

## 2025-27 Budget Review

### Oregon Military Department

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	42,510,840	42,299,611	44,697,192	52,741,756
Other Funds	100,051,433	36,009,845	22,731,160	65,437,336
Federal Funds	295,092,676	177,494,198	161,798,908	220,000,642
<b>Total Funds</b>	<b>437,654,949</b>	<b>255,803,654</b>	<b>229,227,260</b>	<b>338,179,734</b>
Positions	568	495	495	509
FTE	478.47	456.25	457.12	471.12

\* Includes legislative and administrative actions through December 2024.

#### PROGRAM DESCRIPTION

The Oregon Military Department (OMD) administers the Oregon Army National Guard, the Oregon Air National Guard, and the Oregon Youth Challenge and STARBASE education programs. The Department is overseen by an Adjutant General, appointed by the Governor to a four-year term of office.

The National Guard is a federal-state partnership with a dual mission: (a) provide combat-ready units and equipment in support of national defense, and (b) provide units and equipment to protect life and property during natural disasters and civil unrest, and for backup support to law enforcement. The federal government directly funds federal employees, guard member salaries and wages, and all equipment and equipment maintenance. For the state, federal responsibility primarily centers on providing facilities and facility maintenance for the Oregon National Guard. The federal government also is a major source of funds for new construction of facilities, and for homeland security and emergency preparedness and response.

A responsibility unrelated to the Department's primary mission is youth education. The Youth Challenge Program provides youth at risk of dropping out of high school an opportunity to complete educational credit with a goal of reintegrating into high school to earn a diploma or prepare for the General Education Development (GED) examination. The STARBASE program is a 100% federally funded educational program designed to increase third through eighth-grade students' interest in science, technology, engineering, [art/design](#), and math, and operates at the Portland Air National Guard Base in Portland, at Kingsley Field in Klamath Falls, at Camp Rilea in Warrenton, and ~~is planned to operate~~ at the Rees Training Center (formerly known as Camp Umatilla), in Hermiston.

## BUDGET ENVIRONMENT

The age of some National Guard facilities, especially the armories, makes them inefficient and expensive to operate and maintain. National Guard armories are built primarily with federal dollars, but the state must provide the land and pay for certain construction costs. The operations and maintenance of these facilities are financed with a combination of state and federal funds. The 2023 facility assessment indicates that of the total ~~446~~493 facilities OMD operates, 38% are rated as dysfunctional or substandard and in overall poor condition according to U.S. Army standards and 62% are in good-to-adequate shape.

For the 2025-27 biennium, the Army National Guard Facilities Operation and Maintenance program has a \$5.78 per square foot of General Fund budget for facilities maintenance projects, which is matched with the same amount of Federal Funds. This overall investment of \$11.56 per square foot makes it difficult for OMD to maintain failing mechanical equipment and other major systems (like roofing) at facilities requiring state match which have reached end of useful life status. The Department relies on armory rental revenues to provide matching funds, which does not provide enough revenue to adequately address the deferred maintenance backlog, life cycle replacement, or to properly forecast for future requirements. When there is insufficient match from the state, the remaining available federal funds can only be used for 100% federally supported facilities.

The backlog of maintenance and repair within the Operations and Maintenance Program is currently estimated at \$190 million. The Department's strategy for addressing the worst of its facilities deferred maintenance is to replace them with new construction (federally funded) and through its program of Armory Service Life Extension (ASLEP) projects (Article XI-Q bond-funded), although the newer and usually larger facilities create additional maintenance requirements that eventually add to the deferred maintenance backlog. This strategy has proven to be successful in reducing the percentage of agency facilities in poor condition.

## CURRENT SERVICE LEVEL

The current service level is 10.4% below the legislatively approved budget primarily due to \$26.3 million in reductions in Other Funds and Federal Funds Capital Construction limitation, which does not carry forward to the 2025-27 current service level. General Fund makes up 20% of the current service level budget and is used as match of federal funds for day-to-day operations of the National Guard Bureau at armories located throughout the state and at the two Air National Guard bases. Debt service on outstanding bonds for construction is the agency's single largest General Fund expense at \$12.9 million, or 29%, of the General Fund in CSL. Other Funds accounts for 10% of the Department's budget, while Federal Funds is 70%. The CSL budget also phased out \$37.6 million total funds in capital construction costs and reduced debt service by \$663,811 total funds for previously authorized bonding for capital projects.

## GOVERNOR'S BUDGET SUMMARY

The Governor's budget totals \$338.2 million total funds, which includes \$52.7 million General Fund, \$65.4 million Other Funds, and \$220 million Federal Funds. The budget includes 509 positions and

471.12 FTE. The Governor's budget is \$82.4 million, or 32.2%, more than the 2023-25 legislatively approved budget of \$255.8 million total funds and adds 14 new positions (14.87 FTE). In addition to adjustments for statewide Attorney General and DAS service charges, the Governor's budget includes 15 policy package requests with seven packages dependent upon Article XI-Q bond authorization.

- Pkg. 101 Re-Enlistment Bonuses (\$5 million General Fund and \$5 million Other Funds)
- Pkg. 201 Deferred Maintenance (\$1.5 million General Fund and \$1.5 million Federal Funds)
- Pkg. 202 AGI New Accountant Position (\$236,973 Federal Funds; one position and 1.00 FTE)
- Pkg. 203 KF Security LF to Permanent Positions (\$744,135 Federal Funds; four positions and 4.00 FTE)
- Pkg. 204 AGI Dining Facility (\$1 million Other Funds)
- Pkg. 205 KF PANG Cooperative Agreement (\$10 million Federal Funds)
- Pkg. 401 Youth Challenge Program New and Reclassified Positions (\$434,392 Other Funds and \$1.3 million Federal Funds; nine positions and 9.00 FTE)
- Pkg. 480 New Debt Service (\$1.9 million General Fund and \$434,320 Other Funds)
- Pkg. 490 Linn County Readiness Center (\$7 million Other Funds and \$28 million Federal Funds)
- Pkg. 491 Klamath Falls Micro Armory (\$2 million Other Funds and \$3.8 million Federal Funds)
- Pkg. 492 Salem Armory and Auditorium Service Life Extension and Emergency Enhancements (\$6.3 million Other Funds)
- Pkg. 493 Youth Challenge Athletic Field (\$5.1 million Other Funds)
- Pkg. 494 Woodburn Armory Service Life Extension and Emergency Enhancements (\$6.1 million Other Funds)
- Pkg. 495 Bend Armory Service Life Extension (\$9.4 million Other Funds)
- Pkg. 496 Boardman Multipurpose Machine Gun Range (\$13 million Federal Funds)

## OTHER SIGNIFICANT ISSUES

Another significant and ongoing issue for the Department is revenue and cash flow. OMD receives federal funds for reimbursable expenses, but it often takes up to 90 days before the funds are reimbursed (the current average has improved to 39 days outstanding). Additionally, any time the Oregon National Guard is called to State Active Duty, as it was multiple times during the COVID-19 pandemic, the increases in costs can cause immediate cash flow issues that require the Department to access a revolving line of credit established with the Oregon State Treasury. Any increase in unanticipated expenditures puts additional strain on General Fund, which as explained above is largely dedicated for debt service or for required match to operate and maintain facilities. When General Fund must be utilized for anything other purpose, even temporarily, it impacts the ability of the Department to operate and maintain facilities and ultimately contributes to the deferred maintenance backlog.

For many years the Department of Administrative Services (DAS) has assisted OMD with its payroll cash flow due to the timing of reimbursements. However, this creates issues for DAS when it must assist with other agency's payroll cash flow issues due to reimbursement timing, as is sometimes the case during extreme fire seasons. As a result, OMD is working with the National Guard on approval to receive some level of funding prior to submitting reimbursements.

## KEY PERFORMANCE MEASURES

A copy of the Oregon Military Department's Annual Performance Progress Report can be found on the LFO website: [[https://www.oregonlegislature.gov/lfo/APPR/APPR\\_OMD\\_2024-10-01.pdf](https://www.oregonlegislature.gov/lfo/APPR/APPR_OMD_2024-10-01.pdf)]

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