such as the Maryland Department of Transportation will have to complete a public assistance worksheet in order to obtain federal relief. MEMA reports that agencies assisting in the emergency efforts will be responsible for absorbing the remaining 25% matching requirement within their own budgets. **The department should comment on the timeframe for obtaining federal relief for the recent snow storms, including whether the State is likely to meet the criteria to receive federal reimbursement. Lastly, the department should comment on the projected statewide costs of the recent snowstorms.**

2. Public Safety Interoperable Communications Grant

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 is 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 Maryland Emergency Management Agency’s fiscal 2010 appropriation included approximately \$23 million in grant funds to support 18 new projects providing interoperability communications throughout the State. **The department should update the committees on what progress has been made regarding this effort. The department should also provide a county-by-county allocation of Public Safety Interoperable Communication grant funds.**

Recommended Actions

1. Add the following language:

Provided that a reduction of \$66,600 is made for deferred compensation (comptroller subobject 0172). This reduction shall be allocated among the divisions according to the following fund types:

<u>Fund</u>	<u>Amount</u>
<u>General</u>	<u>\$36,856</u>
<u>Federal</u>	<u>\$29,744</u>

Explanation: Funding for deferred compensation was inadvertently budgeted in the fiscal 2011 allowance. The total reduction should be split as indicated above among general and federal funds.

2. Add the following language:

Further provided that a reduction of \$74,000 is made for telephone expenses (comptroller subobject 302). This reduction shall be allocated among the divisions according to the following fund types:

<u>Fund</u>	<u>Amount</u>
<u>General</u>	<u>\$21,705</u>
<u>Federal</u>	<u>\$52,295</u>

Explanation: This action reduces the Military Department’s fiscal 2011 allowance for telephone expenditures. The total reduction should be split as indicated above among general and federal funds.

3. Add the following language:

Provided that the appropriation made for the purpose of the Freestate Challenge Academy (subprogram 5500) shall be deleted from this budget. The reduction shall include the abolition of 33 positions and \$2,939,112 in general and federal funds. The reduction shall be allocated among the following fund types:

<u>Fund</u>	<u>Amount</u>
<u>General</u>	<u>\$1,121,961</u>

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Federal \$1,817,151

Explanation: Twice a year, the department runs the Freestate Challenge Academy for 100 at-risk students. In an effort to eliminate duplicative services statewide, funding for the Freestate Challenge program should be deleted given that the services provided by the academy are similar in nature to services provided by the Department of Natural Resources (Civil Justice Corps).

	<u>Amount</u>	
	<u>Reduction</u>	
4. Reduce allowance for in-state travel expenses based on fiscal 2009 actual expenditures plus inflation. This reduction will appropriate \$58,596. This reduction shall be allocated among the divisions.	\$ 5,500	GF
	\$ 5,500	FF
5. Delete funding for tuition assistance. Given the current fiscal environment, the State should consider eliminating these funds as a cost containment measure.	\$ 300,000	GF
6. Reduce allowance for office supplies. This action will restore a portion of the cost containment reductions made by the Board of Public Works. If adopted, this action will appropriate \$45,595 for office supplies in fiscal 2011.	\$ 4,553	GF
	\$ 3,447	FF
Total Reductions	\$ 319,000	
Total General Fund Reductions	\$ 310,053	
Total Federal Fund Reductions	\$ 8,947	

Updates

1. Trustee’s Relief Account

The 2009 *Joint Chairmen’s Report* (JCR) directed MSFA to submit an annual report on the Trustee’s Relief Account (Widows and Orphans Fund). At a minimum, the report was to include (1) the total number of disability or death benefit applicants; (2) the number of disability or death benefit recipients; and (3) the amount of funding.

According to the report, the number of widowers receiving a monthly benefit of \$475 at the conclusion of fiscal 2009 was 38. MSFA reported that the number of beneficiaries at year-end decreased by 2 as a result of 4 beneficiary deaths and two additional line of duty deaths during fiscal 2009. The spouses of the two firemen killed in the line of duty also received a one-time payment of \$6,000.

MSFA also reported that four dependent children received a monthly benefit of \$300 during fiscal 2009. These payments were made to the children of the two firemen that were killed in the line of duty during fiscal 2009. According to MSFA, no educational benefits were disbursed during fiscal 2009.

Lastly, the report noted that there were three line of duty injuries at the conclusion of fiscal 2009. This number was down from the nine disability recipients reported at the start of the fiscal year. Disabled firemen received a monthly benefit of \$525.

2. Audit of the Volunteer Company Assistance Fund and the Fire Truck Revolving Loan Fund

The 2008 JCR included committee narrative directing the Office of Legislative Audits (OLA) to review the MSFA grant program and to submit a report documenting the outstanding loans in the VCAF and the Fire Truck Revolving Loan Fund (FTRLF); fund receivables and balances in each fund; and loan repayment schedules. The narrative further requested that OLA submit a report of its review to the budget committees by November 2008.

In letters dated September 29, 2008, and December 17, 2008, OLA informed the budget committees that its initial inquiry with the department disclosed that the applicable fund records were incomplete and that the department would have to reconstruct the loan records received from the MSFA before OLA could proceed with its review. Accordingly, the budget committees granted OLA an extension until November 2009.

In correspondence dated November 2, 2009, OLA informed the budget committees that the department had substantially reconstructed the loan records (including repayment schedules) for the VCAF and the FTRLF and had established the required fund receivables and related cash balance. OLA reported that as of October 8, 2009, the outstanding loan receivables of the VCAF and FTRLF

totaled approximately \$8.5 million and \$710,000, respectively. Additionally, the combined cash balance of the funds totaled approximately \$4.5 million. Lastly, OLA noted that while other issues raised in its September 2008 letter had been resolved, several open items remained. Most notably, that MSFA had not transferred approximately \$57,000 that was identified by the department as due to the State. According to the Military Department, subsequent to the audit, MSFA paid the \$57,000 due to the State.

3. Maryland State Firemen’s Association Grant Program Detail Included in the Fiscal 2011 Budget Books

The fiscal 2010 budget bill restricts \$500,000 of the general fund appropriation for the Department of Budget and Management (DBM) and the Military Department until DBM and the Military Department clearly enumerate the expenditures and the revenue sources for the MSFA grant program in the fiscal 2011 budget volumes. 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.

As is customary, DLS received copies of the budget book volumes for the upcoming fiscal year in January. Upon review, DLS noted that the fiscal 2011 budget book volumes, do, in fact, provide the line item detail of the MSFA grant program as requested by the General Assembly (See *Maryland Operating Budget Volume I, Fiscal 2011*, page 314).

4. Funding for the VCAF Is Expected to Approach the Statutory Limit by Fiscal 2021

Chapter 136 of 2005 stipulates that appropriations to the VCAF shall cease after fiscal 2021 or after the State has contributed \$20 million to the fund. 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 has generated approximately \$2.7 million since fiscal 2007. This revenue enhancement was expected to shorten the length of time it would take to reach the \$20.0 million cap. However, as previously discussed, the BRFA of 2010 authorizes the transfer of 100% of the surcharges collected under Chapter 416 to the general fund for fiscal 2010 through 2012. Assuming that the legislation is enacted, and the State resumes appropriating \$1.0 million annually to the VCAF beginning in fiscal 2013, the State’s obligation would be extended by three years to fiscal 2021. (see **Appendix 4**).

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 2009					
Legislative Appropriation	\$16,688	\$12,926	\$50,815	\$0	\$80,429
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	172	583	0	0	755
Cost Containment	-1,783	0	-79	0	-1,862
Reversions and Cancellations	-1	-11	-3,461	0	-3,473
Actual Expenditures	\$15,076	\$13,498	\$47,275	\$0	\$75,849
Fiscal 2010					
Legislative Appropriation	\$15,055	\$12,799	\$72,391	\$0	\$100,245
Cost Containment	-1,435	0	-608	0	-2,043
Budget Amendments	0	0	0	0	0
Working Appropriation	\$13,620	\$12,799	\$71,783	\$0	\$98,202

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

Fiscal 2009

In fiscal 2009, the total budget for the department decreased by approximately \$4.6 million. The general fund appropriation decreased by a net \$1.6 million due to a \$172,000 increase in funding via budget amendments and a \$1.8 million reduction in general fund expenditures.

The general fund appropriation decreased by \$1.6 million due to the following:

- a \$161,000 COLA that was centrally budgeted in the Department of Budget and Management;
- an annual salary review increase for engineers and scientists (\$11,000);
- a reduction in funding for soldier reintegration services (\$450,000);
- across-the-board reductions in health insurance, Other Post Employment Benefits, and travel (\$372,000);
- a reduction in facility repair and maintenance funding (\$283,000);
- a reduction in tuition assistance (\$250,000);
- the abolishment of 17 vacant positions within the department (\$248,000);
- a reduction in personnel expenses due to statewide furloughs (\$117,820);
- a reduction in contractual payroll expenses for employees at distance learning sites (\$50,000); and
- a reduction in cell phone expenses (\$12,000).

Additionally, there was a general fund reversion of \$943 due to unrealized operating expenses.

The special fund appropriation increased by \$583,144 over the fiscal 2009 legislative appropriation. A portion of the special fund increase, which was derived from income received from armory rentals, was used for contractual salary expenses (\$50,000) and facility operations and maintenance (\$140,000). The remaining \$393,144 in special funds was used to reimburse the department for expenses associated with the Maryland Youth Challenge Program. There was also a special fund cancellation of \$10,667 due to unrealized operating expenses.

The federal fund appropriation decreased by \$78,782 due to cost containment actions taken by BPW. This decrease was the result of a reduction in health insurance expenditures. Additionally, the

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department cancelled \$3.5 million in federal funds due to an overestimate of public assistance grant funds.

Fiscal 2010

The total budget for the department decreased by \$2,042,561. This decrease was due to the following cost containment reductions:

- a reduction in various operating expenses throughout the department (\$1,152,000);
- the implementation of employee furloughs (\$237,711);
- a reduction in funding for tuition assistance (\$200,000);
- a reduction in contractual payroll expenses at distance learning sites (\$182,000);
- a delay in the replacement of air conditioning units at several armories (\$150,000);
- a reduction in funding for soldier reintegration services (\$100,000); and
- an across-the-board reduction in salaries and wages (\$20,850).

**Object/Fund Difference Report
Military Department**

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	374.50	359.50	353.50	-6.00	-1.7%
02 Contractual	44.50	18.00	17.00	-1.00	-5.6%
Total Positions	419.00	377.50	370.50	-7.00	-1.9%
Objects					
01 Salaries and Wages	\$ 20,400,001	\$ 20,081,680	\$ 20,992,485	\$ 910,805	4.5%
02 Technical and Spec. Fees	1,796,773	677,982	628,584	-49,398	-7.3%
03 Communication	673,216	752,804	627,235	-125,569	-16.7%
04 Travel	265,611	167,315	69,596	-97,719	-58.4%
06 Fuel and Utilities	3,897,142	4,111,910	3,387,370	-724,540	-17.6%
07 Motor Vehicles	644,081	250,527	238,754	-11,773	-4.7%
08 Contractual Services	6,531,576	2,890,184	3,245,311	355,127	12.3%
09 Supplies and Materials	1,447,601	492,442	715,166	222,724	45.2%
10 Equipment – Replacement	405,769	53,471	89,679	36,208	67.7%
11 Equipment – Additional	30,204	35,572	34,682	-890	-2.5%
12 Grants, Subsidies, and Contributions	35,431,411	64,590,632	41,606,039	-22,984,593	-35.6%
13 Fixed Charges	174,668	352,936	322,456	-30,480	-8.6%
14 Land and Structures	4,151,795	3,744,910	3,912,910	168,000	4.5%
Total Objects	\$ 75,849,848	\$ 98,202,365	\$ 75,870,267	-\$ 22,332,098	-22.7%
Funds					
01 General Fund	\$ 15,075,887	\$ 13,620,041	\$ 13,295,997	-\$ 324,044	-2.4%
03 Special Fund	13,498,744	12,799,267	12,799,267	0	0%
05 Federal Fund	47,275,217	71,783,057	49,775,003	-22,008,054	-30.7%
Total Funds	\$ 75,849,848	\$ 98,202,365	\$ 75,870,267	-\$ 22,332,098	-22.7%

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary
Military Department**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
01 Administrative Headquarters	\$ 3,683,861	\$ 2,484,920	\$ 2,954,808	\$ 469,888	18.9%
02 Air Operations and Maintenance	5,039,198	5,486,697	5,095,910	-390,787	-7.1%
03 Army Operations and Maintenance	15,146,734	10,834,559	11,086,388	251,829	2.3%
05 State Operations	5,816,753	5,200,443	5,638,571	438,128	8.4%
06 Maryland Emergency Management Agency	46,163,302	74,195,746	51,094,590	-23,101,156	-31.1%
Total Expenditures	\$ 75,849,848	\$ 98,202,365	\$ 75,870,267	-\$ 22,332,098	-22.7%
General Fund	\$ 15,075,887	\$ 13,620,041	\$ 13,295,997	-\$ 324,044	-2.4%
Special Fund	13,498,744	12,799,267	12,799,267	0	0%
Federal Fund	47,275,217	71,783,057	49,775,003	-22,008,054	-30.7%
Total Appropriations	\$ 75,849,848	\$ 98,202,365	\$ 75,870,267	-\$ 22,332,098	-22.7%

Note: The fiscal 2010 appropriation does not include deficiencies.

Volunteer Company Assistance Fund Forecast
Fiscal 2001-2021
(\$ in Thousands)

	<u>Actual</u> <u>2001</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Actual</u> <u>2004*</u>	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2006</u>	<u>Actual</u> <u>2007</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2009</u>	<u>Est.</u> <u>2010</u>	<u>Est.</u> <u>2011</u>	<u>Est.</u> <u>2012</u>	<u>Est.</u> <u>2013</u>	<u>Est.</u> <u>2014</u>	<u>Est.</u> <u>2015</u>	<u>Est.</u> <u>2016</u>	<u>Est.</u> <u>2017</u>	<u>Est.</u> <u>2018</u>	<u>Est.</u> <u>2019</u>	<u>Est.</u> <u>2020</u>	<u>Est.</u> <u>2021</u>	<u>Total</u>	
MEMSOF	\$500	\$1,000	\$1,000	\$6,004	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,504
Moving Violations Surcharge	0	0	0	0	0	0	488	1,094	1,143	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	771	\$14,496
2010 BRFA Transfer	0	0	0	0	0	0	0	0	0	-1,000	-1,000	-1,000	0	0	0	0	0	0	0	0	0	0	-\$3,000
Total	\$500	\$1,000	\$1,000	\$6,004	\$0	\$0	\$488	\$1,094	\$1,143	\$0	\$0	\$0	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$771	\$20,000

BRFA: Budget Reconciliation and Financing Act
MEMSOF: Maryland Emergency Systems Operations Fund

*\$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