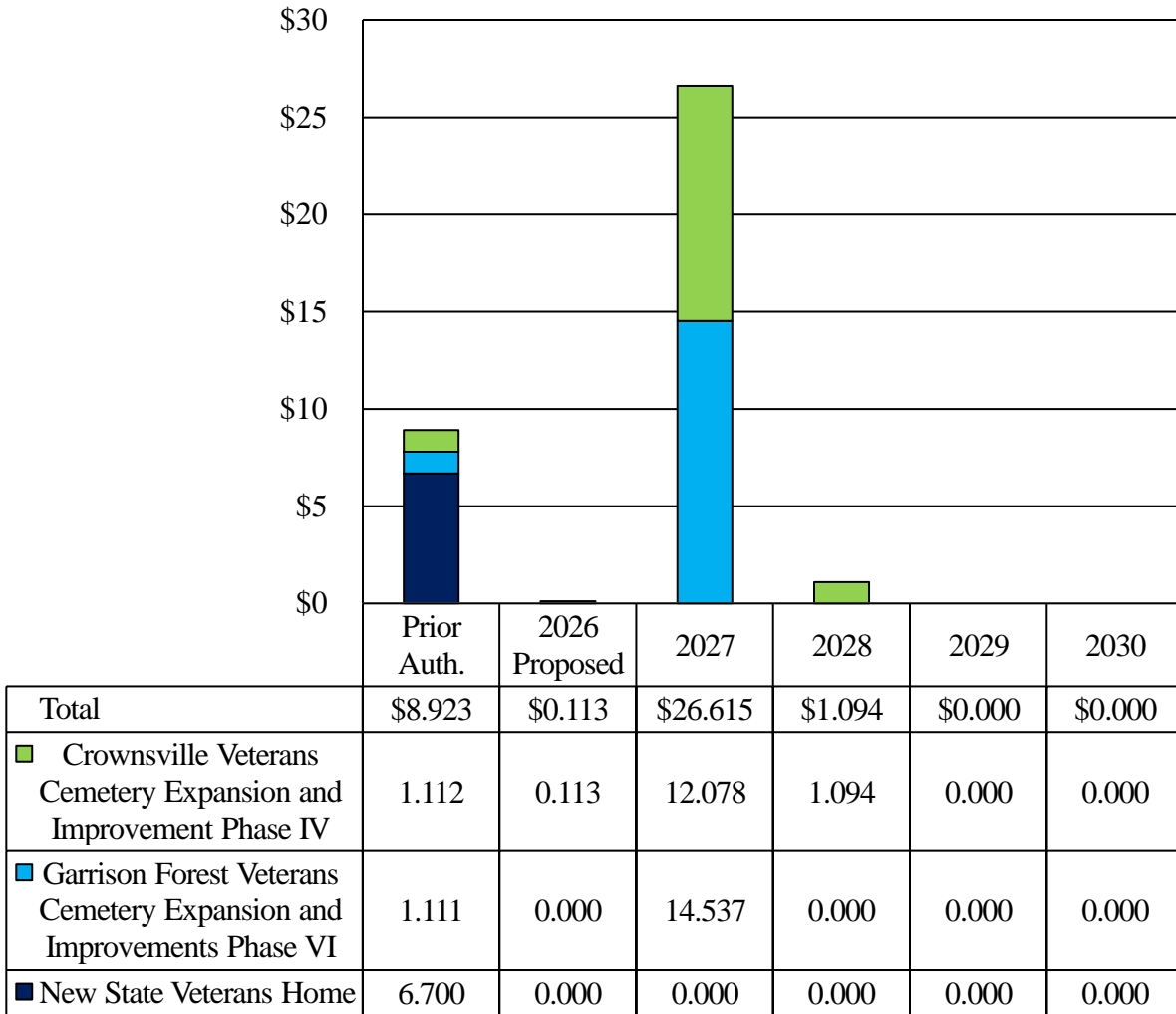


DP00
Department of Veterans and Military Families

Capital Budget Summary

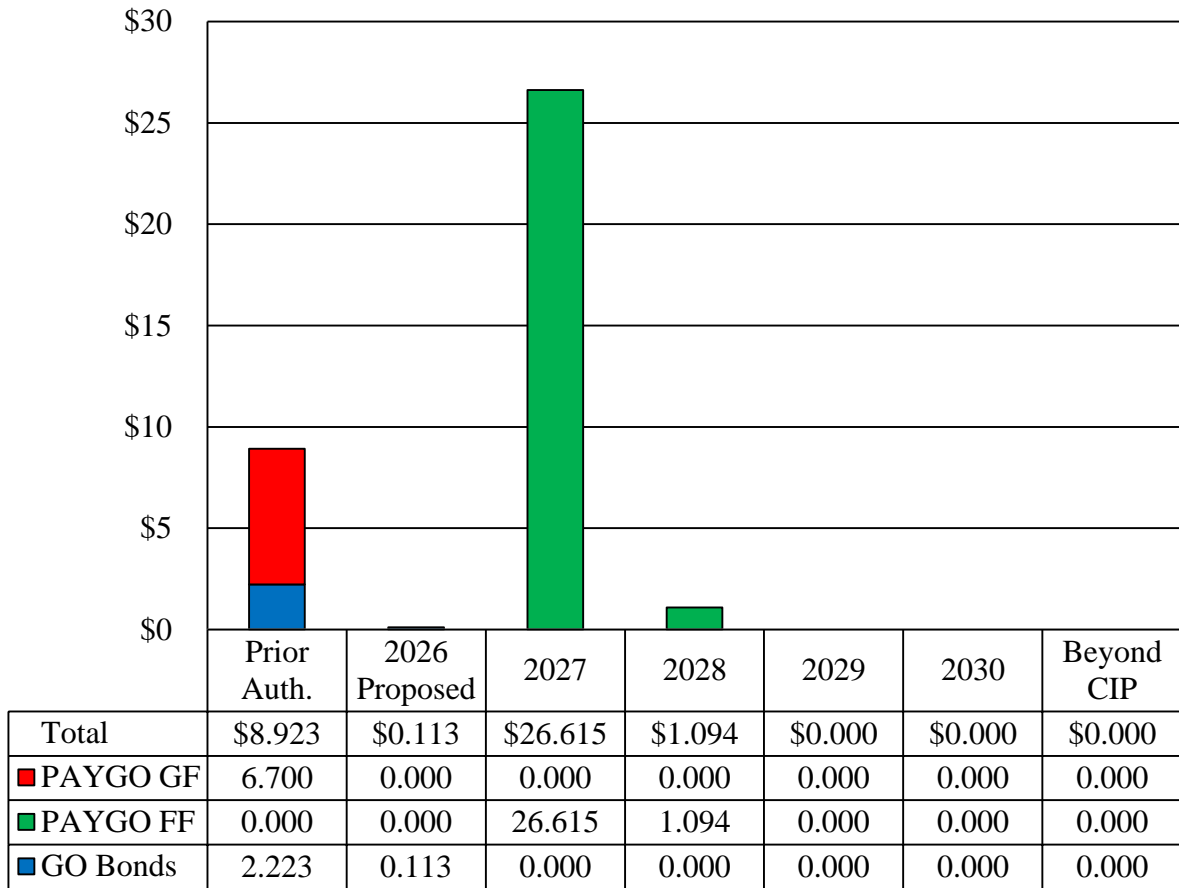
State-owned Capital Improvement Program
(\$ in Millions)



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CIP: *Capital Improvement Program*
 FF: federal funds
 GF: general funds

GO: general obligation
 PAYGO: pay-as-you-go

Note: The prior authorization amount reflected for the New State Veterans Home project accounts for the proposed transfer of \$62.9 million of general funds from the Dedicated Purpose Account (DPA) as proposed in the Budget Reconciliation and Financing Act of 2025 and the cancellation of fiscal 2025 federal fund appropriation of \$47.9 million as the project did not receive a federal award under the U.S. Department of Veterans Affairs State Veterans Home Construction Grant Program. After accounting for the proposed transfer and reduction, the amount of prior authorization funds for the new State veterans home includes \$4.2 million that was transferred from the DPA to the Department of General Services in fiscal 2023 and \$2.5 million that remains in the DPA to complete the project design.

Key Observations

- ***Federal Fund Status for Cemetery Expansion Projects:*** Federal funds for the Department of Veterans and Military Families’ (DVMF) Crownsville Veterans Cemetery and Garrison Forest Veterans Cemetery will come from the U.S. Department of Veterans Affairs (USDVA) Veterans Cemetery Grant Program (VCGP) in the amounts of \$26.6 million and \$1.1 million in fiscal 2027 and 2028, respectively. It was anticipated that federal funding for both projects would commence in fiscal 2026. DVMF advises that the State’s residency requirement, which requires specified veterans to be a Maryland resident to be buried in a State veterans cemetery, has delayed the federal grant awards. DVMF notes that USDVA requires no State residency requirement for State cemetery projects to be eligible for the VCGP grant. Departmental bills HB 138 and SB 237 introduced in the 2025 session establish the Burial Equity Act that removes the State residency requirement in order for specified veterans to be buried in a state veterans cemetery, making the State eligible for the VCGP. Even if the changes to the residency requirement are enacted, neither the Crownsville nor Garrison Forest project have progressed enough through the design phase to require federal funds in fiscal 2026.
- ***New State Veterans Home Removed from the Capital Improvement Program (CIP):*** The new State Veterans Home project did not receive a federal award under the USDVA State Veterans Home Construction Grant Program (SVHCGP). A provision in the proposed Budget Reconciliation and Financing Act (BRFA) of 2025 transfers \$62.9 million from the Dedicated Purpose Account (DPA) appropriated for the new veterans’ home construction to general funds as this project has been canceled because necessary federal grants were not awarded. Approximately \$69.2 million in general funds have been provided for this project over fiscal 2023 and 2024. After this proposed transfer, \$2.5 million will remain to complete the project design, which is currently underway, utilizing State general funds. This is discussed in detail in the Summary of Out-year State-owned Projects section of the analysis.
- ***Charlotte Hall Veterans Home Renovation Assessment Yet to Begin:*** The Charlotte Hall Veterans Home (CHVH) is the only existing veterans’ home in the State. DVMF’s long-term plan included renovating CHVH after the completion of the new State veterans home project. However, due to unavailability of federal funds, the new State veterans home project is currently on hold, and it is uncertain when the project will receive federal funds to begin construction. This uncertainty also impacts CHVH renovations plan. As of July 17, 2024, DVMF noted that the department had not commissioned a building condition assessment in preparation for the CHVH renovation project and that a facility plan did not exist.

GO Bond Recommended Actions

1. Approve the \$113,000 in general obligation bonds for the Crownsville Veterans Cemetery Expansion and Improvements Phase IV.

Summary of Fiscal 2026 Funded State-owned Projects

Crownsville Veterans Cemetery Expansion and Improvements Phase IV

Project Summary: This project will add approximately 5,064 casketed gravesites and multiple 2,171-niche columbarium structures. The expansion project includes construction of a new administration building and a four-bay maintenance garage including parking space. Site enhancements will include improving the existing irrigation system, the storm water management system, and landscaping. This project received its first State funding in fiscal 2025.

New/Ongoing: Ongoing								
Start Date: March 2025					Est. Completion Date: August 2027			
Fund Sources:								
(\$ in Millions)	Prior Auth.	2026	2027	2028	2029	2030	Beyond CIP	Total
GO Bonds	\$1.112	\$0.113	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$1.225
FF	0.000	0.000	12.078	1.094	0.000	0.000	0.000	13.172
Total	\$1.112	\$0.113	\$12.078	\$1.094	\$0.000	\$0.000	\$0.000	\$14.397
Fund Uses:								
(\$ in Millions)	Prior Auth.	2026	2027	2028	2029	2030	Beyond CIP	Total
Planning	\$1.112	\$0.113	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$1.225
Construction	0.000	0.000	12.031	1.094	0.000	0.000	0.000	13.125
Equipment	0.000	0.000	0.047	0.000	0.000	0.000	0.000	0.047
Total	\$1.112	\$0.113	\$12.078	\$1.094	\$0.000	\$0.000	\$0.000	\$14.397

- **Need:** DVMF operates a cemetery program encompassing five veteran cemeteries. These cemeteries allow for the burial of veterans of the U.S. Armed Forces, those who served in the National Guard and Reserves, and their eligible dependents. Additionally, to be eligible for federal grants, DVMF is required to remove the State residency requirement for burial in a State veterans cemetery starting in January 2025, which could further increase the demand for burial services. The current capacity at Crownsville Veterans Cemetery is 26,587, and the columbarium space is projected to be exhausted by fiscal 2028. DVMF and the Department of Budget and Management (DBM) estimate that this expansion will add a minimum of 10 years of capacity to Crownsville Veterans Cemetery. General obligation (GO) bonds provided by the State for the design of this project will be reimbursed through the VCGP, and construction will be entirely federally funded.

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- ***Project Status and Schedule:*** The current project schedule has been delayed six months due to the review and approval process of the facility program’s part I and part II by DBM and the Department of General Services. The project’s design is now scheduled to begin in March 2025 with an estimated close of March 2026. The project’s construction is estimated to begin in August 2026 and complete in August 2027.
- ***Changes:*** The fiscal 2026 recommendation of \$113,000 is \$4.8 million less than the requested amount due to a delay in the project schedule that deferred the federal fund request from fiscal 2026 to 2027. The total estimated project cost has increased by 23% to \$14.4 million in the fiscal 2026 CIP compared to \$11.1 million in the fiscal 2025 CIP. DVMF notes that most of this increase is attributable to the installation of preplaced crypts that were incorrectly included as adjustments in previous cost estimates for the project. The \$113,000 of GO bond funds proposed for fiscal 2026 is needed to fully fund the project design contract, which the State initially funds and is later reimbursed with federal funds when the VCGP award is made available.
- ***Concerns:*** USDVA requires state cemeteries to remove the state residency requirement for burial in a state veterans cemetery. Departmental bills HB 138 and SB 237 establish the Burial Equity Act that removes the residency requirement in line with the USDVA requirement. If legislation removing the residency requirement fails, the project will not be eligible for federal award and could be further delayed.
- ***Operating Impact:*** It is expected that 2 full time-equivalent positions will be needed starting in fiscal 2028 to account for the care of additional gravesites. The impact of this project to the operating budget is estimated at \$158,041 in fiscal 2028, \$190,729 in fiscal 2029, and \$196,734 in fiscal 2030. DVMF notes that staffing requirements may be reassessed upon completion of the project.

Summary of Out-year State-owned Projects

1. Garrison Forest Veterans Cemetery Expansion and Improvements Phase VI

The Garrison Forest Veterans Cemetery Expansion and Improvements Phase VI project adds an estimated 4,200 preplaced crypts, 2,300 columbarium wall niches, and 1,700 in-ground cremains plots. The facilities to be constructed include a new fuel station and three-bay vehicle storage building with two service bays, a wash bay, locker rooms, and a break room. Site improvements include roadways, walkways to expanded columbarium sites, employee parking expansion, security fencing, enhancements to the existing irrigation system, and stormwater management facilities.

The Garrison Forest Veterans Cemetery Expansion and Improvements Phase VI received its first funding in fiscal 2024. It was previously estimated to be completed in fiscal 2027. Due to a delay in the project’s schedule, funding scheduled for fiscal 2025 was deferred to fiscal 2026. However, due to the need to remove State residency requirement to be eligible for VCGP, the project’s previously estimated need for fiscal 2026 funding has been further deferred to fiscal 2027. This is in anticipation that departmental bills HB 138 and SB 237 introduced in the 2025 session, which will remove the State residency requirement and make the project eligible for VCGP starting fiscal 2027. Even if the changes to the residency requirement are enacted, the project has not progressed enough through the design phase to require federal funds in fiscal 2026. **DVMF should brief the committees on the status of the Garrison Forest Veterans Cemetery project and the possibility of the project being eligible for the federal VCGP award in fiscal 2026.**

DVMF should brief the committees on the current ranking of both cemetery projects on the VCGP priority list and the likelihood of both projects receiving a federal award to begin construction in fiscal 2027.

Issues

1. Future of New State Veterans Home Project

Maryland’s plan to build a new veteran’s home is on hold following notification in November 2024 that the State was not selected for federal funding through the latest round of USDVA SVHCGP grant awards. The project is intended to provide the State’s aging veteran population with a 128-bed skilled nursing facility centrally located in Sykesville, Maryland, with easier access to hospitals and healthcare workers. Completion of the project would also facilitate the eventual renovation of the State’s only other existing veteran home – CHVH, which is functionally inadequate and beyond its useful life without significant, major renovations.

In March 2022, DVMF made application to USDVA SVHCGP, which provides grants to States for 65% of total project expenditures for facilities that provide veterans with skilled nursing and health care facility. To be eligible as a Priority I applicant under the program, States must appropriate their 35% cost share while awaiting notification of federal award. An additional requirement is for State applicants to fund, procure and complete the project design utilizing State appropriations. To facilitate the State’s application, the State appropriated \$63.3 million and \$6.3 million to the DPA in fiscal 2023 and 2024, respectively, for what was an estimated total project cost of \$198.8 million, satisfying the requirement for upfront State appropriation. In anticipation of receiving federal grant award, the State fiscal 2025 budget also included a federal fund appropriation of \$47.9 million with the remaining federal cost share of \$81.3 million programmed for fiscal 2026 and 2027. Project design was initiated in July 2023 with completion of all construction documents anticipated in June 2025 at a cost of \$7.0 million and funded completely with State funds.

Despite the State's efforts to meet all the federal requirements and the significant expenditure of State funds to complete the project design phase, the State was not awarded a USDVA SVHCGP grant in the federal fiscal 2024 budget round. Furthermore, DVMMF reports that the State's application now ranks eightieth out of 81 Priority I applications, and it appears highly unlikely that the State will receive a federal award in the near term. To better understand the State's position, there is approximately \$1.1 billion of eligible federal participation ahead of the State's application on the Priority I list competing for approximately \$150 million of federal grant awards annually (DVMMF notes that the USDVA's budget for SVHCGP was \$150 million in fiscal 2023, \$164 million in fiscal 2024, and \$150 million in fiscal 2025). While DVMMF advises that USDVA occasionally clears the Priority I backlog, this last occurred in federal fiscal 2018 when \$615 million of grant awards were made.

Due to the low probability of a federal award and the State's negative fiscal outlook, a component of the Governor's fiscal 2026 budget plan includes the proposed transfer of \$62.9 million in the DPA for the project (Section 13, Item (2), of the BRFA of 2025) to the General Fund. This leaves \$2.5 million in the DPA to fund the remaining contracted design work. If adopted, the proposed transfer would take place on or before June 30, 2025, and once made, the State will no longer be eligible for a Priority I award.

If the State were to lose the federal grant due to unavailability of the State's 35% matching fund, DVMMF notes that the State's application will drop to Priority List II but will move back to Priority List I once the State fund is restored. While the grant application will not need to be resubmitted, it will need to be updated each fiscal year in August, and updating the State matching fund availability is one of the requirements.

One option that remains, although unlikely in the current fiscal climate, is for the State to fund the entire project with State funds. DVMMF advises that the project would still be eligible for federal reimbursements from USDVA for 65% of the total project expenditures pending a federal award. While this would enable the State to bring this facility online and help address the State's unmet bed needs in a more expedited fashion, the State would need to fit approximately \$200 million into an already fully subscribed State five-year CIP, while also potentially having to wait a significant period of time before federal reimbursement takes place.

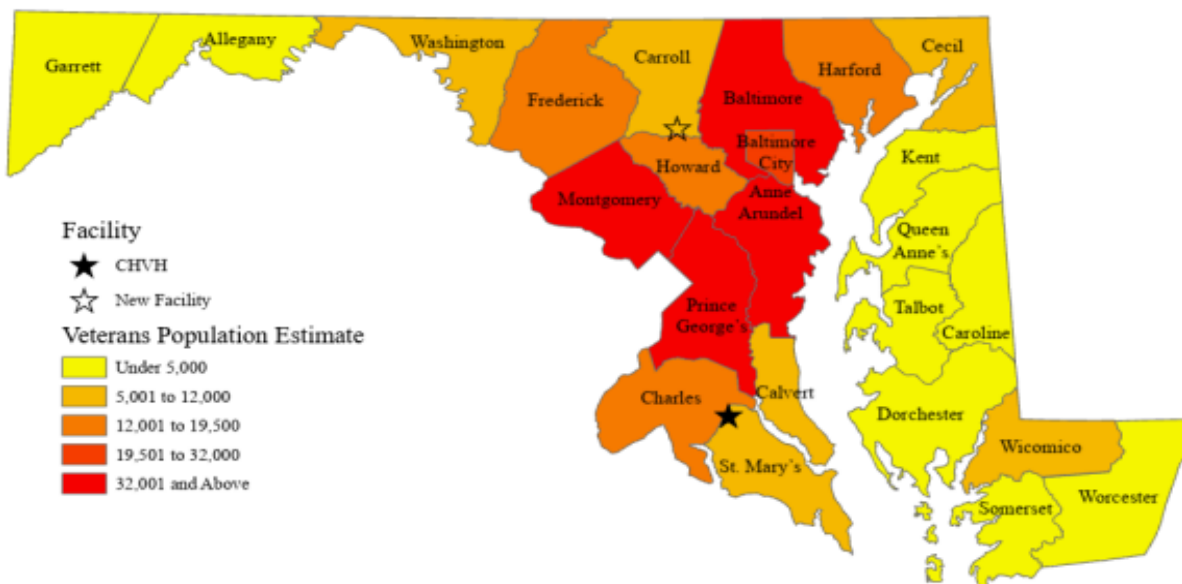
Updates

1. Veteran Population

The State of Maryland has a need of 1,102 veteran facility beds based on the veteran population of the State. Due to USDVA's Small Home concept leading the design and construction of any future veterans homes in the State, only 128 beds will be allotted to the Sykesville facility, with another 454 currently being utilized at CHVH. This will leave an allotment balance of 520 beds.

The USDVA estimate for Maryland’s veteran population shows a statewide decline from 348,000 in fiscal 2023 to 340,000 in fiscal 2024, or 2%. **Exhibit 1** shows the State’s veteran population by county, the location of the current home, and the planned location of the future home. The occupancy rate at CHVH has declined from 403 residents, or 89% of capacity, in December 2019 to 271 residents, or 61% of capacity, in December 2024.

Exhibit 1
Maryland Veterans Population and Home Locations



CHVH: Charlotte Hall Veterans Home

Source: U.S. Department of Veterans Affairs; Department of Veterans and Military Families; Department of Legislative Services

Appendix 1
Executive’s Operating Budget Impact Statement – State-owned Projects
Fiscal 2026-2030
(\$ in Millions)

	2026	2027	2028	2029	2030
Crownsville Veterans Cemetery Expansion and Improvements Phase IV					
Estimated Operating Cost	\$0.000	\$0.000	\$0.158	\$0.191	\$0.198
Estimated Staffing	0.0	0.0	2.0	2.0	2.0