

DH0104
Military Department – Capital

Capital Budget Summary

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

Projects	Prior Auth.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.	Beyond CIP
Havre de Grace CSMS Surface Equipment and Automotive Maintenance Facility (Harford)	\$20.673	\$5.049	\$5.048	\$0.000	\$0.000	\$0.000	\$0.000
MEMA Headquarters Renovation and Expansion (Baltimore County)	0.990	0.585	8.308	8.227	0.000	0.000	0.000
White Oak Readiness Center (Montgomery)	0.000	0.000	0.000	2.445	24.816	6.206	0.000
Frederick Readiness Center Renovation (Frederick)	0.000	0.000	0.000	0.000	0.610	4.000	0.915
Glen Burnie Readiness Center (Anne Arundel)	0.000	0.000	0.000	0.000	0.000	0.610	5.260
Total	\$21.663	\$5.634	\$13.356	\$10.672	\$25.426	\$10.816	\$6.175

Fund Source	Prior Auth.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.	Beyond CIP
GO Bonds	\$2.542	\$5.634	\$13.356	\$8.839	\$5.182	\$6.592	\$4.631
PAYGO FF	19.121	0.000	0.000	1.833	20.244	4.224	1.544
Total	\$21.663	\$5.634	\$13.356	\$10.672	\$25.426	\$10.816	\$6.175

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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Key Observations

The Military Department saw a net decrease of \$5.4 million in anticipated federal pay-as-you-go (PAYGO) funding in fiscal 2021. As a result, the department reduced the scope of the Havre de Grace Combined Support Maintenance Shop (CSMS) Surface Equipment and Automotive Maintenance Facility to mitigate the cost impact to the State.

Summary of Recommended Bond Actions

1. Combined Support Maintenance Shop

Approve the authorization of \$5.049 million in general obligation bonds for the Havre de Grace Combined Support Maintenance Shop Surface Equipment and Automotive Maintenance Facility.

2. Maryland Emergency Management Agency Headquarters Renovation and Expansion

Approve the authorization of \$585,000 in general obligation bonds for the renovation and expansion of the Maryland Emergency Management Agency's Headquarters.

3. SECTION 13 – Military Department – Havre de Grace Combined Support Maintenance Shop

Approve the preauthorization of \$5.048 million in general obligation bonds for the Havre de Grace Combined Support Maintenance Shop Surface Equipment and Automotive Maintenance Facility.

Summary of Issues

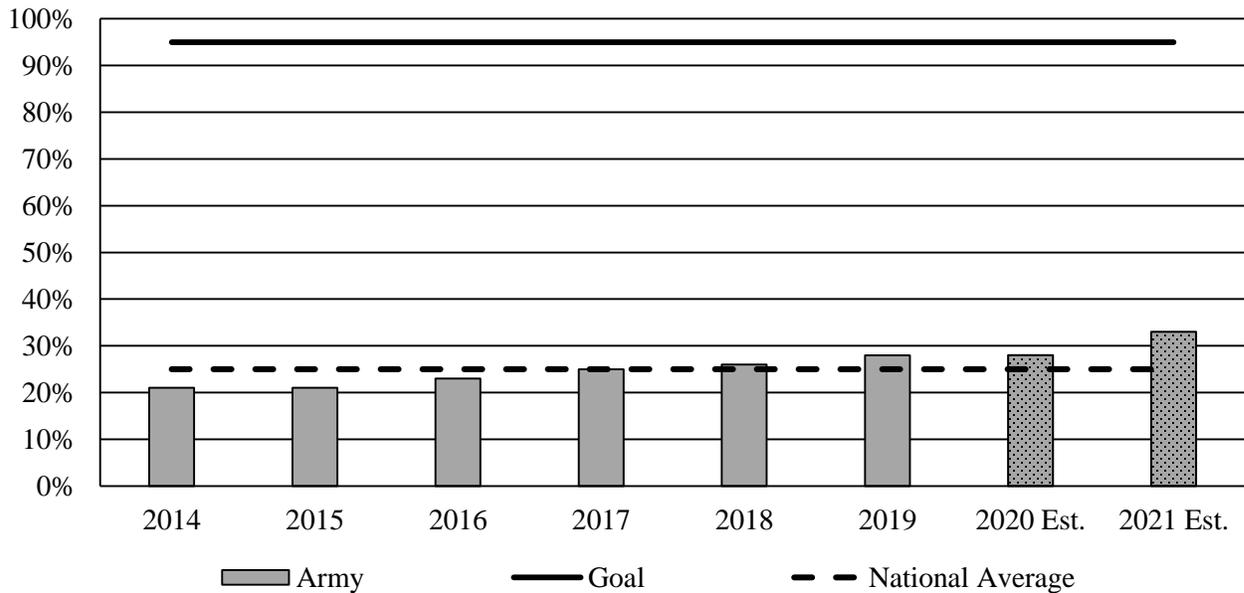
The Military Department is currently negotiating a 25-year lease agreement with the U.S. Marine Corps (USMC) to acquire the USMC Reserve Center in Baltimore City in exchange for space on the Camp Fretterd Military Reservation in Baltimore County. The Department of Legislative Services (DLS) recommends that the Military Department brief the committees on the status of negotiations, the identification and status of any federal regulatory requirements, the status of any Maryland Department of Planning (MDP) Clearinghouse review and recommendations, an assessment that the new facility will have on the Military Department's operational readiness in Baltimore City, and an estimate of any State funds that may be needed to execute the agreement, including costs needed to properly fit-out the facility for Army National Guard operations.

Performance Measures and Outputs

All the Maryland National Guard (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. MDNG has approximately 288 buildings on 3,921 acres throughout the State to support the operational and training needs of its troops; these buildings have an average age of 50 years. The Military Department Army Operations and Maintenance Program oversees the construction, maintenance, and divestiture of MDNG facilities. Through a cooperative agreement with the Department of Defense National Guard Bureau, maintenance funding is split between federal and State funds, depending on the facility.

Exhibit 1 shows the percentage of army facilities that are currently in fully functional status between fiscal 2014 and 2021.

Exhibit 1
National Guard Facilities in Functional Status
Fiscal 2014-2021 Est.



Source: Fiscal 2021 Managing for Results

Though it has shown improvements, the Maryland Army National Guard has consistently missed this goal. The Army National Guard’s functional status has improved from 21% in fiscal 2014 to 28% in fiscal 2018. MDNG estimates that functional status will improve to 33% in fiscal 2021.

Though this exceeds the Army National Guard’s national average of 25%, this still fails to meet MDNG’s goal of achieving 95% functionality.

The department has explained that, as it implements its capital program and continues to divest unused properties, the percentage of functional properties will improve. However, the divestiture process is slow, lasting approximately four years on average per property. During this time, the Military Department retains responsibility for maintaining the properties. Because no federal operations are being performed, maintenance costs fall entirely on the State. In October 2018, MDNG opened a renovated readiness facility at Havre de Grace. The completion of the Freedom Readiness Center, anticipated for January 2021, will further improve the percentage of Army National Guard facilities in functional status. Other facilities, such as the Queen Anne’s and the Elkton readiness centers, are currently under negotiation with prospective purchasers to acquire the land. For further discussion on the concerns surrounding the Military Department’s functional status, refer to the department’s fiscal 2021 operating budget analysis.

Budget Overview

The 2021 capital budget provides \$5.6 million in general obligation (GO) bond funds for two projects: the construction of the CSMS; and the renovation and expansion of the Maryland Emergency Management Agency (MEMA) Headquarters. The budget does not provide for federal PAYGO funds in fiscal 2021 because the State has already appropriated the federal fund contribution. The renovation of the MEMA Headquarters is a State project and, therefore, 100% State funded.

Fiscal 2021 Projects

Havre De Grace CSMS Surface Equipment and Automotive Maintenance Facility

This project proposes to construct a new Army National Guard Surface Equipment and Automotive Maintenance Facility located at the Havre de Grace State Military Reservation. The new facility will be a total of 49,604 net square feet (nsf) and replace functionally inadequate structures that do not conform to federal National Guard standards for maintenance facilities. The fiscal 2021 budget provides \$5.1 million in GO bonds to begin the construction phase of this project. The total estimated project cost is \$30.8 million with an expected completion date of April 2022. The design phase of the project began in August 2019 and will last 12 months. Construction is expected to begin in October 2020 and will require 18 months to complete.

Project Scope Changes Due to Reduced Federal Funds

The project scope has been revised several times since the project first appeared in the *Capital Improvement Program* (CIP) to include and then take out the automotive component based on federal funding schedules and expectations by the Military Department. It has now been determined

that pursuing a single procurement and design for both phases would provide for cost efficiencies while also ensuring cohesive project design. The Military Department expects the project to remain as one through completion with the federal funding component for the automotive maintenance facility sourced from nonfederal PAYGO funds. The Military Department did not receive \$11.1 million in federal military construction (MILCON) funds but instead will use \$4.0 million in federal Sustainment, Restoration, and Modernization discretionary funds and \$1.7 million in MILCON tail funds to complete the design and construction of the automotive portion of this project. Due to the net loss of \$5.4 million in anticipated federal funding, the Military Department reduced the scope of the facility by removing two special work bays and two automotive work bays. The total estimated cost was revised down from \$36.0 million to \$30.8 million. Through the 2020 CIP, a total of \$6.3 million in GO bonds and \$13.5 million in federal funds have been provided for the project.

The Military Department should comment on the lack of federal PAYGO funds provided for the automotive maintenance facility portion of this project and how the altered project scope will impact operations at the CSMS facility.

MEMA Headquarters Renovation and Expansion

The 2020 CIP provides \$585,000 for the planning phase of the renovation and expansion of the MEMA Headquarters, located on the Camp Fretterd Military Reservation in Baltimore County. Since the facility's construction in 2001, MEMA has taken on a variety of responsibilities and, as such, has outgrown the aging space. Originally planned for 39 personnel, the facilities must now accommodate more than 80 personnel when activated for an emergency response. Beyond the physical space limitations and the expanded scope of programming located at the facility, the building itself is poorly configured and, at times, functionally inadequate. Spaces originally designed as sleeping quarters were repurposed as office space; therefore, personnel working during periods of activation must be lodged at nearby hotels. Poor roofing and groundwater infiltration has resulted in the presence of mold in the HVAC system, raising health concerns for the personnel working at the facility.

The proposed project will renovate the 17,617 nsf facility and construct an expansion onto the building, increasing the net square footage to 31,174. To accommodate the growth in staff size and programming located at the facility, renovations and expansions will be made to existing office, support, and conference space as well as to the State Emergency Operations Center and the Maryland Joint Operations Center. The completed facility will provide staff with improved restroom, breakroom, and billeting space to accommodate staff needs during emergency activations. Renovations will also address HVAC to mitigate health concerns stemming from mold growth.

The total project costs amount to \$17.3 million in GO bonds. Because MEMA is entirely State-operated, this project is not eligible for federal funds. Various changes to emergency management standards and needs within Maryland caused MEMA to review the Part I plan to ensure that the renovated headquarters would retain the flexibility to meet evolving emergency management requirements. The review of the Part I plan and the subsequent approval by the Department of Budget and Management delayed the design process by several months. The design process began in December 2019 and is expected to be completed in January 2021. A total of \$7.8 million in construction funds were expected to be authorized in fiscal 2021, along with the authorized planning funds.

However, the construction funds were deferred to fiscal 2022; the requested scope change delayed the construction phase of the project to the last few months of fiscal 2021, making it a candidate for deferral until the next fiscal year. Construction is expected to last 24 months.

Issues

1. Property Exchange with USMC

The Military Department is actively negotiating a property exchange with USMC to acquire space in Baltimore City. In exchange, the federal government would receive approximately 15 acres on the Camp Fretterd Military Reservation in Baltimore County. USMC is currently surveying the proposed site on Camp Fretterd in preparation to enter into a 25-year lease with the Military Department. The Army National Guard, who occupies Camp Fretterd, is working to establish a reciprocal agreement to obtain the USMC Reserve Center in Baltimore City. The USMC Reserve Center is located on a 10-acre lot; the brick facility underwent renovations in 2010. The Military Department anticipates that this facility will provide adequate space for one unit currently stationed in the city that is currently housed in a poorly configured facility. USMC expects to vacate the reserve center in fiscal 2023.

The U.S. General Services Administration requires the exchanged properties to be of an equal value, raising questions about the real estate evaluation process and its costs to the State. **DLS recommends that the department brief the committees on the status of negotiations, the identification and status of any federal regulatory requirements, the status of any MDP Clearinghouse review and recommendations, an assessment of the impact that the new facility will have on Military Department operational readiness in Baltimore City, and an estimate of any State funds that may be needed to execute the agreement including costs needed to properly fit-out the facility for Army National Guard operations.**

Updates

1. Report on Capital Funding to Local and Volunteer Fire Companies

Committee narrative in the 2019 *Joint Chairmen's Report* requested that MEMA report the distribution of annual grants and loans made through the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (Amoss Fund) and the Volunteer Company Assistance Fund (VCAF). Allocations made under the Amoss Fund are shown in **Exhibit 2**. Set in statute, the Amoss Fund receives an annual allocation of \$15.0 million through the Maryland Emergency Medical System Operations Fund (MEMSOF). For a more detailed discussion on the Amoss Fund and MEMSOF, refer to the fiscal 2021 MEMSOF operating budget analysis.

Exhibit 2
Maryland Emergency Management Agency
Allocations of the Amoss Fund
Fiscal 2018-2020 Est.

<u>Jurisdiction</u>	<u>2018</u>	<u>2019</u>	<u>2020 Est.</u>
Allegany	\$334,380	\$333,720	\$333,720
Anne Arundel	1,246,559	1,246,503	1,246,503
Baltimore City	1,363,925	1,356,163	1,356,163
Baltimore County	1,725,252	1,715,107	1,715,107
Calvert	300,000	300,000	300,000
Caroline	312,660	304,080	304,080
Carroll	387,701	388,359	388,359
Cecil	307,350	308,910	308,910
Charles	381,756	382,573	382,573
Dorchester	326,970	330,570	330,570
Frederick	566,349	572,654	572,654
Garrett	300,000	300,000	300,000
Harford	572,739	568,863	568,863
Howard	617,226	617,118	617,118
Kent	310,710	311,220	311,220
Montgomery	1,961,675	1,952,432	1,952,432
Prince George's	1,699,001	1,697,598	1,697,598
Queen Anne's	300,000	300,000	300,000
Somerset	308,790	300,000	300,000
St. Mary's	300,000	308,940	308,940
Talbot	319,140	344,010	344,010
Washington	339,691	337,711	337,711
Wicomico	336,240	349,680	349,680
Worcester	381,886	373,789	373,789
Total	\$15,000,000	\$15,000,000	\$15,000,000

Amoss Fund: Senator William H. Amoss Fire, Rescue, and Ambulance Fund

Source: Maryland Emergency Management Agency

Allocations made under the VCAF are shown in **Exhibit 3** for fiscal 2018 and 2019. In fiscal 2019, total allocations increased 7% to \$3.9 million, \$2.4 million of which was used to purchase equipment, while \$1.5 million was used to acquire or renovate facilities. While \$2.6 million was budgeted in fiscal 2020, total VCAF funding increased to \$3.8 million in fiscal 2021. This increase of nearly \$1.2 million is intended to better align the total fund balance with prior actual year expenditures, which have routinely run in excess of \$3.7 million in recent years. For a more detailed discussion on changes to VCAF fund balances, refer to the fiscal 2021 Military Department operating budget analysis.

Exhibit 3
Maryland State Firemen’s Association
Allocation of the Volunteer Company Assistance Fund
Fiscal 2018-2019

<u>Jurisdiction</u>	2018		2019	
	<u>Equipment</u>	<u>Facility</u>	<u>Equipment</u>	<u>Facility</u>
Allegany	\$644,370		\$1,297,815	
Anne Arundel			573,678	
Caroline		\$1,755,709		
Carroll			287,800	
Dorchester	477,733		8,815	
Harford			209,304	
Kent	314,895			
St. Mary’s		450,000		
Washington				\$1,527,150
Total	\$1,436,998	\$2,205,709	\$2,377,412	\$1,527,150

Source: Maryland State Firemen’s Association; Maryland Emergency Management Agency

Summary of Other Projects in the Capital Improvement Program

The 2021 CIP includes out-year funding for three projects:

- **White Oak Readiness Center (Montgomery County):** The new readiness center will house all MDNG units currently located at the White Oak facility in addition to one unit from the Adelphi Readiness Center. Planning funds are expected to be appropriated in fiscal 2023, and construction is expected to begin in fiscal 2024. The total project cost will be \$33.5 million.

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- **Frederick Readiness Center (Frederick County):** Planned renovations include fire safety improvements, information technology (IT) upgrades, and facility improvements to accommodate 131 soldiers. Design funds were included in fiscal 2024 to expedite the project due to concerns that the current facility is increasingly unfit to house modern guard units. Construction is set to begin in fiscal 2025. The total project cost is expected to be \$5.5 million. This project is new to the fiscal 2021 CIP.
- **Glen Burnie Readiness Center (Anne Arundel County):** Like the renovations to the Frederick Readiness Center, this facility will be renovated to accommodate 131 soldiers and receive IT upgrades and fire safety improvements. Planning funds are expected to be appropriated in fiscal 2025; the estimated project cost is \$5.9 million. This project is also new to the fiscal 2021 CIP.

Preauthorizations

Exhibit 4 below shows the proposed GO bond preauthorizations. The 2021 CIP proposes a GO bond preauthorization to the level of \$4.5 million, allowing the Board of Public Works to approve the construction contract for the Havre de Grace CSMS Surface Equipment and Automotive Facility in fiscal 2021.

Exhibit 4
Preauthorizations
Fiscal 2022-2025

<u>Project</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Reason</u>
Havre de Grace CSMS Surface Equipment and Automotive Facility	\$4.498	\$0.000	\$0.000	\$0.000	Preauthorization needed to allow the Board of Public Works to approve construction contract in fiscal 2021.

CSMS: Combined Support Maintenance Shop

Source: Department of Budget and Management, 2020 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve the authorization of \$5.049 million in general obligation bonds for the Havre de Grace Combined Support Maintenance Shop Surface Equipment and Automotive Maintenance Facility.
2. Approve the authorization of \$585,000 in general obligation bonds to complete the planning phase for the renovation and expansion of the Maryland Emergency Management Agency's Headquarters.
3. Approve the preauthorization of \$5.048 million in general obligation bonds to complete the construction of the Havre de Grace Combined Support Maintenance Shop Surface Equipment and Automotive Maintenance Facility.