

D10A01
Governor
Executive Department

Operating Budget Data

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$10,980	\$11,164	\$11,332	\$168	1.5%
Adjustments	0	-87	86	173	
Adjusted General Fund	\$10,980	\$11,077	\$11,418	\$340	3.1%
Special Fund	0	36	0	-36	-100.0%
Adjusted Special Fund	\$0	\$36	\$0	-\$36	-100.0%
Reimbursable Fund	40	41	41	0	-0.2%
Adjusted Reimbursable Fund	\$40	\$41	\$41	\$0	-0.2%
Adjusted Grand Total	\$11,021	\$11,154	\$11,459	\$304	2.7%

FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The fiscal 2019 allowance for the Governor's Office increases by \$304,261, or 2.7%, above the fiscal 2018 working appropriation. This increase is attributable to increased personnel costs, including across-the-board adjustments.

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

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Personnel Data

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>
Regular Positions	83.50	83.50	83.50	0.00
Contractual FTEs	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	84.50	84.50	84.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.01	2.41%
Positions and Percentage Vacant as of 12/31/17	9.00	10.78%

- The fiscal 2019 allowance includes 83.5 regular positions and 1 contractual full-time equivalent, the same as the fiscal 2018 working appropriation.
- Turnover expectancy for the agency is 2.4%, which requires 2 vacancies. As of December 31, 2017, there were a total of 9 vacancies, for a vacancy rate of 10.8%.

Analysis in Brief

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

Governor's Office of Performance Improvement: The Governor's Office of Performance Improvement is the successor organization to StateStat. While the office generates less attention in the media than its predecessor, it continues to lead open data and performance management activities for the Executive Branch, including the Administration's customer service and open data initiatives.

Governor's Salary Commission Recommends No Salary Increases: The Governor's Salary Commission met during the 2017 interim as required by the State Constitution. After reviewing the salaries of the Governor and Lieutenant Governor (currently \$180,000 and \$149,500, respectively), the commission recommended no change in the salary for either position during the gubernatorial term that begins in January 2019.

D10A01 – Executive Department – Governor

D10A01
Governor
Executive Department

Operating Budget Analysis

Program Description

As the chief executive, the Governor exercises supervision over the agencies of the Executive Branch. The Governor presents to the General Assembly in the annual budget a work program and the financial requirements for the ensuing year and reports on the condition of the State. Amendments to the enacted budget are approved by the Governor. In discharging the duties of the office, the Governor appoints officials and grants pardons and reprieves. The Governor represents the State in its relations with other jurisdictions and the public.

Performance Analysis: Managing for Results

The strategy of the Governor is contained in his legislative agenda, the budget message, and the operating and capital budgets. Traditional performance measurement data is not appropriate for this office because the performance of individual agencies measures the performance of the Administration.

Fiscal 2018 Actions

Cost Containment

The Board of Public Works cost containment action of September 6, 2017, reduced the general fund appropriation for the Governor's Office by \$150,000. This reduction will be achieved by holding positions vacant to increase turnover. Approximately half of this reduction is carried forward into fiscal 2019 via higher turnover expectancy.

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency's share of this reduction is \$86,894 in general funds.

Proposed Budget

As shown in **Exhibit 1**, the fiscal 2019 allowance for the Governor’s Office increases by \$304,261, or 2.7%, above the fiscal 2018 working appropriation.

**Exhibit 1
Proposed Budget
Executive Department – Governor
(\$ in Thousands)**

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
Fiscal 2017 Actual	\$10,980	\$0	\$40	\$11,021
Fiscal 2018 Working Appropriation	11,077	36	41	11,154
Fiscal 2019 Allowance	<u>11,418</u>	<u>0</u>	<u>41</u>	<u>11,459</u>
Fiscal 2018-2019 Amount Change	\$340	-\$36	\$0	\$304
Fiscal 2018-2019 Percent Change	3.1%	-100.0%	-0.2%	2.7%

Where It Goes:

Personnel Expenses

Compensation	\$131
Accrued leave payouts	105
Employee and retiree health insurance	87
Cost-of-living adjustment	86
Turnover expectancy.....	68
Social Security	18
Other fringe benefit adjustments.....	3
Reclassifications	-39
Pensions	-55

Other Changes

Miscellaneous contractual services.....	33
Statewide cost allocations	-15
Subscriptions.....	-16
Hall of the States rent.....	-36
Equipment.....	-62
Other	-4

Total **\$304**

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

General Salary Increase

The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management’s statewide program and will be distributed to agencies during the fiscal year. This agency’s share of the general salary increase is \$85,819 in general funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

Personnel

Personnel expenditures increase by \$403,989. The increase is attributable to the across-the-board actions for health insurance (\$86,894) and the cost-of-living adjustment (\$85,819) as well as higher compensation expenditures (\$130,734) and accrued leave payouts (\$105,000). The net impact of adjustments to turnover expectancy adds \$68,327.

Other Changes

Other notable changes include an increase for miscellaneous contractual services (\$33,000), which is offset by decreases for equipment (\$62,000) and rent for the Hall of the States in Washington, DC (\$36,000).

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Governor’s Office of Performance Improvement

On October 8, 2015, Governor Lawrence J. Hogan, Jr. issued an executive order creating the Governor’s Office of Performance Improvement (GOPI) with the stated purpose of “improve[ing] business processes throughout Maryland state agencies through greater accountability.” GOPI succeeded StateStat, the O’Malley Administration’s performance management office. Since this transition, GOPI has maintained a lower public profile than its predecessor, which, along with the office’s smaller staff, has led to occasional questions about how active the office is and the role it serves in the Executive Branch.

While GOPI’s activities draw less media attention than those of StateStat, the office has remained active and has a central role in the Administration’s open data and customer service programs alongside the Governor’s Office of Transformation and Renewal. Among other duties, GOPI staff facilitate agency Performance Improvement Workgroups, run the Performance Improvement Champions Workgroup, curate the Maryland Open Data Portal, and help lead the Maryland Council on Open Data and the Governor’s Customer Service Initiative.

2. Governor’s Salary Commission Recommends No Salary Increases

The Governor’s Salary Commission met in December 2017 and January 2018 to perform its constitutionally required quadrennial task of recommending salary levels for Maryland’s Governor and Lieutenant Governor for the gubernatorial term beginning on January 16, 2019. The commission recommended that the salaries for the Governor and Lieutenant Governor remain at the current level, as shown in **Exhibit 2**, for the entirety of the coming term. In addition, the Governor has historically requested that the commission make recommendations regarding the salaries for the State’s other constitutional officers (the Comptroller, the Treasurer, the Attorney General, and the Secretary of State), but it elected not to do so this year. While the General Assembly may not increase the salary of the Governor or Lieutenant Governor when the commission recommends no increase, it does have the power to increase the salaries of the other constitutional officers via legislation.

Exhibit 2
Salaries of Constitutional Officers
January 2018

<u>Office</u>	<u>Salary</u>
Governor	\$180,000
Lieutenant Governor	149,500
Comptroller	149,500
Treasurer	149,500
Attorney General	149,500
Secretary of State	105,500

Source: Governor's Salary Commission

Appendix 1
Current and Prior Year Budgets
Executive Department – Governor
(\$ 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 2017					
Legislative					
Appropriation	\$11,340	\$0	\$0	\$0	\$11,340
Deficiency					
Appropriation	0	0	0	0	0
Cost					
Containment	-81	0	0	0	-81
Budget					
Amendments	88	0	0	41	129
Reversions and					
Cancellations	-367	0	0	-1	-368
Actual					
Expenditures	\$10,980	\$0	\$0	\$40	\$11,021
Fiscal 2018					
Legislative					
Appropriation	\$11,314	\$36	\$0	\$41	\$11,391
Cost					
Containment	-150	0	0	0	-150
Budget					
Amendments	0	0	0	0	0
Working					
Appropriation	\$11,164	\$36	\$0	\$41	\$11,241

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

Actual expenditures were \$11.0 million, \$319,574 below the legislative appropriation. This decrease is largely attributable to the reversion or cancellation of \$368,235 in unspent funds, partially offset by the effect of budget amendments.

General Fund

General fund expenditures were \$359,998 below the legislative appropriation due to the following actions:

- a reversion of \$367,459 in unspent funds;
- cost containment action by the Board of Public Works (BPW), which reduced the appropriation by \$80,636 due to decreased operating expenditures; and
- a budget amendment decreased the appropriation by \$73,000 by reallocating those funds to the Boards, Commissions, and Offices of the Executive Department to properly reflect employee fringe benefit costs.

These decreases were partially offset by budget amendments adding \$150,123 and \$10,974 to the appropriation for employee salary increments and to realign statewide telecommunications costs, respectively.

Reimbursable Funds

The original legislative appropriation did not include reimbursable funds for the Governor's Office. However, \$41,200 in reimbursable funds was added by budget amendment for the share of the cost of leased space in the Hall of States in Washington, DC attributed to other State agencies. Of this appropriation, \$777 was canceled at the end of the fiscal year.

Fiscal 2018

To date, one adjustment has impacted the fiscal 2018 appropriation for the Governor's Office. On September 6, 2017, BPW approved a cost containment action that reduced the agency's appropriation by \$150,000 in general funds. This reduction will be achieved by holding open positions.

Appendix 2
Object/Fund Difference Report
Executive Department – Governor

<u>Object/Fund</u>	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u> <u>Appropriation</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18 - FY 19</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	83.50	83.50	83.50	0.00	0%
02 Contractual	1.00	1.00	1.00	0.00	0%
Total Positions	84.50	84.50	84.50	0.00	0%
Objects					
01 Salaries and Wages	\$ 9,473,998	\$ 9,590,005	\$ 9,821,281	\$ 231,276	2.4%
02 Technical and Spec. Fees	53,153	118,723	118,723	0	0%
03 Communication	287,109	290,803	299,820	9,017	3.1%
04 Travel	131,109	110,000	112,662	2,662	2.4%
07 Motor Vehicles	35,610	93,187	94,257	1,070	1.1%
08 Contractual Services	439,225	389,006	400,711	11,705	3.0%
09 Supplies and Materials	240,124	215,000	215,000	0	0%
10 Equipment – Replacement	15,651	60,000	13,000	-47,000	-78.3%
11 Equipment – Additional	31,225	40,000	25,000	-15,000	-37.5%
13 Fixed Charges	313,302	334,620	272,438	-62,182	-18.6%
Total Objects	\$ 11,020,506	\$ 11,241,344	\$ 11,372,892	\$ 131,548	1.2%
Funds					
01 General Fund	\$ 10,980,083	\$ 11,164,144	\$ 11,331,792	\$ 167,648	1.5%
03 Special Fund	0	36,000	0	-36,000	-100.0%
09 Reimbursable Fund	40,423	41,200	41,100	-100	-0.2%
Total Funds	\$ 11,020,506	\$ 11,241,344	\$ 11,372,892	\$ 131,548	1.2%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.