

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2017-18

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

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PREPARED BY:
TOM DERMODY, JBC STAFF
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JOINT BUDGET COMMITTEE STAFF
200 E. 14TH AVENUE, 3RD FLOOR • DENVER • COLORADO • 80203
TELEPHONE: (303) 866-2061 • TDD: (303) 866-3472
<https://leg.colorado.gov/agencies/joint-budget-committee>

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DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

DEPARTMENT OVERVIEW

The Department of Military and Veterans Affairs is responsible for training and maintaining Colorado's State militia forces to protect the safety and health of Colorado's residents, and serve as a reserve force for the U.S. Armed Forces. Associated duties are carried out by four divisions, major responsibilities are outlined below:

Executive Director's Office

- Provides general administrative support to Department divisions including: human resources, budgeting, accounting, and administrative support;
- Provides safekeeping of public arms, military records, and relics and banners of the State;
- Administers the National Guard Tuition Assistance Program; and
- The Adjutant General, as the commander of the State's military forces, provides day-to-day command and control, guidance, policies and procedures, administrative support, and logistics support to the Army National Guard, the Air National Guard, and the Civil Air Patrol.

Army & Air National Guard

- Maintains a reserve of trained forces for the U.S. Armed Forces which are called to active duty by the President;
- Protects life and property during natural disasters and civil emergencies when activated by the Governor; and
- Maintains all military equipment for the State's military forces.

Civil Air Patrol

- Operates as a civilian auxiliary of the United States Air Force;
- Provides volunteers for search and rescue missions, and assists federal and state organizations in disaster or emergency efforts; and
- Operates a Civil Air Patrol cadet program, and provides aerospace education.

Division of Veterans Affairs

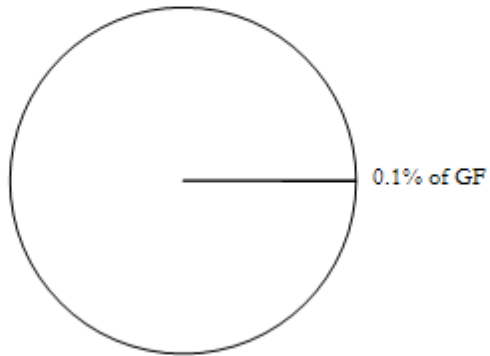
- Provides assistance to veterans seeking benefits by acting as a power of attorney for veterans and acting as a liaison between counties and the federal government;
- Provides training and payments to County Veterans Service Officers;
- Administers the Western Slope Veterans' Cemetery and its associated fund; and
- Through the Colorado Board of Veterans Affairs, disperses the Colorado State Veterans Trust Fund to provide grants for veterans' programs throughout Colorado.

DEPARTMENT BUDGET: RECENT APPROPRIATIONS

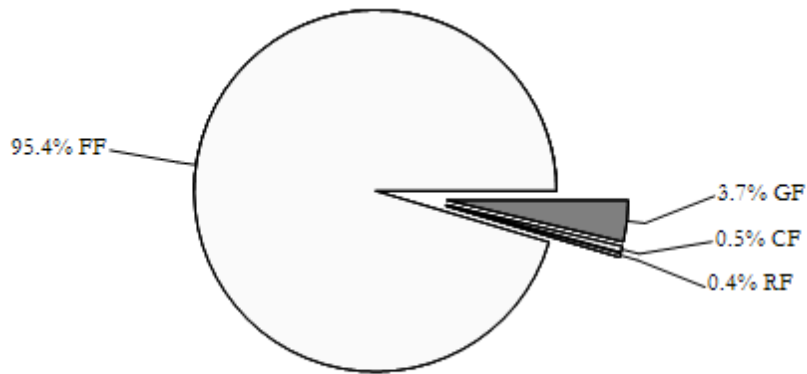
FUNDING SOURCE	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18 *
General Fund	\$8,244,667	\$8,294,927	\$8,305,504	\$9,287,931
Cash Funds	1,282,783	1,281,079	1,211,976	1,198,569
Reappropriated Funds	1,100,000	800,000	800,000	800,000
Federal Funds	214,750,293	215,007,350	215,094,209	215,304,202
TOTAL FUNDS	\$225,377,743	\$225,383,356	\$225,411,689	\$226,590,702
Full Time Equiv. Staff	1,391.2	1,392.3	1,392.4	1,393.3

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

**Department's Share of Statewide
General Fund**

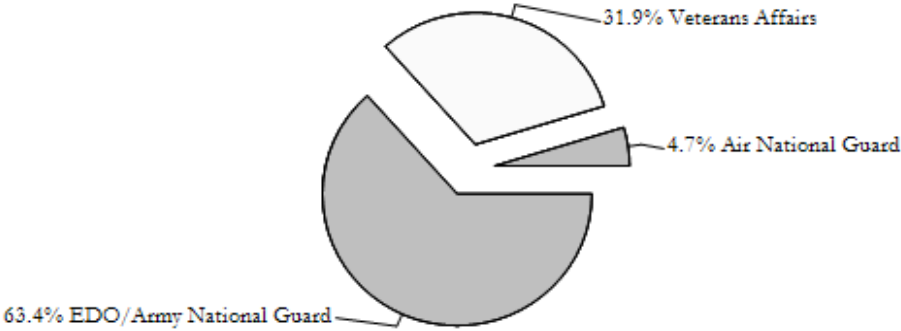


Department Funding Sources

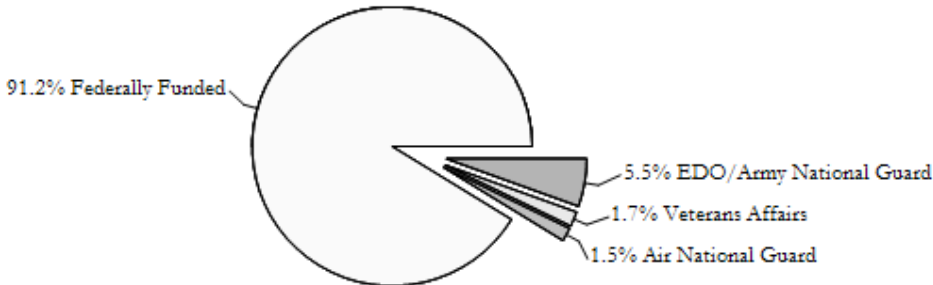


All charts are based on the FY 2016-17 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2016-17 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

Approximately 95.4 percent of Department's budget is federal funds, primarily for training and operations of the Colorado National Guard (Guard) units. The federal government also provides the majority of the funding for construction and maintenance of armories, and other military buildings in the State.

COLORADO NATIONAL GUARD

The primary budget driver for the Colorado National Guard is the "federal force structure" (the number of Guard personnel authorized by the U.S. National Guard Bureau) and the State's ability to fill the force structure. Combined with the associated facilities maintenance and utilities needs, this determines the amount of federal funds flowing into and through the Department. The table below shows the authorized strength and active membership of the Colorado National Guard.

COLORADO NATIONAL GUARD AUTHORIZED STRENGTH AND MEMBERSHIP				
TOTAL AUTHORIZED STRENGTH	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Army National Guard	\$3,999	\$3,978	3,832	3,832
Air National Guard	1,553	1,566	1,557	1,557
TOTAL NATIONAL GUARD MEMBERS				
Army National Guard	4,002	3,986	3,933	3,940
Air National Guard	1,533	1,533	1,535	1,526
TOTAL	\$5,535	\$5,519	5,468	5,466
Percentage of Slots Filled	99.7%	99.5%	101.5%	101.4%

Under federal rule, when Colorado National Guard units are activated for federal service they are deployed by the Army or the Air Force. All costs for activation are paid by the Army or Air Force; and do not appear in the Long Bill. There are several reasons to explain why the total number of Guard members exceed the authorized force strength, including: transfers onto Active Duty, into the Reserves, or to another state; recruiting for positions prior to personnel departure; the importance of certain military occupational specialties; and federal programs and guidelines. The table below shows the number of National Guard members activated for federal duty since FY 2007-08:

10-Year Colorado National Guard Deployment				
Fiscal Year	Army National Guard	Air National Guard	Total	
2007-08	1,150	243	1,393	
2008-09	600	450	1,050	
2009-10	529	230	759	
2010-11	612	500	1,112	
2011-12	596	85	681	
2012-13	960	261	1,221	
2013-14	525	481	1,006	
2014-15	239	40	279	
2015-16	332	438	770	
2016-17*	384	499	883	

*Projected deployment figures for fiscal year.

Guard units can also be activated for state active duty to protect life and property during natural disasters and civil emergencies. When the units are activated by the Governor, the State must pay the costs of Guard activation. The Governor may also activate Guard troops for missions in other states. When this happens, the state requesting support must pay for the unit costs. In FY 2015-16 and the beginning of FY 2016-17, the Colorado National Guard deployed made the following deployments:

- Front Range Blizzard (March 23, 2016): 30 Guard members activated for blizzard response
- Cold Springs Wildfire Support (July 10-13, 2016): 87 Guard members activated to assist with aerial firefighting and security operations in support of Boulder County
- Junkins Wildfire Support (October 18-25, 2016): 45 Guard members activated to assist with aerial firefighting and search and rescue in support of Custer and Pueblo counties.

Additionally, for the federal Fiscal Years 2015 and 2016, the Colorado National Guard conducted 53 search and rescue missions resulting in 59 lives saved.

DIVISION OF VETERANS AFFAIRS

The primary budget drivers for the Division of Veterans Affairs (DVA) are the number of veterans who need assistance with federal benefits claims, the amount of Tobacco Master Settlement funds received and disbursed from the Colorado State Veterans Trust Fund, and the operation of the Western Slope Veterans' Cemetery in Grand Junction. The primary uses of General Fund are Veterans Service Operations. The Division assists veterans with claims before the U.S. Department of Veterans Affairs and administers the County Veterans Service Officer programs with training and other support. The Division administers the Veterans Assistance Grant Program, which provides grants to non-profit or governmental entities that provide mental health, family counseling, job training, employment, housing, and other services to veterans.

In FY 2015-16, the General Assembly approved a \$657,280 General Fund appropriation for County Veteran Service Officer Payments, which was a significant increase over the previous fiscal year. Of that appropriation, the DVA expended \$631,230 (96.0 percent) supporting County Veteran Service Officer operations. Counties can use these funds for both operating and personnel expenses. During FY 2015-16, the County Veterans Service Officer program assisted with 26,883 benefit claims from veterans. In that same period, the number of veterans in Colorado eligible to receive assistance was 413,271.

CASH FUNDS PROGRAM SUPPORT

The Department of Military and Veterans Affairs primarily utilizes two cash fund sources: the Colorado State Veterans Trust Fund, the Western Slope Military Veterans' Fund.

The Colorado State Veterans Trust Fund (CSVTF) receives 1.0 percent of the proceeds from the tobacco settlement agreement with tobacco manufacturers. The majority of the appropriation to the Department provides grants for veterans' organizations to provide services to veterans around the State. Under current law, 90.0 percent of the tobacco settlement moneys transferred to the Fund plus all interest earned on the fund's principle are available for appropriation, with the remaining 10.0 percent retained in the fund. Senate Bill 13-235 repaid \$3.9 million to the Colorado State Veterans Trust Fund, which has resulted in more interest earnings beginning in FY 2014-15 due to the higher principal balance of the fund. H.B. 16-1408 (Cash Fund

Allocations for Health-related Programs), which modified the allocation of cash fund revenues from the Tobacco Master Settlement Agreement, removed the dollar cap on transfers to the CSVTF.

Cash fund expenditures from the Western Slope Military Veterans' Cemetery Fund support operations of the Western Slope Veterans' Cemetery in Grand Junction and pay for some administrative costs in the Executive Director and Army National Guard Division.

SUMMARY: FY 2016-17 APPROPRIATION & FY 2017-18 REQUEST

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
H.B. 16-1405 (Long Bill)	225,411,689	8,305,504	1,211,976	800,000	215,094,209	1,392.4
TOTAL	\$225,411,689	\$8,305,504	\$1,211,976	\$800,000	\$215,094,209	1,392.4
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$225,411,689	8,305,504	\$1,211,976	\$800,000	\$215,094,209	1,392.4
Centrally appropriated line items	763,096	566,510	(13,407)	0	209,993	0.0
R1 Increase Colorado National Guard Tuition Fund	300,000	300,000	0	0	0	0.0
R2 State Cooperative Agreement program manager	80,628	80,628	0	0	0	0.9
NP OIT Deskside	15,746	15,746	0	0	0	0.0
R3 Annualize terms of new lease agreement	13,220	13,220	0	0	0	0.0
NP FY 2017-18 Secure Colorado	6,297	6,297	0	0	0	0.0
NP Annual fleet vehicle request	288	288	0	0	0	0.0
Annualize prior year budget actions	(262)	(262)	0	0	0	0.0
TOTAL	\$226,590,702	\$9,287,931	\$1,198,569	\$800,000	\$215,304,202	1,393.3
INCREASE/(DECREASE)	\$1,179,013	\$982,427	(\$13,407)	\$0	\$209,993	0.9
Percentage Change	0.5%	11.8%	(1.1%)	0%	0.1%	0.1%

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; workers' compensation; shift differential; legal services; payment to risk management and property funds; vehicle lease payments; payments to the Governor's Office of Information Technology (OIT); Capitol complex leased space; and CORE operations. *This request item will be addressed in separate staff briefings for the Department of Personnel and Administration.*

R1 INCREASE COLORADO NATIONAL GUARD TUITION FUND: The request includes an increase of \$300,000 General Fund to support tuition assistance for Colorado National Guard (CNG) members. The additional funding will help the Colorado National Guard Tuition Fund keep pace with tuition increases at institution of higher education across the state.

R2 STATE COOPERATIVE AGREEMENT PROGRAM MANAGER: The request includes an increase of 0.9 FTE and \$80,628 General Fund in FY 2017-18 for a program manager to provide oversight for the Department's cooperative agreement programs with the federal government. Currently, there are no dedicated personnel providing management and oversight.

NP OIT DESKSIDE: The request includes an increase of \$15,746 General Fund for end user assistance and services for computer devices and peripheral equipment, such as printers. *This request item was addressed in separate staff briefings for the Governor's Office.*

R3 ANNUALIZE TERMS OF NEW LEASE AGREEMENT: The request includes an increase of \$13,220 General Fund to reflect the terms of the Division of Veterans Affairs' new lease agreement for its space at 1355 S. Colorado Blvd. in Denver. The new lease would begin July 1, 2017 and includes option years through FY 2020-21.

NP FY 2017-18 SECURE COLORADO: The request includes an increase of \$6,297 General Fund for FY 2017-18 to deploy an end user configuration management tool. This tool will assist in discovering assets (e.g., computers and software) and the status of assets. *This request item was addressed in separate staff briefings for the Governor's Office.*

NP ANNUAL FLEET VEHICLE REQUEST: The request includes an increase of \$288 General Fund for the Department's share of statewide vehicle costs. *This request item will be addressed in separate staff briefings for the Department of Personnel and Administration.*

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments for the second-year impact of prior year salary survey.

ISSUE: COLORADO NATIONAL GUARD TUITION FUND

The Department of Military and Veterans Affairs has requested an increase of \$300,000 General Fund to support tuition assistance for Colorado National Guard (CNG) members.

SUMMARY

- The Colorado National Guard Tuition Fund (Fund), created in Section 23-5-111.4 (9) (a), C.R.S., provides partial reimbursements to CNG members for tuition at designated institutions of higher education.
- In FY 2016-17, the General Assembly appropriated \$1,296,157 total funds, including \$496,157 General fund and \$800,000 reappropriated funds, to the Department for tuition reimbursements. The reappropriated funds are from the Department of Higher Education.
- The Department projects a deficit of \$210,749 in funding for tuition reimbursement payments in FY 2016-17 and the Fund does not have a sufficient reserve to cover the shortfall.

RECOMMENDATION

Staff recommends the consolidation of Long Bill line items appropriating money to this program. Staff asks permission to work with the Office of Legislative Legal Services to ensure this consolidation is aligned with statute and, if necessary, draft legislation for Committee review and consideration.

DISCUSSION

The Colorado National Guard Tuition Fund was created by S.B. 79-055 to provide the CNG with a recruitment and retention tool that would also enhance the knowledge and skills of Guard members. The Department is allowed to reimburse at least 50.0 percent, but no more than 100.0 percent, of a Guard member's tuition at "designated institutions of higher education," as long as the member is pursuing a degree or certification and the appropriated funds are sufficient. The Department must also ensure that reimbursements paid from the Fund account for other financial assistance received by a Guard member, so that total assistance does not exceed 100.0 percent of tuition. (Section 23-5-111.4 (2) (a-a.5), C.R.S.) While the Department currently limits tuition reimbursements to state institutions of higher education, Section 23-5-111.4 (3) (a), C.R.S., which defines "designated institutions of higher education," allows the Department to provide tuition reimbursements for Guard members pursuing a certificate or degree program in Homeland Security at private institutions. The follow table lists the 15 schools for which the Department provides tuition reimbursements.

Table 1: Designated Institutions of Higher Education
Adams State University
Colorado Community College System
Colorado Mesa University

Table 1: Designated Institutions of Higher Education
Colorado School of Mines
Colorado State University- Fort Collins
Colorado State University - Pueblo
CSU Global
CSU Online Plus
Fort Lewis College
Metropolitan State University of Denver
University of Colorado - Colorado Springs
University of Colorado - Denver
University of Colorado- Boulder
University of Northern Colorado
Western State Colorado University

In FY 2016-17, the General Assembly appropriated \$1,296,157 total funds, including \$496,157 General Fund and \$800,000 reappropriated funds, to the Fund for tuition reimbursements. As Table 2 details, the appropriations to the Fund since FY 2007-08 have increased by 57.0 percent. It should be noted that the reappropriated funds are from the Department of Higher Education, where the original appropriation is General Fund.

Table 2: 10-year Appropriation History for Colorado National Guard Tuition Fund					
	TOTAL FUNDS	General Funds	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17	\$1,296,157	\$496,157	\$0	\$800,000	\$0
FY 2015-16	1,296,157	496157	0	800,000	0
FY 2014-15	1,296,157	496157	0	800,000	0
FY 2013-14	1,296,157	496157	0	800,000	0
FY 2012-13	1,046,157	246157	0	800,000	0
FY 2011-12	1,046,157	246157	0	800,000	0
FY 2010-11	1,046,157	246157	0	800,000	0
FY 2009-10	1,046,157	246157	0	800,000	0
FY 2008-09	825,803	175803	0	650,000	0
FY 2007-08	\$825,803	\$175,803	\$0	\$650,000	\$0

DEPARTMENT REQUEST

The Department is requesting an increase of \$300,000 General Fund to the Colorado National Guard Tuition Fund for FY 2017-18. The Department also anticipates annually requesting a 5.0 percent increase in the General Fund appropriation to the Fund starting in FY 2018-19, which will help the Fund keep pace with tuition increases at state colleges and universities. The Governor's Office predicts that average tuition at state institutions of higher education will increase by 6.0 percent in FY 2017-18.

The Department estimates that it will reimburse a total of 5,830 credit hours for 550 Guard members in FY 2016-17 and uses these figures for its annual reimbursement expenditure projections in out years. The following table details the actual and estimated credit hours and Guard members reimbursed from FY 2014-15 to FY 2016-17.

Institution	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Estimated
Adams State University	27	18	61
Colorado Community College System	838	759	1,066
Colorado Mesa University	101	71	88
Colorado School of Mines	61	100	48
Colorado State University- Fort Collins	980	946	1,286
Colorado State University - Pueblo	0	0	0
CSU Global	585	607	606
CSU Online Plus	183	142	120
Fort Lewis College	0	0	0
Metropolitan State University of Denver	943	684	753
University of Colorado - Colorado Springs	598	636	730
University of Colorado - Denver	239	330	397
University of Colorado- Boulder	479	407	405
University of Northern Colorado	224	207	270
Western State Colorado University	0	0	0
Total credit hours reimbursed	5,258	4,906	5,830
CONG Members Served	514	489	556

In 2012, the Department set the current maximum reimbursement rate at \$4,250 per semester, or \$8,500 per year. This reimbursement rate is high enough to cover the full tuition costs at 9 of the designated state institutions for which the Department provides assistance, but falls below full coverage for the 6 remaining institutions. If the maximum reimbursement rate does not change, the Department projects that by FY 2019-20 the number of state institutions for which the reimbursements can fully cover tuition will drop to 6. Table 4 below details tuition cost projections for the 15 designated state institutions of higher education from FY 2016-17 through FY 2019-20. The projections assume a full-time equivalent student, or 30 credit hours per year.

Institution	ACTUAL FY 2016-17	PROJECTED (6% INCREASE PER YEAR)*		
		FY 2017-18	FY 2018-19	FY 2019-20
Adams State University	\$5,736	\$6,080	\$6,445	\$6,832
Colorado Community College System	4,107	4,353	4,615	4,892
Colorado Mesa University	7,572	8,026	8,508	9,018
Colorado School of Mines	15,690	16,631	17,629	18,687
Colorado State University- Fort Collins	8,716	9,239	9,793	10,381
Colorado State University - Pueblo	7,269	7,705	8,167	8,657
CSU Global	10,500	10,500	10,500	10,500
CSU Online Plus	13,320	13,320	13,320	13,320
Fort Lewis College	6,360	6,742	7,146	7,575
Metro State University of Denver	5,693	6,035	6,397	6,780
University of Colorado - Colorado Springs	8,280	8,777	9,303	9,862
University of Colorado - Denver	9,420	9,985	10,584	11,219
University of Colorado- Boulder	9,768	10,354	10,975	11,634
University of Northern Colorado	6,906	7,320	7,760	8,225
Western State Colorado University	\$6,312	\$6,691	\$7,092	\$7,518

*CSU Global and CSU Online Plus have not increased tuition; therefore projected tuition increase is 0%

Projected reimbursement expenditures per institution are calculated by multiplying the per credit hour cost for an institution by the number of anticipated credit hours to be reimbursed for that

institution. The cost per credit hour is calculated by dividing the projected tuition cost for each institution, as found in Table 4, by 30 credit hours. Using the per credit hour costs, the Department anticipates approximately \$1.5 million in eligible reimbursements in FY 2016-17. However, as Table 5 below shows, the current appropriation for this program is deficient.

	FY 2016-17 Appropriated	FY 2017-18 Requested	FY 2018-19 Projected	FY 2019-20 Projected
Anticipated total tuition reimbursement	\$1,506,906	\$1,581,397	\$1,660,358	\$1,744,057
Rate of reimbursement increase/(decrease)		4.9%	5.0%	5.0%
FY 2016-17 Long Bill appropriation (baseline)	\$1,296,157	\$1,296,157	\$1,296,157	\$1,296,157
Additional funding necessary	210,749	285,240	364,201	447,900
Requested appropriation above baseline	0	300,000	379,808	463,606
Above/(Below) anticipated total tuition reimbursement	(\$210,749)	\$14,760	\$15,607	\$15,706

It is also worth noting that while the Governor's Office projects a 6.0 percent increase in tuition at state institutions of higher education, the Department's reimbursement expenditure projections increase at about 5.0 percent over the same time period. This is due to the variance in the cost per credit hour and number of credit hours reimbursed for each institution.

CASH FUND STATUS

The Colorado National Guard Tuition Fund receives money from General Assembly appropriations and the repayment of tuition assistance by Guard members who no longer meet the statutory requirements under Section 23-5-111.4 (2), C.R.S. The Fund is almost wholly reliant on its Long Bill appropriation for funding reimbursement payments and is not subject to the cash fund excess uncommitted reserve requirement established in Section 24-75-402, C.R.S. As such, the Fund has only a minimal reserve because the Department fully expends the appropriated money in most years. The Department projects a deficit of \$210,749 in funding for tuition reimbursement payments in FY 2016-17 and the Fund does not have a sufficient reserve to cover the shortfall.

POTENTIAL ADJUSTMENT TO LONG BILL APPROPRIATION

As previously noted, the Fund is appropriated a mixture of General Fund and reappropriated funds in the Long Bill. The reappropriated funds come from the Department of Higher Education, where the money is first appropriated as General Fund. Staff believes that for transparency and General Fund tracking purposes, it would be advantageous to adjust the Long Bill appropriation so that the Fund's line item in the Department of Military and Veterans Affairs section of the Long Bill receives only General Fund. As Table 6 below shows, this change would decrease reappropriated fund appropriations by \$800,000 while maintaining the total funds appropriated to the program.

	TOTAL FUNDS	GENERAL FUND	REAPPROPRIATED FUNDS
CURRENT LONG BILL APPROPRIATION			
Department of Military and Veterans Affairs	1,296,157	496,157	800,000
Department of Higher Education	800,000	800,000	0
Total	2,096,157	1,296,157	800,000
STAFF RECOMMENDED LONG BILL APPROPRIATION			
Department of Military and Veterans Affairs	1,296,157	1,296,157	0
Department of Higher Education	0	0	0
Total	\$1,296,157	\$1,296,157	0

Table 6: Current vs. Staff recommended Long Bill Appropriation Structure			
	TOTAL FUNDS	GENERAL FUND	REAPPROPRIATED FUNDS
DIFFERENCE BETWEEN CURRENT AND STAFF RECOMMENDED			
Total	(\$800,000)	\$0	(\$800,000)

This change would have no impact on the total funding and implementation of the tuition reimbursement program. It would consolidate the Fund's total appropriation into a single line item in the Department of Military and Veteran's Affairs section of the Long Bill. This change will make assessing the long-term impacts of increased tuition on the program's funding easier and more transparent.

ISSUE: STATE COOPERATIVE AGREEMENT MANAGER

The Department of Military and Veterans Affairs has requested an additional 0.9 FTE and \$80,628 General Fund in FY 2017-18 for a program manager to provide oversight for the Department's cooperative agreement programs with the federal government.

SUMMARY

- In FY 2016-17, the Department received \$9.3 million in federal funds through cooperative agreements. The Department manages 13 federal cooperative agreements, plus additional construction cooperative agreements for various facility projects.
- In FY 2014-15, the federal government changed its cost allocation methodology from a "by FTE" method to a "by hour/by location" method. This change has resulted in some short-term cost savings.
- Since FY 2010-11, the Department's EDO has reverted an average of \$184,554 General Fund and 3.2 FTE.

RECOMMENDATION

Staff will provide a funding recommendation for this decision item during figure setting for the Department.

DISCUSSION

The Department manages 13 federal cooperative agreements, plus additional construction cooperative agreements for various facility projects. While there are approximately 30 federal employees that oversee these agreements for the federal government, the Department does not have a dedicated FTE to ensure the effective administration of the state's responsibilities.

DEPARTMENT REQUEST

The Department requests an additional 0.9 FTE and \$80,628 General Fund in FY 2017-18 for a program manager to provide oversight for the Department's cooperative agreement programs with the federal government. Currently, these management and oversight duties are covered by personnel who have other full-time commitments. This request would annualize in FY 2018-19 to 1.0 FTE and \$82,024 General Fund. The personal services and operating expenses of this request are detailed in the table below.

	FY 2017-18	FY 2018-19
FTE	0.9	1.0
Personal Services	\$55,051	\$60,060
PERA	5,588	6,096
AED	2,753	3,003
SAED	2,753	3,003

	FY 2017-18	FY 2018-19
Medicare	798	871
STD	105	114
Health-Life-Dental	7,927	7,927
Operating Expenses	5,653	950
Total	\$80,628	\$82,024

It is also worth noting that it is standard practice to only appropriate the necessary personal services and operating expenses for new FTE in the first year. Money to cover centrally appropriated costs such as AED, SAED, and short-term disability are not normally appropriated until the year after the initial appropriation was made. Assuming this practice is applied to this request, the cost of this additional FTE would be \$60,704 in FY 2017-18. However, the annualized cost of this request remains \$82,024 in FY 2018-19.

The Department argues that the additional resources are necessary to ensure compliance with its federal partners. The high volume of transactions processed by the Department as it manages its cooperative agreements, coupled with the lack of a dedicated FTE to manage and provide oversight for these transaction, has led to the Department incurring statutory violations. In 2012, a program manager initiated a lease in Castle Rock without federal approval. The federal government subsequently disallowed the lease costs and held the state liable for those costs (approx. \$120,000). However, the federal government ultimately forgave the debt. More recently a \$29,000 audit charge was assessed against the Department's federal funds for cost sharing allocations previously disallowed by the Code of Federal Regulations (CFR). Changes to the CFR appear to make this an allowable cost, but with no state subject matter expert and no definitive guidance, the charge remains disputed. The Department believes that having a dedicated program manager overseeing its cooperative agreements will help to prevent such violations.

According to the Department, the required workload for managing the agreements has recently increased. In FY 2014-15, the federal government changed its cost allocation methodology from a "by FTE" method to a "by hour/by location" method. This change has significantly increased the time and oversight responsibilities required to manage the cooperative agreements. Under the previous "by FTE" method, a state maintenance technician would be billed as either 100.0 percent General Fund or 100.0 percent federal funds based on their work location. Under the "by hour/by location" method, the same employee is billed based on the cost sharing code of the facility they are working on. For example, the employee works four hours at a facility that is split 50-50 between General Fund and federal funds, then works six hours at a facility that is split 25-75 between General Fund and federal funds. The hours worked must be tracked and allocated according to the facility split, as required by federal guidelines. There are 10.0 FTE in the EDO that are affected by the cost allocation methodology change.

EDO REVERSIONS FOR PERSONAL SERVICES AND OPERATING EXPENSES

The Department has reverted an average of 3.2 FTE and \$184,554 General Fund from the EDO's personal services line item since FY 2010-11. In the same period of time, the Department has reverted an average of \$97,007 General Fund from the EDO's operating expenses line item. The table below details these reversions for the past 6 fiscal years for which we have actual expenditures.

Fiscal Year	FTE	Personal Services	Operating Expenses
2015-16	2.9	\$239,166	\$212,266
2014-15	3.8	614,024	225,922
2013-14	4.2	112,501	19,453
2012-13	2.8	20,847	19,724
2011-12	3.1	11,402	96,454
2010-11	2.5	109,383	8,221
Average	3.2	\$184,554	\$97,007

In FY 2015-16, the Department reverted 2.9 FTE and \$239,166 General Fund from its personal services line item. The Department indicates that in the current fiscal year (FY 2016-17), they have fully allocated their FTE and anticipate a smaller than average General Fund reversion of approximately \$84,000. This anticipated reversion is due to a combination of vacancy savings and cost savings created by the change to the cost allocation methodology previously discussed. In the short-term, the Department has experienced a decrease in its General Fund expenditures as a result of the cost allocation methodology change. However, the Department warns that because of the changing nature of their facilities layout and its Federal Facility Installation Support Plan, which is the federal document that determines the cost shares at various facilities, the EDO could experience General Fund expenditure increases in future fiscal years. It is this uncertainty that the Department believes justifies the requested General Fund appropriation to cover a new FTE.

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Appendix A: Number Pages

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

H. Michael Edwards, Adjutant General

(1) EXECUTIVE DIRECTOR AND ARMY NATIONAL GUARD

ntal fees, the Western Slope Military Veterans Cemetery Fund; real estate proceeds; and the Distance Learning Cash Fund. Reappropriated funds are from the Department of Higher Education.

Personal Services	<u>1,712,231</u>	<u>2,094,496</u>	<u>2,363,240</u>	<u>2,439,436</u> *
FTE	30.5	32.3	35.3	36.2
General Fund	1,471,988	1,820,541	2,111,559	2,186,822
Cash Funds	0	0	4,046	4,046
Federal Funds	240,243	273,955	247,635	248,568
Health, Life, and Dental	<u>260,819</u>	<u>941,350</u>	<u>1,018,364</u>	<u>1,116,468</u> *a
General Fund	244,983	294,831	349,848	405,434
Cash Funds	15,836	17,187	15,011	3,211
Federal Funds	0	629,332	653,505	707,823
Short-term Disability	<u>5,777</u>	<u>16,619</u>	<u>14,795</u>	<u>15,651</u> *a
General Fund	5,777	5,505	5,008	5,533
Cash Funds	0	171	237	154
Federal Funds	0	10,943	9,550	9,964
S.B. 04-257 Amortization Equalization Disbursement	<u>115,364</u>	<u>351,072</u>	<u>384,858</u>	<u>429,179</u> *a
General Fund	110,913	116,224	130,182	151,197
Cash Funds	4,451	3,592	6,160	4,218
Federal Funds	0	231,256	248,516	273,764

*This line item includes a decision item

^a Figures represent final appropriation for this line item, not actual expenditures.

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>108,154</u>	<u>339,103</u>	<u>380,849</u>	<u>429,179</u>	*a
General Fund	103,981	112,262	128,826	151,197	
Cash Funds	4,173	3,469	6,096	4,218	
Federal Funds	0	223,372	245,927	273,764	
Salary Survey	<u>74,787</u>	<u>95,264</u>	<u>47,045</u>	<u>231,460</u>	
General Fund	74,787	37,390	21,793	80,811	
Cash Funds	0	0	1,191	2,296	
Federal Funds	0	57,874	24,061	148,353	
Shift Differential	<u>0</u>	<u>23,285</u>	<u>23,665</u>	<u>27,954</u>	a
Federal Funds	0	23,285	23,665	27,954	
Workers' Compensation	<u>83,494</u>	<u>81,289</u>	<u>101,393</u>	<u>128,068</u>	
General Fund	28,805	28,044	34,880	61,555	
Federal Funds	54,689	53,245	66,513	66,513	
Operating Expenses	<u>2,498,881</u>	<u>2,999,483</u>	<u>2,368,635</u>	<u>2,374,288</u>	*
General Fund	1,253,463	1,483,095	1,480,930	1,486,583	
Cash Funds	1,393	38,401	46,000	46,000	
Federal Funds	1,244,025	1,477,987	841,705	841,705	
Information Technology Asset Maintenance	<u>19,245</u>	<u>22,372</u>	<u>22,372</u>	<u>22,372</u>	
General Fund	19,245	22,372	22,372	22,372	
Legal Services	<u>4,502</u>	<u>11,364</u>	<u>10,456</u>	<u>10,918</u>	
General Fund	4,502	11,364	10,456	10,918	

*This line item includes a decision item

^a Figures represent final appropriation for this line item, not actual expenditures.

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Payments to OIT	<u>536,402</u>	<u>260,300</u>	<u>127,059</u>	<u>456,821</u>	*
General Fund	536,402	260,300	127,059	456,821	
Payment to Risk Management and Property Funds	<u>110,427</u>	<u>116,976</u>	<u>129,598</u>	<u>137,571</u>	
General Fund	110,427	116,976	129,598	137,571	
Vehicle Lease Payments	<u>44,559</u>	<u>22,729</u>	<u>58,830</u>	<u>59,118</u>	*
General Fund	44,559	22,729	58,830	59,118	
Leased Space	<u>44,978</u>	<u>42,786</u>	<u>44,978</u>	<u>58,198</u>	*
General Fund	44,978	42,786	44,978	58,198	
Capitol Complex Leased Space	<u>47,548</u>	<u>48,115</u>	<u>49,882</u>	<u>54,104</u>	
General Fund	30,050	48,115	49,882	54,104	
Federal Funds	17,498	0	0	0	
CORE Operations	<u>107,138</u>	<u>65,220</u>	<u>52,829</u>	<u>55,052</u>	
General Fund	56,445	2,363	2,363	55,052	
Federal Funds	50,693	62,857	50,466	0	
Civil Air Patrol Operations	<u>50,810</u>	<u>57,949</u>	<u>58,638</u>	<u>58,638</u>	
General Fund	50,810	57,949	58,638	58,638	
Local Armory Incentive Plan	<u>3,200</u>	<u>1,892</u>	<u>46,610</u>	<u>46,610</u>	
Cash Funds	3,200	1,892	46,610	46,610	
Distance Learning	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>3,000</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	3,000	3,000	

*This line item includes a decision item

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Colorado National Guard Tuition fund	<u>1,366,469</u>	<u>1,496,089</u>	<u>1,296,157</u>	<u>1,596,157</u> *	
General Fund	495,393	495,368	496,157	796,157	
Cash Funds	71,076	204,631	0	0	
Reappropriated Funds	800,000	796,090	800,000	800,000	
Army National Guard Cooperative Agreement	<u>7,290,877</u>	<u>7,389,436</u>	<u>3,818,873</u>	<u>3,833,260</u>	
FTE	58.1	65.7	51.5	51.5	
Federal Funds	7,290,877	7,389,436	3,818,873	3,833,260	
Merit Pay	<u>29,014</u>	<u>93,590</u>	<u>0</u>	<u>0</u>	
General Fund	28,187	31,592	0	0	
Cash Funds	827	0	0	0	
Federal Funds	0	61,998	0	0	
Comprehensive Report on the Value of United States	<u>300,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Military Activities Fund	300,000	0	0	0	
General Fund					
TOTAL - (1) Executive Director and Army National Guard	14,814,676	16,570,779	12,422,126	13,583,502	9.3%
FTE	<u>88.6</u>	<u>98.0</u>	<u>86.8</u>	<u>87.7</u>	<u>1.0%</u>
General Fund	5,015,695	5,009,806	5,263,359	6,238,081	18.5%
Cash Funds	100,956	269,343	128,351	113,753	(11.4%)
Reappropriated Funds	800,000	796,090	800,000	800,000	0.0%
Federal Funds	8,898,025	10,495,540	6,230,416	6,431,668	3.2%

*This line item includes a decision item

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
(2) DIVISION OF VETERANS AFFAIRS					
grants to veterans service organizations from the Veterans Trust Fund, which is derived from tobacco settlement proceeds.					
Veterans Service Operations	<u>628,912</u>	<u>699,501</u>	<u>848,303</u>	<u>853,036</u>	
FTE	10.9	11.6	12.0	12.0	
General Fund	628,864	666,704	806,106	810,839	
Cash Funds	48	32,797	42,197	42,197	
County Veterans Service Officer Payments	<u>182,500</u>	<u>631,830</u>	<u>657,280</u>	<u>657,280</u>	
General Fund	182,500	631,830	657,280	657,280	
Colorado State Veterans Trust Fund Expenditures	<u>737,633</u>	<u>751,217</u>	<u>803,391</u>	<u>803,391</u>	
Cash Funds	737,633	751,217	803,391	803,391	
Veterans Assistance Grant Program	<u>656,624</u>	<u>796,797</u>	<u>1,000,000</u>	<u>1,000,000</u>	
FTE	0.4	0.4	0.5	0.5	
General Fund	656,624	796,797	1,000,000	1,000,000	
Western Slope Veterans Cemetery	<u>319,547</u>	<u>351,303</u>	<u>541,516</u>	<u>543,929</u>	
FTE	5.0	3.7	5.5	5.5	
General Fund	172,946	183,080	186,579	187,801	
Cash Funds	146,601	168,223	238,037	239,228	
Federal Funds	0	0	116,900	116,900	
TOTAL - (2) Division of Veterans Affairs	2,525,216	3,230,648	3,850,490	3,857,636	0.2%
FTE	<u>16.3</u>	<u>15.7</u>	<u>18.0</u>	<u>18.0</u>	<u>0.0%</u>
General Fund	1,640,934	2,278,411	2,649,965	2,655,920	0.2%
Cash Funds	884,282	952,237	1,083,625	1,084,816	0.1%
Federal Funds	0	0	116,900	116,900	0.0%

*This line item includes a decision item

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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(3) AIR NATIONAL GUARD

Provides ready forces to the U.S. active armed services and provides ready forces for the preservation of life and property during natural disasters and in Colorado.

Operations and Maintenance Agreement for Buckley/

Greeley	<u>1,451,919</u>	<u>1,030,065</u>	<u>2,131,596</u>	<u>2,137,386</u>	
FTE	16.2	17.0	26.1	26.1	
General Fund	330,879	310,018	392,180	393,930	
Federal Funds	1,121,040	720,047	1,739,416	1,743,456	

Buckley Cooperative Agreement

FTE	<u>1,522,288</u>	<u>1,605,858</u>	<u>1,115,686</u>	<u>1,119,479</u>	
Federal Funds	17.1	18.9	17.5	17.5	
	1,522,288	1,605,858	1,115,686	1,119,479	

Security for Space Command Facility at Greeley

FTE	<u>356,662</u>	<u>375,528</u>	<u>245,422</u>	<u>246,330</u>	
Federal Funds	5.7	6.0	5.0	5.0	
	356,662	375,528	245,422	246,330	

TOTAL - (3) Air National Guard	3,330,869	3,011,451	3,492,704	3,503,195	0.3%
FTE	<u>39.0</u>	<u>41.9</u>	<u>48.6</u>	<u>48.6</u>	0.0%
General Fund	330,879	310,018	392,180	393,930	0.4%
Federal Funds	2,999,990	2,701,433	3,100,524	3,109,265	0.3%

*This line item includes a decision item

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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(4) FEDERAL FUNDED PROGRAMS

sed on the federal fiscal year beginning October 1, not the State beginning July 1.

Federal Funded Programs Operations	<u>205,646,369</u>	<u>205,646,369</u>	<u>205,646,369</u>	<u>205,646,369</u>	
FTE	1,239.0	1,239.0	1,239.0	1,239.0	
Federal Funds	205,646,369	205,646,369	205,646,369	205,646,369	
TOTAL - (4) Federal Funded Programs	205,646,369	205,646,369	205,646,369	205,646,369	0.0%
FTE	<u>1,239.0</u>	<u>1,239.0</u>	<u>1,239.0</u>	<u>1,239.0</u>	<u>0.0%</u>
Federal Funds	205,646,369	205,646,369	205,646,369	205,646,369	0.0%

TOTAL - Department of Military and Veterans					
Affairs	226,317,130	228,459,247	225,411,689	226,590,702	0.5%
FTE	<u>1,382.9</u>	<u>1,394.6</u>	<u>1,392.4</u>	<u>1,393.3</u>	<u>0.1%</u>
General Fund	6,987,508	7,598,235	8,305,504	9,287,931	11.8%
Cash Funds	985,238	1,221,580	1,211,976	1,198,569	(1.1%)
Reappropriated Funds	800,000	796,090	800,000	800,000	0.0%
Federal Funds	217,544,384	218,843,342	215,094,209	215,304,202	0.1%

*This line item includes a decision item

APPENDIX B RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

2015 SESSION BILLS

S.B. 15-234 (LONG BILL): General appropriations act for FY 2015-16.

H.B. 15-1052 (ELIGIBILITY FOR MILITARY FAMILY RELIEF FUND): Removes the requirement that a member's or reservist's mobilization orders must be involuntary in order to be eligible to receive a grant from the Military Family Relief Fund.

H.B. 15-1315 (SUPPORT FOR VETERANS SERVICE OFFICERS): Eliminates the requirement that counties contribute a matching amount for county veterans service officer (CVSO) operations. Specifies that the payment rate will be determined by the Division of Veterans Affairs in the Department of Military and Veterans Affairs based on available appropriations to support CVSOs, and clarifies that payments to counties are from the Department's budgeted line item for CVSOs.

2016 SESSION BILLS

H.B. 16-1125 (ALIGNING DEFINITION OF VETERAN WITH FEDERAL LAW): Recreates the definition of "veteran" in state law to conform to the definition used in federal law and makes conforming amendments.

H.B. 16-1197 (MILITARY VETERAN OCCUPATIONAL CREDENTIALS): Requires each state agency that regulates a profession or occupation to evaluate and provide appropriate credit toward licensing and certification for military experience. Each state agency may consult with any military official, state agency, or post-secondary educational institution, and each post-secondary educational institution is obligated to cooperate. Refer to the Department of Regulatory Agencies for additional information.

H.B. 16-1245 (SUPPLEMENTAL BILL): Supplemental appropriation to the Department of Military and Veterans Affairs to modify FY 2015-16 appropriations included in the FY 2015-16 Long Bill (S.B. 15-234).

H.B. 16-1405 (LONG BILL): General appropriations act for FY 2016-17.

APPENDIX C FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

There were no Long Bill footnotes for FY 2016-17 for the Department of Military and Veterans Affairs.

UPDATE ON REQUESTS FOR INFORMATION

There were no Long Bill requests for information for FY 2016-17 for the Department of Military and Veterans Affairs.

APPENDIX D

DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1) (a) (I), C.R.S., the Office of State Planning and Budgeting is required to publish an Annual Performance Report for the Department of Military and Veterans Affairs by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2015-16 report dated October 2016 can be found at the following link:

<https://drive.google.com/file/d/0B8ztLiGduUWbYWxER3dXTnh2RTg/view>