

D50H01 Military Department

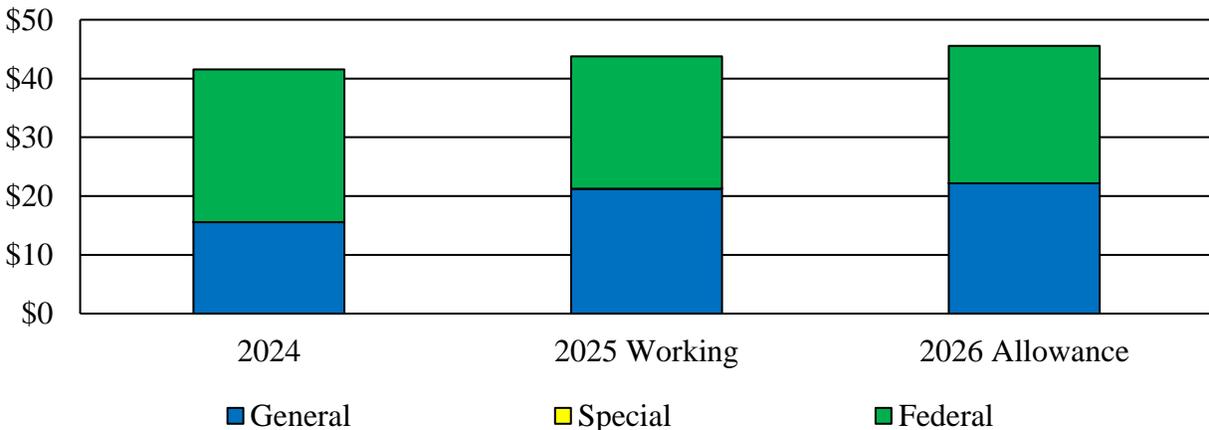
Program Description

The Maryland Military Department provides overall direction and maintenance of the Maryland National Guard (MDNG), which is comprised of the Maryland Army National Guard and the Maryland Air National Guard. The department also includes the MDNG Joint Staff that supports MDNG’s administration, planning, and coordination, and the all-volunteer Maryland Defense Force. MDNG may be called up by the Governor during State emergencies or may be activated by the federal Department of Defense (DoD). Operating expenses of MDNG facilities are a shared State and federal responsibility. During Governor call-ups, MDNG salaries and expenses are the responsibility of the State; the remaining funding for equipment, training, and other federal missions are paid for by the National Guard Bureau (NGB) within DoD.

The Military Department’s goals are to maintain proper readiness of its guardsmen, ensure that all facilities are maintained, provide adequate training and support of MDNG operations, provide at-risk youth with an avenue to success through the Freestate Challenge Academy (FCA), and ensure that veterans are buried with honor and dignity.

Operating Budget Summary

Fiscal 2026 Budget Increases \$1.8 Million, or 4.1%, to \$45.5 Million (\$ in Millions)



Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

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Fiscal 2025

Proposed Deficiency

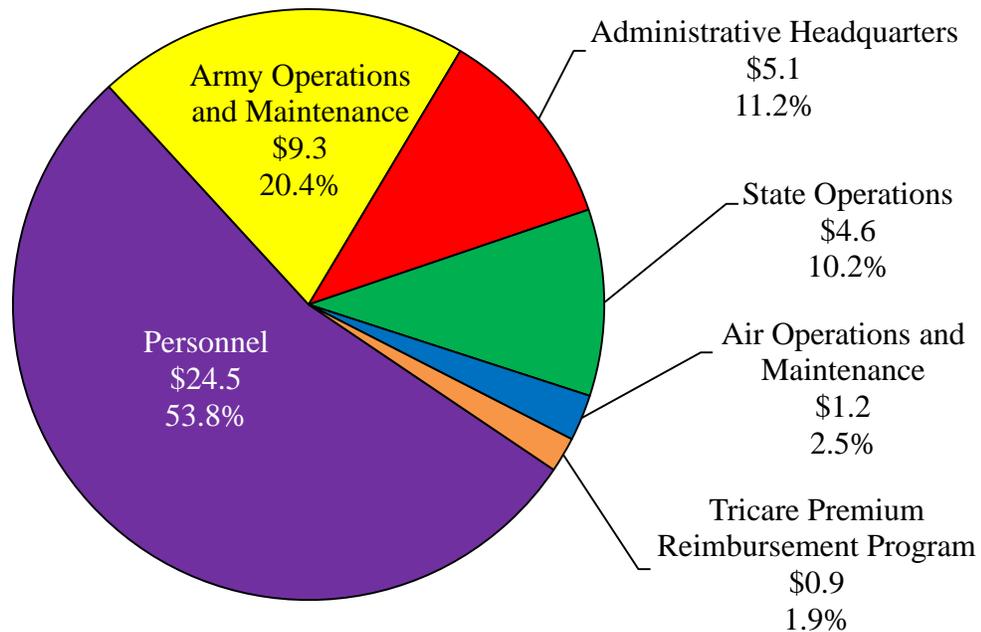
The fiscal 2026 budget includes two proposed fiscal 2025 deficiency appropriations totaling approximately \$2.6 million for the Military Department, which include:

- \$2.6 million in net total funds (\$2.9 million in general funds and -\$306,162 in federal funds) to support the FCA’s full cohort capacity of 300 cadets. Of this proposed deficiency appropriation, approximately \$1.9 million supports the academy’s building renovations and food services for the cadets, and \$226,635 funds salaries and fringe benefits to add 18 staff members to support the two cohorts over a full fiscal year; and
- \$70,161 in general funds for the 44 MDNG members deployed in fiscal 2025 to support Hurricane Helene recovery efforts in North Carolina.

Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance includes a total of \$45.5 million for the Military Department. As shown in **Exhibit 1**, 53.8% of the fiscal 2026 allowance, or \$24.5 million, is budgeted for regular personnel expenses, including 231.5 regular positions. This reflects personnel across the Administrative Headquarters, State Operations, and the Army and Air National Guards. The remaining appropriations reflect each program’s respective operational expenses as well as any grants and subsidies, including the Tricare Premium Reimbursement Program discussed in Key Observation 4 of this analysis.

Exhibit 1
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Millions)



Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2026 Budget Books

The Army National Guard, which provides combat troops to the U.S. Army, engineer transportation and medical units, and military police for State service, accounts for approximately \$9.3 million, or 20.4%, of total nonpersonnel related departmental expenditures in fiscal 2026.

The Air National Guard, which primarily provides air combat forces and aircraft as well as emergency support to the U.S. Air Force and other unified commands, accounts for \$1.2 million, or 2.5%, the smallest nonpersonnel portion of the budget. This difference reflects the fact that the Army National Guard expends more resources on supporting State- or community-based missions while the Air National Guard tends to be more federally focused on its responsibilities. A significant portion of the Military Department’s operations support 100% federally funded missions and operations with funding that does not appear in the State budget.

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The administrative functions performed by the department’s headquarters account for the second smallest portion of the department’s nonpersonnel fiscal 2026 allowance at approximately \$5.1 million, or 11.2%. The State Operations Program primarily includes funding for the FCA program, the Honor Guard, and the Tricare Premium Reimbursement Program. The State Operations Program accounts for approximately \$5.5 million, or 12.1%, and funding is split between general and federal fund support.

Proposed Budget Change

As shown in **Exhibit 2**, the fiscal 2026 allowance of the Military Department increases by \$1.8 million, or 4.1%, over the fiscal 2025 working appropriation after accounting for the proposed deficiency appropriations. General funds increase by \$928,662, or 4.4%, and federal funds increase by \$863,604, or 3.8%. This includes \$432,860 attributed to the net addition of 4 new positions in fiscal 2026.

**Exhibit 2
Proposed Budget
Military Department
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
Fiscal 2024 Actual	\$15,544	\$5	\$26,001	\$41,551
Fiscal 2025 Working Appropriation	21,254	5	22,492	43,751
Fiscal 2026 Allowance	<u>22,183</u>	<u>5</u>	<u>23,356</u>	<u>45,543</u>
Fiscal 2025-2026 Amount Change	\$929	\$0	\$864	\$1,792
Fiscal 2025-2026 Percent Change	4.4%		3.8%	4.1%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Salary increases and associated fringe benefits, including fiscal 2025 COLA and increments and proposed deficiency	\$1,921
Employee and retiree health insurance	493
Salaries and fringe benefits for 4 contractual conversions.....	433
Workers’ compensation	15
Turnover increases from 7.20% to 7.22%	-4
Other Changes	
Insurance coverage paid to the State Treasurer’s Office	89

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Where It Goes:	<u>Change</u>
Cost allocations, mainly due to DoIT service allocation	82
700 MHz Radio system operating cost	53
Travel and training expenses, including training for FCA GED instructors	42
Maryland Environmental Service charges	34
Communication, advertising, and administrative fees	22
Construction of wireless telecommunications infrastructure	-125
Contracts for operations, including food services for the cadets, maintenance, and repairs for FCA	-172
Building and HVAC repair and maintenance for the Army National Guard facilities.....	-253
One-time funding in fiscal 2025 to replace 7 old vehicles.....	-391
Fiscal 2025 travel expense deficiencies for Hurricane Helene emergency response in North Carolina and FCA program to run its full cohort capacity	-412
Other expenses	-34
Total	\$1,792

COLA: cost-of-living adjustments
DoIT: Department of Information Technology
FCA: Freestate ChalleNGe Academy
MHz: megahertz

Note: Numbers may not sum to total due to rounding. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Personnel Data

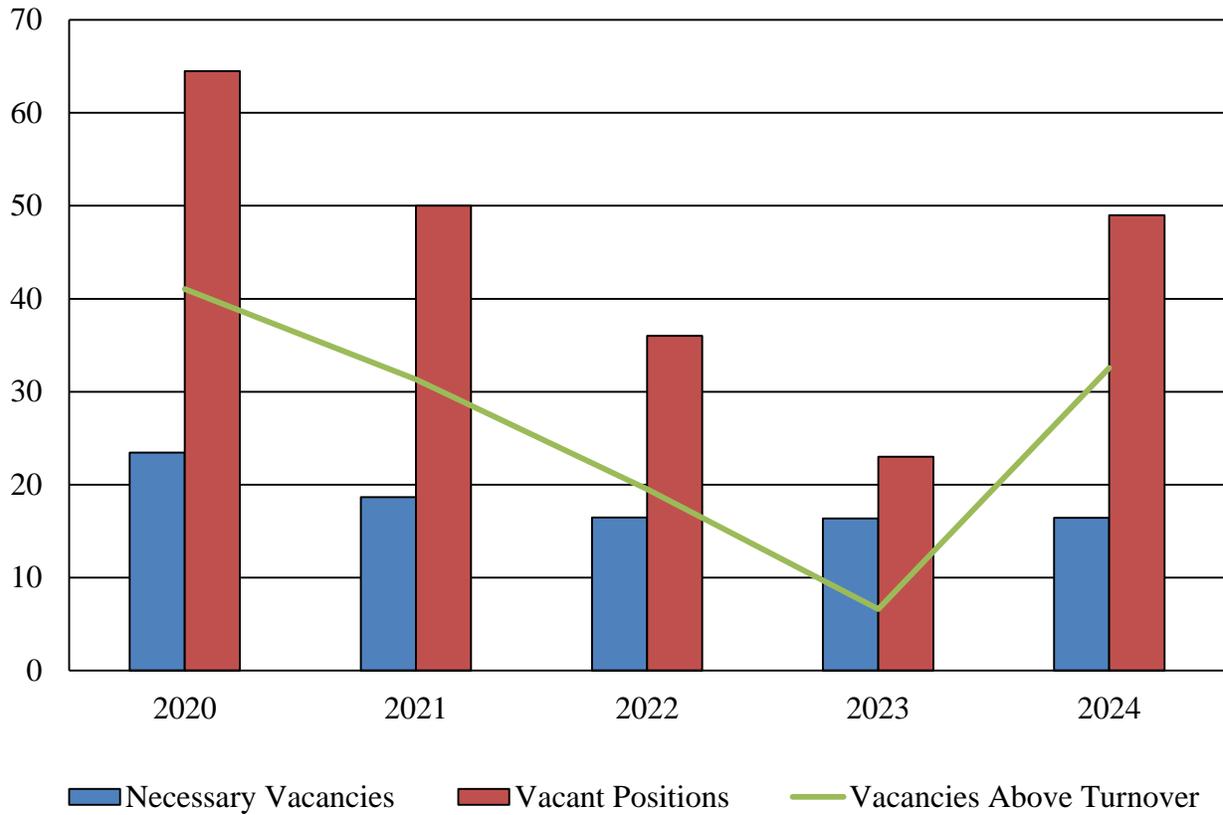
	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 25-26</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	227.50	227.50	231.50	4.00
Contractual FTEs	<u>47.00</u>	<u>13.00</u>	<u>20.00</u>	<u>7.00</u>
Total Personnel	274.50	240.50	251.50	11.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	16.43	7.22%
Positions and Percentage Vacant as of 12/31/24	49.00	21.54%
Vacancies Above Turnover	32.57	

- The fiscal 2026 allowance includes 4 contractual conversions: 2 program managers that will coordinate MDNG’s electronic security system program; and 2 military youth counselors for FCA that will directly work with staff in supervising and monitoring behavior of cadets in the academy. A total of 11 new contractual full-time equivalent positions offset the 4 contractual conversions for a net increase of 7 positions. These positions will be responsible for burial of service members.
- Of the 49 vacant positions reported as of December 31, 2024, 9 positions have been vacant for more than 1 year, 24 positions have been vacant between six months and one year, and 16 positions have been vacant for less than six months. **The Department of Legislative Services (DLS) recommends deleting 5 of the long-term vacant positions, for a reduction of \$86,387 in general funds and \$195,832 in federal funds.**
- **Exhibit 3** shows that the vacancies in the Military Department have been higher than necessary to meet the budgeted turnover rate each year. While December vacancies consistently decreased compared to the prior year from calendar 2020 to 2023, December 2024 vacancies more than doubled to 49 vacant positions from 23 unfilled positions in December 2023. The Military Department noted that the department implemented an internal hiring freeze due to operating budget shortfalls, resulting in higher vacancies. **The Military Department should comment on the impact of the increase in vacant positions on agency operations and discuss its plan to improve staffing levels, including a status update on its internal hiring freeze. DLS recommends adopting committee narrative requesting a report on the status of all vacant positions in the Military Department, planned or enacted changes to vacant positions, and active recruitment efforts to fill vacant positions.**

Exhibit 3
Vacancy Trends as of December 31
Calendar 2020-2024



Source: Department of Budget and Management; Department of Legislative Services

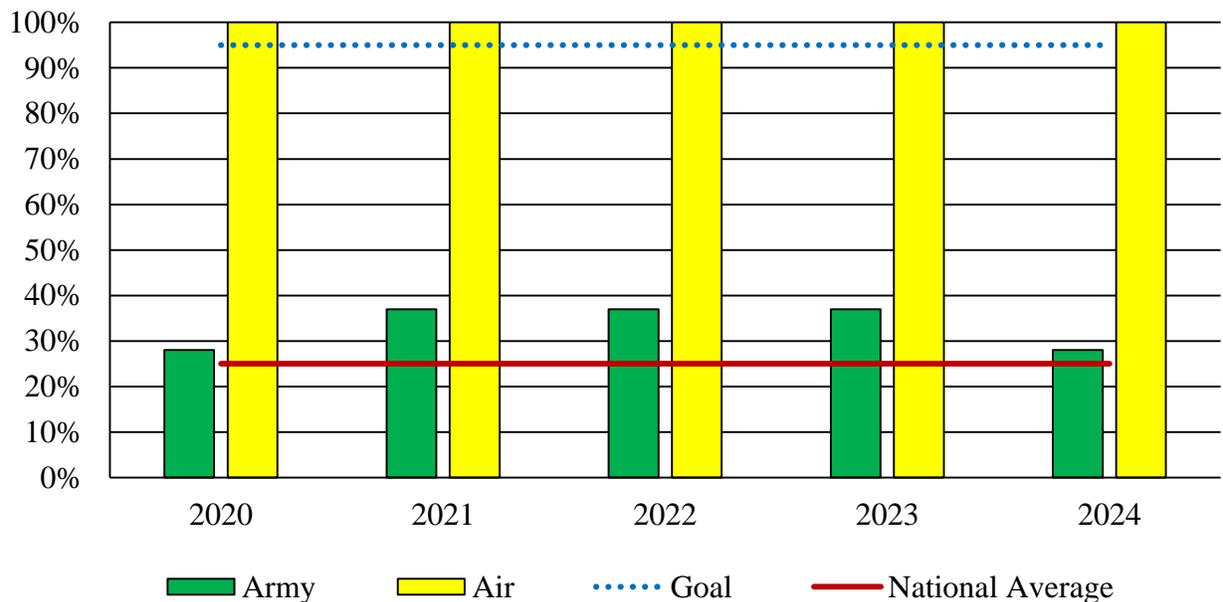
Key Observations

1. Army National Guard Facility Readiness Declines

All MDNG facilities and real property support the operation 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. Funding is split between federal and State funds depending on the facility through a cooperative agreement with the DoD NGB.

Exhibit 4 shows the percentage of air and army facilities that are currently in fully functional status between fiscal 2020 and 2024. The Maryland Air National Guard has consistently maintained 100% functionality in their facilities. The Maryland Army National Guard facility functionality decreased to 28% in fiscal 2024, a 9 percentage point decrease from fiscal 2023, returning to the fiscal 2020 level. While this is above the national average of 25%, it is well below MDNG’s goal of 95%. **The Military Department should explain the reasons for reduced Maryland Army National Guard facility readiness in fiscal 2024.**

Exhibit 4
Functional Status of National Guard Facilities
Fiscal 2020-2024



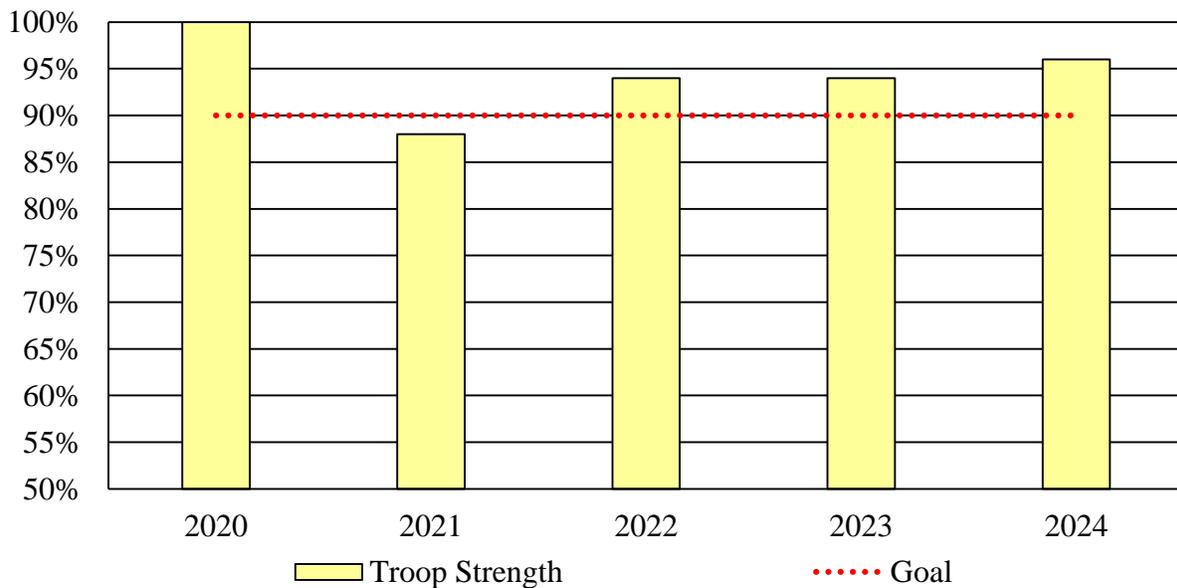
Source: Department of Budget and Management

The fiscal 2026 allowance includes \$1.8 million split between general and federal funds for contracts and grants for Army National Guard facility maintenance. This amount is \$703,091, or 28.2%, lower than the fiscal 2025 working appropriation.

2. National Guard Troop Strength Continues to Surpass Department Goals

It is MDNG’s goal to attain 90% of the federally defined authorized troop strength. As shown in **Exhibit 5**, the department exceeded this goal each year from fiscal 2020 through 2024, except in fiscal 2021. The department achieved an authorized troop strength of 100% in fiscal 2020. However, in fiscal 2021, the figure declined to 88% primarily due to COVID-19. The authorized troop strength has nearly recovered, reaching 94% each year in fiscal 2022 and 2023 and 96% in fiscal 2024. This recovery is due to changes in recruitment and retention screening protocols to retain and assess personnel to comply with DoD requirements.

Exhibit 5
Maryland National Guard Authorized Troop Strength
Fiscal 2020-2024



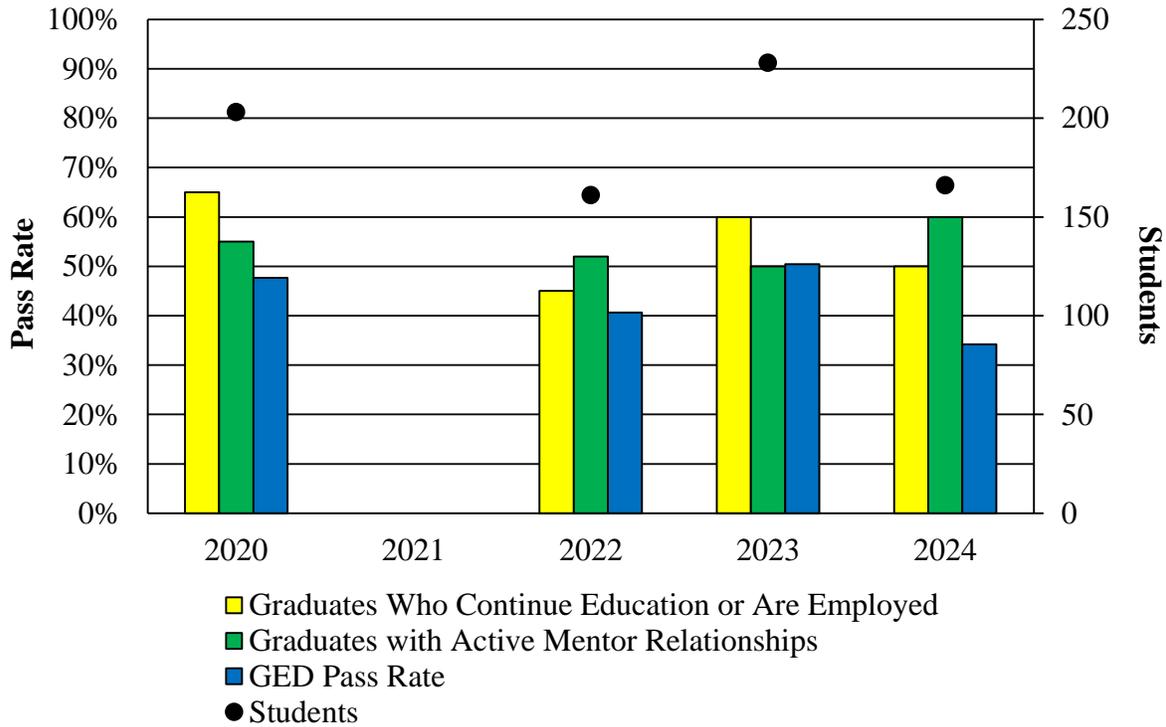
Source: Department of Budget and Management

3. Freestate Challenge Academy Operations Decrease

FCA is a State-run 22-week residential program that is followed by a 12-month post-residential intervention phase for 16- to 18-year-olds who have dropped out of high school or are at risk of dropping out. MDNG typically operates two classes of about 100 students annually. In response to the COVID-19 pandemic, FCA released its class in session on March 13, 2020, to complete the remainder of its residential phase virtually. With the approval of NGB, FCA did not hold the two classes that were planned for fiscal 2021. During fiscal 2020 and early fiscal 2021, most FCA staff were reallocated to support pandemic relief measures. FCA used the funds budgeted for fiscal 2021 to begin construction on infrastructure improvements that will benefit future students and staff. In 2023 session budget hearing testimony, the Military Department noted that Phase II of the FCA renovation project was in progress. **The Military Department should provide a status update on the FCA renovation project.**

Exhibit 6 presents information on the number of students in recent years along with select measurements of the program's success. MDNG typically has a goal of having 200 FCA graduates annually, but this goal was changed for fiscal 2022. The goal was set to approximately 150 – a 25% reduction for each class – to assist with social distancing efforts and to maintain a safe and secure environment within the academy. Additionally, due to COVID-19 restrictions, FCA conducted only one cadet class in fiscal 2022, while two cadet classes were conducted in all other fiscal years. In fiscal 2024, 166 students enrolled in the program, a 27.2% decrease from fiscal 2023 and a 18.2% decrease from fiscal 2020. FCA aims to have at least 80% of its graduates continue their schooling, find employment, or enter the military, although it has yet to meet this goal. In fiscal 2024, the FCA class had a GED pass rate of 34%, a decrease of 16 percentage points from fiscal 2023 and the lowest GED pass rate over the period shown. Additionally, 50% of graduates continued to additional schooling, employment, or the military in fiscal 2024, a 10 percentage point decrease from fiscal 2023.

**Exhibit 6
Freestate Challenge Academy Performance Measures
Fiscal 2020-2024**



Source: Department of Budget and Management

The Military Department notes that the 22-week residential program requires dedicated staff to supervise the cadets under specific adult-to-cadet supervision ratios. Due to a funding shortfall in fiscal 2024, the instructional staff positions were reduced, which directly impacted cadet enrollment. A supplemental deficiency appropriation in the fiscal 2025 Budget Bill included \$800,000 in general funds to provide additional funds for State Active Duty activation for the fiscal 2024 FCA Spring cohort. This supplemental budget item increased the fiscal 2024 general fund appropriation for the State Operations program under which FCA is housed to a total of \$4.3 million. The fiscal 2025 working appropriation increases by \$3.2 million in general funds, or 74.8%, over that funding level after accounting for the proposed deficiency appropriation included in the fiscal 2026 allowance.

Committee narrative in the 2024 *Joint Chairmen’s Report* (JCR) requested that the Military Department submit a report on FCA’s teaching staff and mentors, its long-term staffing plan highlighting strategies to hire and retain staff, including information on the status of FCA staff who were reallocated during fiscal 2020 and early fiscal 2021 to support pandemic relief measures.

The department noted that, as of October 1, 2024, FCA’s authorized teaching, mentor, and volunteer positions were filled. The Military Department planned to increase the size of the cadet class beginning in January 2025 and recruit more mentors for the increased cadet class size. Regarding its long-term staffing plan, the department noted that the turnover at FCA was relatively low and that these positions received a one-grade increase effective July 1, 2023. In the department’s response on the status of FCA staff who were reallocated to support pandemic relief measures, it was reported that 12 employees were still on board with FCA.

4. Tricare Premium Reimbursement Program

Chapter 612 of 2023 established the Tricare Premium Reimbursement Program in the Military Department, which officially launched on November 1, 2023. Under the program, the Military Department may award grants to an eligible recipient who meets the reimbursement application requirements for a premium paid for individual or dependent coverage under Tricare Reserve Select (TRS) or the Tricare Dental Program. An eligible recipient means an individual who is eligible for TRS and a member of MDNG. Chapter 745 of 2024 removed the prior reimbursement limit of up to \$60 per month although the total amount of grants awarded in a fiscal year may not exceed the program’s annual appropriation.

Committee narrative in the 2024 JCR requested that the Military Department submit a report on Tricare Premium Reimbursement program implementation, participation, and average grant amounts for fiscal 2024 and 2025 separately. The Military Department submitted its report on December 4, 2024, and noted that as of report submission, 952 service members, or 75.6%, of eligible MDNG members actively participated in the reimbursement program. Of the 952 enrolled service members, 665 are Army National Guard members, and 287 are Air National Guard members. The department plans to implement targeted promotions through social media, have active engagement during military drill weekends, collaborate with Recruitment and Retention teams, and provide consistent monthly reminders to submit reimbursement requests through a simplified documentation process to increase program participation.

The report noted that 691 out of 848 enrolled members submitted reimbursement claims by the end of fiscal 2024 resulting in an average monthly reimbursement of \$49.29 per service member since the program began in November 2023. Following the enactment of Chapter 745, the monthly reimbursement cap increased to \$150 resulting in an increase in the average premium effective January 2025. The average monthly premium for member-only plans increased to \$82.84 per month in calendar 2025, or by 59.5%, compared to calendar 2024. Similarly, the average premium for members with family plans increased to \$349.54 per month, or by 36.1% compared to calendar 2024.

DLS recommends adopting committee narrative to request a report on the Tricare Premium Reimbursement program, highlighting program participation and rates, reimbursement claims submitted year to date, average premium amount for fiscal 2026, and how it plans to increase program enrollment.

5. D.C. Air Guard Flying Squadron Added to Maryland Air National Guard

A press release issued by the Governor’s Office on December 23, 2024, announced that the 121st Fighter Squadron, previously part of the District of Columbia Air National Guard, will transition to the Maryland Air National Guard and will allow the State to maintain a flying mission as the fighter jets of the 104th Fighter Squadron are scheduled to be divested in September 2025. **The Military Department should comment on how this transition of the 121st Fighter Squadron to the Maryland Air National Guard and the planned divestment of the 104th Fighter Squadron will impact the department’s operations and budgetary requirements.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

Report on Maryland Military Department Efforts to Fill Vacant Positions: As of December 31, 2024, the Military Department had 49 vacant positions, 9 of which had been unfilled for more than one year. Given that the department was making consistent progress in filling vacant positions until fiscal 2023, the vacancies in fiscal 2024 reflect a significant increase, more than double the 23 vacancies reported as of December 31, 2023. The Military Department reported that a key reason for the increase in vacancies was an internal hiring freeze in fiscal 2024 implemented in response to funding shortfalls. The committees request that the Military Department submit a report on the status of all December 2024 vacant positions, the status of the internal hiring freeze, and active recruitment efforts to fill vacant positions.

Information Request	Author	Due Date
Report on Military Department efforts to fill vacant positions	Military Department	August 1, 2025

	<u>Amount Change</u>		<u>Position Change</u>
2. Reduce general and federal funds to delete 4.0 long-term vacant positions within the Army Operations and Maintenance program.	-\$ 60,319	GF	
	-\$ 168,092	FF	-4.0
3. Reduce general and federal funds to delete 1.0 long-term vacant position within the State Operations program.	-\$ 26,068	GF	
	-\$ 27,740	FF	-1.0
4. Adopt the following narrative:			

Tricare Premium Reimbursement Program Update: The committees are interested in better understanding the Tricare Premium Reimbursement program, including program participation and outreach activities performed to increase enrollment. The committees request that the Military Department submit a report highlighting program participation and rates, reimbursement claims submitted year to date, and average grant amounts for fiscal 2026. In addition, the report should include information about how the department plans to increase program enrollment.

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Information Request	Author	Due Date	
Tricare Premium Reimbursement program participation	Military Department	December 31, 2025	
Total Net Change		-\$282,219	-5.0
Total General Fund Net Change		-\$86,387	
Total Federal Fund Net Change		-\$195,832	

Appendix 1
2024 Joint Chairmen’s Report Responses from Agency

The 2024 JCR requested that the Military Department prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Tricare Premium Reimbursement Program Participation:*** The Tricare Premium Reimbursement program was launched on November 1, 2023. The committees requested that the Military Department submit a report on program implementation, including the participation rate, average grant amounts separately for fiscal 2024 and 2025 year to date, and the Military Department’s plan to increase program participation. Further discussion of the Tricare Premium Reimbursement program can be found in Key Observation 4 of this analysis.

- ***FCA Staffing Requirements:*** FCA is a State-run 22-week residential program for 16- to 18-year-olds who have dropped out of high school or are at risk of dropping out. The committees requested that the Military Department submit a report on the status of the academy’s teaching staff and its future staffing requirement. Further discussion of FCA can be found in Key Observation 3 of this analysis.

**Appendix 2
Audit Findings**

Audit Period for Last Audit:	May 21, 2019-June 15, 2023
Issue Date:	June 2024
Number of Findings:	3
Number of Repeat Findings:	3
% of Repeat Findings:	100%
Rating: (if applicable)	N/A

Finding 1: The Military Department divided purchases of certain goods and services in multiple procurements, circumventing control agency approvals and cardholder single transaction limits. Consequently, the State’s purchasing power was potentially not maximized.

Finding 2: The department did not always submit requests for reimbursement of federal fund expenditures in a timely manner, resulting in lost interest income totaling at least \$123,000 for the 10 transactions tested.

Finding 3: The department did not ensure all outstanding timesheet discrepancies were resolved for the biweekly payroll and that adjustments to employee leave balances were subject to independent review and approval.

*Bold denotes item repeated in full or part from preceding audit report.

**Appendix 3
Object/Fund Difference Report
Military Department**

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	227.50	227.50	231.50	4.00	1.8%
02 Contractual	47.00	13.00	20.00	7.00	53.8%
Total Positions	274.50	240.50	251.50	11.00	4.6%
Objects					
01 Salaries and Wages	\$ 19,950,557	\$ 21,420,928	\$ 24,481,015	\$ 3,060,087	14.3%
02 Technical and Special Fees	3,182,043	930,528	904,349	-26,179	-2.8%
03 Communication	915,872	1,092,633	1,151,939	59,306	5.4%
04 Travel	134,432	9,677	51,527	41,850	432.5%
06 Fuel and Utilities	3,997,226	2,333,464	2,367,161	33,697	1.4%
07 Motor Vehicles	256,198	594,268	212,517	-381,751	-64.2%
08 Contractual Services	7,810,736	8,665,036	10,398,525	1,733,489	20.0%
09 Supplies and Materials	484,116	431,352	477,328	45,976	10.7%
10 Equipment – Replacement	373,358	84,618	89,618	5,000	5.9%
11 Equipment – Additional	214,663	0	2,500	2,500	N/A
12 Grants, Subsidies, and Contributions	791,150	1,496,506	1,496,506	0	0%
13 Fixed Charges	666,580	750,177	844,298	94,121	12.5%
14 Land and Structures	2,773,607	3,315,385	3,065,897	-249,488	-7.5%
Total Objects	\$ 41,550,538	\$ 41,124,572	\$ 45,543,180	\$ 4,418,608	10.7%
Funds					
01 General Fund	\$ 15,544,194	\$ 18,321,575	\$ 22,182,741	\$ 3,861,166	21.1%
03 Special Fund	4,857	4,857	4,857	0	0%
05 Federal Fund	26,001,487	22,798,140	23,355,582	557,442	2.4%
Total Funds	\$ 41,550,538	\$ 41,124,572	\$ 45,543,180	\$ 4,418,608	10.7%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.