

**OREGON MILITARY DEPARTMENT**

The Oregon Military Department (OMD) is responsible for administration of the Oregon Army National Guard, the Oregon Air National Guard, the Oregon State Defense Force, the Office of Emergency Management, the Oregon Youth Challenge Program, and the Seismic Rehabilitation Grant Program. The Department is overseen by an Adjutant General, appointed by the Governor to a four-year term of office. The Adjutant General also serves as the homeland security advisor to the Governor and chief of staff of the Governor’s Military Council.

The National Guard is a federal-state partnership with a dual mission: (a) provide combat-ready units and equipment in support of national defense, and (b) provide units and equipment to protect life and property during natural disasters and civil unrest, as well as to provide backup support to law enforcement. The National Guard serves on a day-to-day basis under the command of the Governor, but is available to the federal government upon order of the President of the United States.

A responsibility unrelated to the Department’s primary mission is youth education. The Youth Challenge Program provides at-risk high school dropouts an opportunity to complete educational credit with a goal of reintegrating into high school to earn a diploma or prepare for the General Education Development (GED) examination. Other youth educational opportunities also exist at Oregon’s two airbases.

MILITARY DEPARTMENT	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level	2013-15 Governor's Budget	2013-15 Co-Chairs' Budget (1.0)	% Change 2011-13 LAB to 2013-15 CSL
General Fund	22,898,158	28,582,492	25,228,745	21,209,237	0	-11.7%
Other Funds	87,693,107	130,697,308	29,861,062	101,303,932	0	-77.2%
Other Funds NonLimited	1,172,023	1,072,370	0	0	0	-100.0%
Federal Funds	207,961,728	295,951,938	270,300,364	280,784,135	0	-8.7%
<b>TOTAL FUNDS</b>	<b>\$319,725,016</b>	<b>\$456,304,108</b>	<b>\$325,390,171</b>	<b>\$403,297,304</b>	<b>\$0</b>	<b>-28.7%</b>
Positions	549	516	452	505	0	-12.4%
FTE	490.62	459.80	408.94	461.01	0.00	-11.1%

Major Revenues	Budget Environment	Comparison by Fund Type																				
<ul style="list-style-type: none"> <li>Funded with 8% General Fund, 9% Other Funds, and 83% Federal Funds.</li> <li>Other Funds revenues are from the following sources:                             <ul style="list-style-type: none"> <li>E911 tax revenue</li> <li>Armory rental revenue</li> <li>Surplus property sales</li> <li>Average Daily Minimum revenue</li> <li>Income tax ‘check-off’ donations for the Emergency Financial Assistance</li> <li>Oregon Department of Education school lunch program</li> <li>Federal Funds as Other Funds (administrative prorated)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>8,600 soldiers and airmen</li> <li>2,500 employees, of which approximately 500 are state employees</li> <li>Federal Funds is predominate source of operational and capital funding with concern over future levels of funding.</li> <li>Distinction between federal and state resources, programs, priorities, and activities sometimes difficult to distinguish.</li> <li>State General Fund needed to match Federal Funds at key facilities.</li> <li>Operates 38 armories and readiness centers; two air bases; and 15 training/logistical sites</li> </ul>	<p><b>MILITARY DEPARTMENT</b></p> <table border="1"> <caption>Military Department Revenue by Fund Type (Millions of Dollars)</caption> <thead> <tr> <th>Year</th> <th>General Fund/Lottery</th> <th>Other Funds</th> <th>Federal Funds</th> </tr> </thead> <tbody> <tr> <td>2009-11</td> <td>\$228.9</td> <td>\$88.9</td> <td>\$208.0</td> </tr> <tr> <td>2011-13</td> <td>\$28.6</td> <td>\$131.8</td> <td>\$296.0</td> </tr> <tr> <td>2013-15</td> <td>\$25.2</td> <td>\$29.9</td> <td>\$270.3</td> </tr> <tr> <td>2013-15 GB</td> <td>\$21.2</td> <td>\$101.3</td> <td>\$280.8</td> </tr> </tbody> </table>	Year	General Fund/Lottery	Other Funds	Federal Funds	2009-11	\$228.9	\$88.9	\$208.0	2011-13	\$28.6	\$131.8	\$296.0	2013-15	\$25.2	\$29.9	\$270.3	2013-15 GB	\$21.2	\$101.3	\$280.8
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<ul style="list-style-type: none"> <li>• Federal Funds revenue are from the following:                             <ul style="list-style-type: none"> <li>• National Guard Bureau</li> <li>• Department of Homeland Security</li> </ul> </li> <li>• Various federal matching funds requirements depending on type of facility and expenditures.</li> <li>• Distinctions/dedicated program funding:                             <ul style="list-style-type: none"> <li>• Debt Service</li> <li>• Capital Improvement</li> <li>• Seismic Rehabilitation Grant Program (SRPG) bond proceeds</li> <li>• Certificates of Participation/Article Q bond proceeds for various capital construction projects.</li> <li>• Capital Construction (\$0 @ CSL)</li> </ul> </li> </ul>	<p>with over 3.2 million square feet of facility space.</p> <ul style="list-style-type: none"> <li>• Facilities used for military, civic, and emergency operation centers.</li> <li>• Infrastructure investment and maintenance seen as critical to attract and retain federal missions most suitable to Oregon.</li> <li>• Large federal and state investment that replaced armories with larger readiness or armed forces reserve centers. Extensive state investment in extending the service life of older armories yet to be eligible for replacement.</li> <li>• Operations and maintenance funding deficiencies at new facilities.</li> <li>• Federal initiative focused on energy conservation and alternative energy sources.</li> <li>• Reducing the exposure to Oregonians from earthquakes by providing public education and emergency services facilities with funds to retrofit existing facilities to meet seismic standards.</li> <li>• Sunset of the Emergency Telecommunications Tax and the need to re-evaluate and modernize the state’s 911 service delivery.</li> <li>• Constrained General Fund budget in OEM has created funding discrepancies.</li> <li>• Need for non-federal state funding for local disaster assistance and to provide matching funds for federally-declared disasters.</li> <li>• Long-term effort and funding related to the Japanese Tsunami marine debris cleanup.</li> </ul>	

**MAJOR CHALLENGES AND DECISION POINTS**

The 2013-15 current service level budget of \$325.4 million is \$129.7 million, or 28.5%, less than the 2011-13 legislatively approved budget (LAB) of \$455.1 million. The number of positions (452) and FTE (408.94) is 66 positions (51.44 FTE) less than the prior biennium.

The General Fund portion of the CSL budget totals \$25.2 million and is \$3.2 million, or 11.2%, less than the LAB. The Other Funds budget totals \$29.9 million and is \$101.5, or 77.3%, less than the LAB. Federal Funds total \$270.3 million and is \$25 million, or 8.7% less than the LAB.

The CSL budget is comprised of \$68.6 million in personal services (21%), \$68.4 million in services and supplies (21%), \$5.8 million in capital outlay (2%), \$171.4 million in special payments (53%), and \$11.3 million in debt service (4%).

At this time, there is one material adjustment to the current service level, which is related to the sunset of the 911 tax expenditures, which were partially eliminated out of the CSL budget.

The CSL budget removes the following one-time expenditure limitation or limitation associated with the 911 sunset, some of which is restored in policy packages.

- Capital Construction (\$17.7 million)
- 911 program sunset (\$63.7 million)
- Seismic Rehabilitation grants(\$28.1 million)
- Local Disaster Assistance grants (\$8.5 million)
- Chemical Stockpile Emergency Preparedness program (\$13.3 million)
- Rent on the Central Oregon Readiness Center (\$684,715).

The Governor's budget includes reductions for PERS and statewide administrative savings.

Although chartered as a state agency, the Department is functionally and administratively bifurcated into a state and a federal "agency," both of which are overseen by the Adjutant General. The federal government directly funds federal employees, guard member salaries and wages, and all equipment and equipment maintenance. For the state, its responsibility primarily centers on providing facilities and facility maintenance for the Oregon Guard. The federal government, however, also is a major source of funds for new construction and some facility operating funds.

The Department provides assistance to National Guard veterans and their families. This is another example of federal-state partnership funding with Oregon providing limited supplemental funding for programs the state considers important to Oregon guardspersons, but for which federal funding is the primary source. These include the state's reintegration program and emergency financial assistance.

The Department's statutory mission includes the responsibility of state emergency management, which includes disaster assistance, the state's emergency 9-1-1 service, and the Seismic Rehabilitation Grant Program.

1. The Governor's budget includes a request for \$15 million in Article XI-M (education) and \$15 million in Article XI-N (emergency services) bonds. The issuance of the bonds is planned for late in the biennium, which means that there will be no new General Fund Debt Service costs during the 2013-15 biennium.

Additionally, the Governor's budget transfers the SRGP from the Military Department to the Oregon Business Development Department (OBDD). New positions, above those currently budgeted and new expenditure limitation is added to the Military Department prior to the program's transfer. Lastly, the OBDD positions are funded out of bond proceeds whereas OMD's positions are funded with General Fund.

2. The 911 emergency communication tax (\$0.75) will sunset on December 31, 2013. The reauthorization of the tax will need to be

considered and may include the tax rate, expansion of the tax to include prepaid cellular devices, the transition to Next Generation technology, and a plan to consolidate local public safety answering points (\$62.5 million/9 positions/9.44 FTE).

This package was approved in the Governor's budget.

3. The Department has also requested a new 911 position to oversee its implementation of its proposed Next Generation technology (\$277,868; 1 position/1.00 FTE).

This package was approved in the Governor's budget.

4. The Department has requested to re-establish a variety of armory maintenance staff and established new facility maintenance positions for the Operations program (\$1.6 million; 12 positions/11.63 FTE).

This package was approved in the Governor's budget.

5. The Department is requesting continuation of an Emergency Board-approved Umatilla Chemical Depot caretaker agreement with the federal government (\$9 million Federal Funds; and 23 positions/23.00 FTE).

This package was approved in the Governor's budget.

6. The Department is requesting additional firefighters at the Kingsley Field Air National Guard base (\$1.3 million Federal Funds; 7 positions/7.00 FTE)

This package was approved in the Governor's budget.

7. The Department requested to fund shift seven positions from Other Funds (911 tax) to General Fund, which was originally done during the 2011-13 biennium (\$1.1 million; 6 positions/5.50 FTE).

This package was approved in the Governor's budget, but eliminated the General Fund and Federal Funds. This package will need to be adjusted to add Federal Funds and reduce Other Funds.

8. The Department is requesting continuation of an Emergency Board-approved budget adjustment to the Oregon Youth Challenge Program, which allows the program to use federal funds received

for its school lunch program to match additional Federal Funds. The program also is requesting \$110,000 for training (\$310,000).

This package was approved in the Governor's budget.

The Military Department has a long-run renovation plan to extend the useful life of approximately 22 existing armories, which are more cost effective to renovate rather than replace. Improvements generally relate to electrical, mechanical, and structural issues. The Legislature has previously authorized the issuance of certificates of participation to fund service life extensions at select armories.

For the 2013-15 biennium, the Department is seeking new funding totaling \$7.4 million Article XI-Q bonds for the following:

- Roseburg (\$2.2 million)
- Grants Pass Armory (\$2.4 million)
- Portland Scharff Hall (\$2.8 million)
- The new General Fund Debt Service to repay the Article XI-Q bonds totals \$393,363.

Other (non-Article XI-Q financed) Capital Constructions projects are (\$800,000):

10. Christmas Valley partial payment to the federal government for the purchase of the property and which would be paid for using armory rental revenue. A complete review of this project by the Legislature is warranted (\$220,000).
11. Planning/Pre-Design for (totals \$544,950): Salem Headquarters (\$133,751); Klamath Falls Armed Forces Reserve Center (\$80,248); Washington County Readiness Center (\$122,633); McMinnville Armory (\$51,170); Salem Armory (\$53,395); Warrenton Armory (\$30,035); and Jackson Armory (\$73,418). These expenditures would be paid for from the agency's Capital Construction Account funded from sales of surplus military property.

This package was approved in the Governor's budget.

The following items are not included in the Governor’s budget, but may need to be considered.

- 12. The Military Department will likely require funding related to the Japanese Tsunami marine debris cleanup efforts. The Department estimates the budget impact to be \$20,000. The total impact across all state agencies is currently estimated at \$1.2 million, but could increase depending upon the amount of debris reaching Oregon’s coast.
- 13. Funding of the state’s Search and Rescue Coordinator position will need to be reviewed given the continued shortfall in revenue from the Aviation Department to partially fund the position.

Neither the Department nor the Governor requested funding for the Local Disaster Assistance Account.

**MAJOR CHALLENGES AND DECISION POINTS****Military Department**

Analyst: Borden/Cummings

8. **The 911 emergency communication tax (\$0.75) will sunset on December 31, 2013. The reauthorization of the tax will need to be considered and may include the tax rate, expansion of the tax to include prepaid cellular devices, the transition to Next Generation technology, and a plan to consolidate local public safety answering points. The estimated fiscal impact is \$80 to \$100M for the biennium.**

The 2013 Legislature will be faced with policy, revenue, and budget decisions related to the 9-1-1 program, which include:

- Extension of the 911 emergency communication tax and duration of the next sunset;
- Evaluate proposed changes to the tax rate and a statutory change clarifying that a prepaid cellular devices is subject to the tax, which would include determining how prepaid revenue would be collected (e.g., by the retailer at point of sale or via the cell phone provider). Taxing prepaid cellular devices is estimated to generate \$4.4 million per biennium of new revenue.
- Review options for improving service delivery model (e.g., consolidation) and investments in Next Generation information technology.

The extension of the 9-1-1 emergency communication tax will require a 3/5<sup>th</sup> majority vote of each chamber of the Legislature.

**Background**

The emergency communication tax is on any phone line capable of accessing 9-1-1 services, with the exception that federal, state, and local governments are tax exempt. The current 9-1-1 excise tax is \$0.75 per month, per access line for wireline (landline) phones and per each device for wireless phones (with the exception of most prepaid cellular devices). The tax raises approximately \$80 million per biennium. The tax rate is set in statute and has been unchanged at \$0.75 since 1995. The tax is collected by phone companies and wireless providers each month and then remitted to the Department of Revenue.

The tax is used to pay for the Department of Revenue collect costs (up to one half of one percent), the Office of Emergency Management program's administrative costs (up to 4%); and statewide equipment and circuit charges (35%). The remaining revenue is distributed to cities and counties. Local government revenue is also used to support the system (60.5%).

There are 49 Public Safety Answering Points (PSAP) in 36 counties, which is down from 56 PSAPS in 1999. The recent history of "natural" consolidation has been that only four Public Safety Answering Points (PSAPs) have gone away in the last nine years. Some of the more recent "consolidations" have been the co-locating of PSAPs rather than consolidation of services. The increasing cost of the system on local government is an issue that may spur consolidation.

In 2011, a consolidation study was completed for Oregon by a firm (R.L. Kimball) that has completed similar studies in a variety of other states. The study found that consolidation would lead to service level improvements, greater interoperability, and cost savings, among other advantages.

The current legacy system is in need of a major, multi-million dollar investment to move it to an internet protocol backbone/Next Generation technology (e.g., caller identification, text messaging, video, etc.) and will produce cost savings. Before such an investment is made, however, a decision on consolidation should occur.

### **Budget Note Report**

The 2011 Legislature approved the following budget note:

The Military Department is directed to prepare a statewide information technology plan for upgrading Oregon's 9-1-1 system(s) to Next Generation technology. The plan shall include a detailed component to consolidate the state's Public Safety Answering Points based upon the 2012 L.R. Kimball Consolidation Analysis and Next Generation 9-1-1 Implementation Report. The plan is to be submitted through the normal budget review process for an information technology project and be reviewed by the Department of Administrative Services - Information Enterprise Strategy and Policy Division.

The budget note directs the Department to prepare a plan for upgrading to Next Generation technology, the plan needs to incorporate consolidation, and the plan needs to be reviewed and approval of Department of Administrative Services.

The basis of the Department's report is a business case being drafted by the firm R. L. Kimball, which also produced the most recent consolidation and Next Generation technology studies for the state. The Department will also need to recommend an implementation plan for addressing the problems identified in the business case.

### **Recommendation**

The Joint Committee on Ways and Means (JWM), House and Senate Committees on Revenue, and House and Senate policy committees will all likely be dealing with 9-1-1 program issues and legislation during the 2013 legislative session. It is unlikely that the Legislature will see a comprehensive or omnibus measure addressing all aspects of the 9-1-1 program (e.g., sunset, prepaid cellular, service delivery, etc.). Instead, JWM will likely see a series of measures and amendments that it will have to deal with on subsequent referral.

The Co-Chairs should consider establishing a workgroup to develop a comprehensive legislative strategy for addressing the budget for the 9-1-1 program.