

D50H01 Military Department

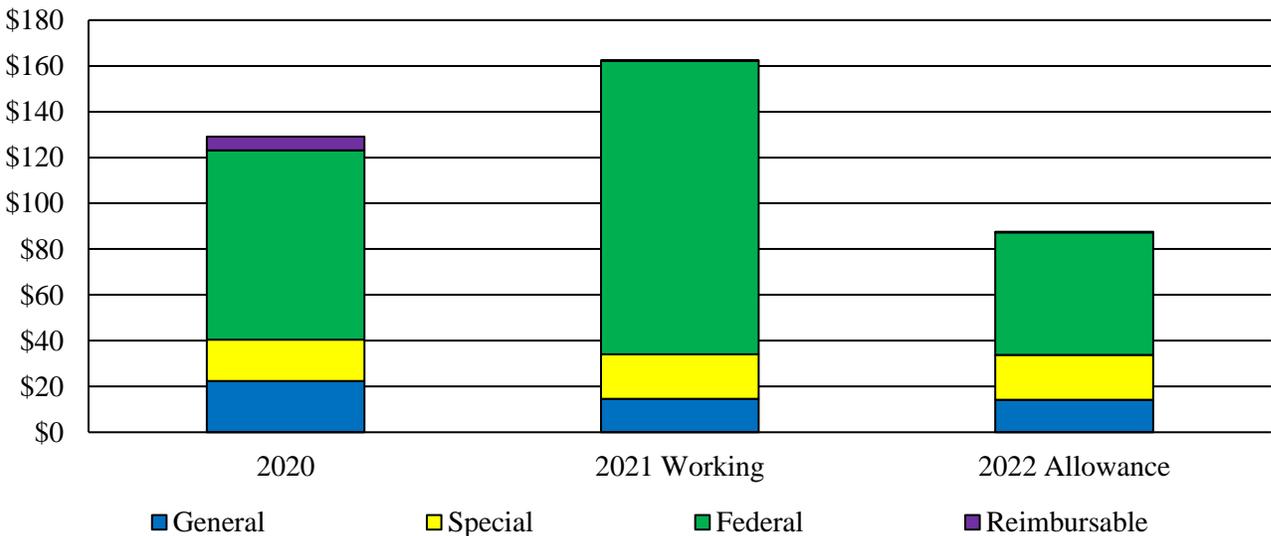
Program Description

The Military Department provides overall direction 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). Operating expenses of MDNG facilities are a shared State and federal responsibility. During Governor call-ups, MDNG salaries and expenses are the responsibility of the State; the remaining funding for equipment, training, and other federal missions are paid for by the National Guard Bureau within DoD. The Military Department also operates the Maryland Emergency Management Agency (MEMA).

The Military Department's goals are to maintain proper readiness of its guardsmen, ensure that all facilities are maintained and provide adequate training and support of MDNG operations, provide at-risk youth an avenue to success through the Freestate Challenge Academy, ensure that veterans are buried with honor and dignity, and ensure that Maryland is prepared for emergency and disaster events to coordinate mitigation and recovery efforts.

Operating Budget Summary

Fiscal 2022 Budget Decreases \$74.9 Million, or 46.1%, to \$87.6 Million (\$ in Millions)



Note: The fiscal 2021 appropriation includes deficiencies, planned reversions, and a general salary increase. The fiscal 2022 allowance includes contingent reductions and annualization of the fiscal 2021 general salary increase.

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- The fiscal 2021 working appropriation includes \$75.0 million in federal Disaster Relief Grant funding provided through the Public Assistance program in fiscal 2021, which was one-time in nature to respond to the COVID-19 pandemic. These funds account for only a small portion of the total funding anticipated from the Federal Emergency Management Agency (FEMA).
- Excluding the decrease from the one-time Disaster Relief Grant funding, the Military Department’s fiscal 2022 allowance remains level, declining by less than \$200,000.

Fiscal 2021

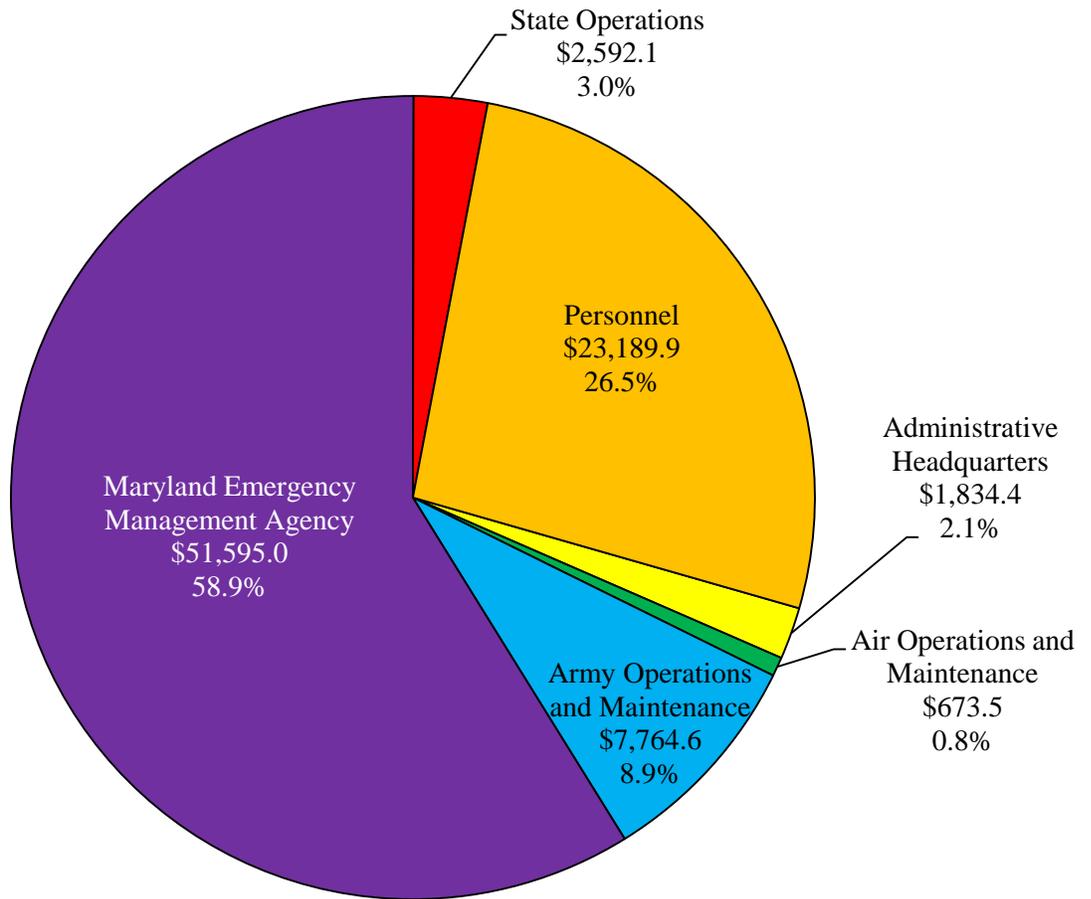
Cost Containment

At its July 1, 2020 meeting, the Board of Public Works approved of a package of cost containment actions in response to the fiscal crisis caused by the COVID-19 pandemic. As part of these actions, the Military Department’s fiscal 2021 budget was reduced by approximately \$295,000. This includes the following reductions: the postponement of one vehicle replacement in the Maryland Army National Guard (\$60,000); operational savings at MEMA (\$80,000); and various statewide personnel expenses (\$155,000).

Fiscal 2022 Overview of Agency Spending

The fiscal 2022 allowance provides a total of \$87.6 million for the Military Department. **Exhibit 1** illustrates how the nonpersonnel portion of these funds are allocated by program. Just over a quarter of the allowance is appropriated for departmental personnel, totaling \$23.2 million (26.5%). This figure reflects personnel across the Administrative Headquarters, Army and Air National Guards, and MEMA. The remaining appropriations reflect each program’s respective operational expenses as well as any grants and subsidies included within.

Exhibit 1
Overview of Agency Spending
Fiscal 2022 Allowance
(\$ in Thousands)



Total Allowance: \$87.6 Million

Source: Governor's Fiscal 2022 Allowance

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The Army National Guard, which provides combat troops to the U.S. Army, engineer, transportation and medical units, and military police for State service, accounts for approximately \$7.8 million, or 8.9%, of total departmental expenditures in fiscal 2022.

The Air National Guard, which primarily provides air combat forces and airlift aircraft as well as emergency support to the U.S. Air Force and other unified commands, only accounts for \$0.7 million (0.8%), the smallest nonpersonnel portion of the budget. This difference is reflective of the fact that the Army National Guard expends more resources on supporting State- or community-based missions, while the Air National Guard tends to be more federally focused in its responsibilities. A significant portion of the Military Department's operations support 100% federally funded missions and operations with funding that does not appear in the State budget.

The State Operations Program primarily includes funding for the Freestate Challenge Program and the Honor Guard. This accounts for approximately 3.0% of the department's fiscal 2022 allowance and is almost evenly split between general and federal fund support. The administrative functions performed by the department's Headquarters accounts for the second smallest portion of the budget, approximately \$1.8 million (2.1%).

Excluding personnel expenses, MEMA accounts for \$51.6 million (58.9%) of the Military Department's total budget. MEMA is responsible for administering a variety of grant programs, including the Volunteer Company Assistance Fund loan program and the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (Amoss Fund) grant program. The Amoss Fund, which provides financial support for the purchase of equipment and facilities for local emergency personnel, is statutorily mandated at \$15.0 million annually and funded through the Maryland Emergency Medical System Operations Fund. Including these two grants, 88% of MEMA's nonpersonnel-related allowance is directed toward grant programming.

Proposed Budget Change

Despite the 46.1% decrease in its allowance, the Military Department's fiscal 2022 operating budget remains relatively stable between fiscal 2021 and 2022. The largest single change is the \$75.0 million decrease in federal funding. This reflects FEMA's Disaster Relief Grant funding provided to MEMA in response to the COVID-19 pandemic during fiscal 2021, which was not carried forward into fiscal 2022. This will be discussed further in the Key Observations section of this analysis. Excluding this single grant, the Military Department's budget changes less than 0.01% from the fiscal 2021 working appropriation.

Exhibit 2 provides additional detail as to what drives the major budgetary changes in the fiscal 2022 allowance.

Exhibit 2
Proposed Budget
Military Department
(\$ in Thousands)

How Much It Grows:	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Reimb.</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Fiscal 2020 Actual	\$22,374	\$18,120	\$82,629	\$5,975	\$129,097
Fiscal 2021 Working Appropriation	14,598	19,487	128,091	300	162,476
Fiscal 2022 Allowance	<u>14,228</u>	<u>19,487</u>	<u>53,608</u>	<u>300</u>	<u>87,623</u>
Fiscal 2021-2022 Amount Change	-\$371	\$0	-\$74,482	\$0	-\$74,853
Fiscal 2021-2022 Percent Change	-2.5%		-58.1%		-46.1%
Where It Goes:					<u>Change</u>
Personnel Expenses					
Employee and retiree health insurance					\$276
Regular earnings					220
Net impact of annualized 2% cost-of-living adjustment.....					205
Fiscal 2022 annual salary review					58
Unemployment compensation					44
Other fringe benefit adjustments.....					11
Workers' compensation premium assessment					-3
Turnover adjustments.....					-226
Abolished/transferred positions					-327
Other Changes					
700 megahertz radio system operations costs					228
Vehicle purchase that had been deferred by fiscal 2021 cost containment.....					60
Miscellaneous adjustments					-9
Gas and oil					-18
Maryland Environmental Service charges					-27
Facility repairs and maintenance.....					-50
Statewide Personnel System Allocation					-78
MEMA education and training contracts					-215
Federal Disaster Relief Grant, not carried forward into fiscal 2022					-74,999
Total					-\$74,853

MEMA: Maryland Emergency Management Agency

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

Opioid Operational Command Center Returns to Maryland Department of Health

During the 2020 legislative session, the budget committees adopted budget bill language authorizing the Governor to transfer the Opioid Operational Command Center (OCC) from the Military Department to the Maryland Department of Health (MDH). In December 2020, the Administration processed a budget amendment transferring OCC's fiscal 2021 working appropriation from MEMA to MDH's Office of the Secretary. As such, the Military Department's fiscal 2021 working appropriation decreased by \$10.8 million. For more information regarding OCC, refer to the MDH Office of the Secretary's fiscal 2022 budget analysis.

Personnel Data

	<u>FY 20 Actual</u>	<u>FY 21 Working</u>	<u>FY 22 Allowance</u>	<u>FY 21-22 Change</u>
Regular Positions	307.50	293.50	291.50	-2.00
Contractual FTEs	<u>97.00</u>	<u>25.00</u>	<u>25.00</u>	<u>0.00</u>
Total Personnel	404.50	318.50	316.50	-2.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	23.44	8.04%
Positions and Percentage Vacant as of 12/31/20	64.50	20.38%
Vacancies Above Turnover	41.06	

- The fiscal 2022 allowance eliminates 2 Military Honor Guard positions consistent with declining missions.
- More than 70% of the currently vacant positions are either fully or partially funded with federal funds.

Key Observations

1. Military Department Plays Key Role in Maryland’s COVID-19 Response

Both MDNG and MEMA play a significant role in the State’s response to the COVID-19 pandemic. MEMA, through its expertise in emergency response, leads the logistics of acquiring and distributing resources to fight the pandemic; this includes coordinating with other governments, businesses, and nonprofits to procure and distribute supplies and equipment. The State Emergency Operations Center processes procurement requests by MEMA, the Department of General Services, MDH, and other agencies. The National Guard helped to transport and distribute these resources, such as food and medical supplies, and constructed temporary medical triage and pop-up testing locations. As the State begins to shift its focus toward vaccination distribution, MDNG will continue to provide logistical support.

Federal Public Assistance Funding Not Recognized in Budget

A significant portion of the State’s COVID-19 response flows through MEMA, as authorized by the federal Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act). Under the Stafford Act, MEMA is the recipient of the FEMA Public Assistance funds on behalf of the State. State, county, local, and nonprofit entities may then apply to MEMA for funding to offset their costs associated with the pandemic response. Applicants are currently eligible for a 75% cost share with the federal government. FEMA would then reimburse MEMA for the costs it incurred in the process, including up to 7% of administrative expenses.

Under the Joseph R. Biden, Jr. administration, FEMA has indicated that it will be reconsidering eligible COVID-19-related expenditures dating back to January 2020. Certain eligible emergency protective measures would be covered by a 100% federal cost share rather than the standard 75% cost share, as originally planned. Such expenses include medical supplies and equipment, overtime, resource distribution, and law enforcement expenditures. Specific guidance, however, has not yet been released by the federal government.

MEMA has explained that, as of January 2021, \$750 million in public assistance funding has been obligated. Proper tracking and reporting of COVID-19-related funding and expenditures through the budget amendment process has been an ongoing concern of the General Assembly for several months. It is unclear as to where the entirety of the public assistance funding will ultimately be budgeted. To date, one fiscal 2021 amendment of \$75.0 million has been processed.

MEMA should comment on when it expects to reconcile the remaining public assistance awards via budget amendment. MEMA should also update the committees on the anticipated changes to the federal cost sharing guidance.

For additional information regarding outstanding budget amendments, refer to the Department of Budget and Management Office of the Secretary’s fiscal 2022 budget analysis.

FEMA Proposes Modifications to Disaster Assistance Threshold

The Stafford Act governs the federal assistance provided to state, local, tribal, and territorial jurisdictions in response to major disasters; under this law, states may request assistance from the federal government when they lack sufficient resources to respond to the disaster. FEMA evaluates requests based on several factors, including the estimated cost of assistance (COA). The COA indicator is a function of the state’s decennial census population and a per capita indicator, currently set at \$1.50 per capita. The requesting state is expected to pay for costs associated with the disaster response up to either the COA indicator or the minimum assistance threshold, whichever is greater.

The federal Disaster Recovery and Reform Act of 2018 requested that FEMA reconsider cost estimates when reviewing requests for assistance. As such, FEMA proposed a new rule that would take into account each state’s total taxable resources (*i.e.*, the total individual income a state may tax) as determined by the Treasury Department, inflation-adjusted per capita rate, and the Census Bureau’s annual population estimates. **Exhibit 3** details the calculations for the rule change.

Exhibit 3 Federal Emergency Management Agency Proposed Modification to Cost of Assistance Calculations (\$ in Millions)

	<u>Current COA Indicator</u>	<u>COA Indicator under New Rule</u>	<u>Difference</u>
COA Calculation	[2010 Population] x [\$1.50 per capita rate]	[2018 Population] x [Inflated per capita rate] x [TTR]	
Maryland COA	\$8.660	\$16.436	\$7.776

COA: Cost of Assistance

TTR: Total Taxable Resources

Source: Federal Funds Information for States

Under the rule, Maryland would be expected to pay at least \$16.4 million for disaster response operations before it would qualify for federal funding. This is a \$7.8 million, or 90%, increase from the current rules. States with similarly large tax bases, such as New York, have also seen their COA indicator increase under the new rule. An implementation date, however, has not yet been determined by FEMA.

The Military Department should comment on these rule changes and their impact on the State’s ability to respond to COVID-19, as well as other major disasters in the future.

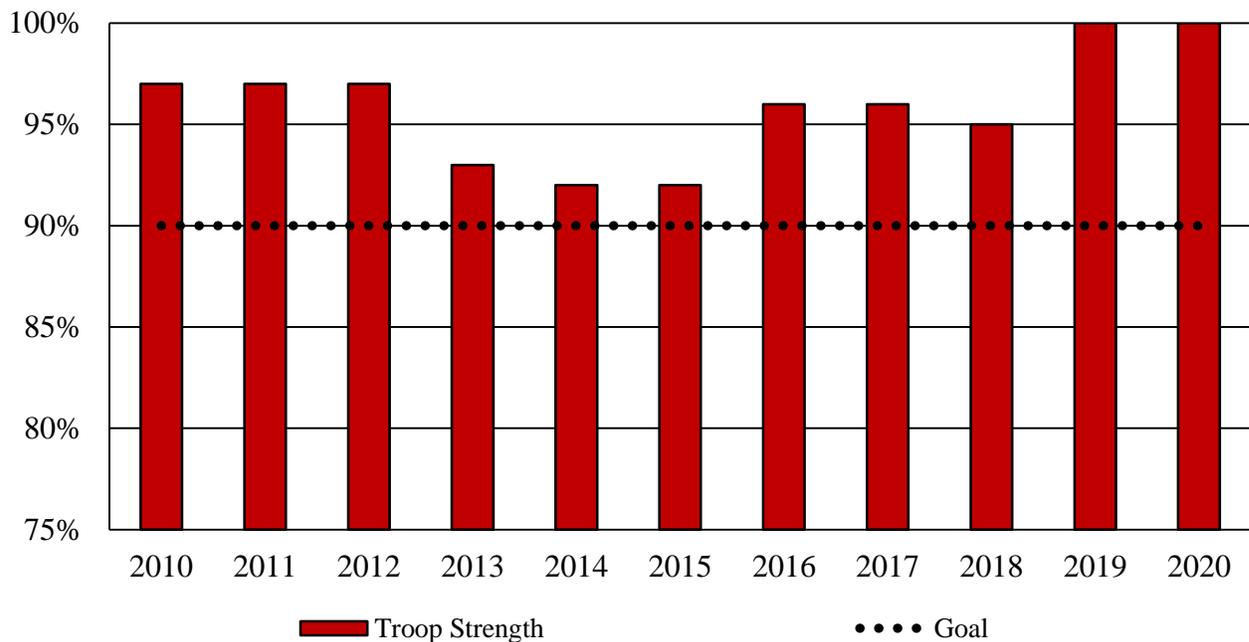
Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

- **National Guard Strength Remains at 100%:** MDNG continues to exceed its goal of attaining 90% of the federally defined authorized troop strength. For the second year in a row, MDNG achieved an authorized troop strength of 100%, as shown in **Exhibit 4**. MDNG has routinely exceeded the 90% target over the past decade.
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Exhibit 4
Maryland National Guard Authorized Troop Strength
Fiscal 2010-2020



Source: Fiscal 2022 Managing for Results

Appendix 1
2020 Joint Chairmen’s Report Responses from Agency

The 2020 *Joint Chairmen’s Report* (JCR) requested that the Military Department prepare one report. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Budgeted Facility Maintenance Funding:*** Committee narrative requested that the Military Department budget funds for the Army National Guard’s maintenance funding in a dedicated subprogram with the submission of the fiscal 2022 budget.

**Appendix 2
Object/Fund Difference Report
Military Department**

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	307.50	293.50	291.50	-2.00	-0.7%
02 Contractual	122.00	25.00	25.00	0.00	0%
Total Positions	429.50	318.50	316.50	-2.00	-0.6%
Objects					
01 Salaries and Wages	\$ 22,992,956	\$ 22,738,102	\$ 22,732,703	-\$ 5,399	0%
02 Technical and Special Fees	7,071,058	1,798,015	1,722,977	-75,038	-4.2%
03 Communication	1,337,680	776,120	990,256	214,136	27.6%
04 Travel	4,173,563	70,231	70,231	0	0%
06 Fuel and Utilities	3,029,817	2,347,815	2,320,599	-27,216	-1.2%
07 Motor Vehicles	560,410	306,751	347,978	41,227	13.4%
08 Contractual Services	7,289,024	5,328,359	5,024,547	-303,812	-5.7%
09 Supplies and Materials	1,248,617	596,468	596,468	0	0%
10 Equipment – Replacement	1,395,050	172,112	140,066	-32,046	-18.6%
11 Equipment – Additional	219,158	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	76,115,806	120,926,507	45,926,507	-75,000,000	-62.0%
13 Fixed Charges	169,470	204,602	204,602	0	0%
14 Land and Structures	3,494,765	7,115,385	7,115,385	0	0%
Total Objects	\$ 129,097,374	\$ 162,380,467	\$ 87,192,319	-\$ 75,188,148	-46.3%
Funds					
01 General Fund	\$ 22,373,799	\$ 14,529,696	\$ 14,060,909	-\$ 468,787	-3.2%
03 Special Fund	18,120,196	19,486,967	19,486,967	0	0%
05 Federal Fund	82,628,817	128,063,804	53,344,443	-74,719,361	-58.3%
09 Reimbursable Fund	5,974,562	300,000	300,000	0	0%
Total Funds	\$ 129,097,374	\$ 162,380,467	\$ 87,192,319	-\$ 75,188,148	-46.3%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.