

D50H01
Military 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	\$12,091	\$12,339	\$13,052	\$713	5.8%
Adjustments	0	-159	65	225	
Adjusted General Fund	\$12,091	\$12,180	\$13,117	\$938	7.7%
Special Fund	19,959	18,287	18,312	25	0.1%
Adjustments	0	0	0	0	
Adjusted Special Fund	\$19,959	\$18,287	\$18,312	\$25	0.1%
Federal Fund	110,026	51,855	51,323	-532	-1.0%
Adjustments	0	-194	113	307	
Adjusted Federal Fund	\$110,026	\$51,661	\$51,435	-\$225	-0.4%
Reimbursable Fund	566	0	0	0	
Adjustments	0	0	0	0	
Adjusted Reimbursable Fund	\$566	\$0	\$0	\$0	
Adjusted Grand Total	\$142,641	\$82,127	\$82,865	\$737	0.9%

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

- The Military Department has one deficiency appropriation withdrawing \$50,000 in general funds from the fiscal 2018 appropriation in anticipation of fuel and utilities savings. This places the fiscal 2018 working appropriation nearly \$400,000 below fiscal 2017 actual expenditures. The fiscal 2019 allowance reflects an additional reduction of approximately \$300,000 after accounting for the withdrawn appropriation.

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

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- The fiscal 2019 allowance reflects an increase of approximately \$737,000, or 0.9%, over the fiscal 2018 working appropriation, after accounting for the negative deficiency appropriation and an across-the-board adjustment to reduce funds for employee health insurance (\$303,125) in fiscal 2018, and a 2% general salary increase (\$178,097) in fiscal 2019.
- The most significant changes in the department’s fiscal 2019 allowance occur within the general fund appropriation, which grows by approximately 7.7%, or \$938,000. This includes \$250,000 to fund 5 new contractual full-time equivalent (FTE) duty officers to staff the Maryland Joint Operations Center within the Maryland Emergency Management Agency (MEMA) and a \$200,000 increase in the administrative grant provided to the Maryland State Firemen’s Association. The allowance also provides \$250,000 to fund an environmental assessment in order to ready the Pikesville Armory for disposal.
- Cost containment actions reduce the department’s spending for facility maintenance by over \$1 million in fiscal 2019, which impact the general and federal fund appropriations. This occurs despite a reported backlog to the Department of General Services of over \$10 million in critical maintenance projects and only a quarter of the Army National Guard’s facilities reported in a fully functional status based on National Guard Bureau requirements.

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	293.50	293.50	293.50	0.00
Contractual FTEs	<u>53.00</u>	<u>20.00</u>	<u>20.00</u>	<u>0.00</u>
Total Personnel	346.50	313.50	313.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	17.52	5.97%
Positions and Percentage Vacant as of 12/31/17	57.00	19.42%

- The fiscal 2019 allowance estimates a budgeted turnover rate of nearly 6% for the Military Department, requiring the equivalent of 17.5 vacancies throughout the fiscal year.
- As of December 31, 2017, the department had a vacancy rate of 19.4%, with 57 of its positions vacant. The Army Operations and Maintenance and State Operations programs account for 63.2% of all the vacancies (18 vacancies each). These programs combined also account for over half of the department’s general fund appropriation. Six of the 57 vacant positions have been vacant for more than 12 months.

- The fiscal 2019 allowance includes \$250,000 in new general funds to support 5 new contractual FTE duty officers at the Maryland Joint Operations Center within MEMA. This increase in FTEs is not reflected in the 20 FTEs appropriated above. The department has indicated that its allotted number of FTEs will increase once the contracts are filled.

Analysis in Brief

Major Trends

National Guard Troop Strength Continues to Exceed Goals: The Maryland National Guard (MDNG) has had a longstanding goal of reaching the 90% level for federally defined authorized troop strength. In fiscal 2017, troop strength remained at 96%, well over the 90% goal.

Army National Guard Facilities Show Improvement but Continue to Fail in Reaching Maintenance Goals: MDNG has a goal to ensure that its facilities support the operational and training needs of MDNG and the ability to respond to State and local emergencies. Although there has been improvement in the last two fiscal years, the 25% of Army National Guard facilities in fully functional status is still far short of meeting the goal. The department has continuously fallen short of meeting its own out-year projected improvements and has no defined target for achieving its goal. In comparison, reported Managing for Results data indicates that the Air National Guard maintains one-third more facilities than the Army National Guard, of which 100% are consistently in fully functional status. Over 81% of Air National Guard operations and 100% of capital costs are federally supported versus less than 70% of Army National Guard operations and 75% of capital costs. **The Military Department should discuss how it has achieved the improvements made in the past two years, what has impeded the ability to meet projected improvements, and the plan and timeline for further increasing the percent of full functioning Army National Guard facilities. MDNG should also comment on and establish a reasonable objective to better define its plan for achieving the goal of having all facilities support MDNG needs. Finally, the department should address the extent to which the projects in its immediate capital plan will impact this performance measure.**

FreeState Challenge Academy: 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. In fiscal 2017, FCA graduated 216 students (62% of enrollees) and had a GED pass rate of over 50% for the second year. The program exceeded its performance goal by having 65% of graduates with an active mentorship for more than six months post graduation. While the 65% of graduates who continued their education, found employment, or joined the military post graduation shows improvement compared to a few years ago, it still falls short of the department's 80% goal.

Issues

State Receives New Funding for Complex Coordinated Terrorist Attack Preparation: Terrorism is an ongoing, yet evolving, threat. Terrorists are shifting from symbolic, highly planned and structured

attacks focused on high-visibility targets, to threats that are more diffuse, difficult to detect, and less costly to implement. These new attacks are known as Complex Coordinated Terrorist Attacks (CCTA). In July 2017, Maryland received nearly \$2.1 million in one-time federal funding from a new grant program designed to assist State and local jurisdictions with preventing, preparing for, and responding to these attacks. **The Department of Legislative Services (DLS) recommends the adoption of committee narrative requesting an update from MEMA on the findings of the CCTA risk assessment, including the degree to which Maryland is currently prepared for this type of attack, significant areas of vulnerability, and a plan for addressing the identified risk areas.**

Establishing a Deductible for the Federal Emergency Management Agency’s Public Assistance Program: In January 2016, the Federal Emergency Management Agency (FEMA) proposed a rule change that would establish a deductible for states prior to receiving federal public assistance (PA) funding for disasters. Although the concept appears to be on hold at the federal level, the significant natural disasters experienced in 2017 may generate renewed interest in the concept. In its current form, the rule change would likely result in increased financial burdens to state and local governments. **MEMA should comment on the likelihood of FEMA converting to a PA deductible for states. DLS recommends the adoption of committee narrative requesting the agency submit notification to the budget committees if further action is taken by FEMA to pursue this concept.**

Operating Budget Recommended Actions

	<u>Funds</u>
1. Delete funding increase for contractual employment.	\$ 250,937
2. Delete the funding increase for the administrative grant to the Maryland State Firemen's Association.	200,000
3. Adopt narrative requesting a report on Complex Coordinated Terrorist Attack risk assessments and response plans.	
4. Adopt narrative requesting a notification if action is taken to establish a deductible for the federal public assistance program.	
Total Reductions	\$ 450,937

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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 National Guard and the Maryland Air National 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:

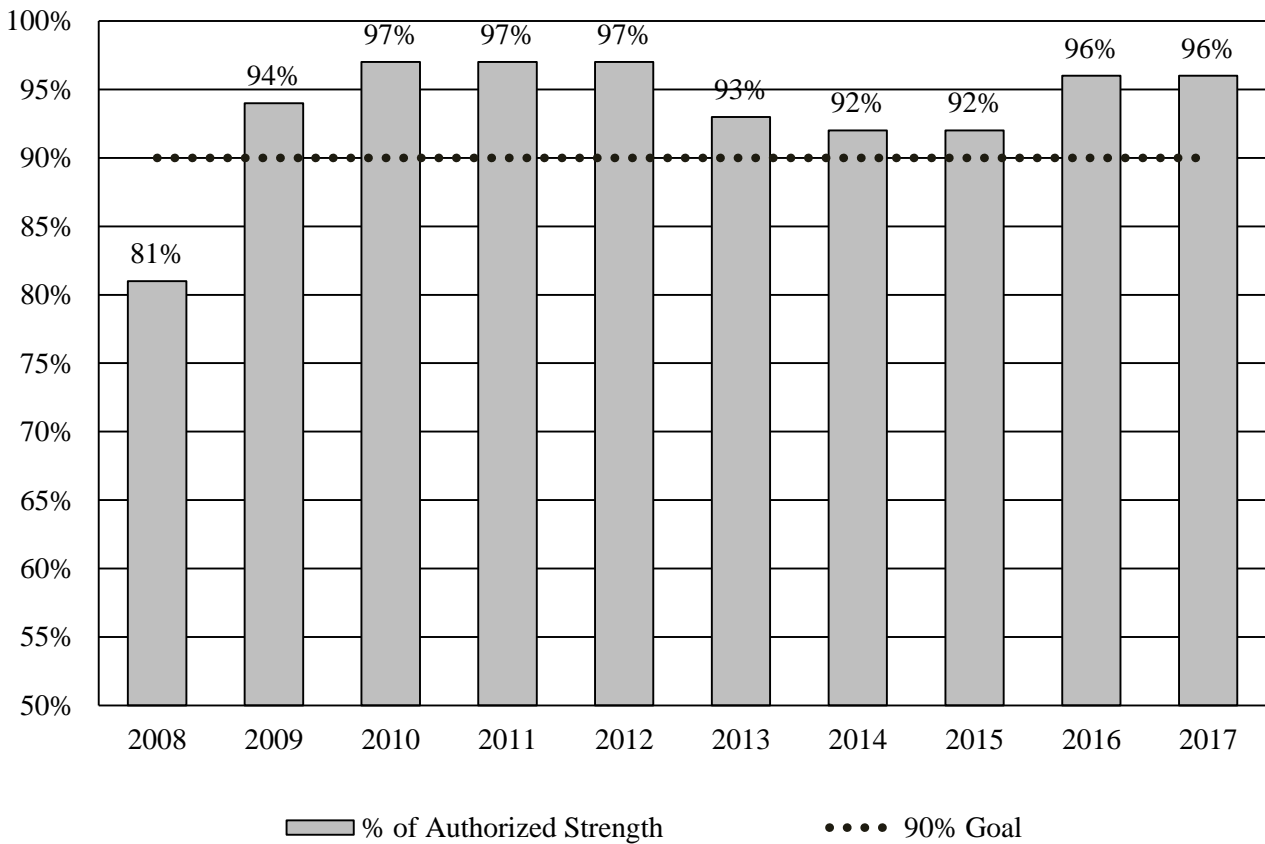
- ensure proper readiness for its missions;
- maintain all facilities so that they are adequate for training and supporting MDNG in its operations;
- successfully operate the Freestate Challenge Academy (FCA) for at-risk youth; and
- provide State-level guidance on how to prepare for, mitigate against,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

Performance Analysis: Managing for Results

1. National Guard Troop Strength Continues to Exceed 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 2017, MDNG remained at 96% of its authorized troop strength and expects this trend to continue.

Exhibit 1
Authorized Troop Strength
Fiscal 2008-2017

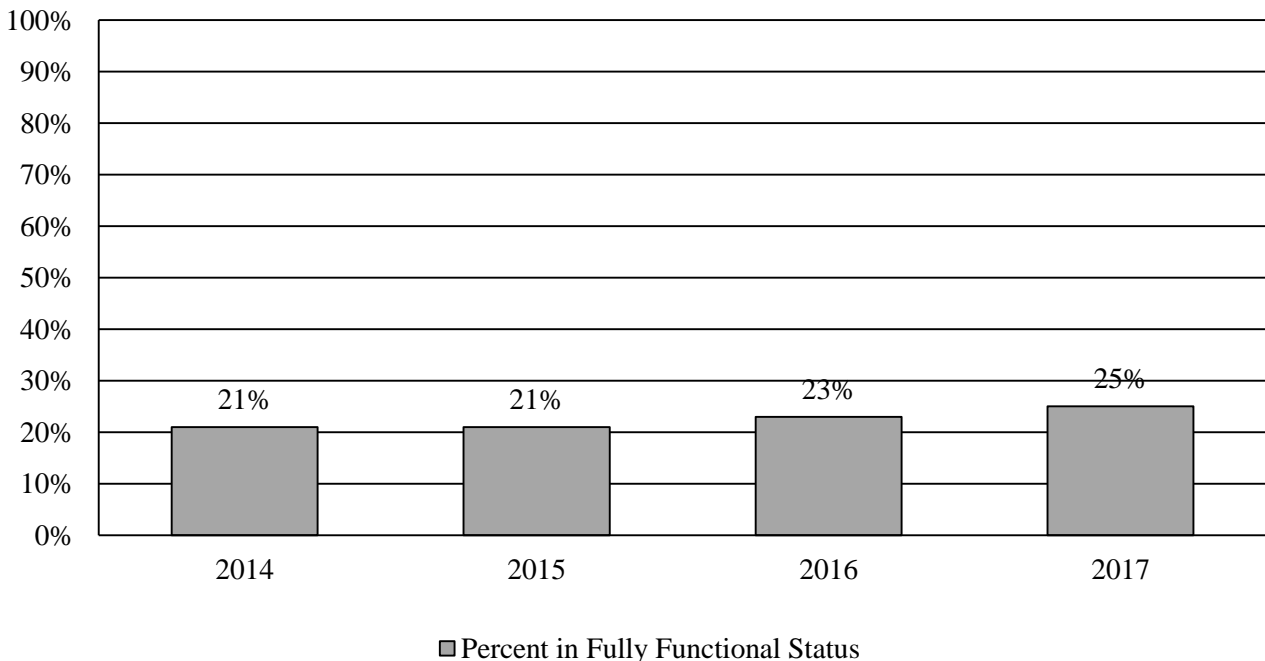


Source: Governor’s Budget Books, Fiscal 2019

2. Army National Guard Facilities Show Improvement but Continue to Fail in Reaching Maintenance Goals

All MDNG facilities and real property support the operational and training needs of MDNG and the ability to respond to State and local emergencies. One of the responsibilities of the Military Department is to build and maintain the armories and other facilities used by MDNG. Through a cooperative agreement with NGB, maintenance funding is split between federal and State funds, depending on the facility. The department previously had a goal of maintaining 95% or more of Maryland’s Army National Guard facilities in a fully functional status in compliance with NGB requirements. This was similar to the goal established and consistently exceeded for the Air National Guard facilities, which are predominantly federally supported. **Exhibit 2** shows the percentage of Army National Guard facilities in fully functional status from fiscal 2014 through 2017. Prior to fiscal 2014, different criteria was used to evaluate the functional status of MDNG facilities, making comparison before that time difficult.

Exhibit 2
Maryland Army National Guard
Facilities in Fully Functional Status
Fiscal 2014-2017



Source: Governor’s Budget Books, Fiscal 2019

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Although there has been improvement in the last two fiscal years, the 25% of Army National Guard facilities in fully functional status is still far short of ideal. The department has continuously fallen short of meeting its own out-year projected improvements, and the reported Managing for Results (MFR) measure no longer has a defined target for achieving the goal. As a point of comparison, reported MFR data indicates that the Air National Guard maintains one-third more facilities than the Army National Guard, of which 100% are consistently in fully functional status. Over 81% of Air National Guard operations and 100% of capital costs are federally supported versus less than 70% of Army National Guard operations and 75% of capital costs.

Historically, the department believes that the average age of the Army National Guard facilities and reduction of maintenance funding due to cost containment has impacted facility ratings. In fiscal 2010, general funds to maintain MDNG facilities were eliminated, and the department was unable to leverage federal funds for maintenance costs. As a result, preventive and ongoing maintenance was deferred in lieu of emergency maintenance. Although additional maintenance funding has been provided over the years, the backlog of critical maintenance needs reported to the Department of General Services (DGS) is in excess of \$10 million and does not include a myriad of internally identified maintenance projects. In addition, over half of the current vacancies within the Army Operations and Maintenance program are maintenance-related positions.

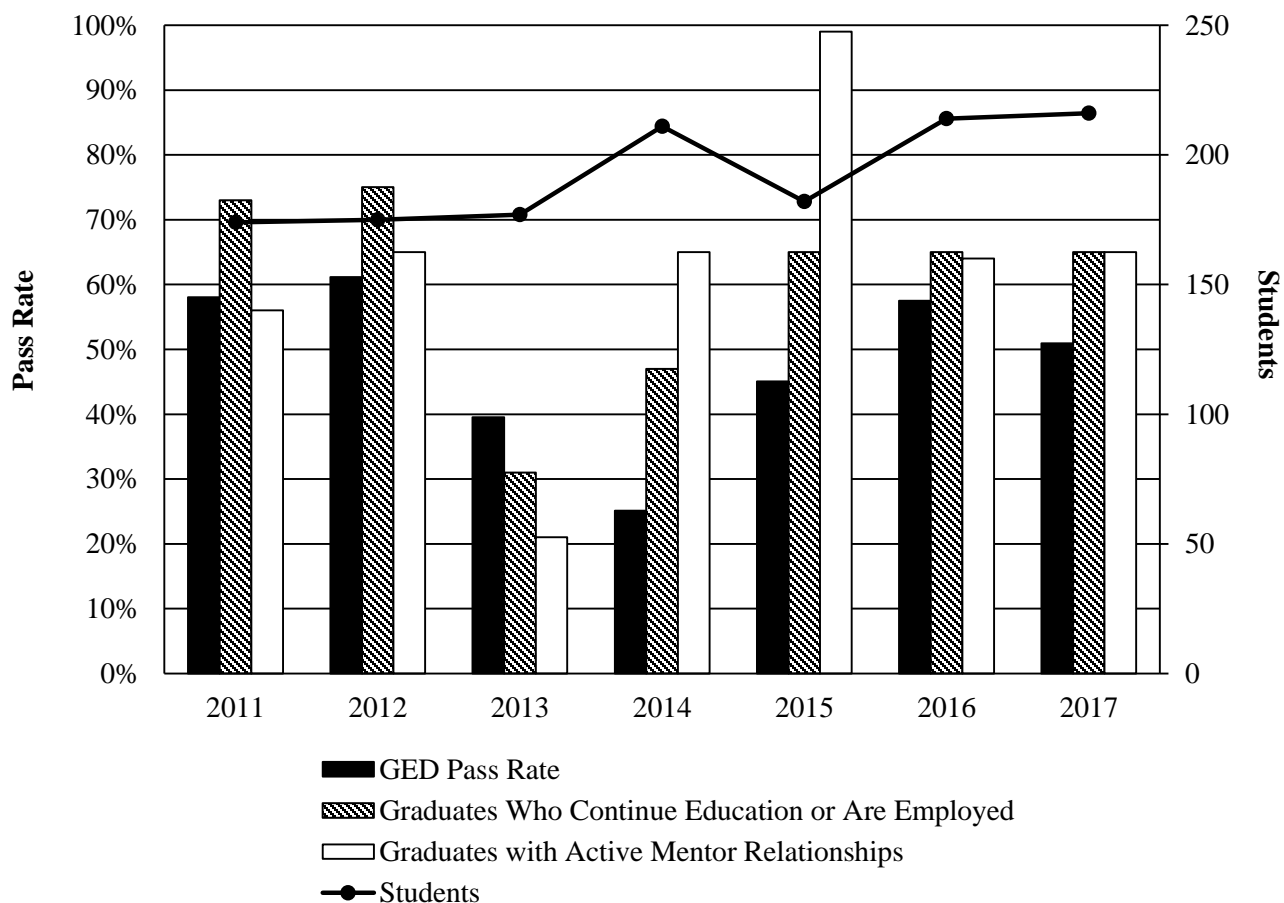
With new readiness centers funded for Havre de Grace and Easton and the fiscal 2019 capital budget providing continued funding for the Freedom Readiness Center in Sykesville, it is likely that the capital program for the Military Department will have a positive impact on the overall facility rating and mitigate some of the increasing demands for facility maintenance. The *Fiscal 2019 – 2023 Capital Improvement Program* also includes out-year funding for three additional facilities.

The Military Department should discuss how it has achieved the improvements made in the past two years, what has impeded the ability to meet projected improvements, and the plan and timeline for further increasing the percent of full functioning Army National Guard facilities. MDNG should also comment on and establish a reasonable objective to better define its plan for achieving the goal of having all facilities support MDNG needs. Finally, the department should address the extent to which the projects in its immediate capital plan will impact this performance measure.

3. Freestate Challenge Academy

MDNG operates the FCA program for at-risk youth, with the goal of having 200 graduates annually. As measurements of the program's success, FCA aims to have at least 80% of its graduates continue their schooling, find employment, or enter the military and at least 60% of graduates maintain active mentor relationships for more than six months following graduation. Since hitting a low point for both funding and performance in fiscal 2013 and 2014, FCA has increased the number of participants and has improved in every reported performance category, as demonstrated in **Exhibit 3**.

**Exhibit 3
Freestate Challenge Academy Select Performance Measures
Fiscal 2011-2017**



Source: Governor’s Budget Books, Fiscal 2019

FCA graduated an average of more than 100 students per class in three of the past seven fiscal years. Since fiscal 2014, the GED pass rate increased from 25% to nearly 60% in fiscal 2016, although there was a slight drop in fiscal 2017. For the fourth consecutive year, the program has exceeded its goal by having at least 65% or more of graduates maintain active mentorships beyond six months post graduation. Although having 65% of graduates either return to school, find employment, or join the military is a vast improvement over the 31% experienced in fiscal 2013, it does still fall short of the 80% goal. Achieving the 65% mark for this measure three years in a row does show stability in the program’s efforts but also suggests potential stagnation, particularly given the continuing decline in the State’s unemployment rate.

Fiscal 2018 Actions

Proposed Deficiency

The Military Department has one negative deficiency appropriation withdrawing \$50,000 from the fiscal 2018 general fund appropriation in anticipation of fuel and utilities savings. This places the fiscal 2018 working appropriation nearly \$400,000 below fiscal 2017 actual expenditures. The fiscal 2019 allowance reflects a reduction of approximately \$300,000 from the working appropriation, after accounting for the withdrawn appropriation.

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 \$109,478 in general funds and \$193,647 in federal funds.

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2019 allowance for the Military Department reflects an overall increase of approximately \$737,000, or 0.9%, when compared to the fiscal 2018 working appropriation. General funds accounts for the majority of the increase, growing by 7.7%, or \$938,000. This growth is offset by a \$225,000 reduction in federal funding, primarily the result of changes in the fund splits due to the eligibility requirements of the Federal/State Cooperative Agreements.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2017 Actual	\$12,091	\$19,959	\$110,026	\$566	\$142,641
Fiscal 2018 Working Appropriation	12,180	18,287	51,661	0	82,127
Fiscal 2019 Allowance	<u>13,117</u>	<u>18,312</u>	<u>51,435</u>	<u>0</u>	<u>82,865</u>
Fiscal 2018-2019 Amount Change	\$938	\$25	-\$225	\$0	\$737
Fiscal 2018-2019 Percent Change	7.7%	0.1%	-0.4%		0.9%

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Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$303
Workers' compensation premium assessment	185
General salary increase	178
Regular earnings	171
Employee retirement.....	39
Other fringe benefit adjustments.....	6
Turnover adjustments.....	-117

Maryland Emergency Management Agency

Federal public assistance pass-through grant funds	261
Contractual duty officer full-time equivalents at the Maryland Joint Operations Center.....	250
Increase in the administrative grant to the Maryland State Firemen's Association.....	200
Widows and Orphans Fund grants	25
Other operating expenses	-41

Other Changes

Environmental assessment of the Pikesville Readiness Center prior to property disposal	250
Communication expenses	240
Contractual security services at the Administrative Headquarters.....	50
Employee uniforms for airport firefighters	44
Other	24
Fuel and utilities.....	-300
Cost containment reductions to facility maintenance	-1,031

Total **\$737**

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

Personnel

Personnel expenses increase by a net \$765,257 in fiscal 2019, after including adjustments to account for the fiscal 2018 cost containment, deficiency appropriation, and health insurance holidays, as well as a 2% general salary increase in fiscal 2019. Employee and retiree health insurance costs appear to grow by approximately \$303,000 to offset the two payroll holidays provided in fiscal 2018. Regular earnings increase by nearly \$171,000, as eligibility requirements outlined in the department's Cooperative Agreements are shifted and result in the State acquiring more fiscal responsibilities. The department's budgeted turnover rate increases slightly in fiscal 2019, from 5.4% to nearly 6%, resulting in a reduction of \$117,000.

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 (DBM) statewide program and will be distributed to agencies during the fiscal year. This agency's share of the general salary increase is \$65,174 in general funds and \$112,923 in federal 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.

Annual Salary Review for Military Airport – Firefighters

The fiscal 2019 allowance includes \$205,052 in federal funds budgeted within DBM to provide a two grade increase for 30 military firefighter positions at Martin State Airport. This increase will provide closer pay parity with other State firefighters and bring these positions more in line with firefighters at the Baltimore-Washington International Thurgood Marshall Airport. The current Grade 14 base salary for this classification is \$38,880. The Annual Salary Review will increase the base pay to \$44,017.

Maryland Emergency Management Agency

Located within the Military Department, MEMA is the State agency that coordinates federal, State, local, and private resources throughout the State during times of disasters and emergencies. In addition, MEMA administers several grant programs supporting local and volunteer emergency service organizations. **Appendix 2** and **Appendix 3** provide detail on funding allocated through MEMA to the Maryland State Firefighter's Association (MSFA) and the Senator William H. Amoss Fire, Rescue, and Ambulance Fund.

Nonpersonnel-related expenses for MEMA increase by approximately \$695,000. The majority of the increases are for general fund expenses; however, there is a \$261,000 increase in federal public assistance grants compared to the fiscal 2018 working appropriation. The allowance estimates that the agency will receive \$29.3 million in federal public assistance grants to help mitigate the cost of disasters. In fiscal 2017, because of significant snowstorms in winter 2016, the State received over \$87.4 million in federal public assistance funding.

Contractual Employment

Approximately \$250,000 in general funds is provided in the fiscal 2019 allowance to support hiring 5 new contractual full-time equivalent (FTE) duty officers. Currently, MEMA utilizes existing staff to act as voluntary duty officers upon activation of the State Emergency Operations Center. The duty officer handles all events/incidents that are beyond the capability of the Maryland Joint Operations Center watch supervisor or watch officer. The staff member serves for one week at a time and can hamper normal work assignments for the person acting as the duty officer.

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It is not apparent that there has been a significant enough increase in the frequency of declared disasters to warrant the assignment of specific contractual personnel for this purpose. **The Department of Legislative Services (DLS) recommends deleting the general fund appropriation for these FTEs.**

MSFA Administrative Grant

Section 7-301 of the Courts and Judicial Proceedings Article mandates that MSFA receive \$200,000 annually from the court costs collected by the District Court. Although MSFA is not a State entity, it is responsible for administration of the Widows and Orphans Fund and the Volunteer Company Assistance Fund. The \$200,000 special fund grant is used by MSFA to fund its administrative costs.

The fiscal 2019 allowance provides a \$200,000 general fund increase for the MSFA administrative grant. MSFA intends to spend the additional funding by creating a new salaried executive director position, at a cost of \$100,000. Currently, the association relies on volunteer members and leaders to handle the managerial affairs of the organization. The other \$100,000 will be used toward expanded operating expenses for disseminating data and information among members.

DLS recommends level funding the administrative grant to MSFA, leaving the special fund appropriation intact.

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 MSFA board. Historically, this benefit, known as the Widows and Orphans Fund, has received a general fund appropriation of \$300,000. In fiscal 2017, the general fund grant was increased to \$350,000 due to growth in the number of grant recipients.

The fiscal 2019 allowance provides an additional \$25,000 in special funds to increase the total grant amount to \$375,000. Currently, the fund provides monthly line of duty death benefits of \$750 to 29 families. One minor child receives a monthly benefit of \$650, and three individuals are receiving monthly disability benefits of \$750. The increased funding in the allowance is to allow MSFA to increase the benefit amount provided to each recipient.

Other Changes

Adjustments to other operating expenses in the department provide a net decrease of approximately \$763,000. Most notably, the fiscal 2019 allowance reflects a reduction over \$1 million in facility maintenance spending as a means of cost containment for the department. Approximately 32% of the reduction is general funds, with the loss of federal funds making up the remainder. The

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allowance does reflect an increase of approximately \$180,000 over fiscal 2017 actual expenditures. However, as was previously mentioned, the department has a sizeable facility complement to maintain and a critical maintenance backlog reported to DGS in excess of \$10 million. Reductions in general fund spending seriously hamper the State's ability to leverage federal funds for improving the existing facilities.

Pikesville Readiness Center

The Military Department submitted a clearinghouse disposal request in June 2016 for the Pikesville Readiness Center, as it no longer has any military personnel or units assigned there. In September 2016, the State Clearinghouse, within the Maryland Department of Planning, made a recommendation to declare the facility and six other structures surplus to the State of Maryland. In September 2017, the Governor signed an executive order establishing a commission to make recommendations pertaining to the property's future. According to the order, the commission has the sole responsibility of making recommendations to the Governor on the future of that property. Recommendations are to be made by November 1, 2018.

The fiscal 2019 allowance provides \$250,000 in general funds to conduct an environmental assessment of the Pikesville Readiness Center in order to ready the facility for disposal. According to DBM, this assessment must occur prior to potentially transferring the property in order to establish certain liability protections under State and federal law.

Issues

1. State Receives New Funding for Complex Coordinated Terrorist Attack Preparation

Complex coordinated terrorist attacks (CCTA), such as those occurring in Boston, San Bernardino, and Orlando, are synchronized acts of terrorism that:

- involve one or more independent teams at multiple locations;
- occur sequentially or in close succession;
- are initiated with little or no warning; and
- employ one or more weapons systems (including nontraditional attack methodologies) that are intended to result in large numbers of casualties.

The frequency of these types of terrorist attacks are increasing both within the United States and globally.

In July 2017, MEMA was awarded nearly \$2.1 million from a new federal grant program in order to prepare the State and local communities for these terrorist attacks. The grant, funded through the U.S. Department of Homeland Security, is part of the CCTA Program, which is providing \$35.9 million to 29 recipients across the country. The maximum eligible individual grant award was \$2.5 million. Maryland, representing the National Capital Region, the Baltimore Region, and the Eastern Shore (including Ocean City and the DelMarVa Peninsula), received the largest individual award.

The purpose of the grant is to assist State and local jurisdictions in identifying capability gaps, developing and/or updating plans to address those gaps, and providing training to the personnel responsible for implementing those plans. According to the grant application submitted by the State, Maryland is exceptionally vulnerable because of its two designated urban centers; many soft targets (*e.g.*, Ocean City’s boardwalk or the Baltimore-Washington transportation network); 14 National Park Service historical sites; and numerous national defense, security, and federal sites. In addition, MEMA is aware of several capability gaps specific to addressing CCTA incidences, most notably the lack of a specific State plan for how to prevent and/or address a CCTA and the need for enhanced capacity and capability for rapidly sharing information and intelligence.

The \$2.1 million award is a one-time only grant with a three-year performance period. Funds are not currently reflected in the Military Department’s budget. The department intends to appropriate the funds via budget amendment in fiscal 2018. MEMA’s goals for the grant funding will be to:

- conduct a statewide analysis to identify risk areas, potential threats, and vulnerabilities;

- develop local and State-level contingency plans that include the whole community;
- train first responders; and
- conduct a series of exercises to test the plans.

It is anticipated that the risk assessment will be complete in fall 2018. **DLS recommends the adoption of committee narrative requesting an update from MEMA on the findings of the CCTA risk assessment, including the degree to which Maryland is currently prepared for this type of attack, significant areas of vulnerability, and a plan for addressing the identified risk areas.**

2. Establishing a Deductible for the Federal Emergency Management Agency’s Public Assistance Program

The Federal Emergency Management Agency (FEMA) administers a public assistance (PA) program that provides funding to state and local governments to help with recovery from major disasters. The program provides funding for debris removal, life-saving emergency protective measures, and repair or replacement of disaster-damaged publicly owned facilities.

In January 2016, FEMA proposed a rule change that would establish a deductible for states prior to receiving federal PA funding for disasters. Under the proposed design, states would have to meet a formula-based minimum threshold of expenditures on post disaster recovery before FEMA would provide federal assistance through the PA program. A state would be eligible to buy down its deductible through credits earned for state-funded disaster mitigation activities. In this way, the deductible would encourage states to invest in pre-disaster preparedness and stronger, more resilient infrastructures.

In fiscal 2017, Maryland received \$56.1 million in federal PA funding from FEMA for significant snowstorms in January 2016. Although the proposed change appears to be on hold at the federal level, the significant natural disasters experienced in 2017 may generate renewed interest in the concept. In its current form, the new concept would likely result in increased financial burdens to Maryland and local governments following disasters. **MEMA should comment on the likelihood of FEMA converting to a PA deductible for states. DLS recommends the adoption of committee narrative requesting that the agency submit notification to the budget committees if further action is taken by FEMA to pursue this concept.**

Operating Budget Recommended Actions

	<u>Amount Reduction</u>	
1. Delete funding for 5 new full-time equivalent duty officers at the Maryland Joint Operations Center.	\$ 250,937	GF
2. Delete the funding increase for the administrative grant to the Maryland State Firemen’s Association. This reduction still provides the organization with \$200,000 for administrative operating expenses.	200,000	GF
3. Adopt the following narrative:		

Update on Preparations for Complex Coordinated Terrorist Attacks: Complex Coordinated Terrorist Attacks (CCTA) are diffuse, difficult to detect, and inexpensive. They are also increasing in frequency on a national and global level. With multiple urban areas, highly visible soft targets, and a strong federal presence, Maryland is particularly vulnerable, yet the State lacks a comprehensive CCTA risk assessment. Federal grant funding provided in fiscal 2018 is allowing the Maryland Emergency Management Agency (MEMA) to conduct such an assessment. The budget committees request that MEMA provide an update on the findings of the CCTA risk assessment, including the degree to which Maryland is currently prepared for this type of attack, significant areas of vulnerability, and a plan for addressing the identified risk areas. The report should be submitted to the budget committees no later than December 30, 2018.

Information Request	Author	Due Date
CCTA Risk Assessment Update	MEMA	December 30, 2018

4. Adopt the following narrative:

Establishing a Deductible for the Federal Emergency Management Agency’s Public Assistance Program: In January 2016, the Federal Emergency Management Agency proposed a rule change that would establish a deductible for states prior to receiving federal public assistance funding for disasters. In its current form, the rule change would likely result in increased financial burdens to Maryland and local governments following a disaster. The budget committees request that the Maryland Emergency Management Agency (MEMA) provide an update on whether action has been taken at the federal level to establish a deductible for the federal public assistance program. If such action has been taken, the report should provide details on the proposed changes to the program, an estimated timeline for implementation, and the potential fiscal impact to the State.

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Information Request	Author	Due Date
Public Assistance Program deductible	MEMA	After federal rule change
Total General Fund Reductions		\$ 450,937

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2017					
Legislative Appropriation	\$12,500	\$18,287	\$53,677	\$0	\$84,464
Deficiency Appropriation	-75	0	0	0	-75
Cost Containment	-169	0	0	0	-169
Budget Amendments	-2	1,799	56,758	566	59,122
Reversions and Cancellations	-163	-128	-410	0	-701
Actual Expenditures	\$12,091	\$19,959	\$110,026	\$566	\$142,641
Fiscal 2018					
Legislative Appropriation	\$12,339	\$18,287	\$51,855	\$0	\$82,481
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	\$12,339	\$18,287	\$51,855	\$0	\$82,481

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

Military Department general fund expenditures totaled nearly \$12.1 million in fiscal 2017, approximately \$409,000 less than the legislative appropriation. The fiscal 2018 budget included a \$75,000 withdrawn appropriation to bring fiscal 2017 utility expenditures in line with prior year actual spending. In addition, cost containment actions adopted by the Board of Public Works further reduced the fiscal 2017 appropriation by \$169,000. These actions specifically reduced funding for Army National Guard operations and maintenance, as well as contractual services for the Maryland Emergency Management Agency (MEMA). Budget amendments provided a net reduction of approximately \$2,000, as \$140,000 in increased funding for employee increments and an Annual Salary Review increase for building security employees was offset by the transfer of nearly \$142,000 to the Department of Information Technology as the result of the consolidation of information technology services among State agencies. At the close of the fiscal year, the department reverted an additional \$163,000 in unspent funds for utilities and salaries due to a mild winter and higher than anticipated vacancy rates.

Special fund expenditures totaled nearly \$20 million in fiscal 2017. Budget amendments to increase funding for fire truck and facility loans made through the Voluntary Company Assistance Fund increased the legislative appropriation by approximately \$1.8 million. This was slightly offset by the cancellation of \$128,000 in unattained revenue from armory rentals.

The department spent approximately \$110 million in federal funds in fiscal 2017, more than double its legislative appropriation. The \$56.3 million net increase is largely due to budget amendments acknowledging \$56.1 million in federal public assistance funding from the Federal Emergency Management Agency in support of the January 2016 snowstorms. Additional funding was also provided for employee increments (\$260,000) and additional federal revenues available through the Cooperative Agreement in support of actual National Guard operations (\$377,000). These funding increases were slightly offset by \$410,000 in canceled funds for utility and salary expenses at the close of the fiscal year, due to a mild winter and higher than anticipated vacancy rates.

The department received \$566,000 in reimbursable funds via budget amendment in fiscal 2017. The Maryland Department of Health provided \$415,000 to cover expenses associated with operation of the Opioid Operational Command Center. The department also received approximately \$151,000 in reimbursements from the Department of Public Safety and Correctional Services for facility rent and utility costs for a MEMA-owned property.

Appendix 2
Maryland State Firemen’s Association Expenditures
Fiscal 2016-2019 Est.

	<u>Actual</u> <u>2016</u>	<u>Actual</u> <u>2017</u>	<u>Estimated</u> <u>2018</u>	<u>Estimated</u> <u>2019</u>
Volunteer Company Assistance Fund (VCAF)				
Special Funds: VCAF Loan Payments	\$7,986,728	\$3,024,211	\$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				
General Funds				\$200,000
Special Funds: Moving Violations	\$200,000	\$200,000	\$200,000	200,000
Widow and Orphan Fund				
General Funds		\$50,000	\$50,000	\$50,000
Special Funds: Moving Violations	\$300,000	300,000	300,000	325,000
Amoss Fund				
Special Funds: MEMSOF	\$13,400,000	\$15,000,000	\$15,000,000	\$15,000,000
	\$23,286,728	\$19,974,211	\$18,175,000	\$18,400,000

MEMSOF: Maryland Emergency Medical System Operations Fund

Source: Governor’s Budget Books, Fiscal 2019

**Appendix 3
William H. Amoss Fire, Rescue, and Ambulance Fund
Fiscal 2015-2019 Est.**

	Actual <u>2015</u>	Actual <u>2016</u>	Actual <u>2017</u>	Estimated <u>2018</u>	Estimated <u>2019</u>
Allegany	\$264,232	\$300,133	\$348,030	\$334,380	\$334,381
Anne Arundel	954,167	1,102,960	1,241,524	1,246,559	1,246,559
Baltimore City	1,069,860	1,227,724	1,368,619	1,363,925	1,363,925
Baltimore County	1,347,967	1,548,774	1,732,057	1,725,252	1,725,252
Calvert	234,000	268,000	300,000	300,000	300,000
Caroline	240,851	276,415	309,540	312,660	312,660
Carroll	301,854	346,759	388,587	387,701	387,701
Cecil	245,372	278,961	310,530	307,350	307,350
Charles	292,810	337,295	380,892	381,756	381,756
Dorchester	257,289	286,117	310,800	326,970	326,970
Frederick	427,259	494,797	559,252	566,349	566,349
Garrett	234,000	268,000	300,000	300,000	300,000
Harford	444,039	511,259	574,032	572,739	572,739
Howard	469,999	548,408	616,725	617,226	617,226
Kent	239,569	274,539	309,480	310,710	310,710
Montgomery	1,520,763	1,750,816	1,965,334	1,961,675	1,961,675
Prince George's	1,319,289	1,517,097	1,698,736	1,699,001	1,699,001
Queen Anne's	234,000	268,000	300,000	300,000	300,000
St. Mary's	234,000	268,000	300,000	300,000	300,000
Somerset	242,483	280,140	311,190	308,790	308,790
Talbot	290,184	300,080	317,430	319,140	319,140
Washington	265,983	305,043	341,019	339,690	339,690
Wicomico	270,280	296,649	332,460	336,240	336,240
Worcester	299,750	344,034	383,763	381,886	381,886
Total	\$11,700,000	\$13,400,000	\$15,000,000	\$15,000,000	\$15,000,000

Source: Governor's Budget Books, Fiscal 2019

**Appendix 4
Object/Fund Difference Report
Military Department**

<u>Object/Fund</u>	<u>FY 17 Actual</u>	<u>FY 18 Working Appropriation</u>	<u>FY 19 Allowance</u>	<u>FY 18 - FY 19 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	293.50	293.50	293.50	0.00	0%
02 Contractual	53.00	20.00	20.00	0.00	0%
Total Positions	346.50	313.50	313.50	0.00	0%
Objects					
01 Salaries and Wages	\$ 19,711,875	\$ 21,294,737	\$ 21,578,772	\$ 284,035	1.3%
02 Technical and Spec. Fees	2,578,411	1,239,270	1,489,221	249,951	20.2%
03 Communication	579,248	489,895	730,211	240,316	49.1%
04 Travel	85,131	105,786	93,648	-12,138	-11.5%
06 Fuel and Utilities	3,299,852	2,953,675	2,654,139	-299,536	-10.1%
07 Motor Vehicles	370,872	328,487	316,329	-12,158	-3.7%
08 Contractual Services	5,403,226	3,508,864	3,559,010	50,146	1.4%
09 Supplies and Materials	1,042,707	572,484	629,138	56,654	9.9%
10 Equipment – Replacement	292,109	176,664	172,112	-4,552	-2.6%
11 Equipment – Additional	31,462	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	103,490,304	44,840,183	45,326,507	486,324	1.1%
13 Fixed Charges	183,080	192,118	197,166	5,048	2.6%
14 Land and Structures	5,573,018	6,778,433	5,940,385	-838,048	-12.4%
Total Objects	\$ 142,641,295	\$ 82,480,596	\$ 82,686,638	\$ 206,042	0.2%
Funds					
01 General Fund	\$ 12,090,663	\$ 12,339,085	\$ 13,052,159	\$ 713,074	5.8%
03 Special Fund	19,958,602	18,286,967	18,311,967	25,000	0.1%
05 Federal Fund	110,025,568	51,854,544	51,322,512	-532,032	-1.0%
09 Reimbursable Fund	566,462	0	0	0	0.0%
Total Funds	\$ 142,641,295	\$ 82,480,596	\$ 82,686,638	\$ 206,042	0.2%

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.

**Appendix 5
Fiscal Summary
Military Department**

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
01 Administrative Headquarters	\$ 3,036,997	\$ 2,936,547	\$ 3,350,085	\$ 413,538	14.1%
02 Air Operations and Maintenance	5,168,313	4,772,671	4,602,766	-169,905	-3.6%
03 Army Operations and Maintenance	14,518,921	13,445,889	13,045,941	-399,948	-3.0%
05 State Operations	6,254,012	6,414,955	6,336,155	-78,800	-1.2%
06 Maryland Emergency Management Agency	113,663,052	54,910,534	55,351,691	441,157	0.8%
Total Expenditures	\$ 142,641,295	\$ 82,480,596	\$ 82,686,638	\$ 206,042	0.2%
General Fund	\$ 12,090,663	\$ 12,339,085	\$ 13,052,159	\$ 713,074	5.8%
Special Fund	19,958,602	18,286,967	18,311,967	25,000	0.1%
Federal Fund	110,025,568	51,854,544	51,322,512	-532,032	-1.0%
Total Appropriations	\$ 142,074,833	\$ 82,480,596	\$ 82,686,638	\$ 206,042	0.2%
Reimbursable Fund	\$ 566,462	\$ 0	\$ 0	\$ 0	0.0%
Total Funds	\$ 142,641,295	\$ 82,480,596	\$ 82,686,638	\$ 206,042	0.2%

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.