

D50H01
Military Department

Operating Budget Data

	(\$ in Thousands)				
	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$12,030	\$12,324	\$12,267	-\$57	-0.5%
Contingent & Back of Bill Reductions	0	-313	-105	208	
Adjusted General Fund	\$12,030	\$12,011	\$12,162	\$151	1.3%
Special Fund	14,473	12,999	14,762	1,763	13.6%
Adjusted Special Fund	\$14,473	\$12,999	\$14,762	\$1,763	13.6%
Federal Fund	113,657	51,131	47,537	-3,594	-7.0%
Contingent & Back of Bill Reductions	0	0	-154	-154	
Adjusted Federal Fund	\$113,657	\$51,131	\$47,383	-\$3,748	-7.3%
Reimbursable Fund	216	350	0	-350	-100.0%
Adjusted Reimbursable Fund	\$216	\$350	\$0	-\$350	-100.0%
Adjusted Grand Total	\$140,375	\$76,491	\$74,306	-\$2,185	-2.9%

- The Governor's proposed budget includes a \$22,000 negative fiscal 2014 deficiency of general funds for a management associate position. These funds are replaced by federal funds.
- The fiscal 2015 allowance decreases by \$2.2 million, or 2.9%, compared to the fiscal 2014 working appropriation. General funds increase by a net change of \$151,000, or 1.3%, when adjusted for across-the-board and contingent reductions.
- Special funds increase by \$1.8 million, or 13.6%, predominantly due to a \$1.7 million increase in the Senator William H. Amoss Fire, Rescue, and Ambulance Fund per Chapter 429 of 2013.

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

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- Federal funds decrease by a net change of \$3.8 million, or 7.3%, when adjusted for across-the-board and contingent reductions. A \$5.0 million decrease in grant funding passed through to local jurisdictions accounts for most of this reduction.
- Reimbursable funds decrease by \$350,000, or 100.0%, due to elimination of one-time funding from the Department of Health and Mental Hygiene for training and exercises.

Personnel Data

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>
Regular Positions	321.50	319.50	319.50	0.00
Contractual FTEs	<u>52.00</u>	<u>13.00</u>	<u>13.00</u>	<u>0.00</u>
Total Personnel	373.50	332.50	332.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	24.28	7.60%
Positions and Percentage Vacant as of 12/31/13	56.00	17.53%

- There are no position changes in the fiscal 2015 allowance.
- The turnover rate of 7.6% requires the department to maintain 24.28 vacant positions to achieve the necessary savings. As of December 2013, the department had 56.0 vacant positions, or 17.53%, well above the necessary vacancies. The program with the most vacancies is Army Operations and Maintenance (AO&M) with 24.5 positions. The majority of vacancies for AO&M is related to maintenance. The Maryland Emergency Management Agency (MEMA) had 8.0 vacancies on December 31, 2013; MEMA has reorganized under new leadership and has focused on filling vacant positions.

Analysis in Brief

Major Trends

National Guard Troop Strength Exceeds Goals: The Maryland National Guard (MDNG) has a goal of reaching 90% of the federally defined authorized troop strength. Prior to fiscal 2009, MDNG had not met this goal since fiscal 2002. In fiscal 2013, troop strength was at 93%, exceeding the 90% goal. MDNG expects this trend to continue.

National Guard Facilities Fail to Reach Maintenance Goals: All MDNG facilities and real property support the operational and training needs of MDNG and the ability to respond to State and local emergencies. The Military Department has a goal of maintaining 95% or more of the Army Guard facilities in a fully functional status in compliance with National Guard Bureau (NGB) requirements. In fiscal 2013, the department fell short of this goal with only 75% of facilities meeting this status.

MEMA Exceeds Exercise Objectives in Most Categories: As part of the Maryland Preparedness System, MEMA has a goal of establishing, implementing, and executing homeland security exercises for State and local emergency management partners. As of December 31, 2013, MEMA is reaching or exceeding objectives for most exercise categories. **The Department of Legislative Services (DLS) recommends adopting committee narrative requesting that MEMA submit a report to the budget committees by January 31, 2015 comparing emergency training and exercises conducted versus agency objectives.**

Issues

State Losing Federal Fund Match for Maintenance: One of the responsibilities of the Military Department is to build and maintain the armories and other facilities used by MDNG. Through a cooperative agreement with NGB, maintenance funding is split between federal and State funds, depending on the facility. In previous years, the State has provided general funds to maintain National Guard facilities, but the Military Department has not received general funds for facility maintenance since fiscal 2010 due to statewide cost containment. By not providing general funds for facility maintenance, the Military Department is unable to leverage federal funds for maintenance costs. The fiscal 2015 allowance authorizes \$240,000 in general funds and anticipates a \$2 million federal match. **DLS recommends adopting committee narrative expressing intent that the Governor continue to provide sufficient funds for maintenance in future fiscal years in order to obtain matching federal funds.**

Amoss Fund Audit Findings and Workgroup Recommendations: The DLS Office of Legislative Audits (OLA) published a fiscal compliance audit for the Military Department in May 2013, reviewing the period beginning September 17, 2009, and ending May 13, 2012. The audit disclosed nine findings, with two of the audit findings involving the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (Amoss Fund). The audit found that funding was not withheld from

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jurisdictions that failed to meet maintenance of effort requirements and that the Military Department did not establish progressive actions to be taken when fire departments used funds for ineligible expenditures. Chapter 332 of 2013 established a Workgroup to Study the Laws and Policies Related to the Distribution of Money to Volunteer and Career Companies. The audit findings and concerns of all the workgroup members were discussed. SB 254 of 2014 reflects the recommendations of the workgroup. **The Military Department should discuss the actions taken to address the audit findings, as well as the recommendations of the workgroup.**

Maryland State Firemen’s Association Widows and Orphans Fund Audit Finding: In addition to the findings pertaining to the Amoss Fund, the Military Department audit published by OLA in May 2013 also had one finding involving the Maryland State Firemen’s Association (MSFA) Widows and Orphans Fund. The audit found that the Military Department did not ensure that annual grants to MSFA were spent as intended. In addition, MSFA had only disbursed \$264,640 of the \$275,000 in grant funds received during fiscal 2012 and had an unexpended cash balance of \$311,185 as of June 30, 2012. State law does not address whether MSFA has the authority to retain these unspent grant funds. **The Military Department should discuss the decisions and actions taken to address this audit finding.**

Recommended Actions

1. Adopt committee narrative requesting a report on emergency training and exercises conducted by the Maryland Emergency Management Agency versus agency objectives.
2. Adopt committee narrative expressing intent that the Governor continue to provide sufficient general funds for maintenance to obtain matching federal funds.

Updates

State Emergency Operations Center Redesign Complete in Calendar 2014: In 2010, a redesign plan for the State Emergency Operations Center (SEOC) was approved because the facility was determined to be physically and technologically outdated. Renovation of SEOC involves installation of new information technology hardware; renovation of the physical space; and the upgrade of audiovisual equipment, furniture, and infrastructure. The project plan anticipated a completion date of May 2014, and the project is currently on track to hit that date.

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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. MDNG may be called up by the Governor during State emergencies or may be activated by the federal Department of Defense (DoD). The Military Department also operates the Maryland Emergency Management Agency (MEMA). MEMA is responsible for statewide emergency response activities.

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. DoD, 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:

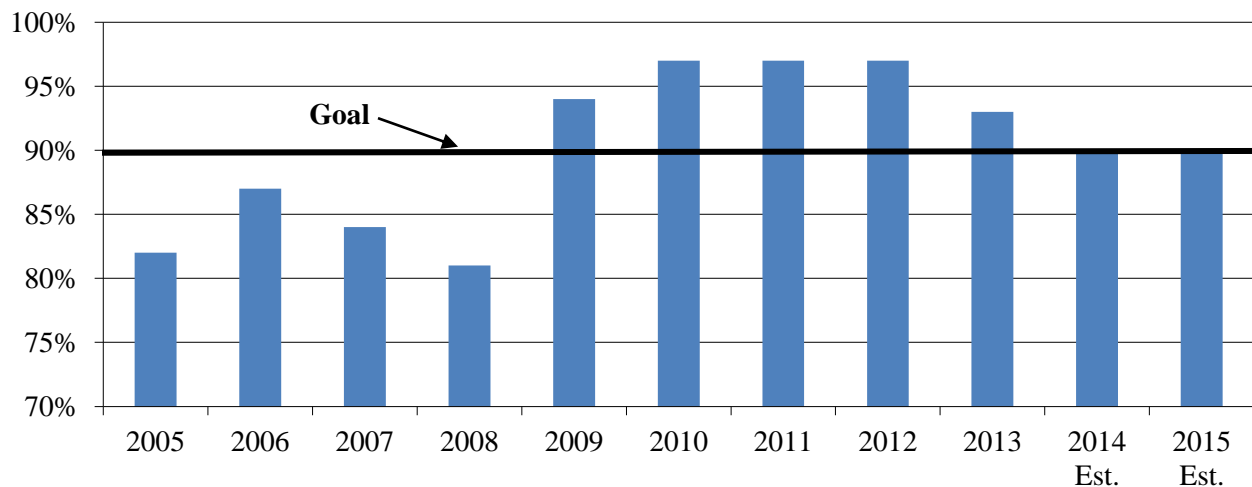
- ensure proper readiness for its missions;
- maintain all facilities so that they are adequate for training and supporting MDNG in its operations;
- successfully operate the Military Youth Challenge Program for at-risk youth; and
- develop and maintain the capability to perform the 13 emergency management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

Performance Analysis: Managing for Results

1. National Guard Troop Strength Exceeds Goals

MDNG has a goal of reaching 90% of the federally defined authorized troop strength. Prior to fiscal 2009, MDNG had not met this goal since fiscal 2002. In recent years, the guard has been heavily relied upon for activations and extended overseas tours of duty in combat zones. The increase in deployments had taken a toll on the department’s recruitment and retention efforts. However, in fiscal 2013, troop strength was at 93%, exceeding the 90% goal (see **Exhibit 1**). MDNG expects this trend to continue.

Exhibit 1
Authorized Troop Strength
Fiscal 2005-2015 Est.

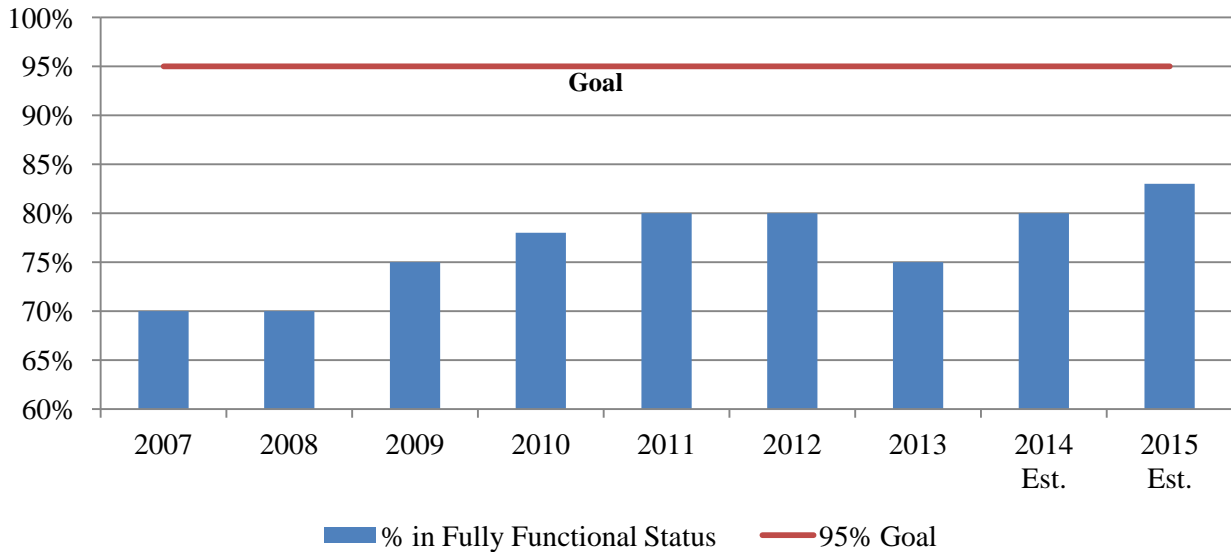


Source: Governor’s Budget Books, Fiscal 2007-2015

2. National Guard Facilities Fail to Reach Maintenance Goals

All MDNG facilities and real property support the operational and training needs of MDNG and the ability to respond to State and local emergencies. The department has a goal of maintaining 95% or more of the Maryland Army Guard facilities in a fully functional status in compliance with NGB requirements. In fiscal 2011 and 2012, the department fell short of this goal with only 80% of facilities meeting this status. In fiscal 2013, only 75% of facilities were considered fully functional. **Exhibit 2** shows the percent of Army Guard facilities in fully functional status from calendar 2007 through 2015. The department believes that generally the reason for falling short of the goal is the average age of the facilities. In addition, reduction of maintenance funding due to cost containment has resulted in backlogged maintenance projects.

Exhibit 2
Army National Guard Facilities in Fully Functional Status
Fiscal 2007-2015 Est.



Note: The Maryland Army National Guard has an objective of maintaining 95% of the facilities in a fully functional status in compliance with National Guard Bureau requirements.

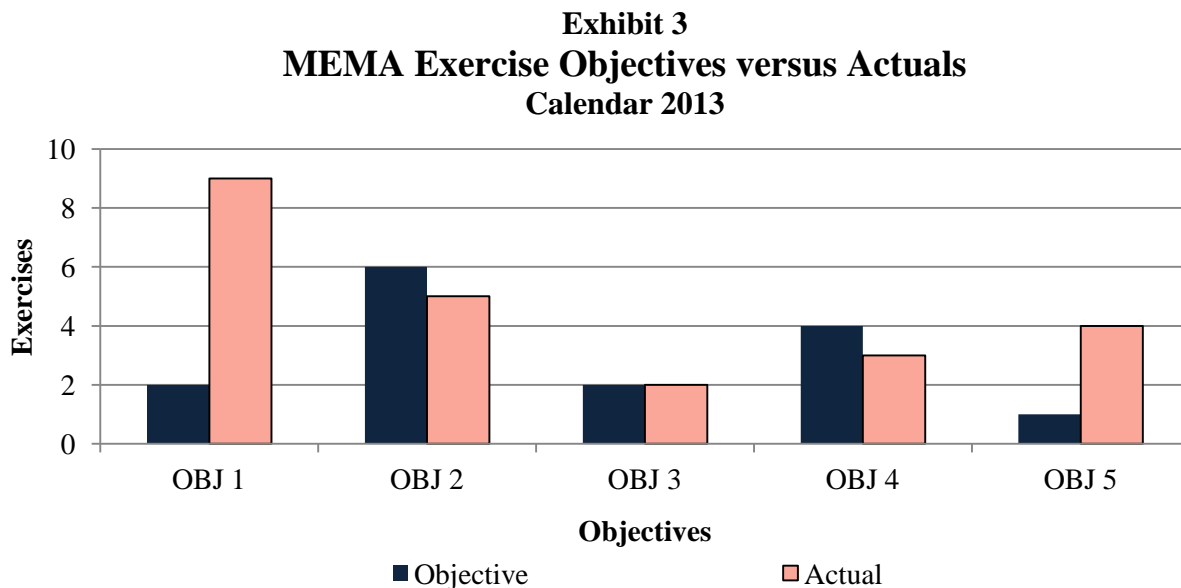
Source: Governor’s Budget Books, Fiscal 2009-2015

3. MEMA Exceeds Exercise Objectives in Most Categories

As part of the Maryland Preparedness System, MEMA has a goal of establishing, implementing, and executing homeland security exercises for State and local emergency management partners. MEMA has five annual exercise objectives, including:

- Objective 1 – to lead bi-annual staff exercises;
- Objective 2 – to lead 1 exercise per region per year (total of six regions);
- Objective 3 – to lead bi-annual State exercises;
- Objective 4 – to lead quarterly Governor exercises; and
- Objective 5 – to support National Capital Region (NCR) exercises.

Exhibit 3 compares the exercise objectives to those that MEMA actually conducted. As shown in the exhibit, MEMA is reaching or exceeding most of the objectives for exercises in calendar 2013.



MEMA: Maryland Emergency Management Agency

Source: Maryland Emergency Management Agency

The Department of Legislative Services (DLS) recommends adopting committee narrative requesting that MEMA submit a report to the budget committees by January 31, 2015 comparing emergency training and exercises conducted versus agency objectives.

Fiscal 2014 Actions

Cost Containment

There are three across-the-board withdrawn appropriations. This includes reductions to the employee/retiree health insurance, funding for a new Statewide Personnel information technology (IT) system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology (DoIT), and the State Retirement Agency (SRA), respectively.

There is one \$22,000 negative fiscal 2014 deficiency of general funds for the Military Department for a management associate position. These funds are replaced by federal funds.

Proposed Budget

The fiscal 2015 allowance decreases by a net change of \$2.2 million, or -2.9%, when adjusted for across-the-board and contingent reductions, as shown in **Exhibit 4**. General funds increase by a net change of \$151,000, or 1.3%. Special funds increase by \$1.8 million, or 13.6%, primarily due to a \$1.7 million increase in the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (Amoss Fund). Federal funds decrease by a net change of \$3.8 million, or -7.3%, primarily due to a \$5.0 million decrease in federal grants passed through to local jurisdictions.

Exhibit 4
Proposed Budget
Military Department
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2014 Working Appropriation	\$12,011	\$12,999	\$51,131	\$350	\$76,491
2015 Allowance	<u>12,162</u>	<u>14,762</u>	<u>47,383</u>	<u>0</u>	<u>74,306</u>
Amount Change	\$151	\$1,763	-\$3,748	-\$350	-\$2,185
Percent Change	1.3%	13.6%	-7.3%	-100.0%	-2.9%

Where It Goes:

Personnel Expenses

Annualization of fiscal 2014 cost-of-living adjustment and increments.....	\$601
Turnover adjustments.....	147
Employee retirement and LEOPS, net of contingent reduction	26
Other fringe benefit adjustments.....	-14
Increments and other compensation.....	-211
Employee and retiree health insurance, adjusted for across-the-board reduction.....	-568

Other Changes

Senator William H. Amoss Fire, Rescue, and Ambulance Fund	1,700
Facility maintenance	960
Oil and natural gas fuel	280
Communication	175
Other.....	105
Maryland Environmental Service charges	87
Building and household.....	77

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Where It Goes:

Maryland State Firemen’s Association	-200
Elimination of one-time funding from DHMH for training and exercises.....	-350
Federal grants passed through to local jurisdictions	-5,000
Total	-\$2,185

DHMH: Department of Health and Mental Hygiene
LEOPS: Law Enforcement Officers’ Pension System

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2015 Cost Containment

There is one across-the-board reduction and one contingent reduction reflected in the Governor’s spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses for DBM – Personnel and SRA.

Personnel Costs

The department’s regular earnings decrease by \$211,000 in fiscal 2015 compared with the fiscal 2014 working appropriation, while annualization of fiscal 2014 cost-of-living adjustments (COLA) and increments result in a \$601,000 increase. Health insurance decreases by net of \$568,000 when adjusted for across-the-board reductions. Employee retirement costs increase by \$26,000 net of a contingent reduction. Turnover adjustments increase by \$147,000.

Senator William H. Amoss Fire, Rescue, and Ambulance Fund

Title 8, Subtitle 1 of the Public Safety Article established the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (Amoss Fund) for grants to local jurisdictions for the purchase of fire and rescue equipment and facility rehabilitation. These grants are administered by MEMA, and allocations are made according to each county’s percentage of total property tax assessments. The Amoss Fund has received \$10.0 million in funding from the Maryland Emergency Medical System Operations Fund (MEMSOF) since fiscal 2000. During the 2013 session, an increase in the motor vehicle registration fee supporting MEMSOF was included in the Transportation Infrastructure Act (Chapter 429) in order to sustain the long-term viability of the fund and enhance funding provided to the user agencies. One of the user enhancements was to increase the Amoss Fund to a total of \$15.0 million by fiscal 2017, with a gradual phase-in starting in fiscal 2015. The fiscal 2015 allowance reflects \$11.7 million as the first part of the three-year phased-in increase. (**Appendix 3** compares the Amoss Fund allocation for the fiscal 2015 allowance to the fiscal 2014 appropriation.)

Maryland State Firemen’s Association

The Maryland State Firemen’s Association (MSFA) has received \$200,000 in general funds annually since fiscal 2010 to support its operations. Since fiscal 2013, this cost has been covered by the revenue collected from the \$7.50 moving violation surcharge, per Chapter 1 of the First Special Session of 2012. Though fiscal 2013 and 2014 include the \$200,000 from this fund source to MSFA, the fiscal 2015 allowance does not. **The Administration will need to include the omitted but mandated appropriation in a supplemental budget.**

Budget Reconciliation and Financing Act of 2014

The Budget Reconciliation and Financing Act of 2014 contains a provision that proposes to also fund the MSFA Trustee’s Relief Account (Widows and Orphans Fund) from the moving violation surcharge. This provision swaps \$275,000 in general fund expenditures for special funds from the moving violation surcharge.

Issues

1. State Losing Federal Fund Match for Maintenance

One of the responsibilities of the Military Department is to build and maintain the armories and other facilities used by MDNG. Through a cooperative agreement with NGB, maintenance funding is split between federal and State funds, depending on the facility. In previous years, the State has provided general funds to maintain National Guard facilities, but the Military Department has not received general funds for facility maintenance since fiscal 2010 due to statewide cost containment. By not providing general funds for facility maintenance, the department is unable to leverage federal funds for maintenance costs.

Federal funding has dropped substantially since fiscal 2010, as shown by **Exhibit 5**. As a result of the general fund elimination, the federal fund match has decreased from \$1.1 million in fiscal 2009 to \$47,000 in fiscal 2013. Preventative and ongoing maintenance have been deferred in lieu of emergency maintenance as funds are available; fiscal 2010 through 2013 show general funds pulled from another source to conduct emergency facility maintenance.

As a result of maintenance funding reductions, the facilities have suffered, and the maintenance backlog continues to increase. As discussed previously, only 75% of Maryland Army Guard facilities were considered in fully functional status in compliance with NGB requirements in fiscal 2013. The fiscal 2015 allowance provides \$240,000 in general funds and anticipates a \$2.0 million federal match. This funding is similar to actual maintenance expenditures in fiscal 2008 and 2009, which resulted in federal funding matches of \$307,000 and \$1.1 million, respectively.

DLS recommends committee narrative expressing intent that the Governor continue to provide general funds for maintenance in future fiscal years in order to obtain matching federal funds.

Exhibit 5
Facility Maintenance Funding
Fiscal 2007-2015

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Appropriations									
General Fund	\$654,000	\$304,000	\$350,893	\$0	\$0	\$0	\$0	\$0	\$240,000
Federal Fund	936,910	936,910	1,287,910	1,119,910	1,287,910	1,287,910	1,287,910	1,287,910	2,007,910
Total	\$1,590,910	\$1,240,910	\$1,638,803	\$1,119,910	\$1,287,910	\$1,287,910	\$1,287,910	\$1,287,910	\$2,247,910
Actual Expenditures									
General Fund	\$593,047	\$225,288	\$255,695	\$81,474	\$22,377	\$11,787	\$23,524		
Federal Fund	689,520	307,375	1,067,168	723,176	315,345	211,369	46,492		
Total	\$1,282,567	\$532,663	\$1,322,863	\$804,650	\$337,722	\$223,156	\$70,016		

Source: Governor's Budget Books, Fiscal 2007-2015

2. Amoss Fund Audit Findings and Workgroup Recommendations

2013 Military Department Audit

The DLS Office of Legislative Audits (OLA) conducts audits on State agencies in the Executive and Judicial Branches as well as other entities, as requested by the General Assembly of Maryland. In May 2013, OLA published a fiscal compliance audit for the Military Department, reviewing the period beginning September 17, 2009, and ending May 13, 2013. The audit disclosed nine findings (all findings are summarized in **Appendix 2**). Two of the audit findings involved the Amoss Fund. The audit found the following:

- Funding was not withheld from jurisdictions that failed to meet maintenance of effort (MOE) requirements (*i.e.*, each fiscal year, a county must make expenditures for fire protection from its own funds that are equal to the average amount of expenditures for fire protection during the three preceding fiscal years). The Military Department argued that the actual language in the law could not be followed. The department received an Office of Attorney General opinion that stated that it would not be possible to withhold funds since the minimum expenditure requirements cannot be determined until year-end, after funds have been disbursed to the jurisdictions. The department recommended a remedy to amend the language in the statute to meet what appears to be the intent of the General Assembly. As follow up, the department sent a letter to each jurisdiction explaining the minimum requirements, whether the jurisdiction was currently in compliance, and reaffirming that the department may penalize jurisdictions not in compliance starting in fiscal 2015, barring any changes to the statute.

According to the fiscal 2012 MOE (compared to the three-year average of fiscal 2009, 2010, and 2011), 11 of the 24 jurisdictions did not meet MOE requirements; jurisdictions missed MOE by a range of 2.9 to 63.2%. The fiscal 2013 MOE calculation was not available at the time the analysis was written.

- The Military Department did not establish progressive actions to be taken when fire departments used funds for ineligible expenditures. The department agreed to expand testing and require corrective action plans of the counties where deficiencies were noted, to the extent that resources were available. However, the department argued that funds may only be withheld from noncompliant counties; there is no provision within the statute that would allow the department to withhold funding from fire companies. The department agreed to forward the audit findings and recommendations to the Amoss Fund workgroup established by Chapter 332 of 2013.

Amoss Fund Workgroup

Chapter 332 established a Workgroup to Study the Laws and Policies Related to the Distribution of Money to Volunteer and Career Companies (Amoss Fund workgroup). The workgroup convened August 22, October 9, November 6, and November 19, 2013. A final report

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was submitted November 27, 2013. The audit findings, as well as concerns of all the workgroup members, were taken into consideration. SB 254 of 2014 reflects the recommendations of the workgroup.

The highlights of the legislation include the following revisions to current statute:

- expands the list of defined terms to provide greater clarity for the Military Department and grant recipients;
- excludes capital expenditures from the definition of expenditures for fire protection. Doing so removes large, one-time capital purchases from the MOE calculation;
- excludes accounting and financial reporting expenses related to the administration of the Amoss Fund from the definition of “administrative costs” to allow fire companies to use Amoss funds for this purpose;
- authorizes the State Treasurer to make a single disbursement of Amoss funds to counties each November as opposed to quarterly disbursements;
- expands the list of permissible uses of Amoss funds to include:
 - the installation of life safety and fire protection systems at emergency medical services (EMS) facilities;
 - the acquisition of land that is adjacent to an existing EMS facility if the land is acquired for the purpose of rehabilitating the facility; and
 - the acquisition of machinery and telecommunications devices, if used exclusively for fire protection, rescue, and ambulance services.
- specifies that the funding carved out for volunteer EMS companies should be distributed based on need;
- clarifies that a municipal corporation’s expenditures for fire protection includes revenues appropriated to volunteer EMS companies (as opposed to just career EMS companies);
- clarifies that a county is responsible for distributing Amoss funds that are allocated for fire protection to municipal corporations (as opposed to the Military Department);
- requires the State Fire Marshal and the Executive Director of the Maryland Institute for Emergency Medical Services Systems to certify to the Military Department whether a county has participated in the Maryland Fire Incident Reporting and the Ambulance Information systems;

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- authorizes the Military Department to withhold Amoss funds allocated for the next fiscal year from a county if the county does not comply with the MOE requirement, and that the Military Department shall automatically withhold Amoss funds from a county if:
 - the county fails to comply with the MOE requirement for two consecutive fiscal years; and
 - the county has not received a waiver from the MOE requirement from BPW or the General Assembly.
- specifies that the penalty for failing to meet the MOE requirement is the percentage by which the county failed to meet the requirement during the preceding fiscal year (as opposed to the current fiscal year);
- authorizes a county to seek a waiver of the MOE requirement from BPW or the General Assembly if the county's fiscal condition significantly impedes its ability to fund the MOE requirement;
- outlines the process and timeframe for seeking an MOE waiver and the factors that must be considered by BPW for making a waiver determination;
- requires BPW to establish policies and procedures for permitting a county to request a waiver to rebase the MOE calculation if a county has requested and received an MOE waiver from BPW for five consecutive years;
- provides that Amoss funds shall be audited or accounted for in a format developed by the Military Department;
- prohibits a volunteer fire, rescue, or ambulance company from entering into a legal obligation to encumber money received from the Amoss Fund for more than two years without prior approval from the county;
- authorizes a county to reallocate Amoss funds if a written agreement to encumber money between a county and a volunteer fire department becomes null and void;
- authorizes a county or municipality to deposit Amoss funds in a bank account with other county or municipal funds (as opposed to keeping the funds in a separate bank account);
- clarifies certain annual reporting requirements;
- authorizes a county to withhold money allocated for the next fiscal year from an EMS company that does not comply with the requirements of the subtitle;

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- specifies that if Amoss funds are forfeited by an EMS company (under the county’s authority) for failing to comply with the subtitle, the county shall reallocate the funds to compliant EMS companies; and
- specifies that if money is reverted under this subtitle, it shall revert to the Amoss Fund (as opposed to the general fund).

The Military Department should discuss the actions taken to address the audit findings, as well as the recommendations of the workgroup.

3. Maryland State Firemen’s Association Widows and Orphans Fund Audit Finding

In addition to the findings pertaining to the Amoss Fund, the Military Department audit published by OLA in May 2013 also had one finding involving the MSFA Widows and Orphans Fund. The audit found that the Military Department did not ensure that annual grants to MSFA were spent as intended. MSFA did not submit sufficient information in the form of detailed disbursements to the Military Department; MSFA only reported expenditures in total by type of expenditure at the end of each year. OLA recommends that the Military Department obtain an accounting of MSFA grant activities and ensure that grant funds are spent as intended.

Also, MSFA had only disbursed \$264,640 of the \$275,000 in grant funds received during fiscal 2012 and had an unexpended cash balance of \$311,185 as of June 30, 2012. State law does not currently address whether MSFA has the authority to retain these unspent grant funds. OLA recommends determining the appropriateness of allowing unspent funds to be retained.

The Military Department should discuss the decisions and actions taken to address this audit finding.

Recommended Actions

1. Adopt the following narrative:

Report on Emergency Training and Exercises Conducted Versus Agency Objectives:

The budget committees request that the Maryland Emergency Management Agency (MEMA), within the Maryland Military Department, submit a report comparing emergency training and exercises conducted versus agency objectives. It is the intent of the Maryland General Assembly that this report be submitted to the budget committees January 31, 2015.

Information Request	Author	Due Date
Report on emergency training and exercises conducted by MEMA versus agency objectives	MEMA	January 31, 2015

2. Adopt the following narrative:

Continue to Provide Sufficient General Funds for Military Department Maintenance to Obtain Matching Federal Funds: It is the intent of the budget committees that the Governor continue to provide general funds for the Military Department for maintenance in order to obtain matching federal funds.

Updates

1. State Emergency Operations Center Redesign Complete in Calendar 2014

In 2010, a redesign plan for the State Emergency Operations Center (SEOC) was approved because the facility was determined to be physically and technologically outdated. Project funding was granted in June 2010, and the project was initiated in August 2011. Renovation of SEOC involves installation of new IT hardware; renovation of the physical space; and the upgrade of audiovisual equipment, furniture, and infrastructure. The project plan anticipated a completion date of May 2014, and the project is currently on track to hit that date.

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 2013					
Legislative Appropriation	\$11,956	\$12,799	\$50,855	\$0	\$75,610
Deficiency Appropriation	175	0	1,822	0	1,997
Budget Amendments	0	1,713	63,436	216	65,364
Reversions and Cancellations	-101	-39	-2,456	0	-2,596
Actual Expenditures	\$12,030	\$14,473	\$113,657	\$216	\$140,375
Fiscal 2014					
Legislative Appropriation	\$12,171	\$12,999	\$50,920	\$0	\$76,090
Budget Amendments	153	0	211	350	714
Working Appropriation	\$12,324	\$12,999	\$51,131	\$350	\$76,804

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

In fiscal 2013, the total budget for the department increased by \$64.8 million. The general fund appropriation increased by a net \$74,000 due to a deficiency and a reversion. A deficiency increased the general fund appropriation by \$175,000 to relocate the Maryland Youth Challenge Program. In fiscal 2013, State agencies were assessed a fee for development of a new Statewide Personnel System. That year, the State spent approximately 48% of this major IT project's appropriate budget, with the remainder reverted to the general fund. As a result, \$101,000 in general funds was reverted in the Military Department's budget.

The fiscal 2013 special fund appropriation increased by a net \$1.7 million due to four budget amendments. The budget amendments authorized funds for additional loans from the VCAF (\$594,000), a transfer from the Catastrophic Event Account for damages caused by Hurricane Sandy and the Derecho (\$432,000), reimbursement of the Maryland Youth Challenge Program for 30 District of Columbia cadets (\$336,000), administrative costs for MSFA (\$200,000), utilization of armory rental funds (\$108,000), and the COLA (\$42,000).

The federal fund appropriation increased by a net \$62.8 million in fiscal 2013 due to two deficiencies, three budget amendments, and federal fund cancellations. The bulk of the federal fund increase stemmed from one budget amendment totaling \$61.5 million. This amendment provided Public Assistance funds from the Federal Emergency Management Agency to MEMA for damage resulting from Hurricane Sandy and the Derecho. The two deficiencies provided funds for storm damage costs (\$911,000) and to relocate the Maryland Youth Challenge Program (\$911,000). The two budget amendments authorized funds for improvements to SEOC (\$1.8 million) and the COLA (\$95,000). A federal fund cancellation of \$2.5 million resulted due to overestimation of need; the department advises that estimating federal funds before the federal budget is set is inherently difficult.

The reimbursable fund appropriation increased by \$216,000 over the legislative appropriation due to one budget amendment from DoIT to provide funds for the Statewide 700MHz Radio Project.

Fiscal 2014

The fiscal 2014 working appropriation is \$714,000 greater than the legislative appropriation due to the receipt of four budget amendments. Almost half of the increase (\$350,000) comes from a reimbursable amendment from the Department of Health and Mental Hygiene to MEMA for Emergency Preparedness Training and Exercises, per a memorandum of understanding. The remaining amendments add \$211,000 in federal funds and \$153,000 in general funds for the COLA, increments, and an annual salary review.

Audit Findings

Audit Period for Last Audit:	September 17, 2009-May 13, 2012
Issue Date:	May 2013
Number of Findings:	9
Number of Repeat Findings:	1
% of Repeat Findings:	11%
Rating: (if applicable)	n/a

Finding 1: The department recorded federal fund revenues of approximately \$700,000 during fiscal 2012 even though the federal grantor agency previously denied requests for these federal funds.

Finding 2: **The department did not recover certain indirect costs as required.**

Finding 3: The department did not withhold funding or otherwise penalize jurisdictions that did not meet certain minimum expenditure levels, as required by State law.

Finding 4: The department did not establish progressive actions to be taken when fire departments used Amoss funds for ineligible expenditures and failed to establish separate bank accounts for the funds.

Finding 5: The department did not ensure that annual grants to MSFA were spent as intended.

Finding 6: Monitoring of corporate purchasing card activity was not comprehensive, allowing questionable purchases by one employee totaling \$107,493 to remain undetected for up to three years.

Finding 7: The department did not adequately control collections processed using remote deposit and did not perform deposit verifications timely.

Finding 8: Adequate controls and records were not maintained for certain equipment.

Finding 9: The department did not maintain adequate records of MEMA vehicle assignments and related usage.

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

**Senator William H. Amoss Fire, Rescue, and Ambulance Fund
Jurisdiction Allocations
Fiscal 2014 and 2015**

<u>Jurisdiction</u>	<u>Fiscal 2014</u>	<u>Fiscal 2015</u>	<u>Change</u>
Allegany	\$225,566	\$263,912	\$38,346
Anne Arundel	812,434	950,548	138,114
Baltimore City	914,715	1,070,217	155,502
Baltimore County	1,152,196	1,348,069	195,873
Calvert	200,000	234,000	34,000
Caroline	207,224	242,452	35,228
Carroll	257,864	301,701	43,837
Cecil	206,103	241,141	35,038
Charles	246,708	288,648	41,940
Dorchester	208,002	243,362	35,360
Frederick	364,650	426,641	61,991
Garrett	200,000	234,000	34,000
Harford	379,429	443,932	64,503
Howard	400,600	468,702	68,102
Kent	205,063	239,924	34,861
Montgomery	1,299,253	1,520,126	220,873
Prince George's	1,129,872	1,321,950	192,078
Queen Anne's	200,000	234,000	34,000
St. Mary's	200,000	234,000	34,000
Somerset	208,289	243,698	35,409
Talbot	257,411	301,171	43,760
Washington	228,322	267,137	38,815
Wicomico	238,943	279,563	40,620
Worcester	257,356	301,107	43,751
Total	\$10,000,000	\$11,700,000	\$1,700,000

Source: Department of Budget and Management; Department of Legislative Services

**Object/Fund Difference Report
Military Department**

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	321.50	319.50	319.50	0.00	0%
Total Positions	321.50	319.50	319.50	0.00	0%
Objects					
01 Salaries and Wages	\$ 18,965,636	\$ 21,470,813	\$ 21,503,950	\$ 33,137	0.2%
02 Technical and Spec. Fees	1,948,137	713,477	690,746	-22,731	-3.2%
03 Communication	522,099	573,867	748,798	174,931	30.5%
04 Travel	202,063	7,156	7,156	0	0%
06 Fuel and Utilities	3,787,473	3,481,656	3,843,491	361,835	10.4%
07 Motor Vehicles	509,367	262,131	244,165	-17,966	-6.9%
08 Contractual Services	5,841,508	4,050,525	3,648,754	-401,771	-9.9%
09 Supplies and Materials	587,036	600,551	727,093	126,542	21.1%
10 Equipment – Replacement	146,313	100,548	132,594	32,046	31.9%
11 Equipment – Additional	1,578,805	34,682	34,682	0	0%
12 Grants, Subsidies, and Contributions	102,740,490	41,268,892	37,768,892	-3,500,000	-8.5%
13 Fixed Charges	262,310	327,037	342,469	15,432	4.7%
14 Land and Structures	3,283,747	3,912,910	4,872,910	960,000	24.5%
Total Objects	\$ 140,374,984	\$ 76,804,245	\$ 74,565,700	-\$ 2,238,545	-2.9%
Funds					
01 General Fund	\$ 12,029,999	\$ 12,324,068	\$ 12,266,765	-\$ 57,303	-0.5%
03 Special Fund	14,472,601	12,999,267	14,761,967	1,762,700	13.6%
05 Federal Fund	113,656,763	51,130,910	47,536,968	-3,593,942	-7.0%
09 Reimbursable Fund	215,621	350,000	0	-350,000	-100.0%
Total Funds	\$ 140,374,984	\$ 76,804,245	\$ 74,565,700	-\$ 2,238,545	-2.9%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

**Fiscal Summary
Military Department**

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
01 Administrative Headquarters	\$ 2,665,279	\$ 2,900,824	\$ 2,888,251	-\$ 12,573	-0.4%
02 Air Operations and Maintenance	4,662,758	4,989,419	4,981,513	-7,906	-0.2%
03 Army Operations and Maintenance	10,902,197	11,679,628	13,054,474	1,374,846	11.8%
05 State Operations	5,842,940	5,610,770	5,491,981	-118,789	-2.1%
06 Maryland Emergency Management Agency	116,301,810	51,623,604	48,149,481	-3,474,123	-6.7%
Total Expenditures	\$ 140,374,984	\$ 76,804,245	\$ 74,565,700	-\$ 2,238,545	-2.9%
General Fund	\$ 12,029,999	\$ 12,324,068	\$ 12,266,765	-\$ 57,303	-0.5%
Special Fund	14,472,601	12,999,267	14,761,967	1,762,700	13.6%
Federal Fund	113,656,763	51,130,910	47,536,968	-3,593,942	-7.0%
Total Appropriations	\$ 140,159,363	\$ 76,454,245	\$ 74,565,700	-\$ 1,888,545	-2.5%
Reimbursable Fund	\$ 215,621	\$ 350,000	\$ 0	-\$ 350,000	-100.0%
Total Funds	\$ 140,374,984	\$ 76,804,245	\$ 74,565,700	-\$ 2,238,545	-2.9%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.