

D50H01
Military Department

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$12,284	\$12,329	\$12,365	\$36	0.3%
Adjustments	0	-75	-26	49	
Adjusted General Fund	\$12,284	\$12,254	\$12,339	\$85	0.7%
Special Fund	23,569	18,287	18,287	0	
Adjusted Special Fund	\$23,569	\$18,287	\$18,287	\$0	0.0%
Federal Fund	52,259	53,940	51,912	-2,028	-3.8%
Adjustments	0	0	-58	-58	
Adjusted Federal Fund	\$52,259	\$53,940	\$51,855	-\$2,086	-3.9%
Adjusted Grand Total	\$88,112	\$84,481	\$82,481	-\$2,001	-2.4%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The Military Department has one fiscal 2017 negative deficiency appropriation, reducing the general fund appropriation by \$75,000. This action aligns the department's fiscal 2017 utility appropriations with the fiscal 2016 actual amount.
- When accounting for the above fiscal 2017 deficiency and the fiscal 2018 across-the-board contingent reduction for the State pension fund, the department's fiscal 2018 allowance decreases by approximately \$2 million, or 2.4%, less than the working appropriation. This amount is largely due to a decrease in federal funds for utilities and personnel expenses.

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

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Personnel Data

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>
Regular Positions	309.50	293.50	293.50	0.00
Contractual FTEs	<u>54.00</u>	<u>27.60</u>	<u>20.00</u>	<u>-7.60</u>
Total Personnel	363.50	321.10	313.50	-7.60

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	15.79	5.38%
Positions and Percentage Vacant as of 12/31/16	37.50	12.78%

- The agency's fiscal 2018 personnel allowance remained the same in terms of regular positions from the fiscal 2017 working appropriation.
- At the end of calendar 2016, there were 37.5 positions vacant. This number is more than double of what is needed to meet budgeted turnover. Vacancies were almost evenly spread across the department's main areas – Army Operations and Maintenance, Air Operations and Maintenance, State Operations, and the Maryland Emergency Management Agency (MEMA).

Analysis in Brief

Major Trends

National Guard Troop Strength Exceeds Goals: The Maryland National Guard (MDNG) has had a long-standing goal of reaching the 90% level for federally defined authorized troop strength. In fiscal 2016, troop strength reached a four-year high of 96%, well over the 90% goal.

Army National Guard Facilities Fail to Reach Maintenance Goals: MDNG's facilities support the operational and training needs of MDNG and the ability to respond to State and local emergencies. The Military Department has a goal to maintain 95% or more of the State's Army National Guard facilities in a fully functional status. For the last three fiscal years, Army facility status ratings have been 23% or less. **The Military Department should comment on steps taken to improve Army National Guard facility functionality ratings.**

Maryland Emergency Management Agency Updates Performance Measures: At the request of the budget committees, MEMA revised its Managing for Results (MFR) performance measures to provide more insight into the department's objectives and performance. New measures show that in fiscal 2016 42% of Maryland jurisdictions have federally approved debris management plans, up 15 percentage points from fiscal 2015. In addition, statistics regarding staff training and emergency preparedness are projected to improve.

Issues

Freestate ChalleNGe Academy Operations, Performance, and New Initiatives: MDNG operates the Freestate ChalleNGe Academy (FCA) for at-risk youth. Twice a year, the department runs the program and seeks to have 200 graduates annually. FCA met this goal only three times in the past 10 years. To satisfy requirements from the 2016 *Joint Chairmen's Report*, the department added MFR performance measures showing the number of applicants, enrollees, and graduates. In addition, FCA has several new initiatives. It recently became an official GED option facility and alternative education program for the State of Maryland. **The department should comment on FCA's dual status as a GED and alternative education facility, steps taken to increase academy enrollment, and the status of its relationships with and ability to offer enhanced educational alternatives with the Department of Juvenile Services, the Departments of Social Services, and the Maryland State Department of Education. The department should also establish a goal for the percentage of FCA graduates who obtain a high school diploma/GED as part of the Military Department's annual MFR performance measures, beginning with the fiscal 2019 submission.**

Recommended Actions

1. Concur with Governor's allowance.

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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 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 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:

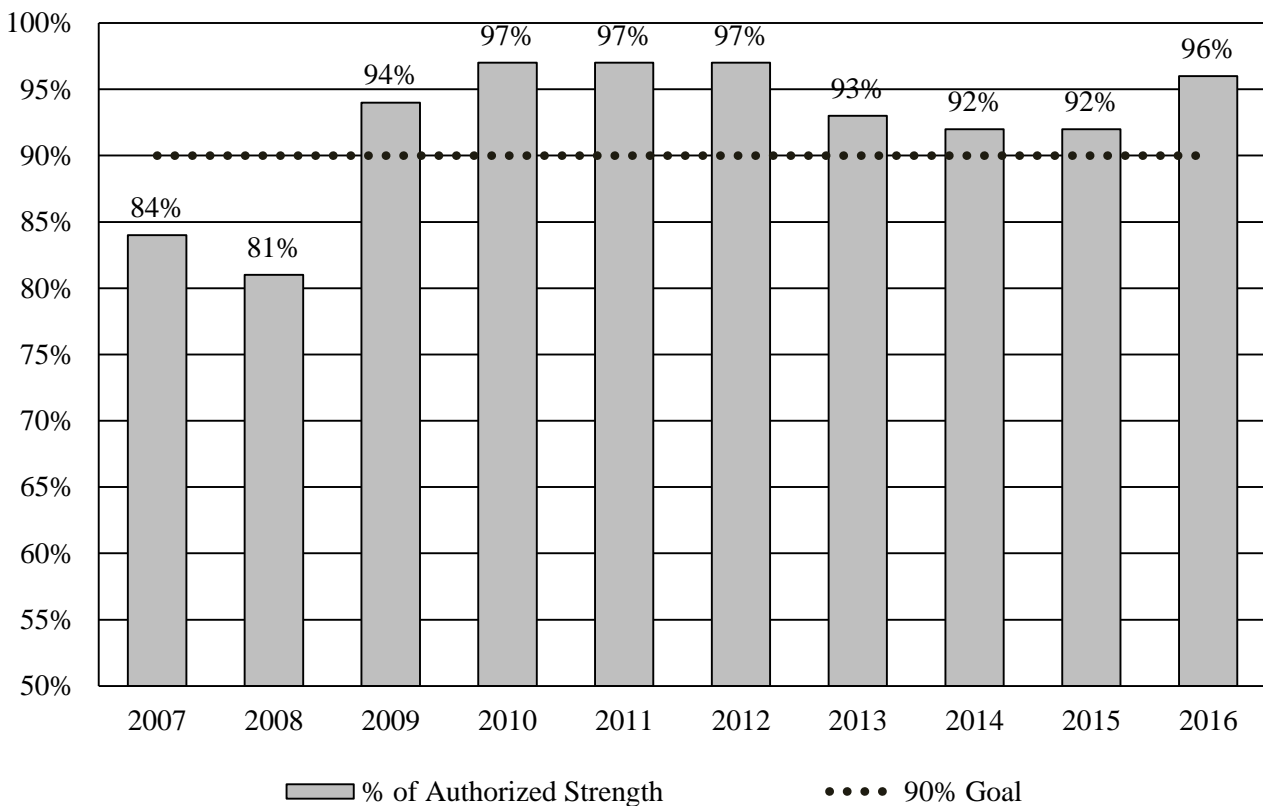
- ensure proper readiness for its missions;
- maintain all facilities so that they are adequate for training and supporting MDNG in its operations;
- successfully operate the Freestate ChalleNGe Academy (FCA) for at-risk youth; and
- provide State-level guidance on how to prepare for, mitigate against, respond to, and recover from the consequences of emergency and disaster events.

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. Heavy reliance upon the guard for activations and extended overseas tours of duty in combat zones had taken a toll on the department's recruitment and retention efforts. As shown in **Exhibit 1**, since fiscal 2009, troop strength has exceeded the 90% goal, and in fiscal 2016, MDNG was at 96% of its authorized troop strength and expects this trend to continue.

Exhibit 1
Authorized Troop Strength
Fiscal 2007-2016



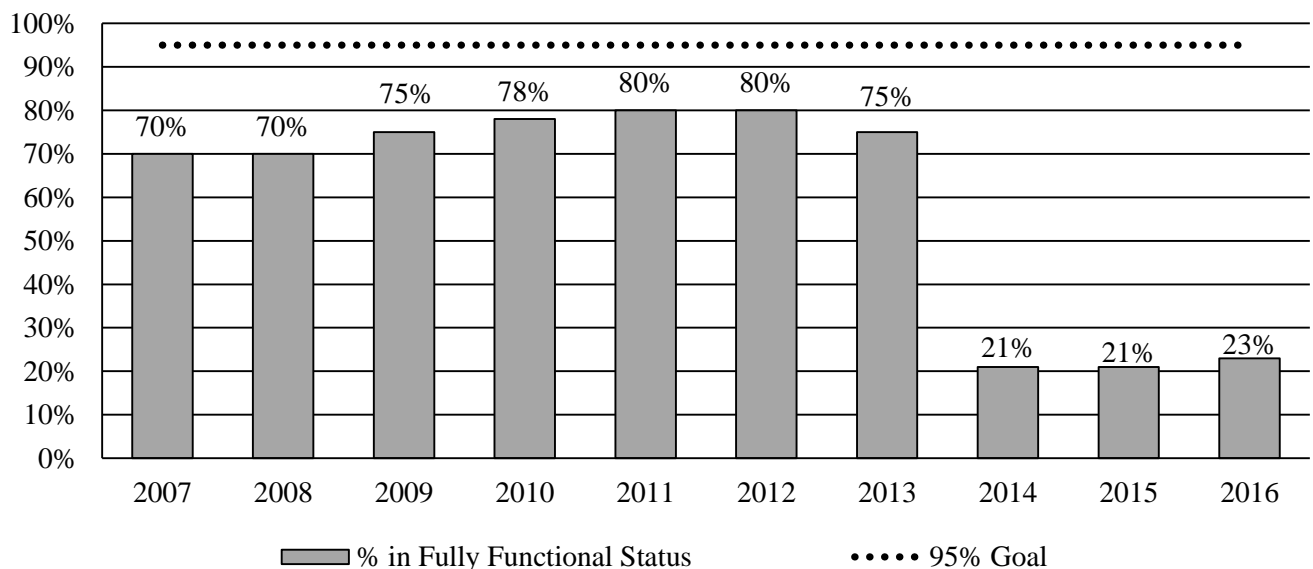
Source: Military Department, Managing for Results, Fiscal 2018 Submission

2. Army National Guard Facilities Fail to Reach Maintenance Goals

All MDNG facilities support the operational and training needs of MDNG and the ability to respond to State and local emergencies. One of the primary 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. The department has a goal of maintaining 95% or more of Maryland's Army Guard facilities in a fully functional status in compliance with NGB requirements.

While the department has not reached the 95% goal during the last decade, beginning in fiscal 2014, Army facility status declined significantly. Just 23% of facilities were considered fully functional in fiscal 2016. The department has stated that the decline has been due to stricter criteria for facility standards, particularly in terms of energy conservation and utility systems. In addition, the department has many older facilities that are deteriorating, along with a backlog in maintenance. **Exhibit 2** shows the percentage of Army Guard facilities in fully functional status, from fiscal 2007 to 2016. Currently, the department has \$39.4 million in fiscal 2018 to build new facilities and repair existing infrastructure and, as a result, expects to see improvements in Army facility *Installation Status Report* (ISR) ratings. **The department should comment on upcoming facilities, their potential impact on ISR ratings, and any steps taken to reduce maintenance backlogs and enhance Army facilities' functional status.**

Exhibit 2
Maryland Army National Guard Facilities in Fully Functional Status
Fiscal 2007-2016



Source: Military Department, Managing for Results, Fiscal 2018 Submission

3. Maryland Emergency Management Agency Updates Performance Measures

At the request of the budget committees, MEMA revised its Managing for Results (MFR) performance measures in fiscal 2017 to provide more insight into the department's objectives and performance. MEMA's revised fiscal 2018 MFR report contains updated performance measures around four main goals:

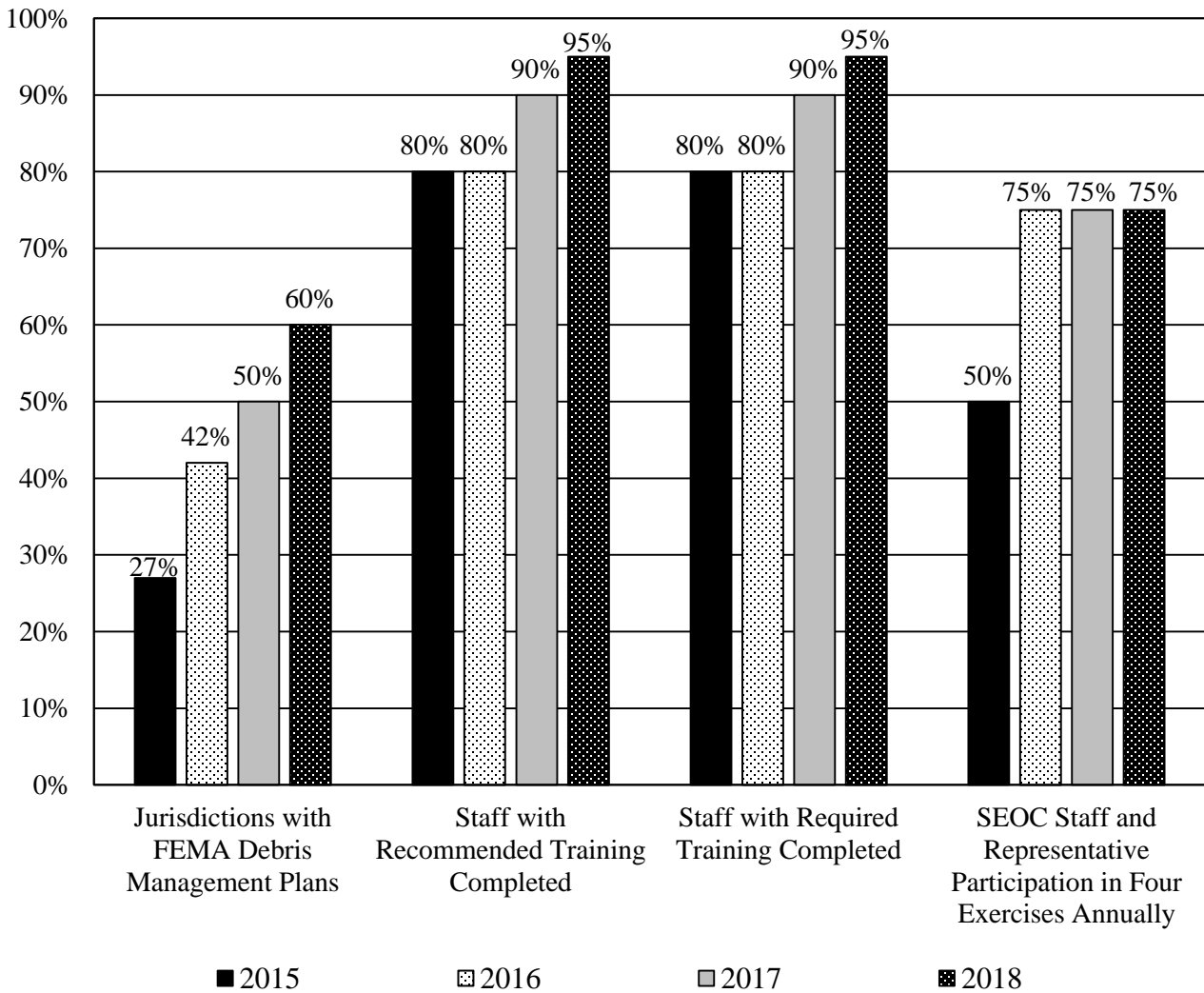
- **Goal 1:** continuing to build and enhance Maryland's resilience with a strong emergency preparedness and operations program;
- **Goal 2:** acting as good stewards of funding and resources on behalf of Maryland taxpayers;
- **Goal 3:** maintaining and enhancing a strong emergency management workforce throughout Maryland; and
- **Goal 4:** promoting Maryland and Maryland businesses through a robust emergency management program.

Exhibit 3 shows the following MEMA performance measures:

- ***Jurisdictions with the Federal Emergency Management Agency Debris Management Plans:*** The Federal Emergency Management Agency encourages states to develop a debris management plan that considers large-scale debris removal and disposal operations. Debris removal can account for approximately 27% of disaster recovery costs.
- MEMA staff with recommended/required training.
- ***State Emergency Operations Center Exercise Participation:*** In times of disaster, the Executive Director of MEMA activates the State Emergency Operations Center (SEOC) to support local governments. Representatives from State agencies as well as some federal agencies, the private sector, and volunteer organizations are represented in SEOC to better assign resources to aid their respective areas in the event of an emergency or a disaster. This measure tracks how often MEMA conducts SEOC simulation exercises annually.

Overall, MEMA performance measures are projected to improve from fiscal 2015 to the current fiscal year and are estimated to continue this trend in fiscal 2018.

Exhibit 3
MEMA Performance Measures
Fiscal 2015-2018



FEMA: Federal Emergency Management Agency
 MEMA: Maryland Emergency Management Agency
 SEOC: State Emergency Operations Center

Source: Military Department, Managing for Results, Fiscal 2018 Submission

Fiscal 2017 Actions

Proposed Deficiency

The Military Department has one negative fiscal 2017 deficiency appropriation, reducing general funds by \$75,000, to bring fiscal 2017 utility appropriations in line with fiscal 2016 actual expenditures.

Section 20 Position Abolitions

Section 20 of the fiscal 2017 budget bill required the Governor to abolish 657 vacant full-time equivalent positions and reduce the fiscal 2017 budget by \$25 million. The impact to the Military Department was the loss of 6 positions (5 military police and 1 agency grant specialist) and \$50,000 in general funds.

Cost Containment

In November 2016, the Board of Public Works approved cost containment measures of \$168,797 in general funds. Of this total, \$100,000 was reduced funding for armory sustainment, restoration, and modernization projects, and \$68,797 reduced MEMA rented storage, State fair booth funds, and contractual services.

Proposed Budget

Exhibit 4 shows the change in the fiscal 2018 allowance for the Military Department. Overall, the allowance decreases by approximately \$2 million, or 2.4%, under the fiscal 2017 working appropriation.

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

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016 Actual	\$12,284	\$23,569	\$52,259	\$88,112
Fiscal 2017 Working Appropriation	12,254	18,287	53,940	84,481
Fiscal 2018 Allowance	<u>12,339</u>	<u>18,287</u>	<u>51,855</u>	<u>82,481</u>
Fiscal 2017-2018 Amount Change	\$85	\$0	-\$2,086	-\$2,001
Fiscal 2017-2018 Percent Change	0.7%	n/a	-3.9%	-2.4%

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Where It Goes:

Personnel Expenses

Workers' compensation premium assessment.....	\$141
Turnover expectancy	-143
Employee retirement system	-186
Employee and retiree health insurance.....	-340
Salaries and compensation	-426
Other fringe benefit adjustments	-19

Other Changes

Restoration of November 2016 Board of Public Works cost containment	169
State Tuition Assistance for Maryland National Guard members.....	150
Energy conservation loan repayment	-101
Facility repair and maintenance	-122
Utilities – electricity	-481
Fuel – natural gas and propane.....	-581
Other.....	-62

Total **-1028**

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

Across-the-board Reductions

The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. The Military Department's share of these reductions is \$25,705 in general funds and \$57,541 in federal funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

Personnel

Personnel expenses for the Military Department decrease by a net \$973,000 in fiscal 2018. Overall, employee and retiree health insurance expenditures decrease by \$340,000, and expenses for the employee retirement system decrease by approximately \$186,000, after accounting for the aforementioned contingent reduction. In addition, the department has a decrease of \$143,000 in turnover expectancy. These decreases are offset by a \$141,000 rise in workers' compensation.

Other Changes

Additional expenses include restoration of the previously mentioned cost containment measures, along with \$150,000 in tuition assistance for members of the Maryland National Guard. The increases were offset by decreases of \$101,000 in final payments for an energy conservation loan,

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\$122,000 for Army facility repair and maintenance, and reductions of \$481,000 and \$581,000, respectively, for utility and fuel costs. The decreases in utilities and fuel were to reduce general fund appropriations to bring the fiscal 2018 amounts in line with actual fiscal 2016 spending.

Grant Funding

Amoss 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 building rehabilitation. These grants are administered by MEMA, and distributions are made according to each county's percentage of total property tax accounts. Each county receives a minimum of 2% of the total and must expend funds for fire protection from its own sources that are at least equal to the amount of State funds to be received and at least equal to the average amount expended in the prior three years.

A statutorily required increase for the Amoss Fund raised the Amoss Fund total from \$13.4 million to \$15.0 million in fiscal 2017, which reflected completion of the phase-in period. Funding remains level at \$15.0 million for fiscal 2018. **Exhibit 5** lists the Amoss Fund by program, and **Exhibit 6** lists funding amounts by Maryland jurisdiction.

Exhibit 5
Amoss Fund Grants by Program
Fiscal 2015-2018 Est.

<u>Maryland State Firemen's Association Expenditures</u>	<u>Actual 2015</u>	<u>Actual 2016</u>	<u>Est. 2017</u>	<u>Est. 2018</u>
Volunteer Company Assistance Fund (VCAF)				
Special Funds: VCAF Loan Payments	\$2,397,002	\$7,986,728	\$1,225,000	\$1,225,000
Special Funds: Moving Violations	1,400,000	1,400,000	1,400,000	1,400,000
Maryland State Firemen's Association Administration				
Special Funds: Moving Violations	200,000	200,000	200,000	200,000
Widows and Orphans Fund				
General Funds			50,000	50,000
Special Funds: Moving Violations	300,000	300,000	300,000	300,000
Amoss Fund				
Special Funds: MEMSOF	11,700,000	13,400,000	15,000,000	15,000,000
Total	\$15,997,002	\$23,286,728	\$18,175,000	\$18,175,000

Amoss Fund: Senator William H. Amoss Fire, Rescue, and Ambulance Fund
MEMSOF: Maryland Emergency Medical System Operations Fund

Source: Military Department; Governor's Budget Books, Fiscal 2015-2018

Exhibit 6
Amoss Fund Grants by Jurisdiction
Fiscal 2015-2018 (Est.)

	<u>Actual</u> <u>2015</u>	<u>Actual</u> <u>2016</u>	<u>Est.</u> <u>2017</u>	<u>Est.</u> <u>2018</u>
Allegany	\$264,232	\$300,133	\$348,030	\$335,970
Anne Arundel	954,167	1,102,960	1,241,523	1,234,495
City of Baltimore	1,069,860	1,227,724	1,368,619	1,367,206
Baltimore County	1,347,967	1,548,774	1,732,057	1,730,269
Calvert	234,000	268,000	300,000	300,000
Caroline	240,851	276,415	309,540	309,421
Carroll	301,854	346,759	388,587	388,186
Cecil	245,372	278,961	310,530	312,270
Charles	292,810	337,295	380,892	380,498
Dorchester	257,289	286,117	310,800	320,280
Frederick	427,259	494,797	559,252	558,667
Garrett	234,000	268,000	300,000	300,000
Harford	444,039	511,259	574,032	573,444
Howard	469,999	548,408	616,725	616,089
Kent	239,569	274,539	309,480	307,321
Montgomery	1,520,763	1,750,816	1,965,335	1,963,306
Prince George's	1,319,289	1,517,097	1,698,736	1,696,960
Queen Anne's	234,000	268,000	300,000	300,000
St. Mary's	234,000	268,000	300,000	300,000
Somerset	242,483	280,140	311,190	313,590
Talbot	290,184	300,080	317,430	335,910
Washington	265,983	305,043	341,019	340,667
Wicomico	270,280	296,649	332,460	332,070
Worcester	299,750	344,034	383,763	383,381
Total	\$11,700,000	\$13,400,000	\$15,000,000	\$15,000,000

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

Source: Military Department; Governor's Budget Books, Fiscal 2015-2018

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Volunteer Company Assistance Fund: The Volunteer Company Assistance Fund (VCAF) is administered by the Maryland State Firemen’s Association (MSFA) and MEMA, and its purpose is to provide grants and loans to volunteer fire, rescue, and ambulance companies for the purchase, replacement, or improvement of firefighting and rescue equipment or facilities. The special fund appropriation for the VCAF is \$2.6 million in fiscal 2018, and is level funded from fiscal 2017.

Widows’ and Orphans’ Fund: Public Safety Article § 7-203 allows MSFA to provide a death benefit to the spouse or dependent child of a volunteer fire company or rescue squad member who is killed in the line of duty. The statute allows the board of MSFA to determine the benefit amount, but specifies that the grant may not be less than \$2,000. The grant is paid until the surviving spouse remarries or the dependent child becomes an adult in accordance with the timeline set by the MFSA board. Historically, this benefit, known as the Widows’ and Orphans’ Fund, has received a fund appropriation of \$300,000 annually. The fiscal 2017 budget provided a \$50,000 general fund increase due to a rise in the number of grant recipients. The fiscal 2018 appropriation is for the total \$350,000, and is level funded from fiscal 2017.

Issues

1. Freestate ChalleNGe Academy Operations, Performance, and New Initiatives

FCA is a division of the National Guard Youth ChalleNGe Program established in 1993. FCA is a State-run 22-week residential program followed by a 12-month post-residential intervention phase for 16- to 18-year olds who have dropped out of high school or are at risk of dropping out. MDNG operates two classes of about 100 at-risk youth annually. In response to a request made in the 2016 *Joint Chairmen's Report* (JCR), the department provided a detailed report on FCA operations and funding, cadet performance, and outreach efforts undertaken by the department to improve the program.

Operations

FCA trains at-risk youth in a quasi-military environment. Cadets are expected to complete and pass the following eight core components:

- academic excellence;
- life coping skills;
- job skills;
- health and hygiene;
- physical fitness;
- service to the community;
- responsible citizenship; and
- leadership/fellowship.

Challenges

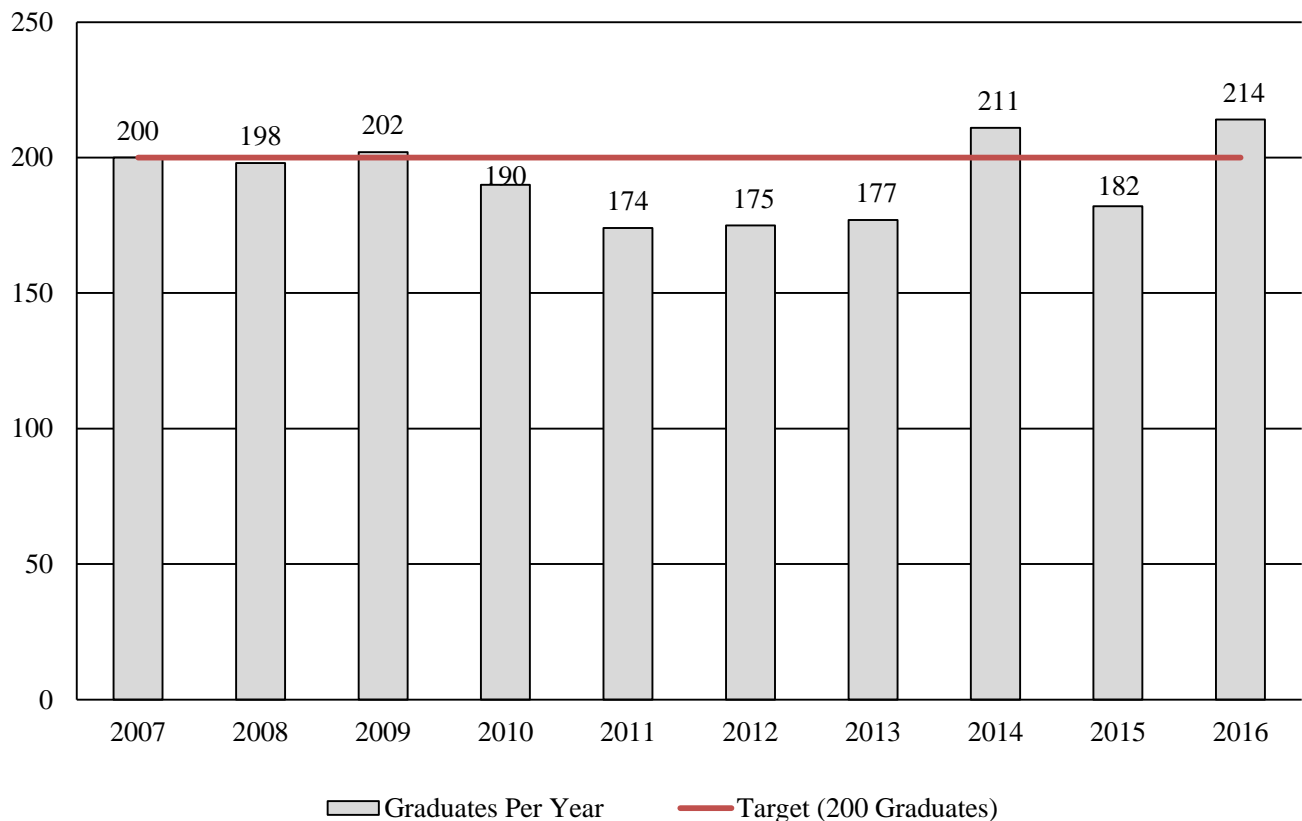
Since its inception in 1993, FCA has conducted 46 classes and graduated more than 4,000 cadets. From 1998 through 2012, the Maryland FCA was jointly operated with the Washington DC Capital ChalleNGe program. During that time, the Maryland FCA struggled to graduate 100 cadets per class due to limited availability of bed space. In 2012, the Maryland FCA relocated to its current building space at the Aberdeen Proving Ground South. While this move allowed the program to increase the number of cadets, the building used by the program had previously been

unoccupied for five years and requires renovation to improve program functionality. To date, these renovations remain incomplete.

Cadet Graduation Rates and Post-education Performance

As seen in **Exhibit 7**, the academy's ability to exceed its target has varied. The target has been met in 4 of the past 10 fiscal years, most recently in fiscal 2016 with a 10-year high of 214 graduates. To better achieve milestones and satisfy requirements from the 2016 JCR, the department added MFR performance measures with the number of academy applicants, enrollees, and graduates. In addition, Maryland FCA became an official GED option facility and alternative education program.

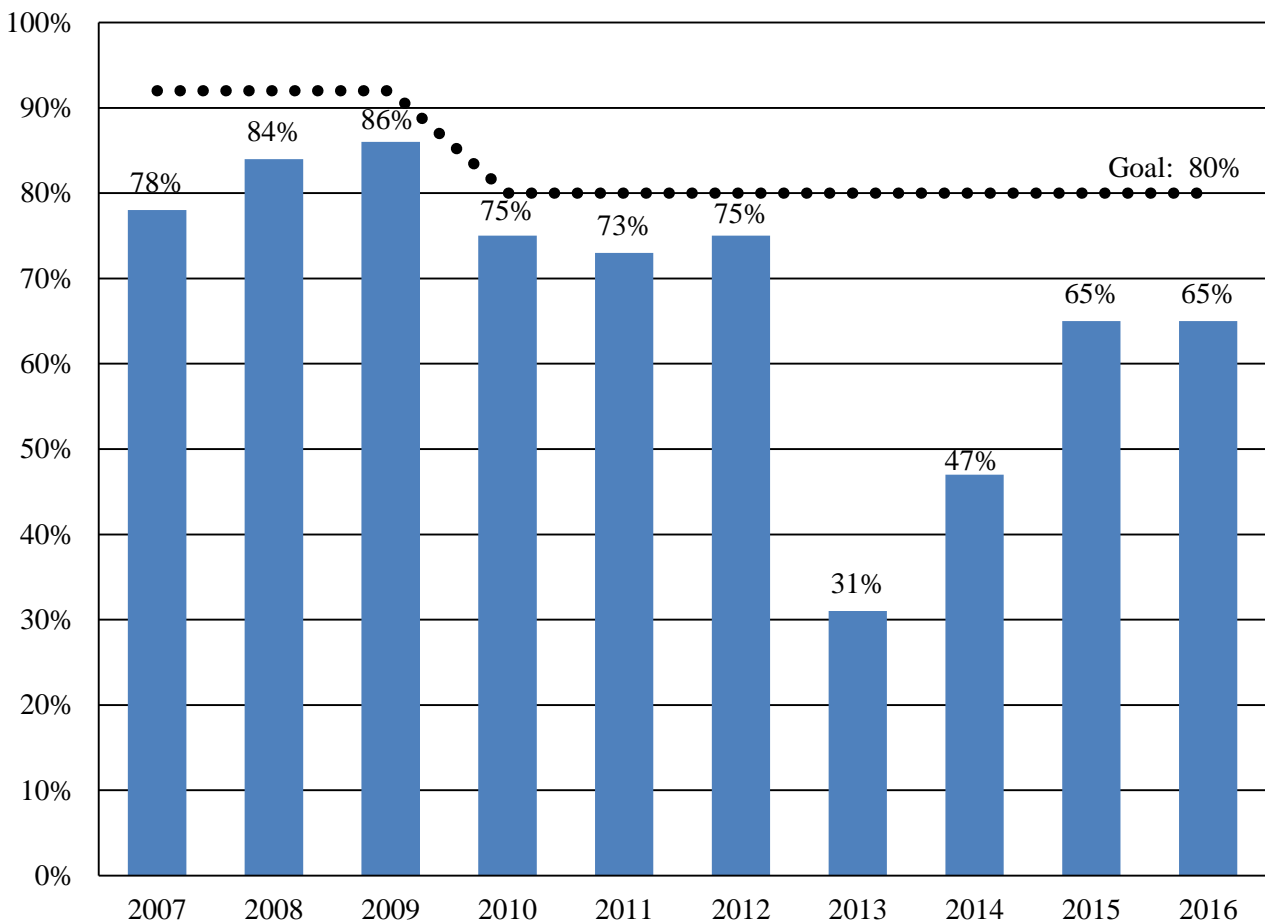
Exhibit 7
Freestate ChalleNGe Academy Graduates Per Year
Fiscal 2007-2016



Source: Military Department; Governor's Budget Books, Fiscal 2007-2018

One of the primary objectives of the academy is to increase the number of FCA graduates who continue their education, become employed, or enter the military. While the goal up until fiscal 2009 was 90%, the current goal for these graduates is 80%. **Exhibit 8** shows the post-graduate employment, education, and military service rates of graduates since fiscal 2007. While the percentage of students who met the goal was at least 70% from 2007 to 2012, the percentage of graduates meeting the goal dropped dramatically to 31% in fiscal 2013. Since then, however, performance has more than doubled, to 65% of students in both fiscal 2015 and 2016. However, this is still short of the 80% goal.

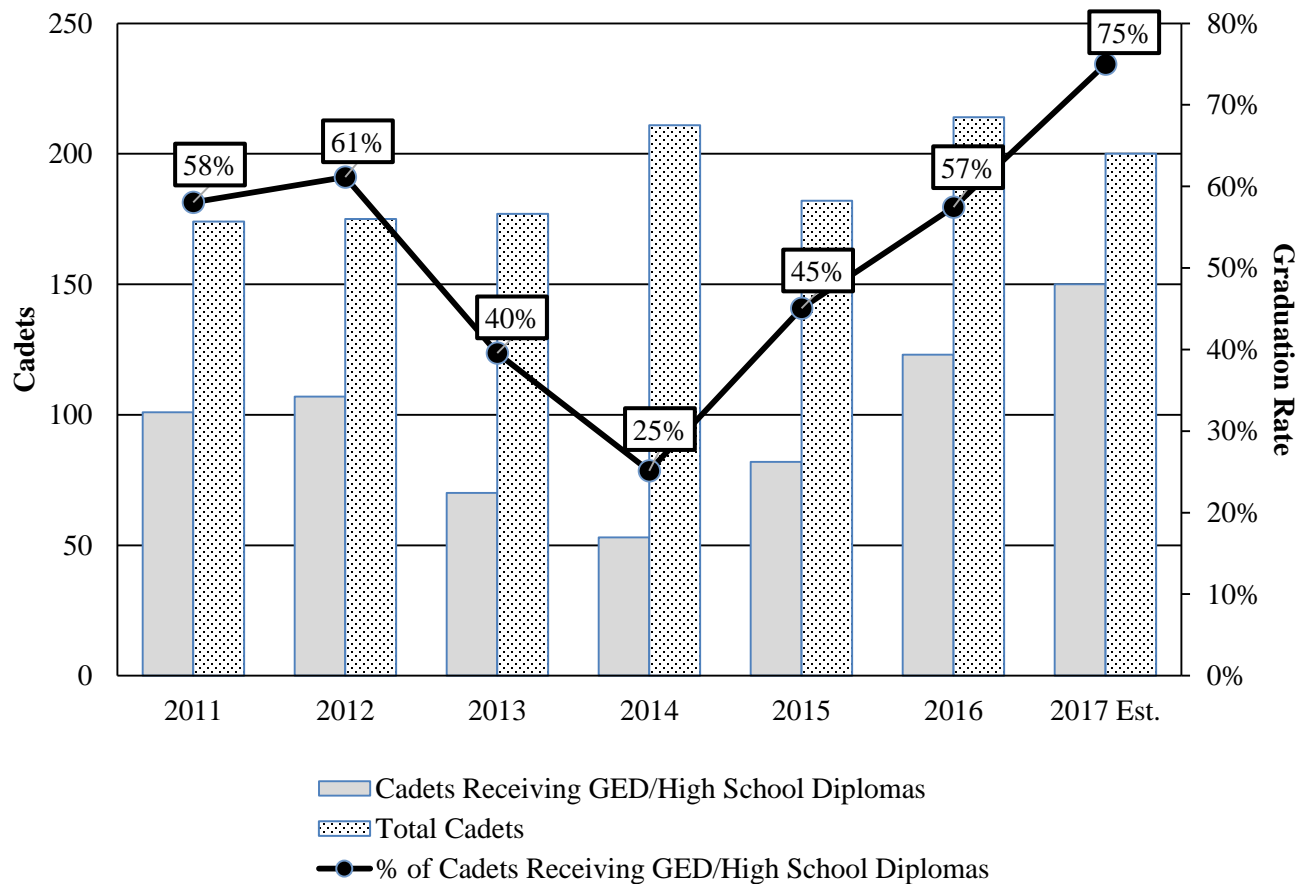
Exhibit 8
Freestate Challenge Academy
Graduates' Employment, Education, and Military Service Rates
Fiscal 2007-2016



Source: Military Department; Governor's Budget Books, Fiscal 2007-2018

Exhibit 9 depicts the percentage of FCA graduates who graduate with either a high school diploma or pass the GED examination. While the department reported this data as part of the annual MFR submission, since fiscal 2014, the data was no longer reported. At the request of the budget committees, the department is again reporting current GED data. From fiscal 2011 to 2012, more than 50% of FCA graduates earned a GED. However, similar to other FCA performance measures, graduation/GED rates declined substantially in fiscal 2013. Graduation rates reached a low of 25% in fiscal 2014 but have more than doubled to 57% in fiscal 2016 and are expected to reach 75% for the current fiscal year.

Exhibit 9
Freestate Challenge Academy
Graduates Earning a GED
Fiscal 2011-2017 Est.



Source: Military Department; Governor's Budget Books, Fiscal 2011-2017

New Initiatives

In June 2015, FCA became a GED option program and an alternative education program that offers a variety of enhanced educational opportunities and services for cadets. As a new GED-certified testing facility, FCA graduated its first class where students were able to take the GED onsite. In the future, all classes will utilize the FCA testing location.

In 2016, FCA was approved by the Maryland State Department of Education (MSDE) as an alternative education program for purposes of the compulsory attendance exemption. Section 7-301 of the Education Article, *Annotated Code of Maryland*, sets the State's compulsory school attendance law that requires students under 17 to attend public school unless there is an exemption. One of those exemptions is if a student attends an alternative education program.

Since FCA has received this designation, students who are 16 years old can legally withdraw from public school and attend FCA. The department expects increased enrollment as a result of this measure, as students, particularly those who are at-risk, can leave a school where they are having problems and become a potential cadet at the academy. According to the department, this will give students a greater opportunity to achieve success. In addition, the department is planning for the following programmatic impacts:

- increased number of students returning to school and obtaining credit recovery;
- increased graduation rates and GED completion; and
- closer working relationship with MSDE to increase opportunities for after school employment, education, and skills training.

Relationships with State Agencies and Outreach

Outreach efforts and communication with the Department of Juvenile Services (DJS) and the Department of Human Resources (DHR) are ongoing, in order to recruit at-risk youth eligible for the program. In addition, recruiters at FCA are working with DJS and the local departments of social services (LDSS) across the State to conduct the following initiatives for potential and current students and families:

- bi-weekly meetings with DJS and LDSS staff including the family and children enrolled within their programs;
- regular visits to DJS judges and magistrates in Prince George's County and Baltimore City;
- attend meetings for foster care transition at LDSS;

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- onsite and offsite presentations for DJS and DHR staff, parents, and youth;
- attend DJS conferences, workshops, and other activities throughout the State; and
- expand information sessions about the program to more locations.

The department should comment on FCA’s dual status as a GED and alternative education facility, specific steps taken to increase academy enrollment, and the status of its relationships with and ability to offer enhanced educational alternatives with DJS, LDSS, and MSDE. The department should also establish a goal for the percentage of FCA graduates who obtain a high school diploma/GED as part of the Military Department’s annual MFR performance measures, beginning with the fiscal 2019 submission.

Recommended Actions

1. Concur with Governor's allowance.

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Appendix 1
Current and Prior Year Budgets
Military Department
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$11,930	\$16,687	\$51,317	\$0	\$79,934
Deficiency Appropriation	140	0	420	0	560
Budget Amendments	221	6,990	1,060	0	8,270
Reversions and Cancellations	-7	-107	-537	0	-652
Actual					
Expenditures	\$12,284	\$23,569	\$52,259	\$0	\$88,112
Fiscal 2017					
Legislative Appropriation	\$12,500	\$18,287	\$53,677	\$0	\$84,464
Cost Containment	-169	0	0	0	-169
Budget Amendments	-2	0	263	0	261
Working					
Appropriation	\$12,329	\$18,287	\$53,940	\$0	\$84,556

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

In fiscal 2016, the total budget for the Military Department increased by nearly \$8.2 million over the legislative appropriation.

The general fund appropriation increased by a net \$354,000. The Military Department received a \$140,000 fiscal 2016 deficiency appropriation to support the operation of the Freestate Challenge Academy (FCA). Budget amendments providing funding for employee salary enhancements and telecommunications expenditures further increased the appropriation by \$221,000. These increases were slightly offset by the reversion of approximately \$7,000 at the close of the fiscal year due to lower than anticipated expenditures for various operating expenses.

The fiscal 2016 special fund appropriation increased by nearly \$6.9 million over the legislative appropriation. Budget amendments providing funds for fire truck loans from the Volunteer Company Assistance Fund and to cover the costs incurred by the department in response to Winter Storm Jonas totaled nearly \$7.0 million. This increase was offset by the cancellation of approximately \$107,000 due to lower than anticipated expenditures for armory rentals.

The federal fund appropriation increased by a net \$942,000. The Military Department received a \$420,000 fiscal 2016 deficiency appropriation for FCA to match the similarly purposed general fund deficiency appropriation. Budget amendments also increased the appropriation by nearly \$1.1 million, providing \$210,000 for employee salary enhancements and \$850,000 for armed security services at the Fifth Regiment Armory in Baltimore City. Approximately \$537,000 was canceled by the department at the close of the fiscal year due to overestimation of the federal funds available through the cooperative agreements with the National Guard Bureau.

Fiscal 2017

The fiscal 2017 working appropriation for the department is \$92,000 more than the legislative appropriation. Decreases include \$169,000 in cost containment measures for Army projects and the Maryland Emergency Management Agency storage and contractual services. These cuts were adopted by the Board of Public Works in November 2016. Changes in fiscal 2017 also include a net increase of \$261,000 in budget amendments. The first amendment consisted of employee increments totaling \$118,856 in general funds and \$259,311 in federal funds. A second amendment consisted of \$21,143 in general funds and \$3,234 in federal funds to reallocate funding for the Annual Salary Review from the Department of Budget and Management across State agencies. A final amendment of \$141,593 in general funds was used to transfer 2 full-time equivalents to the Department of Information Technology for the Information Technology Enterprise Initiative.

Appendix 2
Audit Findings

Audit Period for Last Audit:	May 14, 2012 – June 30, 2015
Issue Date:	March 2016
Number of Findings:	2
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: The Military Department did not submit requests for reimbursement of federal fund expenditures in a timely manner, resulting in lost interest income to the State.

Finding 2: Adequate controls and records were not maintained for the Maryland Emergency Management Agency equipment.

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

**Appendix 3
Object/Fund Difference Report
Military Department**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	309.50	293.50	293.50	0.00	0%
02 Contractual	54.00	27.60	20.00	-7.60	-27.5%
Total Positions	363.50	321.10	313.50	-7.60	-2.4%
Objects					
01 Salaries and Wages	\$ 18,246,449	\$ 22,098,888	\$ 21,377,983	-\$ 720,905	-3.3%
02 Technical and Spec. Fees	2,405,737	1,258,720	1,239,270	-19,450	-1.5%
03 Communication	1,155,605	417,734	489,895	72,161	17.3%
04 Travel	711,990	107,331	105,786	-1,545	-1.4%
06 Fuel and Utilities	2,997,971	4,097,523	2,953,675	-1,143,848	-27.9%
07 Motor Vehicles	309,810	327,880	328,487	607	0.2%
08 Contractual Services	3,474,216	3,669,131	3,508,864	-160,267	-4.4%
09 Supplies and Materials	838,706	572,484	572,484	0	0%
10 Equipment – Replacement	354,878	176,664	176,664	0	0%
11 Equipment – Additional	8,338	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	45,271,550	44,690,183	44,840,183	150,000	0.3%
13 Fixed Charges	345,181	239,318	192,118	-47,200	-19.7%
14 Land and Structures	11,991,955	6,900,255	6,778,433	-121,822	-1.8%
Total Objects	\$ 88,112,386	\$ 84,556,111	\$ 82,563,842	-\$ 1,992,269	-2.4%
Funds					
01 General Fund	\$ 12,283,828	\$ 12,328,807	\$ 12,364,790	\$ 35,983	0.3%
03 Special Fund	23,569,140	18,286,967	18,286,967	0	0%
05 Federal Fund	52,259,418	53,940,337	51,912,085	-2,028,252	-3.8%
Total Funds	\$ 88,112,386	\$ 84,556,111	\$ 82,563,842	-\$ 1,992,269	-2.4%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

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**Appendix 4
Fiscal Summary
Military Department**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Administrative Headquarters	\$ 3,022,413	\$ 2,911,232	\$ 2,945,042	\$ 33,810	1.2%
02 Air Operations and Maintenance	5,078,130	5,144,150	4,794,904	-349,246	-6.8%
03 Army Operations and Maintenance	13,845,181	14,723,134	13,466,520	-1,256,614	-8.5%
05 State Operations	5,755,945	6,530,689	6,428,364	-102,325	-1.6%
06 Maryland Emergency Management Agency	60,410,717	55,246,906	54,929,012	-317,894	-0.6%
Total Expenditures	\$ 88,112,386	\$ 84,556,111	\$ 82,563,842	-\$ 1,992,269	-2.4%
General Fund	\$ 12,283,828	\$ 12,328,807	\$ 12,364,790	\$ 35,983	0.3%
Special Fund	23,569,140	18,286,967	18,286,967	0	0%
Federal Fund	52,259,418	53,940,337	51,912,085	-2,028,252	-3.8%
Total Appropriations	\$ 88,112,386	\$ 84,556,111	\$ 82,563,842	-\$ 1,992,269	-2.4%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

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