

**D10A01**  
**Executive Department – Governor**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$9,441	\$9,315	\$9,897	\$582	6.2%
Reimbursable Fund	<u>61</u>	<u>86</u>	<u>0</u>	<u>-86</u>	<u>-100.0%</u>
<b>Total Funds</b>	<b>\$9,502</b>	<b>\$9,401</b>	<b>\$9,897</b>	<b>\$496</b>	<b>5.3%</b>

- The fiscal 2009 allowance is \$9.9 million, an increase of about \$496,000, or 5.3%, over the fiscal 2008 working appropriation. However, this change is distorted due to changes in health insurance budgeting. Absent health insurance, the budget grows by about 2%.
- The underlying increase in the budget is largely attributable to personnel expenditures.

***Personnel Data***

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	80.00	80.00	87.50	7.50
Contractual FTEs	<u>1.50</u>	<u>1.50</u>	<u>0.00</u>	<u>-1.50</u>
<b>Total Personnel</b>	<b>81.50</b>	<b>81.50</b>	<b>87.50</b>	<b>6.00</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	1.31	1.50%
Positions Vacant as of 12/31/07	3.00	3.75%

- The allowance includes 7.5 additional full-time regular positions. Of these, 5.5 positions were transferred from various agencies, and 2 are new positions. There remain 4 positions that are detailed to the Governor's Office from other State agencies.
- No contractual positions remain in the allowance.

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

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## ***Analysis in Brief***

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### **Issues**

**StateStat Overview:** Established by Chapter 7 of 2007, StateStat is an Administrative initiative designed for Executive Branch agencies to be a management accountability process that replaces the existing strategic planning process. **The Department of Legislative Services (DLS) recommends that committee narrative be adopted that requests that DLS and the Governor’s staff collaborate on establishing a mechanism for reporting on the focus and accomplishments of the StateStat process for each agency under review.**

### **Recommended Actions**

	<u><b>Funds</b></u>
1. Add budget bill language expressing intent that positions detailed to the Office of the Governor be included in future allowances.	
2. Increase turnover to better reflect actual vacancies.	\$ 100,005
3. Reduce the net increase in equipment expenditures.	16,800
4. Adopt committee narrative requesting a collaboration between the Department of Legislative Services and the Governor's staff on a StateStat reporting process.	
<b>Total Reductions</b>	<b>\$ 116,805</b>

### **Updates**

**Report on Homeland Security Spending:** Fiscal 2008 budget bill language required the Governor’s Office of Homeland Security to report on specific spending for purposes related to homeland security by agency and by funding source. Further information will be provided at the conclusion of an independent assessment of Maryland’s current level of preparedness, and the State’s organizational structures and emergency plans.

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**Executive Department – Governor**

***Operating Budget Analysis***

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**Program Description**

As chief executive, the Governor exercises supervision over the agencies of the Executive Branch. Annually, the Governor presents to the legislature in the annual budget a work program and the financial requirements for the ensuing year and reports to the legislature 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 are not appropriate for this office because the performance of individual agencies measures the performance of the Administration.

**Fiscal 2008 Actions**

**Impact of Cost Containment**

The fiscal 2008 cost containment effort resulted in savings of approximately \$100,000 in general fund personnel expenditures attributable to higher than expected vacancies.

**Governor's Proposed Budget**

As shown in **Exhibit 1**, the fiscal 2009 allowance totals \$9.9 million, an increase of about \$496,000, or 5.3%, over the fiscal 2008 working appropriation. However, this change is distorted due to changes in health insurance budgeting. Absent health insurance, the budget grows by about 2%.

**Personnel**

The allowance includes 2 new positions within the Office of the Governor. Furthermore, an additional 5.5 regular positions have been transferred into the office from several State agencies. Funds associated with these positions total \$536,444.

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

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
2008 Working Appropriation	\$9,315	\$86	\$9,401
2009 Governor’s Allowance	<u>9,897</u>	<u>0</u>	<u>9,897</u>
Amount Change	\$582	-\$86	\$496
Percent Change	6.2%	-100.0%	5.3%
 <b>Where It Goes:</b>			
<b>Personnel Expenses</b>			
New positions .....			\$114
Abolished/transferred positions .....			423
Overstated salary base in fiscal 2008 .....			-403
Employee and retiree health insurance .....			79
Health insurance – long-term Other Post Employment Benefits liability .....			228
Fiscal 2008 Budget Section 45 – one-time hiring freeze savings .....			67
Turnover adjustments .....			116
Other fringe benefit adjustments .....			-7
<b>Other Changes</b>			
Decline in contractual staff under Appointments Office and Executive Services .....			-91
Decline in communication costs and supplies .....			-18
Decline in contractual computer services .....			-31
Increase in equipment needs based on prior years .....			17
Other miscellaneous changes .....			2
<b>Total</b>			<b>\$496</b>

Note: Numbers may not sum to total due to rounding

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It has been the practice of the Governor's office to augment the regular staff with positions detailed from other agencies. However, this practice masks the true budgetary needs of the office as detailed positions are funded through the budgets of the respective agencies, and not through the Governor's office. The new and transferred positions included in the allowance address this issue in part.

In fiscal 2008, there were 10 positions detailed to the Governor's office, fewer than in prior years. The 7.5 positions added to the fiscal 2009 allowance replace these detailed positions. However, the office continues to use 4 positions budgeted in other agencies as its StateStat staff. Specifically, 2 positions are budgeted within the Department of Budget and Management, 1 with the Department of Human Resources, and 1 with the Maryland Emergency Management Agency (MEMA). Despite where the positions are budgeted, they are considered Governor's office staff and are housed in executive department offices.

The allowance no longer includes reimbursable funds. Previously, the office received funds from MEMA's homeland security funds in order to fund 1 position within the Office of Homeland Security. However, this office has been scaled down to 2 from 7 positions two years ago, and this funding source is no longer necessary.

### **Other Expenditures**

The office has eliminated its contractual staff in the fiscal 2009 allowance. The 1.5 full-time equivalent contractual positions were used in the Appointments Office and the Executive Services Office. The office advises that these positions were transitional in nature and no longer needed. As such, the allowance declines by approximately \$91,000.

The allowance includes \$200,000 in general funds for various information technology and equipment upgrades. The office is on a three-year replacement schedule for its computers, printers, software, and other information technology needs. Fiscal 2009 marks the second year of this effort.

Many of the other expenditures, including communications and supplies, are declining from the fiscal 2008 working appropriation. Budget amounts are largely based on actual expenditures from prior years.

## ***Issues***

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### **1. StateStat Overview**

StateStat is an Administrative initiative designed to be a management accountability process for Executive Branch agencies that replaces the existing strategic planning process. The process relies on databases to track agency performance and redirect resources to areas in need. Agencies selected for participation must submit strategic plans and performance measurement reports to the Secretary of the Department of Budget and Management as part of their annual budget submissions. The StateStat strategic plan has to contain the information currently required in the Managing for Results (MFR) strategic plan. Each agency selected to participate in StateStat must:

- adopt a strategic plan and establish goals for its operation;
- adopt a comprehensive set of performance and citizen satisfaction measurements;
- regularly and frequently:
  - submit timely and accurate data;
  - review and analyze its submitted data; and
  - attend accountability meetings to assess its performance;
- continuously review its strategies and tactics to meet its goals; and
- continuously assess its progress toward meeting its goals.

StateStat is modeled on the CitiStat process in Baltimore City implemented by then-Mayor Martin O'Malley in 2000. CitiStat, in turn, was modeled on CompStat, which was implemented by New York City Police Commissioner William Bratton to reduce crime.

The agencies that first participated in the pilot of StateStat are the Department of Public Safety and Correctional Services, the Department of Human Resources, and the Department of Juvenile Services. The program has since expanded to the departments of State Police; Transportation; Health and Mental Hygiene; General Services; Labor, Licensing, and Regulation; and Housing and Community Development.

Departments report regularly to the StateStat administration regarding various inputs and performance trends such as overtime usage and departmental vacancies. Administration and department officials discuss the data and adopt strategies in response to the data trends. Some of the data are available for public viewing in graphic form on the Administration's StateStat web site. The Administration advises that subsequent executive briefings are prepared for each agency that highlight areas of concern and new strategies.

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The Department of Legislative Services (DLS) has been advised that participating agencies have complied with the statutory requirement that they must submit strategic plans and performance measurement reports to the Secretary of the Department of Budget and Management (DBM) as part of their annual budget submissions.

However, there is a lack of transparency between what is reviewed at StateStat meetings, what decisions are made based on the meetings, and how those decisions affect the budget. Biweekly meetings have been held since 2007 for a growing number of agencies, as well as cross cutting issues such as efforts to address the health of the Chesapeake Bay (i.e., BayStat). To date, there is no statewide comprehensive public report that shows specific management or budgetary results from StateStat. It has been suggested that StateStat contributed to the closure of the House of Correction, and savings in such areas as overtime and sick leave. While there is a StateStat web site, it presently provides charts and supporting data for a number of agencies, but no supporting narrative to suggest:

- how the data is being used at StateStat meetings;
- what issues are being discussed within each agency;
- what savings have been identified in the budget; or
- how StateStat activity interrelates with agency strategic plans or performance measures.

**DLS recommends that committee narrative be adopted that requests that DLS and the Governor’s staff collaborate on establishing a mechanism for reporting on the focus and accomplishments of the StateStat process for each agency under review.**

## ***Recommended Actions***

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1. Add the following language:

Further provided that it is the intent of the General Assembly that all positions working on behalf of the Executive Department – Governor be reflected in the allowance for Executive Department – Governor. It is the intent of the General Assembly that all positions detailed to the office from other agencies be transferred as soon as feasible.

**Explanation:** In the fiscal 2009 allowance, the Office of the Governor has taken significant steps in curtailing the practice of utilizing positions from other agencies within the Office of the Governor. However, 4 positions, assigned to StateStat responsibilities and housed within the Office of the Governor, are budgetarily assigned to other agencies. Transferring the positions to the Executive Department – Governor would provide a truer account of the budgetary and personnel needs of the office.

- |   | <b><u>Amount<br/>Reduction</u></b> |    |
|---|------------------------------------|----|
| 2. Increase turnover for new and existing positions to better reflect actual vacancies. This recommendation increases turnover for new positions to 25.0% and for existing positions to 2.5%. | \$ 100,005                         | GF |
| 3. Reduce the net increase in equipment expenditures. This returns funding for replacement and additional equipment to fiscal 2008 levels.  | 16,800                             | GF |
| 4. Adopt the following narrative:   |                                    |    |

**StateStat Reporting:** The budget committees are encouraged that StateStat is underway and would like to use it as a mechanism to enhance their oversight of executive agencies. The committees request that the Department of Legislative Services and the Governor’s staff collaborate on establishing a mechanism for reporting on the focus and accomplishments of the StateStat process for each agency under review.

**Total General Fund Reductions** **\$ 116,805**

## ***Updates***

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### **1. Report on Homeland Security Spending**

In December, the Governor's Office of Homeland Security issued a report as required by fiscal 2008 budget bill language. The language is as follows:

And be it further enacted, that the Governor's Office of Homeland Security shall be required to submit a report to the General Assembly by October 1, 2007, detailing specific spending for purposes related to homeland security by agency and by funding source for fiscal 2007 and estimated for fiscal 2008. Information on pass-through funding made available to local jurisdictions by jurisdiction and by funding sources shall also be given. This report shall list the uses to which these funds have been put at the State level. Restrictions, contingencies, and any applicable expiration dates shall be given for funds made available through the federal government.

The report outlines 12 goals designated by the Administration as necessary for homeland security preparedness. These include interoperable communications, intelligence/information sharing, personal protective equipment for first responders, and transportation security. In order to develop strategies to reach these goals, the Administration contracted with a consultant that will provide an independent, expert assessment of Maryland's current level of preparedness, and the State's organizational structures and emergency plans using industry best practices. The report is expected by May 31, 2008.

Additionally, the report shows the funding for each of the homeland security grants by federal fiscal year and by recipient jurisdiction. Generally, 80% of such funds are passed through to local jurisdictions. The remaining funds are for statewide uses. At the time of the report, the Governor's Joint Executive Committee for Homeland Security was still developing recommendations for the use of the statewide funds. However, the report advises that likely uses include equipment for State bomb squad personnel, personal protective equipment for State law enforcement, and, as mentioned above, the independent, expert assessment of Maryland's current level of preparedness.

Finally, the report notes that actual funds available for fiscal 2008 are difficult to determine. Final allocations from the federal government are still being determined.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Executive Department – Governor (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2007</b>					
Legislative Appropriation	\$8,937	\$0	\$0	\$94	\$9,031
Deficiency Appropriation	470	0	0	0	470
Budget Amendments	34	0	0	0	34
Reversions and Cancellations	0	0	0	-33	-33
<b>Actual Expenditures</b>	<b>\$9,441</b>	<b>\$0</b>	<b>\$0</b>	<b>\$61</b>	<b>\$9,502</b>
<b>Fiscal 2008</b>					
Legislative Appropriation	\$9,274	\$0	\$0	\$86	\$9,360
Cost Containment	-100	0	0	0	-100
Budget Amendments	141	0	0	0	141
<b>Working Appropriation</b>	<b>\$9,315</b>	<b>\$0</b>	<b>\$0</b>	<b>\$86</b>	<b>\$9,401</b>

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

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## **Fiscal 2007**

General fund expenditures increased by about \$503,500 over the original fiscal 2007 appropriation. This is largely attributable to a \$470,000 general fund deficiency appropriation for leave payouts for outgoing staff of the previous Administration. An additional \$152,701 in general funds was added by budget amendment including cost-of-living adjustments (\$91,798), \$62,000 realigned from the budgets of other Executive departments in order to meet final fiscal 2007 disbursements including transfers to the State Employee and Retirees Health and Welfare Benefits Fund, and an offsetting reduction of \$1,097 for salary study adjustments.

Conversely, the original general fund appropriation was reduced by \$119,195 as part of the cost containment effort executed by the Board of Public Works in February 2007. Finally, approximately \$33,000 in reimbursable funds was canceled in fiscal 2007.

## **Fiscal 2008**

The fiscal 2008 cost containment effort resulted in savings of approximately \$100,000 in general fund personnel expenditures attributable to higher than expected vacancies. An additional budget amendment increased general funds by \$140,914 for the cost-of-living salary adjustment.

## ***Audit Findings***

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Audit Period for Last Audit:	January 1, 2005 – January 16, 2007
Issue Date:	October
Number of Findings:	4
Number of Repeat Findings:	2
% of Repeat Findings:	50%
Rating: (if applicable)	n/a

The October 2007 legislative audit reported on the Executive Department and various offices therein. The following is an excerpt of the findings that are attributable to the Governor's office.

***Finding 1:*** **The department did not adequately address disaster recovery or backup of critical files.**

***Finding 2:*** **Security over the department's computer network needs to be enhanced.**

***Finding 3:*** Proper controls were not established over the department's equipment.

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

**Object/Fund Difference Report  
Executive Department - Governor**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	80.00	80.00	87.50	7.50	9.4%
02 Contractual	1.50	1.50	0	-1.50	-100.0%
<b>Total Positions</b>	<b>81.50</b>	<b>81.50</b>	<b>87.50</b>	<b>6.00</b>	<b>7.4%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 7,827,872	\$ 7,780,503	\$ 8,397,992	\$ 617,489	7.9%
02 Technical and Spec. Fees	159,052	106,414	15,000	-91,414	-85.9%
03 Communication	275,004	352,999	348,039	-4,960	-1.4%
04 Travel	89,764	108,909	107,000	-1,909	-1.8%
07 Motor Vehicles	43,509	47,491	49,138	1,647	3.5%
08 Contractual Services	444,614	270,937	240,127	-30,810	-11.4%
09 Supplies and Materials	212,465	216,912	204,000	-12,912	-6.0%
10 Equip. – Replacement	111,746	153,200	160,000	6,800	4.4%
11 Equip. – Additional	45,567	40,000	50,000	10,000	25.0%
13 Fixed Charges	292,374	323,591	325,341	1,750	0.5%
<b>Total Objects</b>	<b>\$ 9,501,967</b>	<b>\$ 9,400,956</b>	<b>\$ 9,896,637</b>	<b>\$ 495,681</b>	<b>5.3%</b>
<b>Funds</b>					
01 General Fund	\$ 9,440,814	\$ 9,314,552	\$ 9,896,637	\$ 582,085	6.2%
09 Reimbursable Fund	61,153	86,404	0	-86,404	-100.0%
<b>Total Funds</b>	<b>\$ 9,501,967</b>	<b>\$ 9,400,956</b>	<b>\$ 9,896,637</b>	<b>\$ 495,681</b>	<b>5.3%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.