

DH.01
Military Department

Operating Budget Data

(\$ in Thousands)

	<u>FY 00</u> <u>Actual</u>	<u>FY 01</u> <u>Working</u>	<u>FY 02</u> <u>Allowance</u>	<u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$10,202	\$11,337	\$12,919	\$1,582	14.0%
Special Fund	386	174	174	0	
Federal Fund	19,228	11,688	11,075	(614)	(5.3%)
Reimbursable Fund	<u>139</u>	<u>155</u>	<u>161</u>	<u>6</u>	<u>4.1%</u>
Total Funds	\$29,954	\$23,354	\$24,329	\$975	4.2%

- Increased personnel costs (offset by \$333,000 for contractual conversions) account for \$851,000, or 87%, of the fiscal 2002 increase.

Personnel Data

	<u>FY 00</u> <u>Actual</u>	<u>FY 01</u> <u>Working</u>	<u>FY 02</u> <u>Allowance</u>	<u>Change</u>
Regular Positions	302.00	313.00	323.00	10.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	302.00	313.00	323.00	10.00

Vacancy Data: Regular

Budgeted Turnover: FY 02	28.26	8.75%
Positions Vacant as of 12/31/00	30.00	9.58%

- The fiscal 2002 allowance provides the Military Department with ten new positions in order to accommodate an increase in demand for military honor guard services. The positions are contractual conversions.

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

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Analysis in Brief

Issues

The Threat of Bioterrorism and Weapons of Mass Destruction: The threat of bioterrorism and the proliferation of weapons of mass destruction has become a topic of concern in the defense industry. **The department should brief the committees on its efforts both to obtain federal funding to address this issue and to coordinate its response to such a threat with other State agencies. Committee narrative requesting a report on this matter is recommended.**

Elite Nuclear Forces to Be Opened to National Guard and Reserves: The Pentagon has decided to allow members of the National Guard and reserves to serve on teams of elite strategic nuclear forces. **The department should be prepared to discuss how this development will affect the Military Department.**

The Military Department Has Not Complied with Budget Bill Requirements: Annual budget bill language requires all State agencies to report their full time equivalent (FTE) contractual positions. The Military Department has not accurately complied with this requirement in at least two years. **The department should be prepared to present to the committees its FTE contractual data for fiscal 2000 through 2002. It is further recommended that the department comply with this requirement henceforth.**

Recommended Actions

	<u>Funds</u>
1. Reduce federal and general funds for building maintenance.	\$ 59,986
2. Delete general funds for Maryland Defense Force.	35,000
3. Adopt committee narrative directing the department to report on its efforts to respond to bioterrorism and weapons of mass destruction.	
Total Reductions	\$ 94,986

Updates

Federal Reimbursement for Military Honor Guard Services: The 2000 *Joint Chairmen's Report* instructed the department to submit a report on the availability of federal funds to reimburse the State for costs incurred in the provision of honor guard services for eligible veterans.

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Budgetary Consolidation of Military Department and the Maryland Emergency Management Agency:
Language in the fiscal 2001 budget bill instructed the department to submit a report that identified cost savings and personnel reductions from the fiscal 2001 administrative reorganization.

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Operating Budget Analysis

Program Description

The Military Department oversees the construction, operations, and maintenance of armories and other facilities used by the Maryland Air and National Guard (MDNG). Units of the MDNG have their own command and control structure. Operating expenses of the MDNG unit facilities are a shared State and federal responsibility. Equipment of the MDNG units is solely a federal responsibility provided for under the U.S. Department of Defense-National Guard Bureau (NGB). Active members of the MDNG units receive pay and allowances while under inactive status (drill) or active duty status (training). These expenses are also the sole responsibility of the NGB. The Governor may call up MDNG units during State emergencies. Salaries and expenses of these MDNG units are the responsibility of the State during a Governor call-up (see Article 65, Section 32 of the Annotated Code). 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 these State call-ups.

The Maryland Emergency Management Agency (MEMA), a program under the Military Department, is responsible for the overall statewide direction, development, implementation, and coordination of a number of emergency activities. These activities include mitigation, preparedness, response, and recovery. In carrying out these activities, MEMA works in concert with local jurisdictions, State departments and agencies, federal departments and agencies, and private and volunteer organizations.

Governor's Proposed Budget

Exhibit 1 shows that the Governor's allowance for fiscal 2002 provides a \$974,822, or 4.2%, increase over the fiscal 2001 working appropriation. The great majority of the increase is accounted for by a \$1.6 million, or 14.0%, general fund increase. This increase is offset by a \$613,971, or 5.3%, decrease in federal funds below the fiscal 2001 working appropriation. It should be noted that the tally for personnel increases is \$851,000. Operating increases, therefore, account for only \$124,000 of the increase in the fiscal 2002 allowance.

The allowance provides for ten new positions for the Veterans Burial Detail Program. The positions are contractual conversions, and will provide regular full-time support for each of the five service locations. The department advises that stable staffing offered by regular positions rather than contracted staff is necessary since the department is anticipating that the number of requested burial details will continue to increase.

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Exhibit 1

**Governor's Proposed Budget
Military Department
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimbursable Fund</u>	<u>Total</u>
2001 Working Appropriation	\$11,337	\$174	\$11,688	\$155	\$23,354
2002 Governor's Allowance	12,919	174	11,075	161	24,329
Amount Change	\$1,582	\$0	(\$614)	\$6	\$975
Percent Change	14.0%	0.0%	(5.3%)	4.1%	4.2%

Where It Goes:

Personnel Expenses

Increments, fiscal 2001 increase phase-in, and other	\$700
Net cost of contractual conversion for ten new positions for the Veterans Burial Detail Program	(34)
Fiscal 2002 general salary increase	214
Other fringe benefit adjustments	74
Turnover adjustments	(45)
Workers' compensation premium assessment, employee and retiree health insurance rate change, and retirement contribution rate change	(58)

Operating Expenses

Utility costs	238
Building maintenance for neglected facilities	216
State Emergency Operations Center (SEOC) maintenance/service agreements	186
Installment funding for SEOC equipment	132
Motor vehicle purchase costs	(78)
Telephone costs	(118)
Decrease in estimates for education contracts	(120)
Alignment of budgeted contractual expenditures with actual history, especially in food, grounds maintenance, and State Operations contracts	(309)

Other Changes (23)

Total **\$975**

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

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There are several noteworthy changes in operating expenses. The Governor's allowance provides for a \$238,000 increase to cover utility costs for the new warehouse and the addition to the Headquarters Building at Martin State Air Force Base. The Military Department has also converted from oil to gas service. The increase in utility costs reflects the increase in gas prices. Maintenance and repair of neglected Military Department facilities throughout the State account for \$216,000 of the increase. A number of maintenance/service agreements increase the budget by \$186,000. These agreements provide funding for several services at the SEOC (such as uninterrupted power supply and the PBX phone system) whose warranties will run out in fiscal 2001. These increases are offset by an alignment of contractual expenditures with actual history which decreases the allowance by \$309,000. Food services contracts and grounds maintenance contracts are the primary elements driving the realignment. Decreases in both telephone costs (\$118,000) and estimates for education contracts (\$120,000) also offset the overall operating increase.

Performance Analysis: Managing for Results

This year's Managing for Results (MFR) submission from the Military Department is dramatically different from last year's submission. The department has made a concerted effort to streamline the document by making its mission and vision statements more concise. The submission reflects a genuine attempt on the part of the department to eliminate irrelevant goals, objectives, and performance data. All but one of the objectives are time-bound, a critical element of the MFR process in measuring an agency's future performance. Specifically, objective 4.1 states the department's desire "to provide alternative work sites for eligible State employees." However, this objective is phrased as though it were a goal. The accompanying performance measurement is "% of eligible State employees using telework centers." DLS suggests that a more measurable and meaningful objective for these data would be to "increase % of eligible State employees using telework centers to 5% by 2005." All of the performance measures have changed from last year's submission, so the department does not have any 1998 actual, 1999 actual, or 2000 estimated data. **The department should be prepared to discuss whether it anticipates any further changes in its MFR performance data.**

The performance data for the Military Department can be found in **Exhibit 2**. Performance measures for MEMA are not included, as the data are rather cumbersome.

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Exhibit 2

**Program Measurement Data
Military Department
Fiscal 1998 through 2002**

	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Est. 2002</u>	<u>Ann. Chg. 00-02</u>
Military Department				
Successful completion of readiness program requirements	100%	100%	100%	0.0%
Administrative Headquarters				
% of authorized strength	90%	91%	92%	1.1%
Air Operations and Maintenance Program				
% of facilities in fully functional status	85%	87%	90%	2.9%
Lost work hours due to accident	56	40	30	-26.8%
Army Operations and Maintenance Program				
% of facilities in fully functional status	85%	87%	90%	2.9%
Lost work hours due to accident	312	280	240	-12.3%
State Operations Program				
% of Military Youth Challenge graduates who continue working	75%	76%	77%	1.32%
% of core attendance at About Face Program	75%	76%	77%	1.32%
% of services performed by Veterans Burial Detail Program without complaints	95%	96%	97%	1.05%
% of eligible State employees using telework centers	n/a	1%	2%	n/a

Source: Military Department

Issues

1. The Threat of Bioterrorism and Weapons of Mass Destruction

The threat of bioterrorism and the proliferation of weapons of mass destruction has become a topic of concern in the defense industry. The potential for an attack on the United States using biological weapons has increased in recent years. On March 20, 1995, the Japanese cult Aum Shinrikyo unleashed nerve gas on the Tokyo subway, killing 12 people and hospitalizing 5,000 others. Aum was also developing biological weapons. This attack broke new ground for terrorist organizations, and opened the door to biological weapons attacks on innocent civilians. In light of the discovery of military bioweapons programs in Iraq and the former Soviet Union, it is not unreasonable to be concerned about the safety of American citizens. The department has advised that it is currently petitioning for federal funds to finance personnel and equipment for a Weapons of Mass Destruction Civil Support (WMDCS) Team that will counter weapons of mass destruction.

The department should be prepared to discuss with the committees the nature of the WMDCS Team and the progress that it is making in acquiring funding for it. The department should also be prepared to discuss with the committees the role that it would play in the event of an attack, any preventative measures it is taking in this regard, and its efforts to coordinate these activities with other State agencies. **In addition, the Department of Legislative Services (DLS) recommends that the department prepare a report which develops these issues in more detail. Adoption of the following committee narrative is recommended:**

The Military Department's Role in Bioterrorism Prevention and Response: The committees are concerned about the threat of bioterrorism and weapons of mass destruction. The committees direct the Military Department to prepare a report which will discuss: (1) its role in prevention and response to a bioterrorism attack; (2) its efforts to acquire federal funds for a Weapons of Mass Destruction Civil Support Team; and (3) its efforts to coordinate its prevention and response efforts with other State agencies. This information shall be submitted to the budget committees by October 1, 2001.

Information Request	Authors	Due Date
Report on bioterrorism and weapons of mass destruction	Military Department	October 1, 2001

2. Elite Nuclear Forces to Be Opened to National Guard and Reserves

The Pentagon has decided to allow members of the National Guard and reserves to serve on teams of elite strategic nuclear forces. National Guard members will now be able to join the highly selective forces that guard and control the nation's nuclear weapons. The decision will also allow the Navy and the Air Force to consider new ways to use National Guard members and reserves for positions that are becoming increasingly difficult to fill due to declining military enrollment. In order to become eligible for such duty, National Guard members and reservists would need to pass rigorous physical and psychological tests and

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submit to increased scrutiny of their personal lives. Members of the National Guard and reservists would often serve in positions transporting nuclear weapons and operating launch sites during the Cold War. However, guardsmen and reservists were gradually phased out of such positions as the military developed into a more professional organization. The exclusion of guardsmen from these positions was codified in 1993.

The department should be prepared to discuss how this development will affect the Military Department, especially in terms of increased training, new vehicle requests, new personnel, and the impact on the State budget.

3. The Military Department Has Not Complied with Budget Bill Requirements

Annual budget bill language requires all State agencies to report their full time equivalent (FTE) contractual positions. The Military Department has not accurately complied with this requirement in at least two years. In fiscal 2001 the department reported one FTE contractual position, and in fiscal 2002 it did not report any. The department, however, has provided DLS with several documents which contradict these figures. The 2000 *Joint Chairmen's Report* (JCR) instructed the department to submit a report on the availability of federal funds to reimburse the State for costs incurred in the provision of honor guard services for eligible veterans. In this report, the department states that this program is "funded for ten permanent PINs and 34 contractual positions." Language in the 2001 budget bill instructed the department to submit a report that identified cost savings and personnel reductions due to the fiscal 2001 administrative reorganization of the Military Department and MEMA. This report concluded that the department would be able "to eliminate one temporary and two contractual positions." Furthermore, the agency's Information Technology Master Plan reports that there are five IT contractual positions.

The department should be prepared to present to the committees its FTE contractual data for fiscal 2000 through 2002. These data should indicate 12 fewer FTE contractual positions in fiscal 2002 below fiscal 2001, reflecting the 10 contractual conversions in the Veterans Burial Detail and the 2 eliminated contractual positions from MEMA. It is further recommended that the department comply with Section 22 of the budget bill henceforth.

Recommended Actions

- | | <u>Amount</u> | |
|---|---------------------------|--|
| | <u>Reduction</u> | |
| 1. Reduce federal and general funds for building maintenance. The Military Department has recently hired a Building Services Worker I and is actively seeking to hire another in order to form a Preventative Maintenance Team. This development should make the Military Department's maintenance efforts more efficient. As such, it is recommended that an amount equal to the salaries of each position be deleted from the 2002 allowance that was appropriated for building maintenance in the Army Operations and Maintenance Program. The funds are split in accordance with the Military Department's cooperative agreement with the federal government. | \$ 29,993 GF
29,993 FF | |
| 2. Delete general funds for the Maryland Defense Force (MDDF) as this is an unnecessary State expense and does not support the agency's Managing for Results submission. Members are a civilian volunteer militia and are not members of the active-duty armed forces or the Maryland National Guard. As a result, the Military Department does not have oversight of their activities and providing State funds may open the State to liability for actions of individual members of the group. In addition, these funds are not payments for services that members may voluntarily provide, but are expended for the purpose of one-day muster pay, uniforms, and other expenses. | 35,000 GF | |
| 3. Adopt the following narrative: | | |

The Military Department's Role in Bioterrorism Prevention and Response: The committees are concerned about the threat of bioterrorism and weapons of mass destruction. The committees direct the Military Department to prepare a report which will discuss: (1) its role in prevention and response to a bioterrorism attack; (2) its efforts to acquire federal funds for a Weapons of Mass Destruction Civil Support Team; and (3) its efforts to coordinate its prevention and response efforts with other State agencies. This information shall be submitted to the budget committees by October 1, 2001.

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Information Request	Authors	Due Date
Report on bioterrorism and weapons of mass destruction	Military Department	October 1, 2001
Total Reductions		\$ 94,986
Total General Fund Reductions		\$ 64,993
Total Federal Fund Reductions		\$ 29,993

Updates

1. Federal Reimbursement for Military Honor Guard Services

Federal law (PL 106-65, Section 578, National Defense Authorization Act for fiscal 2000) requires the Department of Defense to provide an honor burial detail for every eligible veteran upon request. The Act also gives the Department of Defense the authority to reimburse members of authorized organizations for expenses when they participate with the Military in the delivery of honors. Language in the fiscal 2001 budget bill instructed the Military Department to report on the availability of federal funds to reimburse the State for costs incurred in the provision of honor guard services for eligible veterans.

The department's report states that, as of October 31, 2000, the federal government will provide \$198,550 to support veteran honor details in the State for federal fiscal 2001. These funds will cover payroll costs for ten regular positions but will not cover such logistical costs as travel and uniform maintenance. The department anticipates that fiscal 2001 will be the first fiscal year in which no deficiency appropriations will be requested to cover costs for the honor guard services. Current projections indicate that the department will perform over 2,250 details during fiscal 2001.

2. Budgetary Consolidation of Military Department and the Maryland Emergency Management Agency

Committee narrative in the 2000 JCR instructed the department to submit a report that identified cost savings and personnel reductions from the fiscal 2001 administrative reorganization. After conducting a review of 37 regular, contractual, and temporary positions in order to identify duplication of effort and improper staffing, the department concluded that it would eliminate one temporary and two contractual full-time equivalent positions. This change would mark an 8.8% reduction in staff and result in a savings of \$42,500 in general funds. The department advises that the administrative support staff has not changed since 1982, despite a significant increase in operational workload. The report also found some duplicated services affecting the Camp Fretterd Armory, MEMA, and the SEOC complex. As an example, the report cites that the department now has only one contract for trash removal.

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>Reimbursable Fund</u>	<u>Total</u>
Fiscal 2000					
Legislative Appropriation	\$9,738	\$196	\$11,123	\$185	\$21,242
Deficiency Appropriation	358	0	0	0	358
Budget Amendments	106	195	8,797	0	9,098
Reversions and Cancellations	0	(5)	(692)	(47)	(744)
Actual Expenditures	\$10,202	\$386	\$19,228	\$139	\$29,955
Fiscal 2001					
Legislative Appropriation	\$11,337	\$174	\$11,688	\$155	\$23,354
Budget Amendments	0	0	0	0	0
Working Appropriation	\$11,337	\$174	\$11,688	\$155	\$23,354

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

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Fiscal 2000 Changes

Fiscal 2000 expenditures were \$30 million, which was \$8.7 million more than the legislative appropriation of \$21 million. Two general fund deficiency appropriations were included in fiscal 2000. The first deficiency appropriation (\$351,000) covered personnel costs and vehicle procurements for the Veterans Honor Burial Detail. The second deficiency appropriation (\$7,200) covered MEMA's cable subscription service. One general fund budget amendment of \$92,000 was a transfer of funds for the Pay Plan Adjustment and Deferred Compensation Match (Chapter 18, Acts of 1999). The remainder of the general fund budget amendments represent coverage of costs for the Veterans Burial Detail. There were two special fund budget amendments. The first was a result of increased armory rentals, and the second helped to fund the department's Distributive Training Technology (DTT) project. Nearly all of the fiscal 2000 federal fund budget amendments made Federal Emergency Management Agency (FEMA) funds available to State and local jurisdictions for disaster assistance. One significant exception is a \$1.2 million amendment to fund construction and equipment costs for the SEOC. The fiscal 2000 deficiencies and amendments were offset by \$744,000 in reversions and cancellations. The \$692,000 federal fund cancellation reflects the difference between the actual federal funds received versus the amount appropriated. A similar discrepancy accounts for the \$47,000 reimbursable fund cancellation.

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Object/Fund	Object/Fund Difference Report Military Department					
	FY00 Actual	FY01 Working Appropriation	FY02 Allowance	FY01 - FY02 Amount Change	Percent Change	
Positions						
01 Regular	302.00	313.00	323.00	10.00	3.2%	
Total Positions	302.00	313.00	323.00	10.00	3.2%	
Objects						
01 Salaries and Wages	\$ 11,099,028	\$ 12,079,457	\$ 13,261,824	\$ 1,182,367	9.8%	
02 Technical & Spec Fees	2,002,515	806,405	473,745	(332,660)	(41.3%)	
03 Communication	734,682	795,306	676,897	(118,409)	(14.9%)	
04 Travel	316,744	149,824	162,824	13,000	8.7%	
06 Fuel & Utilities	1,930,410	1,929,197	2,166,761	237,564	12.3%	
07 Motor Vehicles	676,946	491,396	392,080	(99,316)	(20.2%)	
08 Contractual Services	1,651,918	1,840,928	1,587,446	(253,482)	(13.8%)	
09 Supplies & Materials	968,448	915,233	955,513	40,280	4.4%	
10 Equip - Replacement	303,788	268,938	396,029	127,091	47.3%	
11 Equip - Additional	433,196	277,038	245,038	(32,000)	(11.6%)	
12 Grants, Subsidies, Contr	8,758,917	3,568,650	3,538,650	(30,000)	(0.8%)	
13 Fixed Charges	203,628	161,371	185,758	24,387	15.1%	
14 Land & Structures	874,276	70,400	286,400	216,000	306.8%	
Total Objects	\$ 29,954,496	\$ 23,354,143	\$ 24,328,965	\$ 974,822	4.2%	
Funds						
01 General Fund	\$ 10,201,814	\$ 11,336,553	\$ 12,918,963	\$ 1,582,410	14.0%	
03 Special Fund	386,330	174,275	174,267	(8)	0%	
05 Federal Fund	19,227,819	11,688,491	11,074,520	(613,971)	(5.3%)	
09 Reimbursable Fund	138,533	154,824	161,215	6,391	4.1%	
Total Funds	\$ 29,954,496	\$ 23,354,143	\$ 24,328,965	\$ 974,822	4.2%	

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

Fiscal Summary
Military Department

<u>Unit/Program</u>	FY00	FY01	FY01	FY00 - FY01	FY02	FY01 - FY02
	<u>Actual</u>	<u>Legislative Appropriation</u>	<u>Working Appropriation</u>	<u>% Change</u>	<u>Allowance</u>	<u>% Change</u>
01 Administrative Headquarters	\$ 7,244,597	\$ 2,567,954	\$ 2,567,954	(64.6%)	\$ 2,782,184	8.3%
02 Air Operations and Maintenance	3,151,118	3,387,726	3,387,726	7.5%	3,786,372	11.8%
03 Army Operations and Maintenance	6,468,607	6,793,657	6,793,657	5.0%	7,322,945	7.8%
05 State Operations	350,509	4,660,843	4,660,843	1229.7%	4,181,546	(10.3%)
06 Maryland Emergency Management Agency	12,739,665	5,943,963	5,943,963	(53.3%)	6,255,918	5.2%
Total Expenditures	\$ 29,954,496	\$ 23,354,143	\$ 23,354,143	(22.0%)	\$ 24,328,965	4.2%
General Fund	\$ 10,201,814	\$ 11,336,553	\$ 11,336,553	11.1%	\$ 12,918,963	14.0%
Special Fund	386,330	174,275	174,275	(54.9%)	174,267	0%
Federal Fund	19,227,819	11,688,491	11,688,491	(39.2%)	11,074,520	(5.3%)
Total Appropriations	\$ 29,815,963	\$ 23,199,319	\$ 23,199,319	(22.2%)	\$ 24,167,750	4.2%
Reimbursable Fund	\$ 138,533	\$ 154,824	\$ 154,824	11.8%	\$ 161,215	4.1%
Total Funds	\$ 29,954,496	\$ 23,354,143	\$ 23,354,143	(22.0%)	\$ 24,328,965	4.2%

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