

Oregon Military Department

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	27,496,724	33,533,168	37,797,032	35,667,253	36,626,672
Other Funds	117,719,586	134,078,273	151,202,754	113,214,952	179,237,932
Other Funds (NL)	--	--	3,842,467	--	--
Federal Funds	174,936,798	318,358,977	607,560,832	307,599,365	308,729,297
Total Funds	320,153,108	485,970,418	800,403,085	456,481,570	524,593,901
Positions	478	517	517	515	556
FTE	427.24	463.00	463.00	466.30	507.13

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Oregon Military Department (OMD) administers the Oregon Army National Guard, the Oregon Air National Guard, the Office of Emergency Management, and the Oregon Youth Challenge and STARBASE education programs. 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 federal government directly funds federal employees, guard member salaries and wages, and all equipment and equipment maintenance. For the state, federal responsibility primarily centers on providing facilities and facility maintenance for the Oregon National Guard. The federal government also is a major source of funds for new construction of facilities, and for homeland security and emergency preparedness and response.

The Office of Emergency Management coordinates and facilitates emergency planning, preparedness, response and recovery activities with state and local emergency services agencies and organizations and administers the 9-1-1 emergency communications system.

A responsibility unrelated to the Department's primary mission is youth education. The Youth Challenge Program provides youth at risk of dropping out of high school 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. The STARBASE (Science and Technology Academy Reinforcing Basic Aviation and Space Exploration) program - a 100% federally-funded experiential educational program designed to increase third through

eighth-grade students' interest in science, technology, engineering, and math - operates at the Portland Air National Guard Base in Portland, at Kingsley Field in Klamath Falls, at Camp Rilea in Warrenton, and is planned to operate at Camp Umatilla, in Hermiston.

CSL Summary and Issues

There are no significant CSL issues for this agency. The General Fund 2021-23 current service level is 5.6% less than the 2019-21 legislatively approved budget, due in large part to the amount of one-time funds appropriated to the department in the current biennium (*see below*). A base budget adjustment of \$50.4 million Other Funds removes capital construction expenditure limitation in the 2019-21 agency budget.

General Fund makes up only 7.8% of the Military Department's current service level budget. A primary use of General Fund in this agency is to match federal funds for day-to-day operations of the National Guard Bureau at armories located throughout the state. Debt service is the agency's single significant General Fund expense, constituting 39% of the General Fund current service level budget for 2021-23.

CSL phases out the following:

- \$348,000 Other Funds for cost of bond issuance in 2019-21.
- \$4,231,227 Other Funds for the State Preparedness and Incident Response Equipment (SPIRE) grant program. This grant program was capitalized with \$5.0 million of one-time Article XI-Q bond proceeds. *This fund is re-capitalized with \$5.0 million of Lottery Bonds in the Governor's Budget. (see below)*
- \$5,141,827 General Fund for one-time funding used to repay the U.S. Department of Homeland Security Office of the Inspector General (audit 14-14), one-time funding used to conduct a study of the Critical Energy Infrastructure hub in Portland; and one-time funding for emergency preparedness activities provided by the Emergency Board in March, 2020.
- \$400,000 General Fund provided on a one-time basis for expenses related to the expansion of the Youth Challenge Program.

Policy Issues

A 2018 Secretary of State audit titled *The State Must do More to Prepare Oregon for a Catastrophic Disaster* (#2018-03) did not focus attention and resources on the Department's Office of Emergency Management (OEM) in the way that 2020's COVID-19 and wildfire disasters did. OEM is understaffed, which inhibits the agency's capacity both to lead and coordinate emergency management efforts in the state and to respond to and recover from disasters. The state Emergency Coordination Center is not equipped, staffed, or structurally designed to provide the level of sustained emergency management required for a catastrophic event. The agency's requested budget contains a number of policy option packages that provide staff resources for statewide and regional emergency planning, coordination, response, and recovery, several of which are included in the Governor's Budget. Additionally, the Department estimates that the allowable administrative percentage paid by federal disaster funds coming to Oregon will provide funding for disaster response staffing for the next few biennia.

Other Significant Issues and Background

National Guard armories are built with federal dollars but are operated and maintained at the state's expense. In general, these facilities are in poor condition. For the 2021-23 biennium, the Army National Guard Facilities Operation and Maintenance program has a \$2.40 per square foot base budget for facilities maintenance projects, which is matched with the same amount of Federal Funds. This overall investment of \$4.80 per square foot makes it difficult for OMD to maintain failing mechanical equipment and other major systems (like roofing) which have reached end of life status. The Department relies on armory rental revenues to provide matching funds, which does not provide enough revenue to adequately address the deferred maintenance backlog, life cycle replacement, or to properly forecast for future requirements.

The backlog of maintenance and repair within the Operations and Maintenance Program is currently estimated at \$250 million. This includes approximately \$86 million in seismic upgrades and asbestos removal. The agency has managed to modestly reduce its deferred maintenance backlog through new (federally-funded) construction and through its (Article XI-Q bond-funded) program of Armory Service Life Extension (ASLEP) projects, although the newer and usually larger facilities create additional maintenance requirements that eventually add to the deferred maintenance backlog. Four ASLEP projects totaling \$21.8 million are requested in the agency request budget, all of which are included in the Governor's budget. These projects would refresh armories in Corvallis, McMinnville, Ashland, and Portland.

Agency Request Budget

The Military Department's agency request budget for 2021-23 includes 23 policy option packages totaling \$97.5 million (\$26.3 million General Fund) and 65 positions (65.00 FTE). Six packages totaling \$10.6 million General Fund request operational funding and positions including a \$2.0 million "cash flow" appropriation to reduce the agency's reliance on a Treasury line of credit; and a \$6.7 million General Fund request for deferred maintenance. Deferred maintenance is a rather dramatically underbudgeted expense for this agency, which owns 415 structures with a total of 5 million square feet; even a small amount of General Fund would allow the agency to leverage federal dollars to address some of the most pressing maintenance issues. Seven policy packages totaling \$16.9 million General Fund would provide staff and resources to the Office of Emergency Management to establish regional planning and disaster mitigation officers, transfer the Oregon Emergency Response System (OERS) from the State Police to OEM, and re-align positions and funding for the 9-1-1 Emergency Communications system. The single largest policy option package increases Other Funds expenditure limitation by \$40.0 million to account for the increase in the 9-1-1 Emergency Communications Tax authorized by HB 2449 (2019).

Governor's Budget

The Governor's budget for the Oregon Military Department is 14.9% greater than current service level overall, but the General Fund budget is just 2.7% more. The net total funds increase of \$68.1 million from CSL includes \$9.4 million in reductions and \$77.5 million in increases. Reductions include:

- \$1.2 million GF and \$0.8 million FF from various small reductions taken and fund shifts made across all agency programs.
- Statewide reductions:

- \$2.7 million from inflation provided in the base budget on services & supplies. \$2.2 million of this reduction is Federal Funds.
- \$2.1 million from a 5% vacancy factor assumed on salaries. \$1.6 million of this reduction is Federal Funds
- \$2.5 million in reduced statewide charges for the Attorney General and other state government service charges. \$1.6 million of this reduction is General Fund.

Increases/new spending include:

- \$5.0 million Other Funds from the sale of Lottery bonds to re-capitalize the SPIRE grant fund.
- \$21.8 million Other Funds from the sale of Article XI-Q bonds and \$1.4 million General Fund debt service for armory service life extension projects in Corvallis, Ashland, Portland, and McMinnville. (POPs 480 and 490-493)
- \$40.0 million Other Funds expenditure limitation for increased 9-1-1 Emergency Communications Tax revenues from the tax increases made by HB 2449 (2019). (POP 308)
- \$1.6 million General Fund, \$4.9 million Other Funds, and 30 positions (30.00 FTE) for disaster mitigation and recovery services in the Office of Emergency Management. (POP 301)
- \$1.0 million Federal Funds, \$0.1 million General Fund, and six positions (6.00 FTE) for the Camp Umatilla Training Center. (POP 203)

Key Performance Measures

A copy of the OMD Annual Performance Progress Report can be found on the LFO website

https://www.oregonlegislature.gov/lfo/APPR/APPR_OMD_2020.pdf