

DH0104
Military Department – Capital

Capital Budget Summary

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

Projects	Prior Auth.	2019 Request	2020 Est.	2021 Est.	2022 Est.	2023 Est.	Beyond CIP
Freedom Readiness Center	\$22.185	\$9.428	\$4.650	\$0.000	\$0.000	\$0.000	\$0.000
Havre de Grace CSMS Surface Equipment Maintenance Facility	1.378	0.000	14.986	2.986	1.002	0.000	0.000
Baltimore City Readiness Center	0.000	0.000	0.000	0.000	6.500	2.182	25.820
White Oak Readiness Center	0.000	0.000	0.000	0.000	0.000	2.311	25.662
MEMA Headquarters Renovation and Expansion	0.000	0.000	0.919	6.440	6.048	0.000	0.000
Total	\$23.563	\$9.428	\$20.555	\$9.426	\$13.550	\$4.493	\$51.482

Fund Source	Prior Auth.	2019 Request	2020 Est.	2021 Est.	2022 Est.	2023 Est.	Beyond CIP
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GO Bonds	\$1.514	\$9.428	\$6.920	\$9.426	\$12.548	\$1.123	\$12.871
PAYGO FF	22.049	0.000	13.635	0.000	1.002	3.370	38.611
Total	\$23.563	\$9.428	\$20.555	\$9.426	\$13.550	\$4.493	\$51.482

CIP: Capital Improvement Program
CSMS: combined support maintenance shop
FF: federal funds
GO: general obligation
MEMA: Maryland Emergency Management Agency
PAYGO: pay-as-you-go

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Summary of Recommended Bond Actions

1. Freedom Readiness Center

Approve \$9,428,000 in general obligation bonds for the Freedom Readiness Center.

2. SECTION 12 – Military Department – Freedom Readiness Center

Approve the fiscal 2020 pre-authorization of \$3,015,000 in general obligation bonds for the Freedom Readiness Center.

Program Description

The Military Department provides the overall direction, development, and maintenance of the Maryland National Guard (MDNG), which is comprised of the Maryland Army National Guard and the Maryland Air National Guard. MDNG may be called up by the Governor during State emergencies or may be activated by the federal Department of Defense. The Military Department also operates the Maryland Emergency Management Agency (MEMA). MEMA is responsible for statewide emergency response activities.

To fulfill its mission, the Military Department oversees the construction, operations, and maintenance of armories and other facilities. The State's share of capital construction costs for National Guard Bureau (NGB) projects varies, but the cost of new Army National Guard facilities is typically split 75% federal and 25% State. Construction and maintenance of Air National Guard facilities is 100% federally funded. 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.

Federal funding varies by source and is directly related to the type of work activity conducted at the relevant facility. The following is a list of federal funding sources along with a description of each.

- ***Operations and Maintenance National Guard:*** Provides funding for all maintenance projects, based on a current inventory of real property facilities. In terms of readiness centers, the State will pay 25% for a center that is on federally owned land and 50% for centers on State-owned land. Authorizations and appropriations must take place in the same fiscal year.
- ***Sustainment, Restoration, and Modernization (SRM):*** Provides funding for repair projects to restore a facility to a condition that enables it to be used for its designated, functional purpose. Initial funding is based on an Installation Status Report, and additional funding can be made available after National Guard validation and the availability of federal funds. SRM can also

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fund construction projects, but only for those less than \$750,000. SRM funds are a single-year appropriation, and additional funding for specific project requests may be available based on NGB project validation and availability of federal funds.

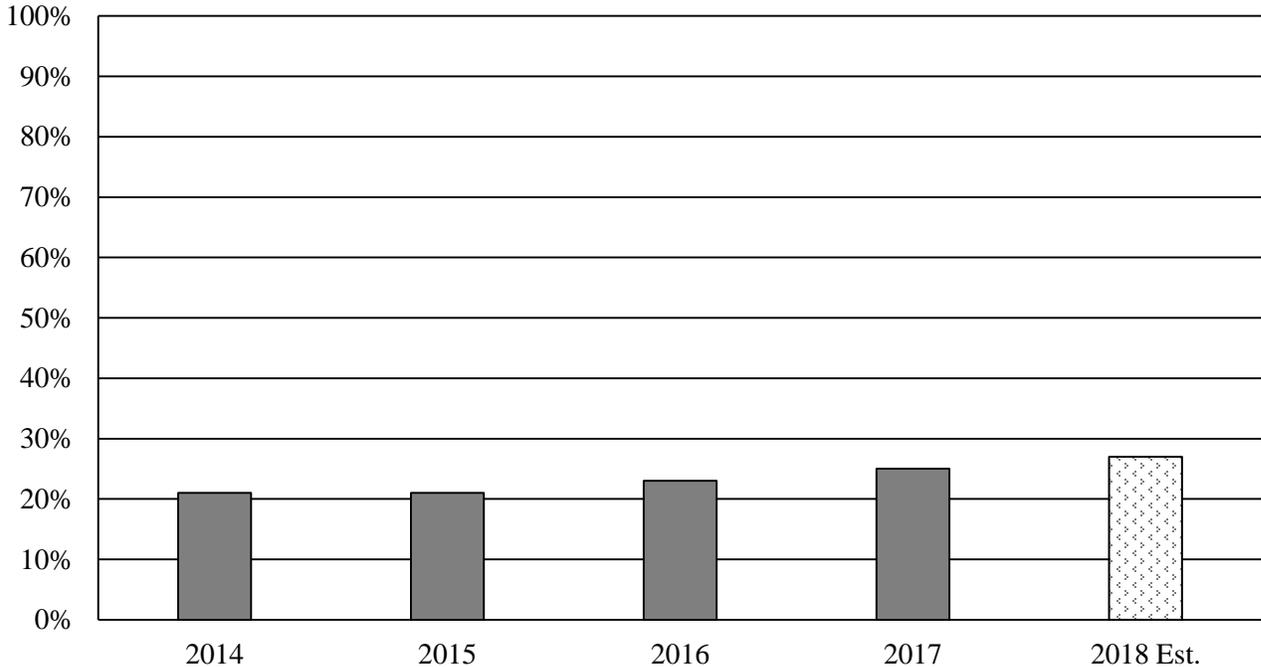
- ***Military Construction (MILCON):*** Provides funding for large construction projects of \$750,000 or more that are typically on the Long Range Construction Plan. Funding is based on projects listed on the Future Years Defense Plan, and the federal/State split is based on the Military Construction Cooperative Agreement. MILCON appropriations have 5 years during which funds can be obligated for the project and a 10-year timeframe during which funds can be disbursed for the project. Authorizations expire after 2 years, and appropriations expire after 4 years.
- ***Critical Unfunded Requirement (CUFR):*** Provides funding for large construction projects between \$750,000 and \$8 million. This is primarily used for projects that cannot wait for the full 8-year program objective memorandum process. They must be executable in the upcoming budget year and highly critical to the Army National Guard mission.
- ***Unspecified Minor Military Construction (UMMC):*** Provides funding for low-cost MILCON projects between \$750,000 and \$2 million that address urgent needs. Federal and State shares for UMMC projects are determined using the same criteria as other MILCON projects. State UMMC submissions compete against those of other states, and authorizations expire after 2 fiscal years, while appropriations expire after 4 years.

Performance Measures and Outputs

All MDNG facilities and real property support the operational and training needs of MDNG and the ability to respond to State and local emergencies. One of the responsibilities of the Military Department is to build and maintain the armories and other facilities used by MDNG. Through a cooperative agreement with NGB, maintenance funding is split between federal and State funds, depending on the facility.

Exhibit 1 shows the percentage of Army National Guard facilities in fully functional status from fiscal 2014 through 2018 estimate. Prior to fiscal 2014, different criteria was used to evaluate the functional status of MDNG facilities, making comparison before that time difficult.

Exhibit 1
Maryland Army National Guard
Facilities in Fully Functional Status
Fiscal 2014-2018 Est.



Source: Fiscal 2019 Managing for Results

Although there has been improvement in the last two fiscal years, the 25% of Army National Guard facilities in fully functional status is still far short of ideal. As a point of comparison, Managing for Results reported data indicates that the Air National Guard has one-third more facilities than the Army National Guard and consistently maintains 100% of those facilities in fully functional status. However, the Air National Guard is considerably less reliant on State support for both its operating and capital expenses. Over 81% of Air National Guard operations and 100% of capital costs are federally supported versus less than 70% of Army National Guard operations and 75% of capital costs.

Historically, the department believes that the average age of the Army National Guard facilities and reduction of maintenance funding due to cost containment has impacted facility ratings. In fiscal 2010, general funds to maintain MDNG facilities were eliminated, and the department was unable to leverage federal funds for maintenance costs. As a result, preventive and ongoing maintenance was deferred in lieu of emergency maintenance. Although additional maintenance funding has been provided over the years, the backlog of critical maintenance needs reported to the Department of General Services (DGS) is in excess of \$10 million and does not include a myriad of internally

identified maintenance projects. In addition, over half of the current vacancies within the Army Operations and Maintenance program are maintenance-related positions.

With new readiness centers funded for Havre de Grace and Easton, and the fiscal 2019 capital budget providing continued funding for the Freedom Readiness Center in Sykesville, it is likely that the capital program for the Military Department will have a positive impact on the overall facility rating and mitigate some of the increasing demands for facility maintenance. The fiscal 2019-2023 *Capital Improvement Program* (CIP) also includes out-year funding for three additional replacement facilities.

Budget Overview

The 2018 CIP includes funding for three replacement readiness centers, construction of a new Combined Support Maintenance Shop (CSMS) facility, and expansion of the MEMA Headquarters facility. The fiscal 2019 allowance provides \$9.4 million in general obligation (GO) bonds but does not include any federal pay-as-you-go (PAYGO) funds.

Fiscal 2019 Projects

Freedom Readiness Center

This project will replace two antiquated readiness centers, consolidating 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. The new facility will contain functional space to meet all requirements for two National Guard units, including unit administrative offices, equipment storage areas, locker areas, toilet/shower facilities, classrooms, soldier training areas, an assembly hall, and other support spaces. The facility will support 265 traditional weekend National Guard soldiers and up to 12 full-time active duty military personnel. The department anticipates that the two units will drill on opposite weekends to maximize the availability of shared facilities and areas.

The new Freedom Readiness Center will be located on a 57-acre parcel on the grounds of the Springfield Hospital property, which was deemed excess property by the Maryland Department of Health (MDH). The property was transferred from MDH to the Military Department in May 2015 at no cost, saving the State approximately \$3.5 million in land acquisition funding.

Approximately \$1.3 million in GO bond funding was added for this project in fiscal 2016 to obtain a federal commitment to design and construct the new facility. Overall, a total of \$22.2 million has been authorized to fund the project's design and construction (\$19.2 million in federal funds and nearly \$3.0 million in GO bonds). The fiscal 2019 allowance includes an additional \$9.4 million in GO bond funding (\$9.1 million for construction and \$327,000 for additional design costs). The total estimated cost of the project is \$36.3 million, which is more than \$5.0 million higher than anticipated in the 2017 CIP.

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The vast majority of the cost increases are attributable to unanticipated site improvements and development that must be completed due to the steep topography on one portion of the site. In addition, several improvements along State Route 32 are required per the State Highway Administration. Prior to the selection of the Springfield Hospital property, the Military Department had attempted for three years to secure a suitable site in northern Howard County. After exhausting all other options, the current site was selected because it was State-owned property, declared surplus, and would avoid any land acquisition expenses. It had been previously anticipated that approximately \$3.5 million in acquisition funding would be required, which is considerably less than the \$5.5 million in enhanced site work and design costs in the current project estimate. According to the Military Department, relocating the facility at this point, in an attempt to mitigate the site work costs, would jeopardize the \$19.0 million in federal construction funding for the project and also generate approximately \$2.0 million in additional redesign expenses, likely at the expense of the State.

Under the Military Construction agreements, the State must provide a suitable site for this project and is responsible to fund the acquisition and preparation of the site. As such, more federal funding is not available for the additional site work, and the entire increase is funded with GO bonds.

Additional funding (\$327,000 in GO bonds) is also provided to cover increased design costs, resulting from a four-month delay related to the site work and facility placement issues. The federal authorization for design is capped at slightly less than \$1.7 million. The design contract was approved by the Board of Public Works in September 2016 in the amount of \$2.7 million. Current design costs are estimated to be approximately \$3.3 million.

The fiscal 2019 capital budget includes a pre-authorization for slightly more than \$3.0 million in GO bonds in fiscal 2020, based on the anticipated cash flow needs of the project.

The start date for construction has been delayed by 10 months due to the additional site work and design modifications. Construction is estimated to start in September 2018, and the project completion date is scheduled for September 2020.

The Military Department should comment on the progress of the design and construction of the Freedom Readiness Center, including the process for selecting the current facility site, alternative considerations, and why the extensive site work was not anticipated in the project cost when the Springfield Hospital property was acquired.

Operating Budget Impact Statement

Executive’s Operating Budget Impact Statement – State-owned Projects (\$ in Millions)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Freedom Readiness Center					
Estimated Operating Cost	\$0.000	\$0.133	\$0.120	\$0.124	\$0.128
Estimated Staffing	0.00	1.00	1.00	1.00	1.00
Total Operating Impact					
Estimated Operating Cost	\$0.000	\$0.133	\$0.120	\$0.124	\$0.128
Estimated Staffing	0.00	1.00	1.00	1.00	1.00

Beginning in fiscal 2020, the department anticipates needing 1 additional maintenance mechanic position for the Freedom Readiness Center, with an estimated cost of \$57,766. Additional operating expenditures also provide funding for telephone lines and increased fuel and utility costs and contractual services due to a larger facility footprint. It is anticipated that these operating costs will be split 50/50 between general and federal funds.

Summary of Other Projects in the Capital Improvement Program

The 2018 CIP for the Military Department proposes funding for five projects between fiscal 2019 and 2023, only one of which is funded in fiscal 2019. In comparison to the 2017 CIP, two projects were removed from the department’s capital program, one project had funding deferred by one year, and a new project was added.

Projects Deferred in Fiscal 2019

As seen in **Exhibit 2**, funding to begin designing the expansion and renovation of MEMA’s Headquarters facility has been delayed by one year, while the agency revisits the scope of the project. The 2017 CIP had originally planned for \$887,000 in GO bonds to be authorized in fiscal 2019. The 2018 CIP programs those design funds in fiscal 2020.

Exhibit 2
Projects Deferred
Fiscal 2019

<u>Project</u>	<u>Description</u>	<u>Reason for Deferral</u>
MEMA Headquarters Renovation and Expansion	Renovate and expand the existing MEMA Headquarters facility at Camp Fretterd Military Reservation.	Planning funds delayed by one year while the scope of the project is revised.

MEMA: Maryland Emergency Management Agency

Source: Department of Budget and Management, 2018 *Capital Improvement Program*

The original program plan and scope of the project was created in 2014. Since then, the mission of MEMA has evolved to support simultaneous preparedness, emergency, and long-term operations at different phases of activation and addressing different priorities. The number of personnel onsite has also grown since the original project was developed, requiring a different physical footprint. In addition, the original project required the facility to be vacated for 12 to 18 months during construction, which posed a significant operational problem for the agency.

The revised project scope is still being developed; MEMA anticipates having proposed modifications submitted to the Department of Budget and Management in calendar 2018. As such, the project has been delayed in the CIP by one year.

Projects Removed from the *Capital Improvement Program*

Two projects that had received federal PAYGO funding in the fiscal 2018 capital budget no longer appear in the Military Department’s capital plan, as shown in **Exhibit 3**.

Camp Fretterd Complex Access Control

Approximately \$2.5 million in federal PAYGO funds were authorized in fiscal 2018 to construct an Access Control Complex at Camp Fretterd Military Reservation in Reisterstown. The project was necessary because the current complex lacks an adequate vehicle inspection area, an adequate security building, passive and active anti-terrorism/force protection structures, and additional space for vehicles entering the site. It was anticipated that the project would be fully funded with federal PAYGO funding over fiscal 2018 and 2019; however, the project was not selected for funding in federal fiscal 2018. The project remains a candidate for future federal funding, so the fiscal 2018 authorization remains intact. If, however, the department is able to receive approval to pursue the project through a federally

procured vendor, the project would not appear in the State’s capital program and the federal PAYGO appropriation would be canceled.

Exhibit 3
Projects Removed from the *Capital Improvement Program*
Fiscal 2019

<u>Project</u>	<u>Description</u>	<u>Reason for Removal</u>
Camp Fretterd Complex Access Control	Construct access control facilities for the Camp Fretterd Military Reservation.	Project not selected for funding in federal fiscal 2018.
Havre de Grace Combined Support Maintenance Shop Automotive Facility	Construct replacement specialized automotive maintenance facility.	Project is being fully federally funded; prior year authorizations are sufficient to fund the project.

Source: Department of Budget and Management, 2018 *Capital Improvement Program*

Havre de Grace CSMS Automotive Maintenance Facility

The fiscal 2018 budget authorized \$10 million in federal PAYGO funds for the design and construction of 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 Military Department submitted this project to NGB to be considered for funding under the CUFR program. Previously, projects with a total cost above \$8.0 million were considered to be noncompetitive through the CUFR program. That scoring metric has since been eliminated, and the CSMS Automotive Maintenance facility has been selected to be 100% federally funded. As with the Camp Fretterd Complex Access Control project, if the project is pursued through a federal procurement, the construction of the facility would not appear in the department’s capital program and the PAYGO appropriation would not be needed.

Projects Added to the CIP

Exhibit 4 shows the one project added to the Military Department’s 2018 CIP. Keeping in line with the project priorities outlined in the department’s Facilities Master Plan, funding is programmed in fiscal 2023 to construct a replacement facility for the Army National Guard in Silver Spring. The White Oak Readiness Center will include functional spaces to meet all requirements for two Army National Guard units. The new facility will replace the existing insufficient and functionally inadequate

spaces. Units from the existing White Oak facility and one unit from the Adelphi Readiness Center in Prince George’s County will occupy the new facility. The total estimated project cost is just under \$28.0 million.

Exhibit 4
Projects Added to the *Capital Improvement Program*
Fiscal 2019

<u>Project</u>	<u>Description</u>	<u>Reason for Addition</u>
White Oak Readiness Center	Construct a replacement facility for the Army National Guard in Silver Spring.	Designated for federal military funding.

Source: Department of Budget and Management, 2018 *Capital Improvement Program*

Other Projects in the CIP

Baltimore City Readiness Center

As anticipated, funding is planned to begin design and construction of a new Baltimore City Readiness Center in fiscal 2022. This facility will replace insufficient and functionally inadequate facilities in Baltimore at the Lieutenant Colonel Melvin Cade Readiness Center. The new facility will house units from the existing readiness center in Baltimore City and one unit from the Adelphi Readiness Center in Prince George’s County.

The estimated project cost is \$34.5 million, an increase of \$3 million from the estimate provided in the 2017 CIP. The additional funding is available due to the National Guard Bureau changing its evaluation criteria and increasing authorized federal funding levels. This has allowed the department to revise and expand the project scope, which had previously been pared down to accommodate prior authorized funding levels. A minimum of 10 acres would be required for the property, depending on site layout; however, a parcel of 15 acres or more is a more practical standard. The department is working with DGS Real Estate, the Maryland Department of Planning, and Baltimore City to locate a suitable site. To date, several viable sites are being considered, but most have significant costs associated with acquisition.

Pre-authorizations and De-authorizations

Exhibit 5 notes that the fiscal 2019 capital budget pre-authorized slightly more than \$3.0 million in GO bonds for fiscal 2020, based on the anticipated cash flow needs for constructing the new Freedom Readiness Center in Sykesville.

Exhibit 5 Pre-authorizations

<u>Project</u>	<u>FY 20</u>	<u>Reason</u>
Freedom Readiness Center	\$3.015	Construction funding needed based on anticipated cash flow.

Source: Department of Budget and Management, 2018 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve \$9,428,000 in general obligation bonds for the continued design and construction of the Freedom Readiness Center in Sykesville.
2. Approve the fiscal 2020 pre-authorization of \$3,015,000 in general obligation bonds for construction of the Freedom Readiness Center.