

INTRODUCTION

The Transition Work Group for the Maryland Department of Veterans Affairs (MDVA) was co-chaired by Wilbert B. Forbes, Sr., National DAV Executive Board Member and Past Commander of the DAV Department of Maryland, and Richard E. Shatzer, former Deputy Secretary of the Maryland Department of Veterans Affairs. Budget and DLS Audit analysis was conducted by Christine V. Hobbs, former Assistant Secretary, Chief Finance Officer, and Personnel Administrator of the Maryland Department of Veterans Affairs.

The Maryland Department of Veterans Affairs (MDVA) was authorized by the laws of 1999 and combined the missions and resources of two Independent State Agencies; the Maryland Veterans Commission (service and benefits program, and cemetery and memorials program) and the Maryland Veterans Home Commission (Charlotte Hall Veterans Home). The State's obligation to the War Memorial Commission (War Memorial Building, Baltimore City) was also made part of MDVA.

The Work Group observed the MDVA across the total spectrum and conducted interviews with the department secretary, directors of the department's programs, fiscal and personnel administration staff and other key department employees. Interviews with associated commission chairs were also conducted, together with certain stakeholders and commanders of State veterans organizations. Visits to selected department facilities and interviews with the assigned employees were also part of the study initiative. Published materials and certain internal documents were obtained during the course of the study, as were copies of the Department's FY 2007 operating budget, the FY 2008 budget request and Department of Budget and Management's response to that request, together with DLS audit report and department response.

The information contained herein includes the work group's evaluation of the department's current operations and administration together with recommendations and suggestions for improvement of administration and services.

Department Transition Document/Briefing Book

The transition document/briefing book submitted contained mainly information available to the public through the department's website or the Maryland Achieves website. It contained a department informal list of Maryland casualties in recent or ongoing military conflicts, which is of little benefit to the transition process. The document contained no budget information and had no reference to Maryland veteran demographics (attachment 1). The section "Significant Accomplishments" cites many projects and initiatives that were planned, in progress, or nearing completion more than five years ago.

Newsletter: The briefing book contained a copy of "The Maryland Veteran" (attachment 2) a newsletter published and distributed by the department. In general, the newsletter appears to be a public relations publication containing many photographs of individuals in the former administration.

The newsletter contained little information concerning veterans' benefits and assistance, and cited no new or proposed federal, state, or local regulations that may be of assistance or interest to veterans and their families.

Maryland Department of Veterans Affairs Programs

Service and Benefits Program

The Service and Benefits Program assists veterans in obtaining benefits through service officers that are certified by the US Department of Veterans Affairs to include a program director. These service officers are accredited as Maryland State employees and some hold multiple accreditations. The Service and Benefits Program provides information, counseling and referrals for VA home loans, education loans, insurance and compensation for service connected disabilities, health care and burial benefits for surviving family members. Service officers advise and represent Maryland veterans, their dependents and survivors seeking federal, state and local benefits. MDVA operates five full time veterans' service offices, Baltimore, Hurlock, Frederick, Cumberland and Landover. MDVA provides itinerant service by appointment or on a regular basis to veterans in 22 locations around the State.

In 2006, the Program responded to more than 13,000 requests for assistance and filed 2,115 disability claims with the US Department of Veterans Affairs. Service officers are trained in the laws and regulations affecting veterans. Service officers present claims before the US Department of Veterans Affairs and they represent claimants by powers-of- attorney through the adjudication and appellate process. The Program Director believes that veterans are receiving very good service that continues to improve. Additional service officer staff would help in the improvement. The service officer staff's performance is superior. The Secretary's office has been very supportive of the program, according to the Director. Office space, for the service officers, is not adequate to serve the large numbers of veterans visiting for advice and assistance. The Director believes that the single, significant problem in delivering claims service is the long delay by the US Department of Veterans Affairs in finalizing claims. This matter has been long standing. According to the Director, there is an overlap of core duties, responsibilities and functions with the Department's Outreach and Advocacy Program. The Outreach and Advocacy Program essentially deals with information regarding benefits, claims and the Women's' Program. Outreach and Advocacy Program personnel are not certified service officers and they are not authorized to assist in initiating the claims process.

Veterans Cemetery Program

The program is charged with providing a free burial to Maryland veterans, and to their eligible dependents at a reasonable cost. The program is required to maintain State veterans cemeteries in perpetuity. There are a total of 5 cemeteries which are located in located in Allegany, Anne Arundel, Baltimore, Dorchester and Prince Georges counties. The MDVA also has executive oversight of a Civil War cemetery in Hagerstown, Washington County.

Memorials and Monuments Program

The program is required to oversee and maintain the Maryland Vietnam Veterans Memorial and the Korean War Memorial in Baltimore City, and the Maryland World War II Memorial in Annapolis.

Veterans Home Program

The program is charged with oversight of the operation of the Charlotte Hall Veterans Home, a long-term care facility offering 126 assisted living beds and 278 skilled nursing beds for eligible Maryland veterans and their spouses.

Outreach and Advocacy Program

Authorized in 2006, the program was designed to inform veterans of the benefits and services available to them and to monitor legislation impacting veterans and their survivors.

Commissions Under the Department

The appointed commissions continue to act in an advisory capacity to the MDVA Secretary and in the case of the War Memorial Commission, also to the Mayor of Baltimore City .The commissions also review proposed veteran related legislation and render advice accordingly.

Maryland Veterans Commission

Members of the Maryland Veterans Commission are sometimes called upon to represent MDVA or the Governor at speaking engagements or to present proclamations at Veterans and Memorial Day observances. There are 27 members of the Commission which are appointed by the Governor to 5 year terms. The appointments do not require Senate approval. The members are veterans and represent veterans groups and geographical areas of the State. From its members, the Governor selects the Chair.

Maryland Veterans Home Commission

The Maryland Veterans' Home Commission advises the Department on issues relating to State veterans homes. It interacts with veterans and other organizations to disseminate information concerning Charlotte Hall Veterans Home which is located in Saint Mary's County. This is the only facility in the State. The Commission has 14 members. Eleven are named to five year terms by the Governor with Senate advice and consent. Three serve as ex-officio, representing the Governor, Speaker of the House and President of the Senate. The Commission Chair has served on the Commission for an extensive period of time both as Chair and as a member. The Chair is pleased with the Home's operation. There were some issues in the past that were mostly contractor

related. However, these issues have been resolved. There is an excellent relationship between the Chair and the Home Director.

The Director attends all of the Commission's meetings and submits a report. Overall, the Chair is satisfied with the Commission's performance. Currently, no one represents the Governor's office. There have been some attendance issues with some members. The Commission is mandated to conduct five meetings per year. Because of the attendance problems, there have been times when there was not a quorum. The Chair is employing some new approaches that will resolve this matter.

The Commission does receive comments from the public at large and the veteran's community. Meetings are open and guests are encouraged to attend. The Commission responds to invitations from the United Services Organization (USO) to attend meetings and veterans' service organizations (VSOs) whereby presentations are made. The Home Director attends meetings held by the US Department of Veterans Affairs. The Chair believes that the Commission receives adequate publicity around the State but the exposure could be expanded and enlarged to reach a larger audience.

War Memorial Commission

The Commission has custody and supervision of the War Memorial Building and the War Memorial Plaza. Both were established in 1927 in Baltimore to honor Marylanders who died in World War I. The War Memorial Building and the Plaza are both across from the Baltimore City Hall. The building is open and available for meetings of veterans' groups, patriotic societies and civic gatherings. Use by these groups is permitted provided no collection or donation is taken nor is any admission charged. Maintenance costs are shared equally by the State and the City of Baltimore. The War Memorial houses the day-to-day operations of three VSOs the American Legion (AL), Disabled American Veterans (DAV) and the Veterans of Foreign Wars (VFW). The Commission's 10 members serve five year terms. The Secretary, with the Governor's approval, appoints five members and the Mayor of Baltimore appoints five members.

The Commission Chair has numerous concerns with reference to the Building. The priority concerns are centered on the Building's infrastructure. Many situations, such as asbestos and water leaks in the roof need attention. The Chair is concern that many members are not attending scheduled meetings. The Chair is aware that some members are experiencing health issues and other problems. Sufficient members are not reporting for meetings and quorums are not met.

Other Relevant Commissions

The Governor's Commission on Maryland Military Monuments

The Governor's Commission on Maryland Military Monuments was established by Executive Order in January 1989. The Commission exists of up to twenty members appointed by the Governor and chaired by the Maryland Secretary of State. The Commission is charged with conducting an inventory of Maryland's military monuments and providing assistance with restoration and preservation efforts. The Commission is under the Office of the Secretary of State, but funding for restoration and preservation projects is allocated under the Maryland Department of Veterans Affairs.

Base Realignment and Closure Commission (BRACC)

As a result of the BRACC's recommendations, a significant number of federal jobs will move to the State of Maryland. Many of these jobs will be located at Aberdeen Proving Grounds, Fort Meade, Patuxent Naval Station and other military installations. These jobs are, mostly, in the category information technology (IT) requiring high level security clearances. Applicants for these jobs, who do not have security clearances, must submit to a comprehensive background inquiry. Background inquiries require a significant amount of time. Most active duty military personnel working in the field of information technology have the requisite security clearances. As an inducement to active duty military personnel nearing retirement, incentives should be considered to attract potential retirees to take up residence in Maryland. The incentive that is most attractive is relief from taxation on military pay. In the last session of the General Assembly a \$5,000 exemption of military retirement from State taxation was enacted into law.

Stakeholders

Veterans Services Organizations (VSOs)

Veterans Services Organizations include the American Legion, American Veterans, Disabled American Veterans, Military Order of the Purple Heart and Veterans of Foreign Wars. Many of the State VSOs were contacted in connection with the transition inquiry. The most frequent concern stated was access to understanding benefits and assistance in filing service connected disability claims. VSOs believe that more locations should be established in the State for help and assistance as opposed to Baltimore being the central location. Although the federal Government has the primary responsibility for providing health care, VSOs articulate this as a major concern for veterans across the country and Maryland in particular. VSOs suggest more community based out- patient clinics (CBOCs) across the State. Even though some VSOs are involved in providing transportation to veterans to for clinics and hospital appointments,

more transportation is needed. A significant number of VSOs expressed concern for the War Memorial in Baltimore. The prevailing suggestion is that the State assumes responsibility for the War Memorial. Some additional suggestions are as follows:

- Taxation exemption for military retirees
- Legislative revisions regarding property tax exemption for surviving spouses
- Assistances to incarcerated veterans
- Greater outreach to women veterans
- Educational outreach to all veterans

Administration

Office of the Secretary

The office of the secretary was relocated from Baltimore City to Annapolis during the previous administration. The secretary's office is staffed by a deputy secretary (currently vacant), 2 executive assistants, and the director of outreach and advocacy. The chief finance officer/personnel administrator and staff of 2 are located in Baltimore City, as is the director of the veterans service program. The director of the cemetery and memorials program is located in Crownsville.

Position of Deputy Secretary

The management position with the working title "Deputy Secretary" is vacant. During the previous administration, the duties of the position appear to have mirrored the duties or the responsibilities of the secretary.

Non-operational Activities

The secretary's office reports attendance by the secretary and various staff members at meetings, conventions, seminars, and events, but has failed to establish after actions reports or similar documentation justifying travel expenses or explaining how these activities serve Maryland veterans.

According to the department's weekly reports submitted to the previous administration, the secretary and executive staff have performed public relations and representation functions that are unrelated to the department's mission of service to veterans. Included among those was representation of the previous administration at the dedication of a bank and of a library, at a wedding anniversary, and at a sporting event. It is undetermined as to if the department undertook the representations as self-imposed initiatives or if the activities were directed by the administration.

Operating and Capital Budgets

Operating Budget

The overall Department budget for fiscal year 2007 is approximately \$18 million dollars. The Department supports its operational costs through a combination of general, special and federal funds. The charts below provide an overview of the percentage of total funds allocated to programs (Chart A) as well as the distribution of funds among fund sources (Chart B) for the current fiscal year. A discussion by program follows. Please note that the Workgroup observations of the fiscal year 2008 budget are based solely on the Department's request submitted to the Department of Budget and Management (DBM) and do not address any action that may have been taken on the request by the DBM.

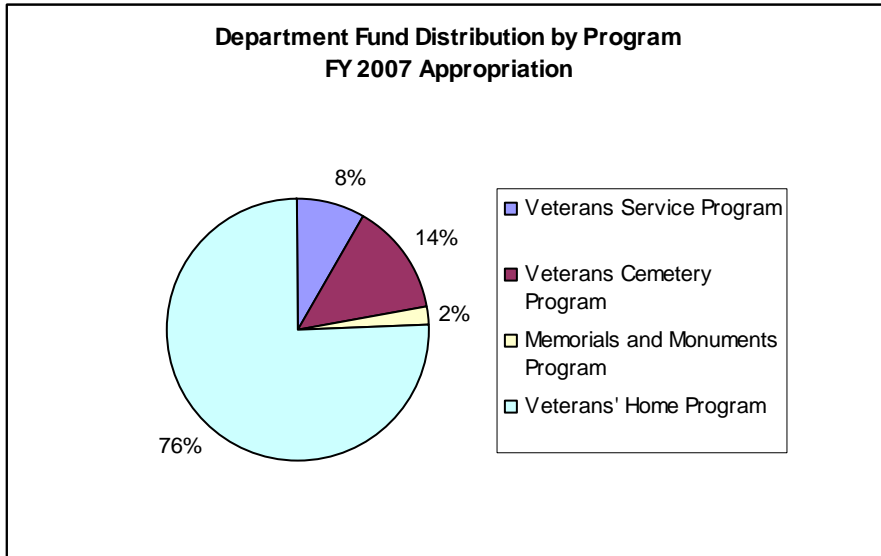


Chart A

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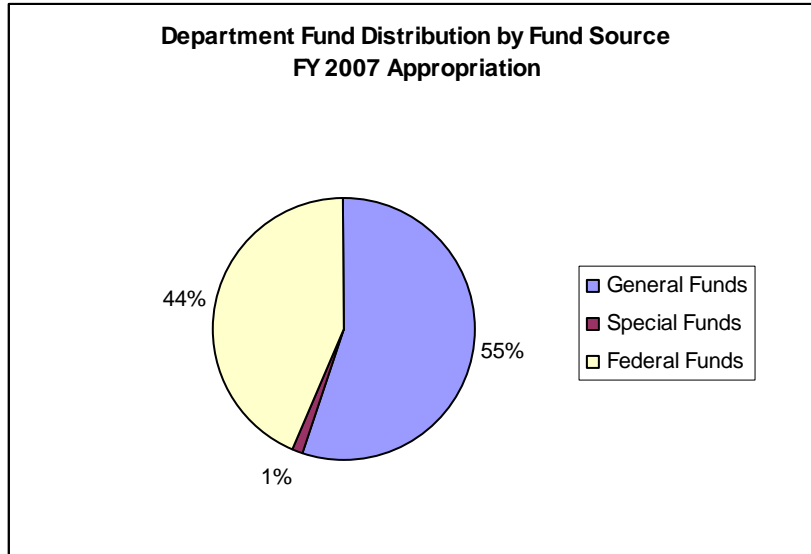


Chart B

Veterans Service Program

The program budget appropriation for fiscal year 2007 totals \$1,486,760. This program operates on 100% general funds. The chart below (Chart C) illustrates the distribution of funds among expense categories and is followed by discussion.

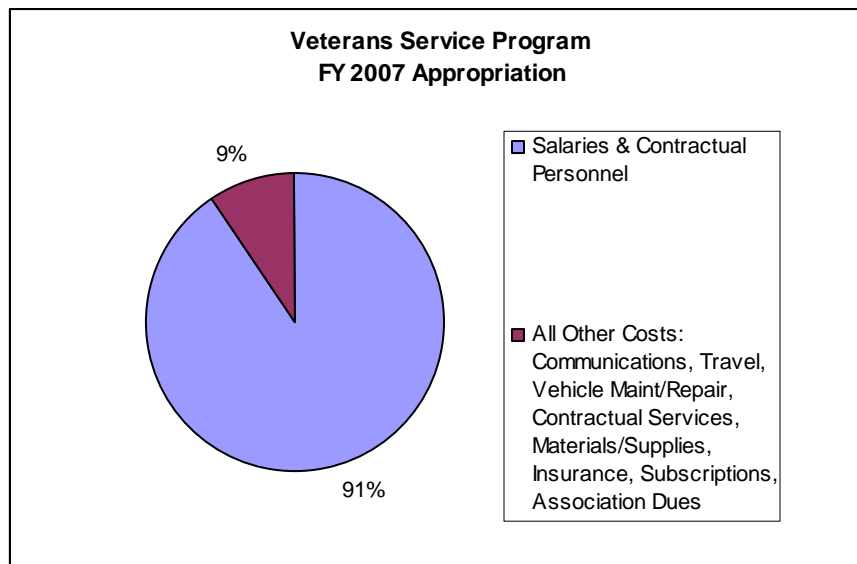


Chart C

The cost of salaries and fringe benefits consumes ninety-one percent (91%) of fund resources. The program has twenty-one (21) employees, including one full-time equivalent contractual position. Included in the personnel count is the Department Secretary and his staff, administrative support staff, finance and personnel administration,

and staff engaged in providing direct services to veterans seeking benefits from local, State and Federal entities. Staffing is as follows:

Office of the Secretary	5 positions
Finance and Personnel	3 positions
Administrative Support	3 positions
Veterans Services	10 positions

The Secretary's staff includes two positions for the Outreach and Advocacy Program. The program has existed since 2005, but was codified after the passage of House Bill 3 during the 2006 session of the Maryland General Assembly. The primary reorganization of staff in the Department occurred within the Office of the Secretary. Vacant positions from three programs were reassigned to the Secretary's staff. The Office Secretary position at the Eastern Shore Veterans Cemetery was moved to this program to provide an administrative support position. A vacant position in the Hagerstown Veterans Service Center was also reallocated to the Office of the Secretary to create the Director of Outreach and Advocacy position. In addition, two part-time grounds maintenance employees, one from the Veterans Cemetery Program and one from the Memorials and Monuments Program, were converted to a single position to provide administrative support to the Director of Outreach and Advocacy. Finally, a vacant Automotive Services Specialist position in the Veterans Cemetery Program was converted to a Veterans Service Officer position to serve the Eastern Shore Veterans Service Center. The program currently has one vacancy; the position of Deputy Secretary.

The remaining nine percent (9%) of the program budget is allocated to communications (telephone and postage), travel, vehicle maintenance/repair, contractual services, materials and supplies, insurance, subscriptions, and association dues. Funds are appropriated fairly equally among the above categories. There are no noteworthy expenditures budgeted in fiscal year 2007.

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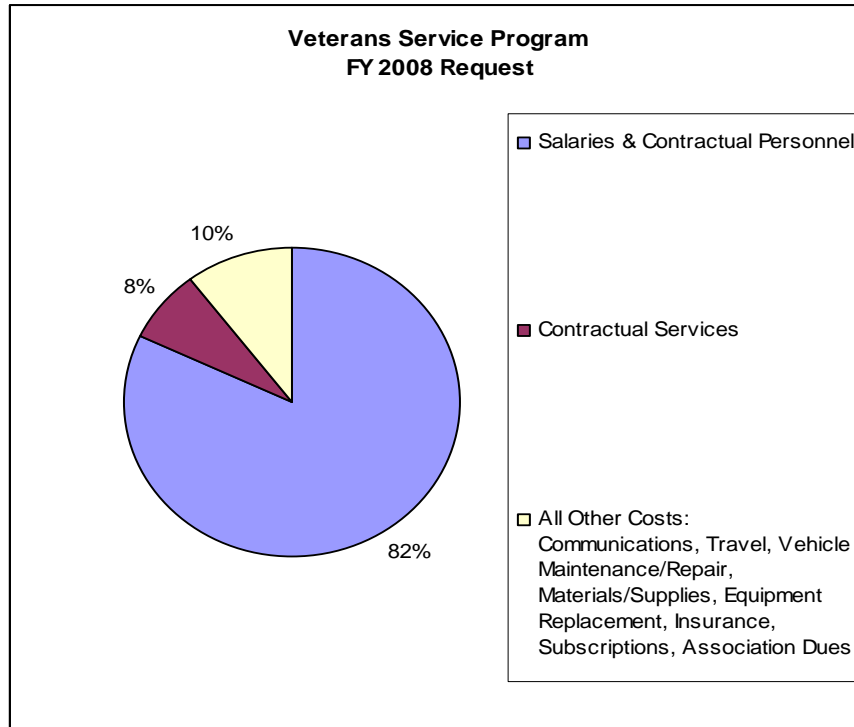


Chart D

The Department's fiscal year 2008 request submitted to the Department of Budget and Management for this program totaled \$1,650,806, an increase of \$164,046 or 11% over the fiscal year 2007 appropriation. Chart D above provides a glimpse of where funds are spent.

Salaries and fringe benefits account for 82% of the budget. Benefit and COLA adjustments have not yet been factored into the fiscal year 2008 request. After removing those adjustments from the fiscal year 2007 appropriation for comparison purposes, it is noted that personnel expenses increased by \$69,865. The increase is primarily attributable to the Department's request to reclassify five Veterans Service Officers, one Veterans Service Program Area Supervisor, and two Administrative Officers. The projected cost of the initiative is \$43,712. The Department's request to reclassify the above positions is strongly supported by documentation evaluating Maryland's job responsibilities and salary structure against those of comparable positions in the Federal service and several other states. Based on the documentation, the proposed reclassification plan is a modest and justified increase in salary for program personnel.

Salaries and fringe benefits decreased from 91% of the budget in fiscal year 2007 to 82% of the budget request for fiscal year 2008 due to a significant increase in funds requested for contractual services, communications costs and vehicle procurement. The fiscal year 2007 appropriation for contractual services is \$27,573. The fiscal year 2008 request is \$126,625, an increase of \$99,052. Communications was budgeted at \$32,823 in fiscal year 2007 and increases to \$52,123. The fiscal year 2008 request also contains funds in the amount of \$28,051 for the purchase of a sedan. The foregoing cost increases

result from the codification of the Outreach and Advocacy Program. The Department budgeted \$50,600 for printing of brochures, newsletters and other promotional materials. Postage to mail promotional materials is budgeted at approximately \$18,000. The vehicle expenditure (\$28,051) is to provide the Director of Outreach and Advocacy with a sedan to perform travel. A conservative estimate of the total cost to implement the initiative, including salary costs for two positions, is approximately \$308,000. There are no other significant changes in budget levels from fiscal year 2007 to fiscal year 2008.

Opportunities for cost avoidance/containment/savings in this program are unlikely to be achieved unless there are reductions in personnel levels.

Veterans Cemetery Program

The program budget appropriation for fiscal year 2007 totals \$2,541,945. This program operates on general funds, special funds and federal funds. The charts below illustrate the distribution of funds among fund sources (chart E) and expense categories (chart F) and are followed by discussion.

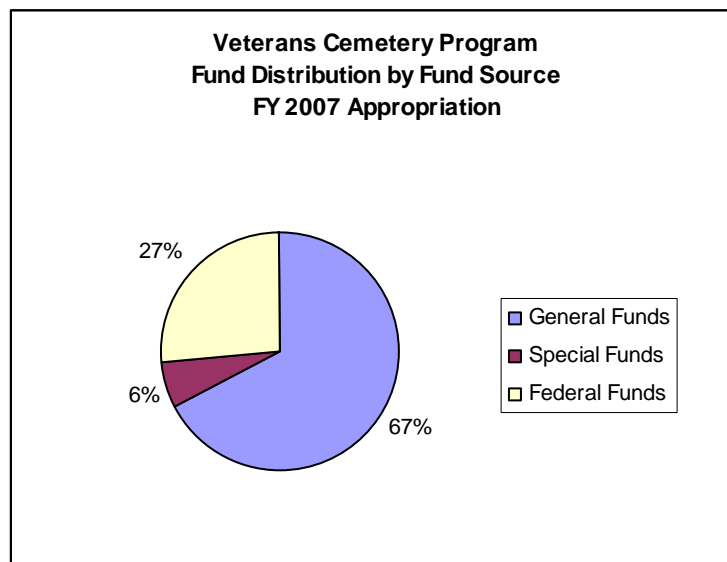


Chart E

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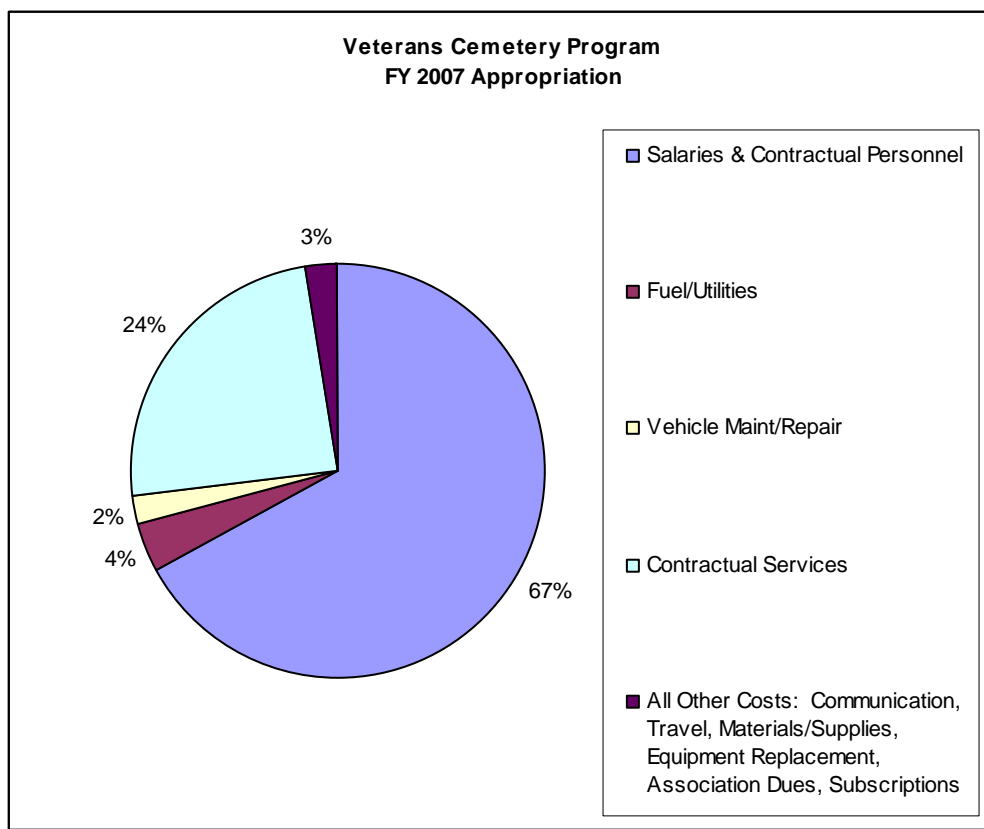


Chart F

As noted in Chart E, the program operates primarily on general funds, but one-third of expenses are funded with special and federal funds. The program generates special fund revenues from the assessment of a fee for the interment of a veteran's eligible family member(s). Federal funds are paid by the U.S. Department of Veterans Affairs for each eligible veteran buried in a State Veterans Cemetery. A discussion of revenues can be found in the Non-Tax Revenue Enhancement section of this document.

The program expends the majority of its funds (67%) on personnel costs. The program has 41.82 employees at five State Veterans Cemeteries. Staffing is as follows:

Program and Cemetery Management	6.00
Administrative Support	7.00
Grounds and Building Maintenance and Security	28.82

Contractual services account for the next largest segment of the budget at twenty-four percent (24%). The appropriation for contractual services includes extermination, trash removal, outsourced equipment repair and maintenance, and equipment rental and printing, but these are minimal costs. By far the greatest cost for contractual services is attributed to contracts for mowing, headstone installation, road and building repairs, turf maintenance (fertilization/seeding), and grave liner procurement. These expenses

constitute 90% of the budget for contractual services. Grave liners are mandated by State law for veteran burials in a Maryland State Veterans Cemetery and can be viewed as a cost avoidance mechanism. Grave liners provide a surface on which soil rests and becomes stabilized without excessive settling. As a result, countless hours needed to repair areas of sunken earth and reestablish turf are avoided. Other grounds maintenance services are more effectively outsourced because staffing levels in cemetery facilities are at a level insufficient to meet workload demands.

Fuel and utilities costs have risen considerably and now comprise 4% of the program's budget. The program has approximately thirteen (13) structures and an extensive inventory of motor equipment to support.

Other budgeted costs in the program for fiscal year 2007 appear to be logically derived from prior year costs or trends and there no additional significant items to address.

The program budget request for fiscal year 2008 totals \$3,391,682, an increase of \$849,717 or 33% over the fiscal year 2007 appropriation. The charts below illustrate the distribution of funds among fund sources (chart G) and expense categories (chart H) and are followed by discussion.

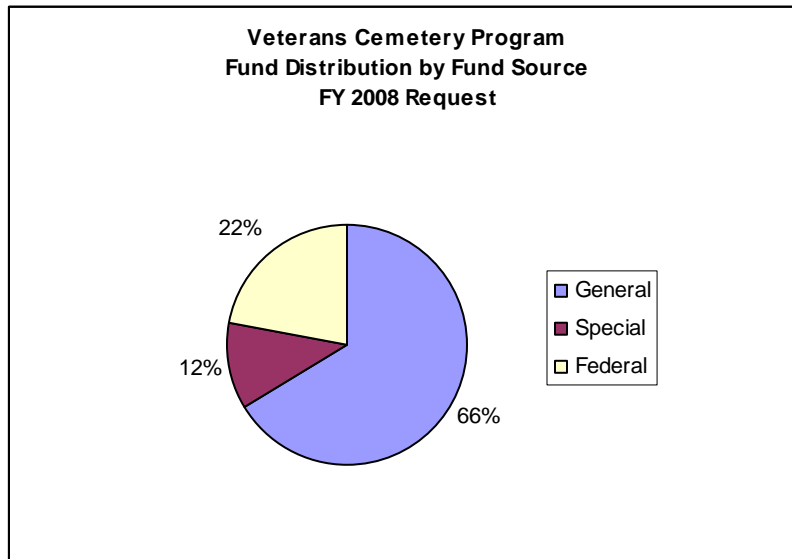


Chart G

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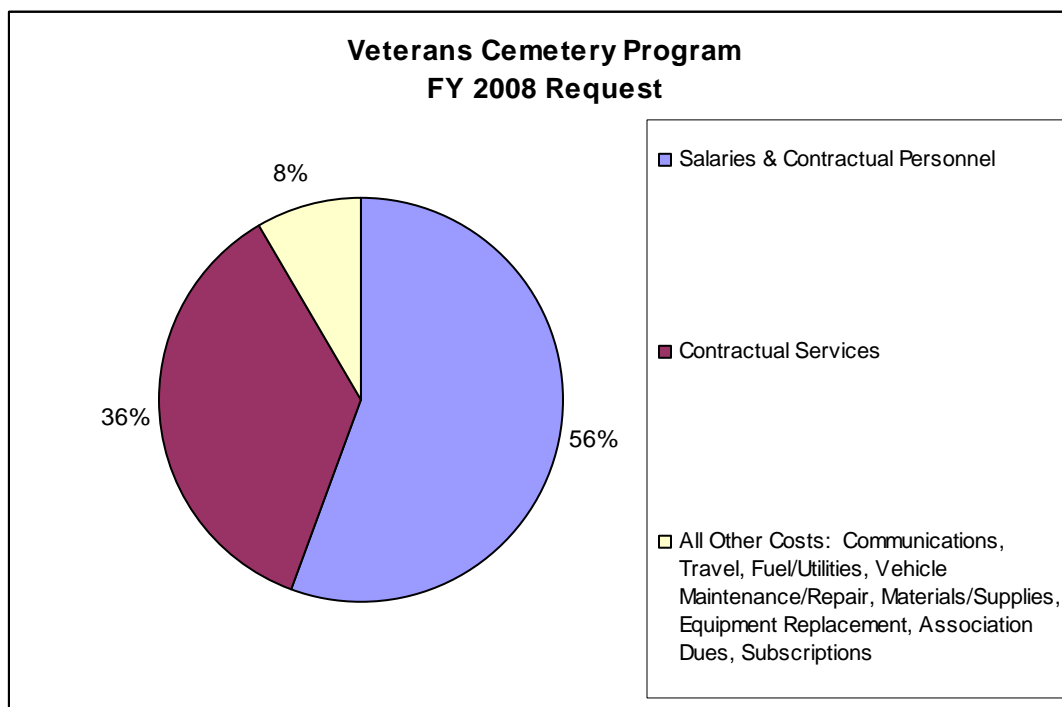


Chart H

Salaries and fringe benefits decreased from 67% of the budget in fiscal year 2007 to 56% of the budget request for fiscal year 2008 due to a significant increase in funds requested for contractual services. Though the percentage of funds requested for personnel costs is lower than fiscal year 2007, the actual dollar amount is higher. The Department has requested funds in the amount of \$115,469 to reclassify twenty-nine (29) grounds maintenance, grounds supervisor, and equipment operation positions. To support its request, the Department submitted a considerable and thoroughly researched set of documents comparing Maryland's responsibilities and wages for these classifications to those in the private sector in Maryland, in federal service, and at other State Veterans' Cemeteries. Based on the data, a significant pay disparity exists. Wages for workers in Maryland State Veterans Cemeteries are \$9.79 – \$11.66 per hour although wages for workers in identical positions in the private sector throughout Maryland range from \$11.29 - \$15.40 per hour.

The program's budget was also affected by steep increases in contract prices for headstone installation and procurement of grave liners. The fiscal year 2007 cost for both contracts was \$542,855. The cost escalated to \$1,124,821. Both service contracts expired in the last quarter of fiscal year 2006. Bid submissions to the Department of General Services were much higher than the cost of the previous multi-year contracts. To some extent, the increase may result from rising costs of transportation and labor. The cost for headstone installation increased, in part, due to a change in the contract specifications requiring the placement of a grid beneath the flat marker as part of the installation process. The change is intended to minimize settling of headstones and extend the length of the cycle over which a headstone must be realigned. A portion of the

additional cost will be offset by increased special fund revenues. Special fund revenues are discussed in the Non-Tax Revenue Enhancement section of this document.

Other than the above items, the fiscal year 2008 budget request for other categories of spending is consistent with spending patterns and trends from fiscal years 2006 and 2007.

Memorials and Monuments Program

The program budget appropriation for fiscal year 2007 totals \$376,336. This program operates on 100% general funds. The chart below (chart I) illustrates the distribution of funds among expense categories and is followed by discussion.

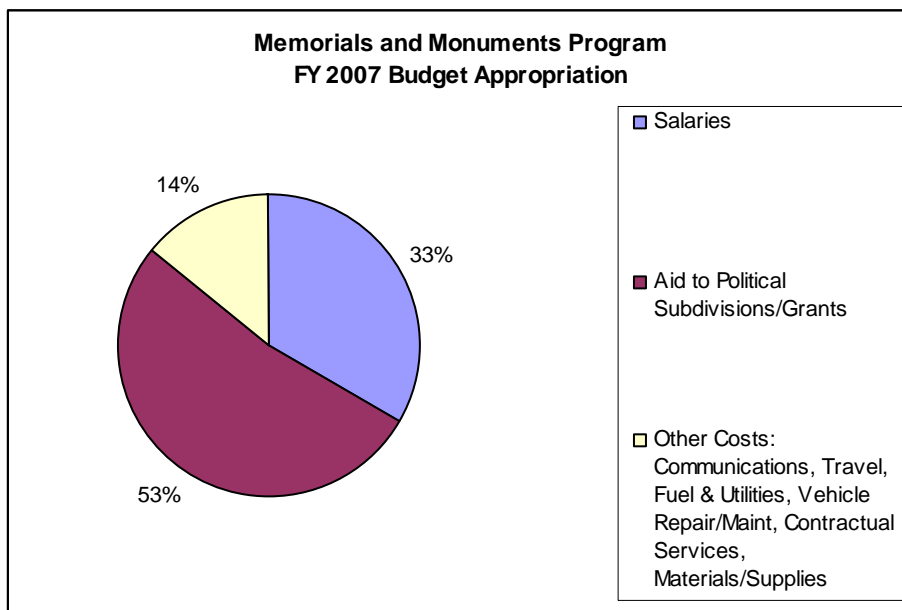


Chart I

The largest percentage (53%) of the budget is allocated for Aid to Political Subdivisions and Grants. The appropriation for Aid to Political Subdivisions is \$181,088 and is for the operation and maintenance of the War Memorial Building located adjacent to the War Memorial Plaza in Baltimore City. The Maryland Department of Veterans Affairs and the City of Baltimore have a cost sharing arrangement whereby each entity contributes 50% funding. Grant funds total \$17,000 for use by the Maryland Military Monuments Commission. The Commission is authorized to identify and undertake maintenance projects on military monuments in various communities throughout Maryland. The Commission performs this function using a combination of general funds and funds donated to the Commission.

Thirty-four percent (34%) of the program's budget is devoted to salaries and fringe benefits for three employees. Two of the employees are in classifications related to the maintenance of buildings and grounds. A third employee has responsibility to

oversee operations and administrative functions. The program has no vacancies as of January 2007.

The remaining thirteen percent (13%) of the budget is allocated for telephone and postage, travel, fuel and utilities, vehicle maintenance and repair, contractual services, and materials and supplies. Contractual services comprise the largest funding amount at \$28,470. Included in this category are trash removal, extermination, equipment rental (chairs, tents, etc. for public events), outsourced equipment repairs, and grounds maintenance contracts (turf care, structure repairs, etc.).

The Department's fiscal year 2008 request submitted to the Department of Budget and Management totaled \$405,194. Distribution of funds remains relatively unchanged since fiscal year 2007. (See chart J below.)

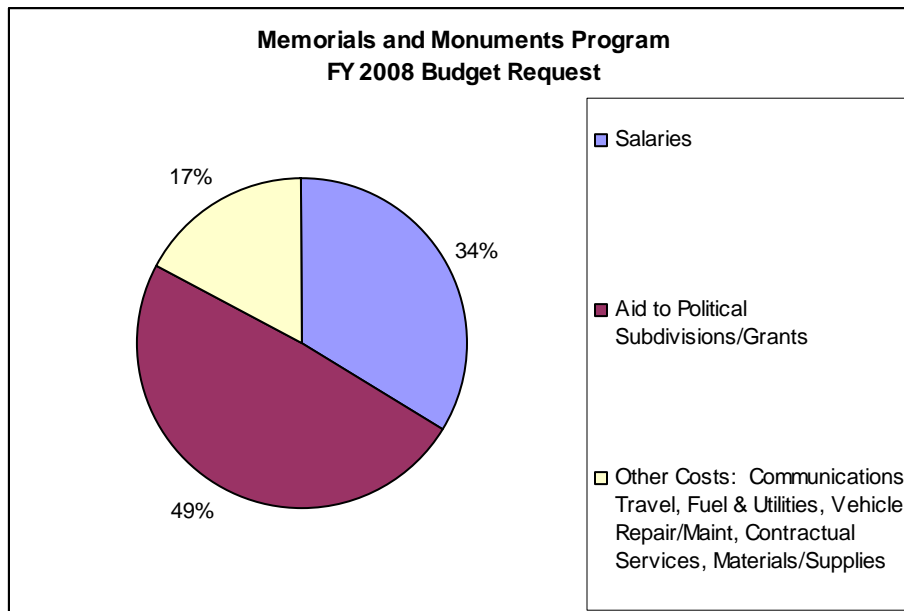


Chart J

The fiscal year 2008 request represents an increase of \$31,822 or 8.5% over the fiscal year 2007 appropriation. The increase can be attributed to salaries and fringe benefits, fuel and utilities cost, and contractual services. Salary and utilities costs are budgeted at levels prescribed by the Department of Budget and Management. Contractual services increased by nearly \$11,000, but the increase is in line with actual expenditures for fiscal year 2006, suggesting that the program may be under funded in fiscal year 2007.

The program has a very modest budget. After extracting the portion of the budget allocated for the War Memorial Building and the Maryland Military Monuments Commission, the program is expected to maintain three large memorial sites and structures and one maintenance building for \$175,284 in fiscal year 2007 and \$207,106 in fiscal year 2008. Cost containment/avoidance/savings in this program is not a realistic goal. The only opportunity to reduce cost without detriment to the core mission of the

program is to eliminate funding for the War Memorial Building and the Maryland Military Monuments Commission.

Veterans Home Program

The program budget appropriation for fiscal year 2007 totals \$13,624,217. This program operates on general funds, special funds and federal funds. The charts below illustrate the distribution of funds among fund sources (chart K) and expense categories (chart L) and are followed by discussion.

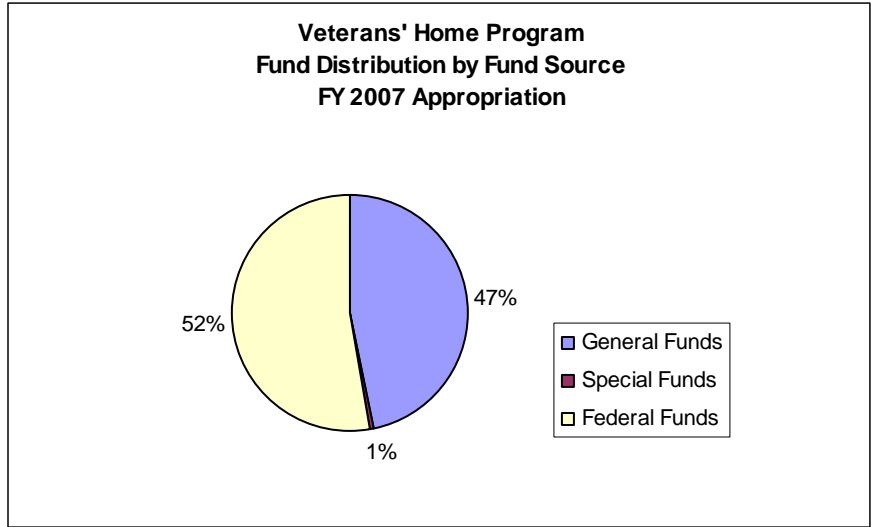


Chart K

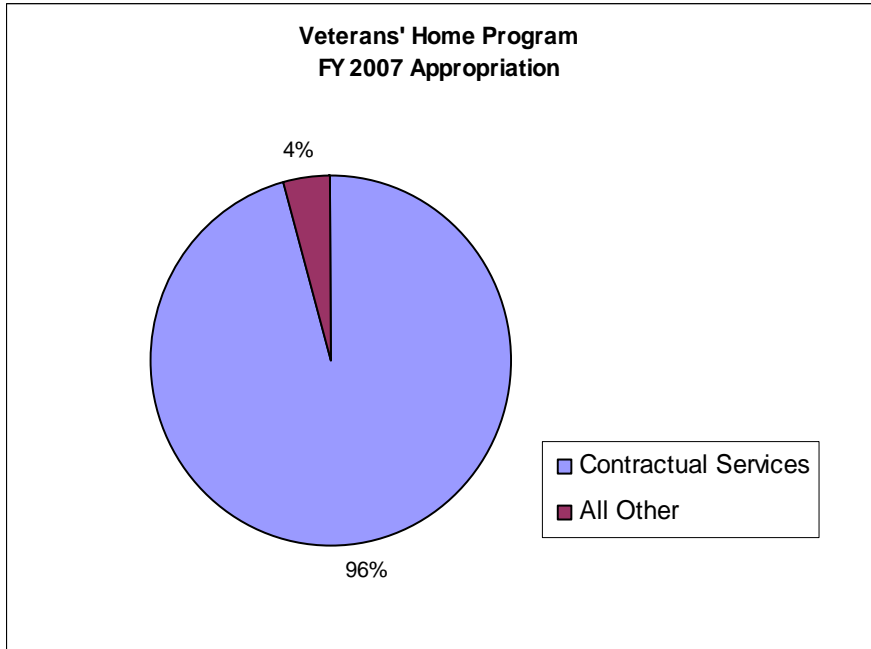


Chart L

As noted in Chart K, the program operates on a nearly even split of general and federal funds. A small amount of special funds accumulate through donations made to the Home by individuals and veterans service organizations. Federal funds are paid the U.S. Department of Veterans Affairs at a daily per diem rate for occupied beds in both the assisted living and skilled nursing units.

The Program expends 96% of its funds for contractual services. The budget for contractual services includes funds for purchase of care totaling \$12.9 million. These funds compensate the contractor, Health Management Resources-Government Services, Inc. (HMR)-Governmental Services Inc. for the management and operation of the home and account for 98% of the total contractual services budget. The contractor provides the following services: (1) administration; (2) nursing; (3) social services; (4) dietary; (5) facilities maintenance and plant operations; (6) housekeeping; (7) laundry; (8) physical therapy/rehabilitation; (9) actives/recreation; (10) admissions and marketing; (11) medical records; and (12) security. As of January 3, 2007, the Home's census was:

Assisted Living	127	non-vets 2
Skilled Nursing	<u>229</u>	non-vets <u>6</u>
	356	8

Of the remaining 4% of the budget, nearly 2% is allocated for salaries for 4.5 classified and contractual employees. These employees oversee contractor performance and execute State administrative and financial duties. Another 1.5% of the budget funds utilities cost, predominantly water and sewer service. Approximately .5% of the budget funds all other costs, including communications, travel, vehicle maintenance/repair, materials/supplies, new/replacement equipment, and building and grounds maintenance.

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The program budget request for fiscal year 2008 totals \$12,772,854, a reduction of more than \$1.4 million or nearly 11% from fiscal year 2007. The charts below illustrate the distribution of funds among fund sources (chart M) and expense categories (chart N) and are followed by discussion.

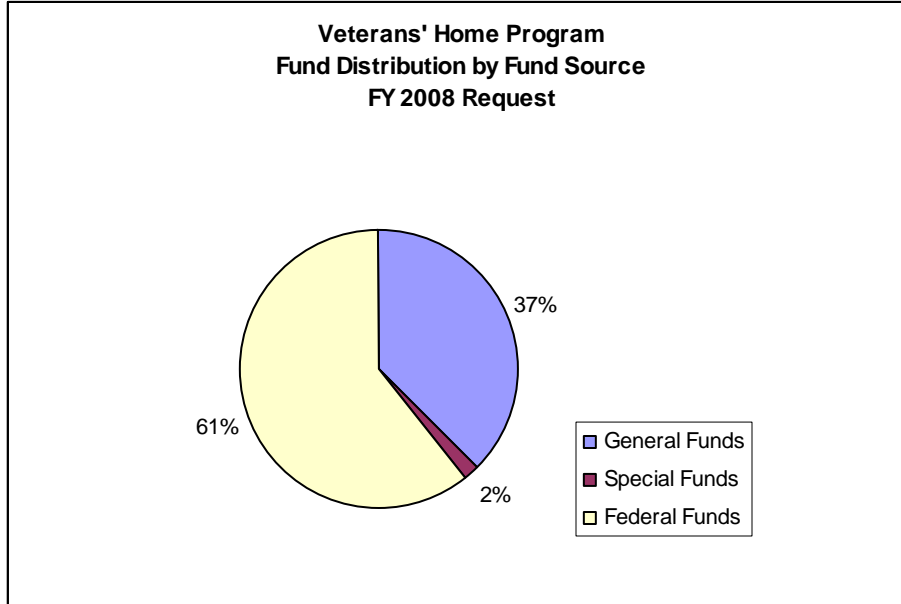


Chart M

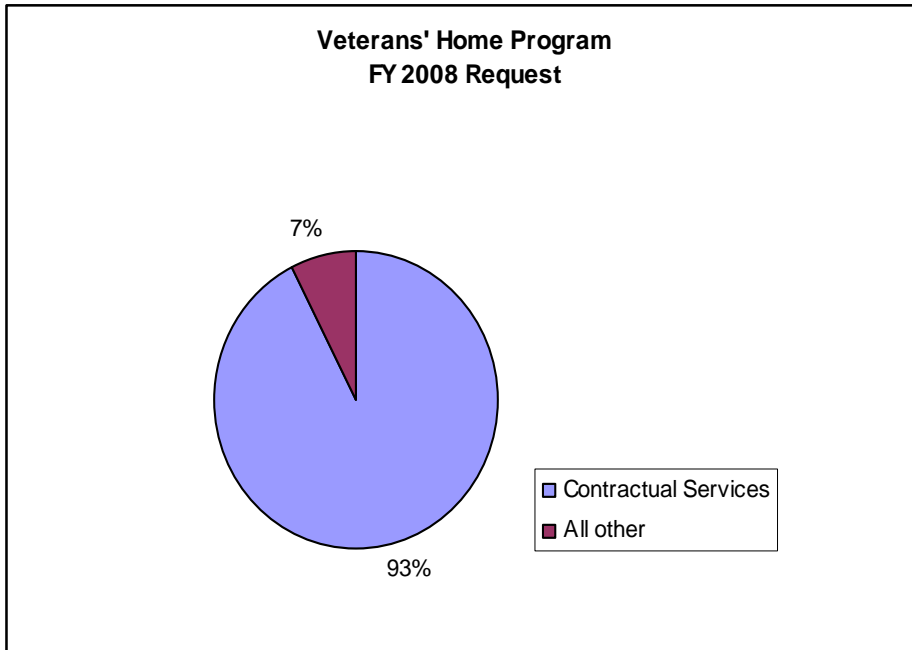


Chart N

The portion of the budget allocated for purchase of care services decreased from \$12.9 million in fiscal year 2007 to \$9.8 million in fiscal year 2008 due to census

projections. It should be noted that projected census levels have been overstated for multiple fiscal years resulting in elevated cost projections and appropriation cancellations. It appears the Department has adjusted its projection methodology for fiscal year 2008 to offer a realistic appraisal of beds expected to be occupied during the fiscal year and the resulting cost. The \$9.8 million dollar cost in fiscal year 2008 is split between general funds (39%) and federal funds (61%). Despite the reduction in the anticipated cost of care, contractual services as a whole still comprises the largest percentage of the budget at 93%.

The remaining 7% of the budget funds all other program costs. The only noted increases in the fiscal year 2008 budget are for human and environmental equipment, dental and medical equipment, and building and grounds maintenance projects. These costs are related to cyclical projects and routine purchase and replacement of equipment necessary to provide long-term care services. The increases are negligible in the overall program budget. Remaining expenses are consistent with prior year costs.

Opportunities to reduce costs in the program are minimal unless there is a moratorium on admissions to the home. Such an action would be contrary to the mission of the program and deny the benefits and services to which Maryland veterans are entitled.

Capital Budget

Funding for capital projects for fiscal year 2007 and fiscal year 2008 is confined to the Veterans Cemetery Program and is funded with 100% federal funds. General funds for the planning are allocated by the State and reimbursed from the U.S. Department of Veterans Affairs after approval of construction drawings. A summary of capital projects for the referenced budget year is below.

FY 2007

<u>Project Location</u>	<u>Federal Funds</u>	<u>General Funds</u>
Cheltenham Veterans Cemetery	\$4,815,000	
Crownsville Veterans Cemetery	\$3,108,000	
Garrison Forest Veterans Cemetery		\$530,000
TOTAL:	\$7,923,000	\$530,000

Project Descriptions:

Cheltenham Veterans Cemetery: Development of 9,000 gravesites, a 1,000-niche above ground columbaria, and supporting infrastructure.

Crownsville Veterans Cemetery: Development of 5,600 gravesites, an 800-niche above ground columbaria, and supporting infrastructure.

Garrison Forest Veterans Cemetery: Design phase for development of 10,000 gravesites, a 1,000-niche above ground columbaria, and supporting infrastructure.

FY 2008

<u>Project Location</u>	<u>Federal Funds</u>	<u>General Funds</u>
Garrison Forest Veterans Cemetery	\$6,912,000	

Project Description:

Garrison Forest Veterans Cemetery: Development of 10,000 gravesites, a 1,000-niche above ground columbaria, and supporting infrastructure.

Non-Tax Revenue Enhancement

The Department offers a very limited scope of services and, therefore, has limited opportunities to enhance revenues by establishing fees. In addition, both federal and state laws restrict the Department's fee setting authority. The Veterans Service Program is prohibited under section 5905 of the Code of Federal Regulations from charging or accepting a fee or gratuity for services provided to a claimant. To do so would result in the revocation of U.S. Department of Veterans' Affairs certification issued to the Department's Veterans Service Officers. The Veterans Cemetery Program is prohibited by State law from assessing fees for the interment of an eligible veteran. The allowable income and assets of applicants for admission to the Charlotte Hall Veterans Home are currently applied toward the cost of care and reduce the State general fund contribution.

The Department does generate special fund revenues from fees assessed for the burial of a veteran's eligible family member (spouse or child) and federal funding also accounts for a substantial portion of the agency's budget. A federal burial plot allowance of \$300 is paid for each eligible veteran interred in a State Veterans Cemetery and a federal per diem allowance is paid for residents in the assisted living program and skilled nursing care unit at Charlotte Veterans Home. Federal fund levels are established by the U.S. Department of Veterans Affairs in accordance with applicable federal laws and regulations. The Department has little to no influence over the grant rates established by the federal government.

Where the Department is able to enhance revenues, it has recently done so. Under Senate Bill 157, which was passed during the 2006 session of the Maryland General Assembly and signed into law on May 2, 2006, the Department was given authority to set a fee for the interment of a veteran's eligible family members that does not exceed the cost of burial. The bill took effect June 1, 2006. Prior to the passage of the bill, the Department had statutory authority to set a fee of not more than \$150. The following fees were in effect through FY 2006: \$150 for an adult dependent, \$75 for a child dependent, and \$25 for a cremated dependent adult or child.

The Department recently calculated the actual cost of burial at approximately \$900. Six state veterans' cemeteries and eleven private cemeteries were surveyed to gather information on industry fees for dependent burial. The Department's study concluded that a fee of \$600 was appropriate. Ultimately, the dependent interment fee was increased to \$400. The new fee took effect July 1, 2006. This adjustment resulted in a fee increase of between \$250 and \$375 per burial. The Department's probable revenue from this source for fiscal year 2007, based on estimated interment rates, is \$404,000 or an increase in revenue of \$255,500 or 249% over fiscal year 2006. The agency's fiscal year 2008 special fund revenue request is based on maintaining the fee at \$400, however, the agency has indicated it will assess its operational costs each year and adjust the fee accordingly.

Department of Legislative Services (DLS) Audit Report

The Department of Legislative Services (DLS) conducted its last audit of the Department of Veterans Affairs (the "Department") for the period beginning February 12, 2001 and ending March 10, 2004. The Audit Report was issued in October 2004 and contained two findings.

Finding 1 stated, "The Department has not received federal reimbursement for certain funding requests, totaling approximately \$4 million, that were made during fiscal year 2004." The Department receives federal funds from the U.S. Department of Veterans Affairs (USDVA) for the operation of Charlotte Hall Veterans Home. Funds are paid as a daily per diem rate for both the assisted list and skilled nursing care portions of the facility. The fund level is substantial and comprises a significant portion of the Veterans' Home Program budget. The Department's response dated October 20, 2004 stated that as of that date the federal government had issued reimbursement to the Department. The Department's Chief Financial Officer affirms that federal fund reimbursements payable from the USDVA are current as of January 2007.

Finding 2 stated, "Property records were not adequately maintained and physical inventories of sensitive and non-sensitive items were not completed as required." This finding was also made by the DLS in the Department's October 2001 Audit Report. The Department's inventory, as of June 30, 2003, was valued at approximately \$54 million. The Department concurred with the audit finding and cited inadequate personnel resources as the reason for its inability to comply with the Department of General Services' (DGS) Inventory Control Manual in a timely manner. The Department subsequently redirected personnel resources from the Veterans Cemetery Program to assist in conducting physical inventories. The Department maintains inventory at fifteen separate locations: five cemeteries, three memorials, six veterans' service centers, and a headquarters office. The Department reports that as of January 2007, inventory is complete at all cemeteries, all memorials, three veterans' service centers, and its headquarters office. Inventory is underway, but not complete, at three veterans' service centers. The Department expects to complete this task by the end of fiscal year 2007, bringing them into full compliance with the DGS Inventory Control Manual.

The DLS October 2001 Audit Report identified four findings. The findings were related to federal funding, purchasing and disbursements, cash receipts and inventory control. To the Department's credit, three of the findings were resolved prior to the October 2004 audit.

Performance Measurement Infrastructure and Reporting Capabilities

The Department lacks a computer-based data collection and analysis system that integrates and centralizes data related to its key performance measures. Data is tracked using a system of paper documentation. Data is captured at the point of service delivery and submitted on paper forms to program management personnel on a weekly and/or monthly basis. While the paper documentation is a snapshot of performance during a particular period at each individual Department location, an overall assessment of program performance is achieved by entering the data from each individual paper submission into a computer program such as Excel or Access to generate comprehensive data for a program. The Department also relies on external databases, such as those from the U.S. Department of Veterans Affairs, to capture data related to performance in its Veterans Service Program.

The only exception within the Department is at Charlotte Hall Veterans Home (the "Home"). The Home is operated by a contractor who is required by various State and Federal laws and regulations to capture and track specific information about the Home's residents. Consequently, the contractor uses a sophisticated database program which has robust reporting capabilities.

In general, the Department has minimal information technology resources at its disposal. Although some advances have been made in this area, the Department's efforts are hampered by the absence of internal information technology personnel and by funding constraints. It is understood that the Department can currently produce data in the Service Program that expresses client contacts, claims submissions, and customer satisfaction. Data pertaining to benefit dollars attributable to the Program are captured through use of external databases within the U.S. Department of Veterans Affairs. In the Veterans Cemetery Program, the Department measures and can report on its interment rate, burial capacity, and client complaints and level of satisfaction. Limited data is collected in the Memorials and Monuments Program, but data is produced from customer surveys collected following public events held at these sites. The Veterans Home Program can produce extensive data about the quality of care delivered to its residents.

Minority Business Enterprise

The department has complied with MBE regulation and goals to the best of its ability. Procurement of commodities is under State contract and the purchase of motorized equipment, including vehicles, is processed through and under the Maryland Department of General Services (DGS). Construction projects in the Veterans Cemetery Program, including architectural and engineering, are also accomplished through bid and contract by DGS.

In its purchase of office supplies and sundries, the Department had complied with MBE guidelines.

Equal Employment Opportunity

FY 2006 EEO Report (Department Secretary Not Included)

<u>Salary (rounded)</u>	<u>White</u>	<u>African-American</u>	<u>No Race Checked</u>
\$18,000 - \$28,000			6
\$20,000 - \$29,000	6	8	
\$21,000 - \$31,000	5		3
\$23,000 - \$35,000		2	1
\$25,000 - \$38,000	1	1	
\$26,000 - \$40,000	3		2
\$28,000 - \$43,000	3	2	1
\$30,000 - \$46,000	1		1
\$32,000 - \$49,000	1	1	1
\$34,000 - \$52,000	6	1	1
\$41,000 - \$63,000	1		
\$50,000 - \$77,000	2		2
\$53,000 - \$82,000	1		
\$56,000 - \$88,000			1
TOTALS	30	15	19

Under-Utilization Analysis (compared to State Civilian Labor Force)

Officials and Administrators	Under-Utilized:	African-American Males Females all races
Professionals	Under-Utilized:	African-American Males Females all races
Service-Maintenance	Under-Utilized	White Males Females all races

Legislation and Regulation

Legislation

The department neither pre-filed nor has filed legislation for the 2007 session. It supports legislation that calls for total non-taxation on military retirement income by the State instead of the current \$5,000 tax exemption.

Regulation

The Code of Maryland Regulations (COMAR) does not recognize that there is a Maryland Department of Veterans Affairs. According to COMAR, the department's programs remain under the management and control of the Maryland Veterans Commission and the Maryland Veterans Home Commission as Independent State Agencies. COMAR has not been promulgated to reflect the changes in eligibility for admission to Charlotte Hall Veterans Home, and the change in eligibility requirements and fees for interment in a Maryland state veterans cemetery is not indicated. In addition, the recently established Outreach and Advocacy program is not recognized.

It is the responsibility of the department to promulgate COMAR. The Department became a State entity in 1999 and the COMAR promulgation process was begun in 2000. Due to subsequent changes to the Annotated Code of Maryland, the process was delayed but was to reach fruition in 2004. The COMAR promulgation process has not been accomplished and there is no evidence that the process is ongoing.

RECOMMENDATIONS

The Work Group found that MDVA's dedicated public servants in program leadership and administrative positions are delivering quality service within available resources, and within the mission guidance currently provided. Recognizing that the United States is at war, situations and expectations have changed, and it is clear that a gap in veterans' services exists throughout the State. The following recommendations are intended to enhance and broaden service to veterans and to improve department administration and support functions.

Office of the Secretary/Location

Prior to the previous administration, the office of the secretary was co-located with the office of the Director of U.S. Department of Veterans Affairs Regional Office in Baltimore City. The location enabled the secretary to have ready access to federal veterans affairs management staff and to the Director of the federal VA Maryland Medical Health Care System, also located in Baltimore City. The department's chief finance officer and personnel administrator, together with the director of the State veterans service program remain in the Baltimore City location.

Under the previous administration, the secretary's office was relocated to Annapolis. Recommend the O'Malley/Brown Administration evaluate the need for the office of the secretary to be located in Annapolis and consider the advantages of its return to Baltimore City.

As a result of the secretary's relocation to Annapolis, the rent free space in the Fallon Federal Building has been reduced and return to that location is no longer an option. The state owned space options would be Schaefer Towers (within walking distance of the federal building) or the State Office Complex at 301 W. Preston Street (easy access to the federal building by Metro). Space should be adequate, in accordance with State DGS allocation guidelines, to house the Secretary, 1 Deputy Secretary, 1 Executive Assistant, the Chief Finance Officer and 2 finance and personnel staff (total 6 persons).

Position of Deputy Secretary

Recommend that the management position with the working title "Deputy Secretary" be filled, and that the duties of the position include administrative, operational, and advocacy functions that do not directly mirror the responsibilities of the department secretary.

Veterans Service and Benefits Program

Add additional service officers to provide full time coverage around the State. Relocate non- service officer personnel to other office space to improve conditions for veterans filing claims. Regular meetings should be established with the Regional office, US Department of Veterans Affairs to address the issue of slow claims processing. The Outreach and Advocacy Program duties should be merged with the Service and Benefits Program.

Travel and State Resource Justification

Recommend that all travel and utilization of State resources for attendance at conventions, meetings, seminars, etc., be documented and justified through “after action reports” or similar documents, to include an explanation of the manner in which the activity serves Maryland veterans.

Regulation

The department has no operating regulation. Recommend that the 2000 through 2004 initiative to promulgate COMAR be resumed and completed.

Outreach and Advocacy Program

The Outreach and Advocacy Program is misplaced and should be merged with the Service and Benefits Program. It is the view of the work group that this program duplicates a significant amount of activities which are the core activities of the Service and Benefits Program.

It is further recommended, because the Director of Outreach and Advocacy is to have frequent contact with the veteran community, that the Director of Outreach and Advocacy receive the same training as a Veterans Service Officer and that the position report to, and be under the supervision of, the Director of the Service and Benefits Program.

Return of Full-Time Services

Full-time services and benefits service offices in Cambridge and Salisbury should be reestablished. The offices were reduced from full-time to part-time under the previous administration

Maryland Veterans Commission

Recommend that the structure, functions, and membership of the Maryland Veterans Commission be studied. Since November of 2006, a number of members were reappointed, although we were unable to determine the urgency of such action. We

believe that some of the member organizations (such as the Battle of the Bulge) no longer have a significant purpose to the Commission. We are also concerned with the nature of geographic appointments as they are based upon U.S. Congressional Districts. Interaction of the members with veterans organizations and other stake holder groups should be enhanced to solicit recommendations and suggestions for additional focus of MDVA programs.

Maryland Veterans Home Commission

All vacant positions on the Maryland Veterans Home Commission should be filled. The Commission Chair should continue to report member's absences to the Secretary and members should be advised concerning their attendance at meetings. The Commission and the Secretary should devise approaches that will provide additional members' exposure to the public.

War Memorial Commission

Establish a committee or study group to address the significant existing problems especially the Building's infrastructure and the primary responsible agent for the War Memorial. The issue of absenteeism should be addressed by the Secretary and the Mayor of Baltimore.

Base Realignment and Closure Commission

Further study should occur regarding exempting military retired pay from taxation. Consider incremental increases in the exemption amount implemented over a period of years. Conduct an analysis of the median amounts of military retired pay and determine if incremental increases are more favorable compared to a flat 100% exemption. Publicly appeal to potential retirees to consider choosing Maryland as a retirement home. Retirees would add to the tax base through employment and property taxes.

Community Based Services

Further and ongoing attention should be devoted to establishing community based services in conjunction with veterans organizations and community groups.

Overlapping Interest and Services

MDVA should initiate coordinating contacts with other State and local agencies to address overlapping interests involving veterans and establishment of community based services.

Newsletter (attachment 2)

The newsletter should be restructured to minimize public relations and should become a publication that informs veterans, their dependents and their survivors of federal, State, and local benefits available to them. It should also keep them informed of changes to applicable laws and regulations, and should repeatedly make the reader aware of the services available through the department to assist them in filing for compensation and benefits.

The newsletter could also be used to boost staff morale by featuring a department staff member each publication, together with a description of their job duties and accomplishments.

Budget and Personnel

The administration should consider funding the agency's request to reclassify personnel in the Veterans Service Program and Veterans Cemetery Program to a classification with a wage rate comparable to that of individuals working in identical jobs in other Maryland jurisdictions, the federal service, and other State veterans' affairs agencies. Competitive wage rates should improve the Department's recruitment and retention efforts.

Veterans Services Organizations (VSOs) Input

Within budgetary requirements, expand the locations for veterans to access benefits information and filing service connected disability claims. Continue to coordinate with the US Department of Veterans Affairs in the establishment of additional CBOCs in the State. Coordinate with State and local transportation activities to create new ways to provide augmented transportation outlets for veterans to meet scheduled medical appointments. Conduct a comprehensive study concerning the Baltimore War Memorial to address infrastructural concerns and primary responsibility for the facility. In partnership with VSOs, investigate funding sources through Community Development Block Grants (CDBG) Minority Outreach Technical Assistance Funds and Health and Human Services Grants for veteran's assistance. Conduct an assessment of the growing issue of homeless veterans and provide recommendations to address the issue.

Suggestions: Investigate the feasibility of establishing a student intern program which would expose students to the inner workings of MDVA. The target group would be Reserve Officer Training Corps (ROTC) students in their junior year of college. The focus would be to understand various aspects of veterans' affairs. Selected students would provide on campus orientation to fellow students who will become commissioned officers in various branches of the military.

Provide recurring grants to the Maryland Center for Veterans' Education and Training (MCVET) in support of programs for veterans' assistance.