

DH0104
Military Department – Capital

Capital Budget Summary

State-owned Capital Improvement Program
(\$ in Millions)

<i>Projects</i>	<i>Prior Auth.</i>	<i>2016 Request</i>	<i>2017 Est.</i>	<i>2018 Est.</i>	<i>2019 Est.</i>	<i>2020 Est.</i>	<i>Beyond CIP</i>
Easton Readiness Center	\$0.000	\$13.800	\$2.000	\$2.689	\$0.000	\$0.000	\$0.000
Havre de Grace Combined Support and Automotive Maintenance Facility	0.000	8.000	3.479	1.000	0.000	0.000	0.000
Havre de Grace Readiness Center	0.000	13.025	4.521	0.000	0.000	0.000	0.000
Freedom Readiness Center	0.000	1.300	19.000	1.436	3.450	0.000	0.000
Maryland Emergency Management Agency Headquarters Renovation and Expansion	0.000	0.000	0.000	0.000	0.850	6.250	5.850
Total	\$0.000	\$36.125	\$29.000	\$5.125	\$4.300	\$6.250	\$5.850

<i>Fund Source</i>	<i>Prior Auth.</i>	<i>2016 Request</i>	<i>2017 Est.</i>	<i>2018 Est.</i>	<i>2019 Est.</i>	<i>2020 Est.</i>	<i>Beyond CIP</i>
GO Bonds	\$0.000	\$1.925	\$7.000	\$2.500	\$4.300	\$6.250	\$5.850
PAYGO FF	0.000	34.200	22.000	2.625	0.000	0.000	0.000
Total	\$0.000	\$36.125	\$29.000	\$5.125	\$4.300	\$6.250	\$5.850

CIP: Capital Improvement Program
FF: federal funds
GO: general obligation
PAYGO: pay-as-you-go

Summary of Updates

Report on Policies and Procedures for National Guard Bureau Capital Projects: The 2014 *Joint Chairmen’s Report* (JCR) required the Military Department to submit a report detailing policies and procedures to obtain federal funds for National Guard Bureau (NGB) capital projects that require a State match. A report was submitted in September 2014.

Summary of Recommended PAYGO Actions

1. Concur with Governor’s allowance.

Summary of Recommended Bond Actions

1. Freedom Readiness Center
Concur with Governor’s allowance.
2. Havre de Grace Readiness Center
Concur with Governor’s allowance.
3. Section 2 – Military Department – Salisbury Armory Renovation
Approve de-authorization of funds not needed to complete the Salisbury Armory Renovation and Addition project.
4. Section 2 – Military Department – Hagerstown Readiness Center Parachute Rigging Facility
Approve de-authorization of funds for cancelled Hagerstown Readiness Center Parachute Rigging Facility project.
5. Section 12 – Military Department – Havre de Grace Combined Support and Automotive Maintenance Facility
Approve pre-authorization in fiscal 2017 for the Havre de Grace Automotive Maintenance Facility.

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6. Section 12 – Military Department – Easton Readiness Center
Approve pre-authorization of funds in fiscal 2017 for the Easton Readiness Center.
7. Section 12 – Military Department – Havre de Grace Readiness Center \$750,000 GO
Amend pre-authorization in fiscal 2017 for the Havre de Grace Readiness Center.
8. Section 13 – Military Department – Combined Support and Automotive Maintenance Facility
Approve pre-authorization of funds in fiscal 2018 for the Havre de Grace Automotive Maintenance Facility.
9. Section 13 – Military Department – Easton Readiness Center
Approve pre-authorization of funds in fiscal 2018 for the Easton Readiness Center.

Budget Overview

The 2015 *Capital Improvement Program* (CIP) includes funding for three replacement readiness centers, construction of a new combined support and automotive maintenance facility, and expansion of the Maryland Emergency Management Agency (MEMA) headquarters facility. The fiscal 2016 allowance includes \$1.9 million in general obligation (GO) bonds and \$34.2 million in federal pay-as-you-go (PAYGO) funds.

The State’s share of capital construction costs for NGB projects varies, but the cost of new NGB facilities is typically split 75% federal and 25% State. Projects involving additions or alterations resulting from changed mission requirements are usually 100% federally funded. MEMA is not part of NGB; therefore, project costs are not required to be shared with the federal government. The MEMA headquarters project requires 100% State funding.

Easton Readiness Center

Funding for this project has been added in fiscal 2016 due to the availability of federal funds; this project is included in the President’s fiscal 2016 Future Year’s Defense Program (FYDP) budget. The project will construct a new Easton Readiness Center in Talbot County. The current facility has insufficient and inadequate space. The facility was built for an all-male National Guard Company but now houses males and females. The new facility will have administrative offices, equipment storage areas, locker rooms, bathroom facilities, classrooms, training areas, an assembly hall, and support

spaces constructed to readiness center standards. The fiscal 2016 allowance includes \$13.8 million in federal funds to begin design and construction of the project. Funding from the State is pre-authorized in fiscal 2017 and 2018 – a total of \$3.5 million in GO bonds – which will allow the project to be under construction in federal fiscal year (FFY) 2016 when the federal funds are authorized. The total project cost is expected to be \$18.5 million.

Havre de Grace Combined Support and Automotive Maintenance Facility

Funding for this project has been added in fiscal 2016 due to the potential availability of federal funds to construct a new specialized automotive maintenance facility at the Havre de Grace Readiness Center. The existing facility's original design and configuration does not meet modern standards for National Guard maintenance facilities; in particular, the facility has insufficient space, improper configuration, and aging infrastructure. The fiscal 2016 allowance includes \$8.0 million in federal funds for design and construction. The Military Department has submitted this project to NGB to be considered for funding under the Critical Unfunded Requirement (CUFR) program, which provides funds up to \$8.0 million to State Army National Guard units to address infrastructure needs that are urgent and can be addressed within the next fiscal year. An additional \$1.8 million in federal funds is provided in fiscal 2017 from a federal fund source for furniture, fixtures, and equipment. The project will begin in fiscal 2016 with federal design money. State funding is pre-authorized in fiscal 2017 and 2018 – a total of \$2.7 million in GO bonds. The project is anticipated to cost \$12.5 million.

Havre de Grace Readiness Center

Funding for this project was included in 2014 CIP to construct a new Havre de Grace Readiness Center located in Harford County, but the fiscal 2016 allowance in the 2015 CIP differs from the planned amount last year to include site demolition in the scope of work and availability of federal funds. The current readiness center was built in 1924 as a clubhouse and hotel for a horse racing track. The current facility is undersized for the two units housed and is in poor condition with major building systems failing. The new facility will conform to NGB standards for readiness centers. The fiscal 2016 allowance includes \$625,000 in GO bonds and \$12.4 million in federal funds to abolish the existing structure on site and to design and construct the new center. Currently, \$3.4 million in GO bonds is pre-authorized in fiscal 2017; however, the Department of Budget and Management (DBM) is concerned that some costs were underestimated. Some of the space in the readiness center is solely a State responsibility, such as the Honor Guard, and must be paid with State funds. DBM has indicated that \$750,000 additional GO bonds may be needed in fiscal 2017. **The Department of Legislative Services recommends amending the fiscal 2007 pre-authorization for the Havre de Grace Readiness Center to increase GO bonds by \$750,000, bringing the total GO bonds pre-authorized to \$4.1 million.**

Freedom Readiness Center

Funding for this project has been added in fiscal 2016 to obtain a federal commitment to design and construct a new Freedom Readiness Center in Central Maryland. This project was selected for funding in the President’s fiscal 2017 FYDP budget. In order to be eligible for federal funds, the Military Department must be able to show State commitment to the project. The new facility will replace two antiquated readiness centers and will consolidate units in Ellicott City and Catonsville into one facility. These two units are currently at readiness centers that do not meet NGB standards and are located in areas that have experienced significant growth, impinging on access for personal and military vehicles. In addition, having two readiness centers in Howard County is financially inefficient to sustain. The fiscal 2016 allowance includes \$1.3 million in GO bonds to design the facility. There is no funding provided for land acquisition because the Springfield property is excess property owned by the Department of Health and Mental Hygiene (DHMH). DHMH is not utilizing this property and would transfer it to the Military Department. The project is anticipated to cost \$25.2 million.

Updates

1. Report on Policies and Procedures for National Guard Bureau Capital Projects

The Military Department oversees the Maryland National Guard (MDNG) program, including construction, operations, and maintenance of armories and other MDNG facilities. Costs for MDNG facilities are shared between the State and federal government through cooperative agreements. The 2014 JCR required the Military Department to submit a report detailing policies and procedures to obtain federal funds for NGB capital projects that require a State match. A report was submitted in September 2014.

Federal and State Cost Share

Typically, readiness centers have an overall cost share of 75% federal funding and 25% State funding for construction on State land, and operating and maintenance costs are split 50/50. States must fund any costs required specifically by State law, while the federal government provides 100% funding for uniquely federal requirements. The federal government provides 100% of construction costs for readiness centers located on federal land and to construct and maintain logistics and training facilities required to sustain readiness for federal missions. State spending is not limited to the required State match; states are allowed to contribute additional funding to projects, fully fund a facility, or fund nonfederal elements, such as a community center or fire station shared with the MDNG facility.

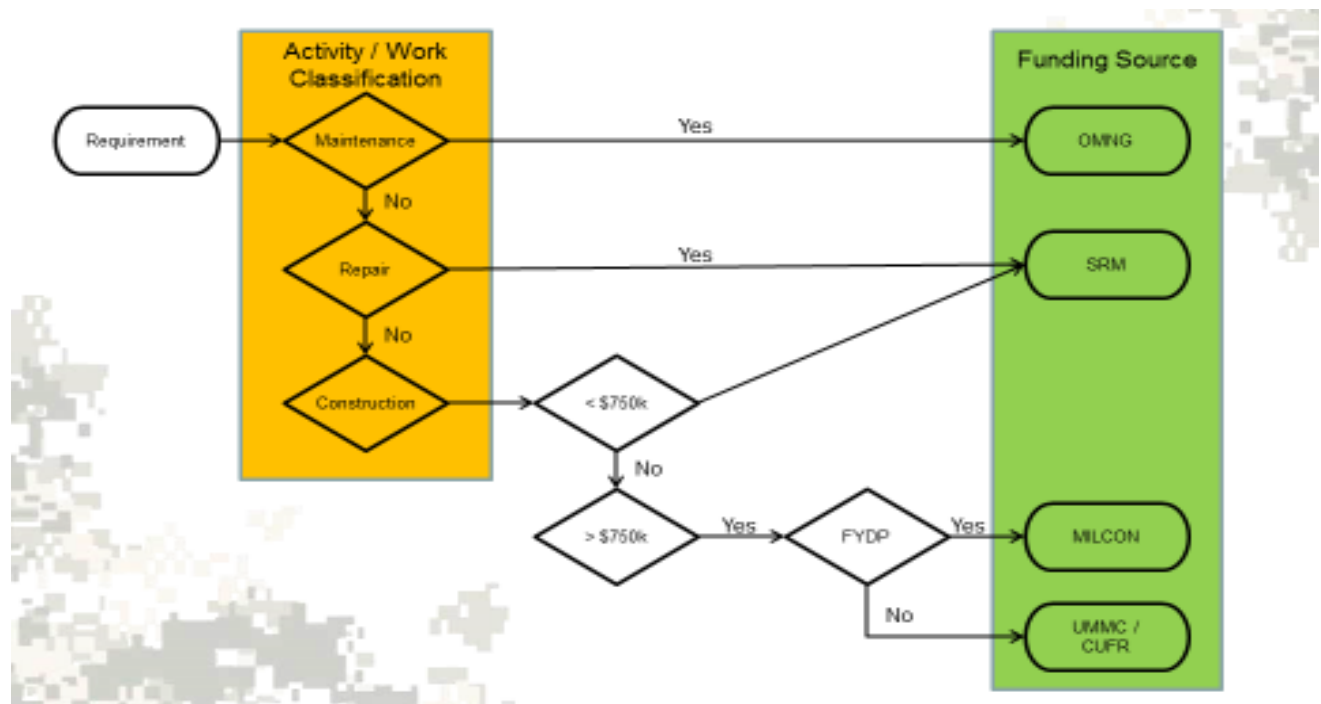
Project Classifications and Fund Sources

All National Guard projects are classified in one of three categories:

- **Maintenance:** work required to preserve and maintain a real property facility in a condition that it may be used for its designated functional purpose;
- **Repair:** to restore a real property facility, system, or component to a condition that it may be used for its designated functional purpose; and
- **Construction:** any construction, development, conversion, or extension carried out with respect to a military installation.

The appropriate fund source for NGB facilities is based on project classifications. **Exhibit 1** provides an organizational chart of how a fund source is selected for NGB projects.

Exhibit 1
Maryland Army National Guard
Funding Source Selection



CUFR: critical unfunded requirement
MILCON: military Construction
OMNG: operations and maintenance National Guard
SRM: sustainment, restoration, and modernization
UMMC: unspecified minor military construction

Source: Maryland Army National Guard

Operating and Maintenance

Operations and maintenance National Guard (OMNG) funds are single-year appropriations allocated to each state based on its current inventory of real property, facility conditions, and requirements. This fund pays for costs associated with operating and sustaining existing NGB facilities, primarily utilities; leases; National Environmental Policy Act projects; reimbursement of State employees; and sustainment, restoration, and modernization (SRM) projects. SRM is its own funding stream that is used more specifically for maintenance, repair, restoration, and modernization activities. OMNG funds must be authorized in the year of the appropriation.

Military Construction

Military Construction (MILCON) funding is used for large construction projects that exceed \$750,000. Cost shares of MILCON projects are outlined by Military Construction Cooperative Agreements. Funds are appropriated over 5 years for projects listed in the President's FYDP and funding is usually disbursed over 10 years. Because the FYDP is a 5-year plan, projects are submitted in the current year for consideration 6 years in the future. For example, in FFY 2014, MDNG submitted its top MILCON priority for possible programming in FFY 2020. MILCON projects are given 2 years from when funds are authorized to enter into a contract.

Unspecified Minor Military Construction/CUFR

Low-cost MILCON projects that address urgent needs are considered Unspecified Minor Military Construction (UMMC). The statutory limit on federal funding for UMMC projects is \$2 million, or \$3 million if the project addresses life, safety, and health concerns. Awarded UMMC funds are made available in the first quarter of the FFY in which they are intended to be contracted. Funds that are not obligated in the year funds are appropriated are subject to withdrawal and, in recent years, have been redistributed through Congressional reprogramming.

CUFRs come from the Army MILCON appropriation of the National Defense Authorization Act to support critical unfunded requirements that cannot wait the full FYDP process. These projects are highly critical to the Army National Guard mission, must be executable in the upcoming fiscal year, and cost between \$750,000 and \$8 million. Notification of CUFR authorization is typically completed in the second quarter of the FFY prior to appropriation. Funds are awarded in the first quarter of the FFY in which they are intended to be contracted.

Operating Budget Impact Statement

**Executive’s Operating Budget Impact Statement
(\$ in Millions)**

	<i>FY 2016</i>	<i>FY 2017</i>	<i>FY 2018</i>	<i>FY 2019</i>	<i>FY 2020</i>
Easton Readiness Center					
Estimated Operating Cost	\$0.000	\$1.185	\$0.017	\$0.017	\$0.017
Havre de Grace Combined Support and Automotive Maintenance Facility					
Estimated Operating Cost	\$0.000	\$0.000	\$0.644	\$0.009	\$0.009
Havre de Grace Readiness Center					
Estimated Operating Cost	\$0.000	\$0.000	\$1.194	\$0.336	\$0.336
Freedom Readiness Center					
Estimated Operating Cost	\$0.000	\$0.000	\$0.000	\$0.000	\$1.565
Total Operating Impact					
Estimated Operating Cost	\$0.000	\$1.185	\$1.855	\$0.362	\$1.927

Summary of Other Projects in the Capital Improvement Program

Projects Deferred in Fiscal 2016

**Exhibit 2
Projects Deferred
Fiscal 2016
(\$ in Millions)**

<i>Project</i>	<i>Description</i>	<i>Reason for Deferral</i>
Maryland Emergency Management Agency Headquarters Expansion	Construct an addition to headquarters at Camp Fretterd.	To accommodate other budget priorities.

Source: Department of Budget and Management, 2015 *Capital Improvement Program*

MEMA Headquarters Expansion

Funding for the MEMA headquarters expansion at Camp Fretterd in Baltimore County was programmed in the 2014 CIP for fiscal 2018 and 2019, but funding for this project has been deferred to fiscal 2019 and 2020 in the 2015 CIP to accommodate other budget priorities. The project was first included in the CIP in the Maryland Consolidated Capital Bond Loan of 2013. Unlike NGB projects, the MEMA headquarters expansion is 100% GO bond funded because MEMA is not related to NGB and has been denied federal support; the Federal Emergency Management Agency has deemed the headquarters expansion a State responsibility.

The current facility is unable to accommodate current and future staff. Without additional space, MEMA will not be able to perform its disaster coordination response duties adequately. The expansion will provide office and conference space; training and classroom facilities; technical support space; and improved restroom, break, and sleep facilities. The planned renovation and expansion will capitalize on the recently renovated State Emergency Operations Center. Total project costs are anticipated to be \$13.0 million in GO bonds. The facility must be designed and constructed to withstand a Category 3 weather event (111 mph winds and above), so costs may exceed those of a more routine construction project.

Pre-authorizations and De-authorizations

**Exhibit 3
Pre-authorizations and De-authorizations**

Pre-authorizations				
Project	FY 17	FY 18	FY 19	Reason
Havre de Grace Automotive Maintenance Facility	\$1.650	\$1.000	\$0.000	Pre-authorize funding to allow the design-build contract to be awarded in fiscal 2016.
Easton Readiness Center	2.000	1.500	0.000	Pre-authorize funding to allow the design-build contract to be awarded in fiscal 2016.
Havre de Grace Readiness Center	3.350	0.000	0.000	Pre-authorize funding to allow the design-build contract to be awarded in fiscal 2016.

De-authorizations		
Project	De-authorized Amount	Reason
Salisbury Armory Renovation and Addition	\$300,000	Due to actual costs coming in below budget.
Hagerstown Readiness Center Parachute Rigging Facility	120,000	Project cancelled, funds not needed.

Source: Department of Budget and Management, 2015 *Capital Improvement Program*

PAYGO Recommended Actions

1. Concur with Governor's allowance to authorize \$13.8 million for the Easton Readiness Center, \$12.4 million for the Havre de Grace Readiness Center, and \$8.0 million for the Havre de Grace Automotive Maintenance Facility.

GO Bond Recommended Actions

1. Approve \$1.3 million in general obligation bonds for the Freedom Readiness Center.
2. Approve \$625,000 in general obligation bonds for the Havre de Grace Readiness Center.
3. Concur with the Governor’s allowance to de-authorize \$300,000 in general obligation bonds for the Salisbury Armory Renovation and Addition to reflect actual costs of the project.
4. Concur with the Governor’s allowance to de-authorize \$120,000 in general obligation bonds for the Hagerstown Readiness Center Parachute Rigging Facility because the project was cancelled.
5. Approve \$1.650 million in general obligation bonds pre-authorized in fiscal 2017 for the Havre de Grace Automotive Maintenance Facility.
6. Approve \$2.0 million in general obligation bonds pre-authorized in fiscal 2017 for the Easton Readiness Center.
7. Amend pre-authorization in fiscal 2017 for the Havre de Grace Readiness Center.

ZF5000	Section 12 – Military Department – Havre de Grace Readiness Center.....	\$ 0
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Add the following language:

(C)	Havre de Grace Readiness Center. Provide funds to complete construction of a new readiness center at the Havre de Grace Military Reservation (Harford County).....	3,350,000 <u>4,100,000</u>
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Explanation: Amend pre-authorization in fiscal 2017 for the Havre de Grace Readiness Center to increase the authorized general obligation bonds to \$4,100,000, a \$750,000 increase.

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8. Approve \$1.0 million in general obligation bonds pre-authorized for fiscal 2018 for the Havre de Grace Automotive Maintenance Facility.
9. Approve \$1.5 million in general obligation bonds pre-authorized in fiscal 2018 for the Easton Readiness Center.