

Oregon Military Department

	2019-21 Actual **	2021-23 Legislatively Adopted **	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	38,356,386	76,745,748	47,950,936	41,167,877	40,982,089
Other Funds	140,777,749	183,066,959	109,234,352	20,158,039	35,997,289
Other Funds (NL)	3,842,466	--	--	--	--
Federal Funds	705,254,646	1,171,794,136	480,267,657	142,251,590	141,610,047
Total Funds	888,231,247	1,431,606,843	637,452,945	203,577,506	218,589,425
Positions	524	579	488	487	511
FTE	466.00	530.30	484.96	438.30	462.30

* Includes Emergency Board and administrative actions through December 2022.

** Includes the Office of Emergency Management which became an independent agency July 1, 2022

Program Description

The Oregon Military Department (OMD) administers the Oregon Army National Guard, the Oregon Air National Guard, 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 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.

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 program is a 100% federally funded educational program designed to increase third through eighth-grade students' interest in science, technology, engineering, and math, and 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 the Rees Training Center (formerly known as Camp Umatilla), in Hermiston.

CSL Summary

The current service level is 67.8% below the legislatively approved budget due to the phase-out of the Office of Emergency Management as of July 1, 2022 pursuant to HB 2927 (2021). With the new Department starting mid-biennium, HB 5202 (2022) transferred the second year of funding and this phase-out represents the first year of biennial funding. Aside from the large decrease from the departure of OEM, there is an anticipated revenue shortfall related to the Oregon Youth Challenge Program that has yet to be resolved that is discussed in more detail below.

General Fund makes up 20% of the current service level budget and is used as match of federal funds for day-to-day operations of the National Guard Bureau at armories located throughout the state. Debt service on outstanding bonds for construction is the agency's single largest General Fund expense at \$12.8 million, or 31%, of the General Fund in CSL. Other Funds accounts for 10% of the Department's budget, while Federal Funds is 70%.

Policy Issues

The Oregon Youth Challenge Program (OYCP) is a 22-week residential education program for at-risk students that has operated since 1994. In 1999, the OYCP became an accredited high school and eligible to receive Average Daily Membership (ADM) funding from the Department of Education. This Other Funds revenue through the Bend-LaPine School District, has supported the program's 25% state matching fund requirement for over 20 years. The COVID-19 pandemic has made the ADM revenue less reliable, due to school closures in 2020, social distancing requirements that reduced class sizes in 2021, and reduced enrollment in 2022, and as a result OMD had to return budgeted federal funds for each of the last three years. The return of these dollars has caused the National Guard Bureau to modify 20 years of precedent and determine that for the 2023-25 biennium, ADM revenue will no longer be accepted as eligible match funding. The Department's budget request included \$4.3 million General Fund as an alternative matching source, while the ADM decision is appealed through the National Guard Bureau. The Governor's budget proposed the funding be provided out of the State School Fund allocations in HB 5015 (2023) and SB 1034 (2023) provides a carve out from the State School Fund prior to any allocations to school districts.

Governor's Budget Summary

The Governor's budget for OMD totals \$218.6 million and 511 positions (462.30 FTE), including \$41 million General Fund. The total budget is 7.4% above current service level, while the General Fund support is about half a percent less than current service level. Other Funds total \$36 million, a 79% increase from current service level, and Federal Funds totals \$141.6 million, which is half a percent less than current service level.

Investments within the Governor's budget include funding for eight agency policy option packages totaling \$20.7 million all funds and 24 positions (24.00 FTE). Of the total, \$3.1 million is General Fund which includes permanent funding for the Chief Information Officer, a new payroll officer position, increased DAS assessments, and new debt service associated with proposed bond sales. Overall, the General Fund

investments are offset by \$3.4 million in reductions to funding for deferred maintenance. These reductions also have a corresponding reduction in Federal Funds due to state matching requirements.

Other Funds investments include the new payroll officer, position modifications in the Installations Division to reclassify five current positions and make seven limited duration positions permanent, the cost of issuance for bonds, and \$14.6 million in Armory Service Life Extension Projects requested to be funded with Article XI-Q General Obligation bonds.

Federal Funds investments include \$2.5 million for 15 new positions to increase capabilities at Rees Training Center, Camp Rilea and Camp Withycombe; and some additional funding related to the Installations Division position changes described above. However, the Federal Funds investments are offset by the decreases in deferred maintenance necessary to match the General Fund reductions.

Other Significant Issues and Background

National Guard armories are built primarily with federal dollars, but the state must provide the land and pay for certain construction costs. The operations and maintenance of these facilities are financed with a combination of state and federal funds. In general, these facilities are in poor condition. For the 2023-25 biennium, the Army National Guard Facilities Operation and Maintenance program has a \$6.18 per square foot CSL General Fund budget for facilities maintenance projects, which is matched with the same amount of Federal Funds. This overall investment of \$12.36 per square foot makes it difficult for OMD to maintain failing mechanical equipment and other major systems (like roofing) which have reached end of useful 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. When there is insufficient match from the state, the remaining available federal funds can only be used for 100% federally supported facilities. Of the total 446 facilities OMD operates, 36% are rated as dysfunctional or substandard and in overall poor condition according to U.S. Army standards.

The backlog of maintenance and repair within the Operations and Maintenance Program is currently estimated at \$161 million. In addition, there is approximately \$229 million in seismic upgrades and asbestos removal. The agency has managed to modestly reduce its deferred maintenance backlog through new construction (federally funded) and through its program of Armory Service Life Extension (ASLEP) projects (Article XI-Q bond-funded), although the newer and usually larger facilities create additional maintenance requirements that eventually add to the deferred maintenance backlog.

Another significant and ongoing issue for the Department is revenue and cash flow. OMD receives federal funds for reimbursable expenses but it often takes up to 120 days before the funds are reimbursed (the current average has improved to 51 days outstanding). Additionally, any time the Oregon National Guard is called to State Active Duty, as it was multiple times during the COVID-19 pandemic, the increases in costs can cause immediate cash flow issues that require the Department to access a revolving line of credit established with the Oregon State Treasury. Any increase in unanticipated expenditures puts additional strain on General Fund, which as explained above is largely dedicated

for debt service or for required match to operate and maintain facilities. When General Fund must be utilized for anything other purpose, even temporarily, it impacts the ability of the Department to operate and maintain facilities and ultimately contributes to the deferred maintenance backlog.

Key Performance Measures

A copy of the Oregon Military Department's Annual Performance Progress Report can be found on the LFO website:

https://www.oregonlegislature.gov/lfo/APPR/APPRProposed_OMD_2022.pdf