

Oregon Military Department

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Budget
General Fund	21,821,936	25,644,197	26,930,695	26,186,876
Other Funds	102,454,814	125,836,357	101,022,153	126,938,416
Other Funds (Nonlimited)	75,953	60,624	-	-
Federal Funds	151,411,508	284,615,518	261,708,475	271,313,275
Total Funds	\$275,764,211	\$436,156,696	\$389,661,323	\$424,438,567
Positions	530	451	429	475
FTE	478.55	408.01	386.88	424.82

* Includes Emergency Board and administrative actions through December 2016.

Program Description

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, and the Oregon Youth Challenge 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, and for 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.

CSL Summary and Issues

No significant CSL issues for this agency. A base budget adjustment of \$1.1M for debt service accounts for the General Fund increase over normal inflation. An additional adjustment could be made to reduce \$1.2M of the almost \$1.4M legislatively approved in 2015 for firefighter pay at the Portland and Kingsley Field Air National Guard bases, as a proposed state-federal cost sharing agreement has failed to materialize.

The agency's total budget is 6.9% General Fund. A primary use of General Fund in this agency is to match federal funds for day-to-day operations of the National Guard Bureau and at armories located throughout the state. General Fund debt service is the agency's other large expense, constituting 40% of its General Fund budget in 2017-19.

CSL phases out the following:

- \$940,800 GF and \$940,800 FF expenditure limitation for lead abatement and fire suppression pipe replacement at the Forest Grove Armory, one-time-only in 2015-17.
- \$44,198 OF limitation to repay a loan to the State Energy Loan program for the purchase of 2,296 acres in Christmas Valley. The final payment was made in September, 2016.
- \$3,354,224 FF limitation and 23 limited duration positions for the Umatilla Caretaker Contract. A policy option package requests 21 permanent positions and \$7,390,762 FF expenditure limitation to establish and operate the Umatilla Training Center on an ongoing basis, as the agency anticipates receiving a federal license to operate the 7,500-acre former Umatilla Chemical Depot as a training facility later this year.
- \$500,000 OF limitation for the 911 program, which as of October, 2016 has completed the conversion of the existing frame relay system to an IP broadband network at all 43 public safety answering points in the state.
- \$2,442,000 OF limitation approved one-time-only in 2015-17 for troops and flight crews used during wildfire suppression activities in 2015.
- \$250,000 General Fund provided one-time-only for exhibits and capital expenditures at the Oregon Military Museum; and \$194,377 OF limitation used to relocate and restore the Quartermaster Supply Building at the Oregon Military Museum complex.
- \$233,000 OF limitation for one-time cost of issuance expenses in 2015-17.

Federal revenue sources include the National Guard Bureau, Department of Homeland Security, and FEMA grants. Other Funds are mostly from 9-1-1 tax and facility rentals.

Policy Issues

The Military Department's portfolio of more than 400 buildings and other structures has a significant deferred maintenance backlog, currently estimated at \$134M. Armories are built, by and large, with federal funds but are operated and maintained at state expense. Limited General Fund in recent biennia has constrained the agency's building maintenance program, which has contributed to the deterioration of its facilities. A recent facilities condition evaluation determined that two-thirds of the department's armories are in poor or very poor condition, which affects tenants, current and future National Guard members who use the armories for training, and the general public, who rent armory facilities for trade shows, weddings, sporting events, and other gatherings. The agency has reduced its Other Funds rental income estimate for 2017-19 by \$260,000 due to reduced demand for armory rentals.

In November 2014, the department became aware of dangerously high lead dust levels in twelve of its armories that housed indoor weapons ranges. Lead dust is a regulated hazardous material, and tests revealed that the lead dust at indoor ranges exceeded allowable levels. As a result, the agency was forced to cease use of indoor ranges and seal them pending cleanup. Two of the twelve ranges have been fully abated and indoor firing range space was converted to equipment storage space. Work has been conducted at the remaining 10 facilities to allow for modified continued use pending a full abatement. Until the hazardous material is fully abated, the agency must keep the firing ranges sealed and cannot use these portions of the facilities. Additionally, the agency reports that the unabated lead contamination has negatively affected its rental of facilities, which further reduces the amount of Other Funds revenues available for maintenance.

An additional wrinkle in the lead abatement process is caused by the fact that most pollution remediation activities cannot be capitalized per the state's accounting manual and Government Accounting Standards Board Statement #49. As debt financing is therefore not an option, the agency has requested a policy option package for \$10.8M General Fund to complete remediation work at the remaining ten lead-contaminated armories.

Other Significant Issues and Current Discussions

Portland's Air National Guard Base has recently been assessed a significant **annual** stormwater runoff fee of about \$750,000. The National Guard Bureau (NGB) has acknowledged this fee as an eligible utility cost, but the agency's Operations & Maintenance with the NGB requires a 20% matching payment of \$300,000 per biennium. The agency has identified staff reductions as the available means of providing matching funds absent additional General Fund resources. A requested policy option package was not funded in the Governor's budget.

In December 2016, the National Guard Bureau issued guidance for remediation of lead contamination in armories nation-wide, and stated that clean-up costs were to be 100% funded by the federal government. Subsequently, the agency has submitted a request to the National Guard Bureau for \$21.6 million to fund lead abatement activities in ten Oregon armories.

The Governor's Budget includes a revenue shortfall reduction of \$500,000 to reflect reduced rental of armories; Federal Funds expenditure limitation of \$7.4 million and 21 limited-duration positions for the Umatilla Training Center; a \$100,000 Other Funds special payment to the Department of Public Safety Standards and Training for telecommunicator training; and continued Federal and Other Funds but reduced all General Fund from the Oregon Youth Challenge program; and added twelve positions and \$1.1 million Federal Funds expenditure limitation for the STARBASE program.

Audit Findings, Budget Notes, and Budgetary Actions

There were no audit findings during 2015-17. A budget note in HB 5032 (2015) directed the agency to work with the Oregon State Chief Information Officer (OSCIO) to produce a Next Generation 9-1-1 GIS Project Plan for the collection, management, and sharing of geographic data sets and geographic information systems capabilities required to effectively implement Next Generation 9-1-1 throughout the state of

Oregon. The project plan was submitted to the Legislative Fiscal Office in December, 2016, and was heard by the interim Joint Committee on Information Management and Technology on January 15th, 2016.

The Joint Committee on Ways and Means took the following actions during the 2016 legislative session:

- Increased the Other Funds expenditure limitation for the Community Support program by \$2,442,000, on a one-time basis, for the reimbursement of firefighting expenditures incurred during the 2015 fire season.
- Made a net zero budget correction between expenditure categories of \$57,929 General Fund, enabling the agency to correctly build the 2017-19 budget.
- Approved \$80,000 Other Funds expenditure limitation to pay cost of issuance expenses associated with Article XI-Q bond authority approved for rehabilitating facilities at the Umatilla Depot site to prepare it for use as a Regional Training Center. The Umatilla site will replace the facility currently used on the Western Oregon University campus.

Since the 2016 legislative session, the Emergency Board has taken the following budgetary actions for OMD:

- Increased the expenditure limitations for the Military Department by \$256,000 Other Funds and by \$518,000 Federal Funds for supplemental funding for the Oregon Youth Challenge Program. (May, 2016)
- Increased the Federal Funds expenditure limitation by an additional \$270,000 for supplemental federal funds received for the STARBASE Program. (May, 2016)
- Allocated \$170,000 from the Emergency Fund for roof repairs at the Forest Grove and Kliever armories, and directed the Department to use \$500,000 of one-time General Fund savings available within current appropriations for the state's 50% share of the roof repairs. (May, 2016)
- Allocated \$100,000 from the Emergency Fund to capitalize the Fuel Storage Facility Compatibility Fund.