

JOINT BUDGET COMMITTEE



STAFF BUDGET BALANCING FY 2020-21

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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CONTENTS

Summary of Staff Budget Balancing Recommendations for Long Bill3

- ➔ Additional Adjustment for National Guard Tuition Assistance.....4
- ➔ Remove R2 Energy Study and R1 Western Region OneSource Service Reception and Triage5
- ➔ Department Absorbs Centralized Personnel Plan Adjustment6
- ➔ Remove Increase for Veterans Trust Fund Study.....7
- ① New federal funds to be received under the H.R. 748 (CARES Act).....8

Summary of Recommendations Requiring Statutory Change.....9

Summary of Other Recommendations and Options if Deeper Cuts are Required11

- ➔ DMVA maintenance staff added in FY 2019-2012
- ➔ Army National Guard Operating Expenses line item13
- ➔ Veterans Assistance Grant Program - 10.0 and 20.0 Percent Reduction Scenarios13
- ➔ County Veterans Service Officer Payments.....14
- ➔ Transfer Real Estate Proceeds Funds15
- ➔ Veterans Trust Fund - 10.0 and 20.0 Percent Reduction Scenarios.....16

HOW TO USE THIS DOCUMENT

The **first section** of this document includes a summary table showing:

- Committee action on Long Bill appropriations through March 16, 2020; and
- Staff recommended changes to Long Bill appropriations, assuming that General Fund appropriations in FY 2020-21 must be kept at approximately the same level as FY 2019-20 to bring the budget into balance. This recommendation is based on the Legislative Council Staff March 16, 2020, revenue forecast, assumes that the statutory General Fund reserve will be increased in FY 2020-21 as proposed by the Governor, and assumes that only the federal increase in the Medicaid matching funds rate will be available to help cover shortfalls.

The table is followed by descriptions of each change recommended by staff.

A **second section** of the document (if applicable) summarizes staff recommendations that require statutory changes. This may include appropriation reductions that cannot be implemented without a statutory change, changes that affect the amount of available General Fund (e.g., a transfer from a cash fund), or any other items that are not captured in the Long Bill appropriations table. The recommendations in the second section are also based on the assumption that General Fund appropriations in FY 2020-21 must be kept at approximately the level of FY 2019-20 to bring the budget into balance.

A **third section** of the document includes additional staff recommendations and options for the Committee to consider if deeper cuts are required. For purposes of this section, staff has assumed additional reductions of 10.0 to 20.0 percent in General Fund appropriations and transfers will be required to bring the budget into balance in FY 2020-21.

SUMMARY OF STAFF BUDGET BALANCING RECOMMENDATIONS FOR LONG BILL

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION						
S.B. 19-207 (Long Bill)	\$131,630,851	\$11,615,507	\$1,470,429	\$4,143	\$118,540,772	2,579.1
Supplemental bill	87,994	240,748	0	0	(152,754)	0.0
TOTAL	\$131,718,845	\$11,856,255	\$1,470,429	\$4,143	\$118,388,018	2,579.1
FY 2020-21 RECOMMENDED APPROPRIATION						
FY 2019-20 Appropriation	\$131,718,845	\$11,856,255	\$1,470,429	\$4,143	\$118,388,018	2,579.1
Informational funds adjustment	1,460,451	0	0	0	1,460,451	(44.6)
Centrally appropriated line items	693,922	146,571	10,383	1,162	535,806	0.0
Increase Veterans Trust Fund appropriation	150,000	0	150,000	0	0	0.0
R2 DMVA energy study project	72,870	72,870	0	0	0	0.0
Annualize prior year legislation	58,539	22,420	872	0	35,247	0.0
R1 Western Region One Source service reception and triage	54,497	54,497	0	0	0	0.9
Centralized Personnel Plan adjustment	42,293	59,155	0	0	(16,862)	0.0
Common policy provider rate adjustment	23,888	23,888	0	0	0	0.0
Tobacco MSA forecast	11,394	0	11,394	0	0	0.0
R3 Re-estimate for National Guard Tuition Assistance	(400,000)	(400,000)	0	0	0	0.0
Annualize prior year budget actions	(35,920)	(177)	0	0	(35,743)	0.1
Subtotal - JBC Action as of 3/16/20	\$133,850,779	\$11,835,479	\$1,643,078	\$5,305	\$120,366,917	2,536.0
Additional adjustment for National Guard Tuition Assistance	(200,000)	(200,000)	0	0	0	0.0
Remove R2 Energy study	(72,870)	(72,870)	0	0	0	0.0
Remove R1 WROS service reception	(54,497)	(54,497)	0	0	0	(0.9)
Department absorbs Centralized Personnel Plan adjustment	(42,293)	(59,155)	0	0	16,862	0.0
Remove increase for Veterans Trust Fund study	(150,000)	0	(150,000)	0	0	0.0
TOTAL	\$133,331,119	\$11,448,957	\$1,493,078	\$5,305	\$120,383,779	2,534.6
INCREASE/(DECREASE)	\$1,612,274	(\$407,298)	\$22,649	\$1,162	\$1,995,761	(44.5)
Percentage Change	1.2%	(3.4%)	1.5%	28.0%	1.7%	(1.7%)

Note: Changes to staff recommendations for common policy items, including salary survey and provider rates, will be addressed in recommendations addressing statewide changes to common policy.

➔ ADDITIONAL ADJUSTMENT FOR NATIONAL GUARD TUITION ASSISTANCE

JBC ACTION AS OF 3/16/20: Consistent with the staff recommendation, the Committee reduced the appropriation for National Guard Tuition Assistance by \$400,000. Of the total \$225,000 was reduced on a one time basis.

RECOMMENDATION: Staff recommends reducing the appropriation for National Guard Tuition Assistance by an additional \$200,000, requiring the Department to cover any shortfall with fund balance.

ANALYSIS:

Key Considerations: Refinance from fund balance, so little or no program impact.

Other Items of Note: Staff recommends this as a temporary refinance and assumes that sufficient funding will be restored in the out-years to cover program costs. However, given this recommendation and the uncertainty of future state revenue, staff also assumes the Department will not enhance tuition assistance benefits beyond the minimum required by statute for FY 2020-21.

Additional Background: The National Guard Tuition Assistance Program, created in Section 23-7.4-302, C.R.S., provides funding for tuition assistance for members of the Colorado National Guard who attend Colorado state universities and colleges. A member of the National Guard is eligible for Tuition Assistance of at least 50 percent of tuition, but no more than 100 percent, so long as she or he is currently a member of the Colorado Guard, and meets various other eligibility criteria (e.g., related to GPA). The program currently pays up to \$4,250 per semester (\$8,500 per year) in tuition assistance for any member of the Guard (excluding retirees), regardless of whether the Guard member is a part-time or full-time Guard member.¹ National Guard Tuition Assistance is the largest state-funded recruitment incentive to attract enlistment in the Colorado National Guard. Access to this program, pursuant to statute, is subject to available appropriation. Of the approximately 5,000 members of the Colorado National Guard, 393 used this benefit in FY 2018-19, and total expenditures were \$1,194,910. Program participation has fallen in recent years.

As reflected in the staff figure setting packet, even after a recommended reduction of \$400,000 in the program's appropriation for FY 2020-21, staff still anticipated the program would have a large fund balance. The current crisis is likely to reduce, rather than increase, program participation. In light of this, staff is recommending an additional \$200,000 reduction in the FY 2020-21 appropriation, and anticipates that the program will use fund balance as needed to cover program costs.

¹ Resident tuition at the Colorado School of Mines (highest in the State) is \$16,650, so \$8,500 represents 51.1 percent of Mines' tuition. If tuition increases by 3.0 percent in FY 2020-21, staff assumes that the maximum program grant will need to increase to \$8,575 (0.9 percent increase)

NATIONAL GUARD TUITION ASSISTANCE - PROJECTED FUND BALANCE <u>BEFORE</u> ADDITIONAL \$200,000 BUDGET BALANCING REDUCTION							
APPROPRIATION/EXPENDITURES				TUITION ASSISTANCE CASH FUND			
	APPROPRIATION/RECOMMEND AS OF FIGURE SETTING	EXPENDITURE	REVERSION/(EXCESS) EXPENDITURE	BEGINNING BALANCE	CHANGE IN BALANCE**	ENDING BALANCE	
FY 2013-14	\$1,296,157	\$1,252,380	\$43,777	\$351,607	\$43,777	\$395,384	
FY 2014-15	1,296,157	1,366,469	-70,312	395,384	-71,076	324,308	
FY 2015-16	1,296,157	1,496,089	-199,932	324,308	-199,932	124,376	
FY 2016-17	1,383,319	1,207,509	175,810	123,587	175,288	298,875	
FY 2017-18	1,596,157	1,260,129	336,028	298,875	0	298,875	
FY 2018-19	1,596,157	1,194,910	401,247	298,875	0	298,875	
FY 2019-20	1,596,157	1,224,610	371,547	298,875	371,547	670,422	
FY 2020-21	1,196,157	1,261,348	-65,191	670,422	-65,191	605,231	
FY 2021-22	1,421,157	1,299,189	121,968	605,231	121,968	727,199	

➔ REMOVE R2 ENERGY STUDY AND R1 WESTERN REGION ONESOURCE SERVICE RECEPTION AND TRIAGE

JBC ACTION AS OF 3/16/20: The JBC voted to approve the Department’s R1 request for \$54,497 General Fund and its R2 request for \$72,870 General Fund.

RECOMMENDATION: Staff recommends the Committee not fund the Department’s R1 and R2 requests and reduce the appropriation for the Department by the amounts previously approved for these items.

ANALYSIS:

Key Considerations: New programs/FTE proposed for FY 2020-21.

Additional Background:

R1 Western Region One Source Service Reception and Triage: The Department requested funds for a Program Assistant II at the Western Region OneSource (WROS) in FY 2020-21. The position was to serve as a triage specialist to direct and guide customers who may have mental health issues or substance abuse disorders, to the resources provided by the State, federal, and community partners. The position was also expected to assist the Division Director and State Veteran Service Officer (VSO) with administrative tasks and program support.

The Committee approved \$54,497 General Fund and 0.9 FTE for the position for FY 2020-21, annualizing to \$74,384 General Fund (including “pots”) in FY 2021-22. In FY 2022-23, 50 percent of costs were expected to be covered through cash sources (revenue from WROS tenants).

The Department requested R1 on the grounds that the new position is important for safety of the facility. The facility has been slow to lease-up, so revenue from tenants is not available to support the position at this time.

Staff anticipates that, if this funding is removed, the Department will approach the Board of Veterans Affairs for support for this position in FY 2020-21 and FY 2021-22. Staff continues to anticipate that, over the longer term, the position will be supported by building tenants.

R2 DMVA Energy Study Project: The Department requested, and the Committee previously approved, an increase of \$72,870 General Fund for a one-time project in FY 2020-21 to enable the Department to perform an energy study to guide the future investment of state and federal dollars for energy efficiency and renewable energy projects at DMVA facilities. The project proposed using six selected sites along the Front Range, near and around Denver, as a representative sample of DMVA facilities, in order to minimize project costs.

→ DEPARTMENT ABSORBS CENTRALIZED PERSONNEL PLAN ADJUSTMENT

JBC ACTION AS OF 3/16/20: The JBC voted to approve a staff-initiated adjustment for the Department’s Centralized Personnel Plan, including a net increase of \$42,293, including \$59,115 General Fund.

RECOMMENDATION: Staff recommends the Committee not incorporate a staff-initiated adjustment for the Centralized Personnel Plan previously recommended.

ANALYSIS:

Key Considerations: The Department should be able to absorb the adjustment, in light of significant annual reversions and extensive budgetary flexibility.

Additional Background: The Department FTE in the Executive Director’s Office, Personal Services line item serve central administrative functions of a type that would normally be supported at least in part by indirect cost collections. However, under federal law, the Department is unable to levy indirect cost collections. Instead, the National Guard Bureau allows the Department to fund split the cost for some non-management staff who serve central functions such as accounting and procurement through the Centralized Personnel Plan (CPP). At present 8.0 FTE are included in the CPP.

Between FY 2016-17 and FY 2018-19, federal funds increased, and General Fund declined. However, for FY 2019-20, the federal funds share declined, with additional costs shifted to the General Fund. Staff initially recommended both a federal funds decrease and a General Fund increase to reflect the costs associated with supporting the 8.0 FTE funded through the CPP.

However, in light of revenue shortfalls, the history of reversions in this Department, and the substantial flexibility included in the budget, which allows the Department to transfer up to 20 percent of General Fund appropriations among key line items, staff recommends the Department absorb this adjustment within existing resources.

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS GENERAL FUND UNDER-EXPENDITURES*							
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
GF Under expenditure	\$179,002	\$419,965	\$1,257,159	\$700,438	\$784,480	\$1,156,711	\$930,693
Total GF Appropriation	6,692,607	7,378,715	8,244,667	8,294,927	8,443,132	10,530,168	11,206,594
Under expenditure as % appropriation	2.70%	5.70%	15.20%	8.40%	9.30%	11.00%	8.30%

*Includes amounts reverted to the SERF and OIT Revolving Fund.

→ REMOVE INCREASE FOR VETERANS TRUST FUND STUDY

JBC ACTION AS OF 3/16/20: As of 3/16, the JBC had approved \$1,033,230 cash funds for expenditures from the Veterans Trust Fund. This included an increase of \$150,000 cash funds based on an informal Department proposal to use \$250,000 over two years from money in the Fund to conduct a study of veterans’ needs.

RECOMMENDATION: Staff recommends the Committee reverse its previous decision to provide an appropriation increase of \$150,000 from the Veterans Trust Fund to conduct a study.

ANALYSIS:

Key Considerations: Given the significant financial challenges facing the state, staff believes funds should be conserved both for direct services and, if desired by the General Assembly, transfers to the General Fund. The Department has also indicated that a study under the unusual circumstances that will exist in FY 2020-21 may be of only limited use.

Additional Background: The Veterans Trust Fund, pursuant to statute, is to be used for capital improvements and amenities at veterans community living centers, costs for veterans cemeteries, veterans programs operated by nonprofit veterans organizations, and costs incurred by the Division of Veterans Affairs. Up to 5.0 percent may be used for administrative expenses. As dictated by statute, the Board of Veterans Affairs determines how funds are awarded both for nonprofits and state agencies.

FY 2018-19 Veterans Trust Fund appropriations were expended as follows:

VETERANS TRUST FUND	AWARDED/EXPENDED
State Veterans Community Living Centers capital improvements and amenities*	\$68,046
Operation and maintenance of state veterans cemeteries	0
Costs of the Div. Of Veterans Affairs	0
Vets programs operated by nonprofits that provide assistance to veterans in need. All funds were allocated to Veterans of Foreign Wars, American Legion, and Disabled American Veteran posts throughout the State, Programs supported included homelessness prevention (almost 50%), emergency needs (25%), transportation to health clinics (10%), among other services. Total of 1,447 unduplicated veterans received supports.	671,485
Total*	\$739,531

*Less than 60% of funds awarded to the Veterans Community Living Centers were expended; balance is assumed available in subsequent years.

Statute specifies that 90.0 percent of annual tobacco allocations are available for appropriation, while 10.0 percent must be reserved in the Veterans Trust Fund.

The Department previously indicated that at least \$857,471 cash funds in the Veterans Trust Fund represents amounts previously appropriated and reverted from appropriations made in FY 2012-13 through FY 2018-19. The proposal to use an additional \$150,000 in spending authority made use of these previously-reverted funds.

① NEW FEDERAL FUNDS TO BE RECEIVED UNDER H.R. 748 (CARES ACT)

The CARES Act appropriates \$1.5 billion for deployments of the National Guard. This level of funding will sustain up to 20,000 members of the National Guard, under the direction of the Governors of each state, for the next six months in order to support state and local response efforts. More specifically, the funding allocates the following:

- \$747 million to the Army National Guard for response efforts both domestically and internationally;
- \$187 million to the Army National Guard Operation and Maintenance Funding Programs;
- \$482 million to the Air National Guard for response efforts both domestically and internationally; and
- \$76 million to the Air National Guard Operation and Maintenance Funding Programs.

While staff believes there would be some benefit to including Colorado's estimated share of this funding in the Long Bill, there is unlikely to be sufficient information to do so, unless the Committee wishes to include a rough, population-based estimate. *Given the size of Colorado's population compared to the rest of the nation, staff assumes Colorado will receive \$22 to \$30 million from this source in federally-funded services; amounts will be received in the form of direct services (guard members paid by the federal government) rather than dollars that pass through the state accounting system.*

On April 3, 2020, DMVA responded to staff questions about Colorado's use and share of this funding as follows:

“Colorado is working with the Department of Defense and the Federal Emergency Management Agency to meet the requirements established by both agencies and the [President] to receive 502f coverage. As of the current date, that has not been accomplished and funding for Soldiers and Airmen is still in a State Active Duty status paid for by the State of Colorado.

Background – There are two mechanisms [DMVA] can conceptually use to pay our members (currently) in this response...namely State Active Duty (SAD) and 502f:

- State Active Duty is the main mechanism we are currently using to pay for the Guard in a state response. In a state response with a federally declared disaster, FEMA will reimburse the SAD costs at 75%.
- 502f refers to a unique status where National Guard members are under the authority and direction of the Governor but their pay and benefits are paid by the federal government.

Once 502f is in place [we] will have an some number of Guard members receive pay directly from the federal government. This number will be influenced by the number of personnel called up for different aspects of this response. As such we cannot give you a specific number at this time, *nor will the Department see this specific money*, rather

there will be an cost avoidance for money that would normally come from the State Emergency Fund to pay State Active Duty will not be utilized.”

SUMMARY OF RECOMMENDATIONS REQUIRING STATUTORY CHANGE

INCREASE AVAILABLE GENERAL FUND - STATUTORY CHANGE REQUIRED			
FY 2020-21 REVENUE	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS
Transfer \$1.0 million in Veterans Assistance Grant Program Cash Fund to General Fund*	\$1,000,000	(\$1,000,000)	\$0

*This item is a portion of the total funds transferred to as a result of H.B. 16-1161. These items have been grouped together in JBC balancing spreadsheets and will also be incorporated into the staff write-up for the Department of Human Services.

➔ TRANSFER AMOUNTS IN VETERANS ASSISTANCE GRANT PROGRAM CASH FUND TO GENERAL FUND

JBC ACTION AS OF 3/16/20: The Committee appropriated \$157,886 cash funds from the Veterans Assistance Grant Program Cash Fund for use of the Veterans Assistance Grant Program. The same amount was appropriated in FY 2019-20.

RECOMMENDATION: There was \$1.6 million in the Veterans Assistance Grant Program Cash Fund at the beginning of FY 2019-20. Staff recommends transferring \$1.0 million of this total from the cash fund to the General Fund in June 2020.

The Committee previously requested a bill draft (LLS 20-1158 “Transfers from Unexpended County Reimbursements”) to eliminate the provisions that resulted in General Fund transfers to the Veterans Assistance Grant Program Cash Fund from the Senior Property Tax Exemption program. Staff recommends including this transfer in that bill.

ANALYSIS:

Key Consideration: The amount in this cash fund first became available in FY 2019-20, and the amount available in the cash fund has increased significantly, though spending authority has not been increased to the same degree. A transfer of \$1.0 million would enable the Department to continue spending at the current level for three years.

Other Items of Note:

- Since this is a cash fund transfer, it is only available on a one-time basis.
- The Department has indicated that it might prefer that the Committee use the funds in the cash fund to refinance General Fund otherwise required for the Veterans Assistance Grant Program. Staff has recommended a transfer to the General Fund since these funds originate as General Fund and a transfer to the General Fund provides the General Assembly with greater flexibility.

Additional Background:

Veterans Assistance Grant Program: The Veterans Assistance Grant Program is used “to provide moneys to nonprofit organizations and governmental agencies that provide services to ensure the health and well-being of [Colorado veterans], including but not limited to:....mental health services, family counseling services, job training, employment, and housing for homeless veterans.” Grant awards are determined by the Board of Veterans Affairs, and 5.0 percent may be used for administrative costs. Grants are typically under \$75,000, with most allocated to county departments’ of Human Services for programs for veterans including mental health, substance abuse, and shelter programs. Funds have also been allocated to groups such as Goodwill, Catholic Charities, and Home Front Cares for similar types of services.

The program first received an appropriation in FY 2012-13, and, through FY 2018-19, was funded at the \$1.0 million General Fund level.

The program is primarily funded by the General Fund but, since FY 2019-20, has also received an appropriation of \$157,886 cash funds from the Veterans Assistance Grant Program Cash Fund. The source of these funds is described below.

Transfer to the Veterans Assistance Grant Program Cash Fund: House Bill 12-1326 (Concerning Assistance to the Elderly) added Section 39-3-207 (6), C.R.S., which established an automatic transfer of any funds included in the informational appropriation for the Senior Citizen and Disabled Veteran Property Tax Exemption, but not expended as reimbursements for the Homestead Exemption, to the Senior Services Account within the Older Coloradans Cash Fund. House Bill 16-1161 (Allocate Senior Property Tax Exemption Money), a JBC bill, established that 95.0 percent of the amount would be transferred to the Senior Services Account within the Older Coloradans Cash Fund and the remaining 5.0 percent be transferred to the Veterans Assistance Grant Program Cash Fund.

For both FY 2017-18 and FY 2018-19, the informational appropriations significantly exceeded the amounts ultimately required for the Senior Citizen and Disabled Veteran Property Tax Exemption, and there were therefore large transfers to both the Older Coloradans Cash Fund and the Veterans Assistance Grant Program Cash Fund.

Of the total funds transferred, \$789,431 was deposited into the Veterans Assistance Grant Program Cash Fund after the close of FY 2017-18 (5% of \$15,788,613 total reversions). The Department requested in FY 2019-20 these funds be appropriated and expended over a five year period. The Department received a subsequent transfer of an additional \$843,203 from this funding source after the close of FY 2018-19, but no related appropriation has been requested or provided.

SUMMARY OF OTHER RECOMMENDATIONS AND OPTIONS IF DEEPER CUTS ARE REQUIRED

The Department's base General Fund appropriation in FY 2019-20 was \$11,856,255.

- A 10.0 percent reduction would be (\$1,185,626)
- A 20.0 percent reduction would be (\$2,371,251)

10.0 PERCENT REDUCTION SCENARIO

Staff recommends that the Committee consider the following options based on a scenario in which General Fund appropriations and transfers must be reduced by 10.0 percent (or revenue increased by an equivalent amount) in FY 2020-21.

The staff recommendations above provide an appropriation of \$11,448,957 (before common policy changes), or savings of \$407,298 (3.4 percent) below the FY 2019-20 appropriation, as well as a transfer to the General fund of \$1.0 million cash funds. Faced with additional cuts at the 10.0 percent level, staff would recommend that the Committee also consider:

BUDGET BALANCING OPTIONS FOR DEEPER CUT (10.0 PERCENT SCENARIO)					
FY 2020-21 EXPENDITURE	BILL? Y/N	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
DMVA maintenance staff added in FY 2019-20	N	(\$110,579)	(\$462,043)	(\$572,622)	(9.0)
Army National Guard Operating Expenses line item	N	(50,000)	0	(50,000)	0.0
Veterans Assistance Grant Program, reduce 15.0 percent	N	(150,000)	0	(150,000)	0.0
County Veterans Service Officer Payments, reduce 10.0 percent	N	(128,117)	0	(128,117)	0.0

20.0 PERCENT REDUCTION SCENARIO

Staff recommends that the Committee consider the following options based on a scenario in which General Fund appropriations and transfers must be reduced by 20.0 percent (or revenue increased by an equivalent amount) in FY 2020-21. A 20.0 reduction in this department would require an additional \$1,185,626 beyond amounts above. The options below exceed this figure and could help address funding needs in other departments that are not capable of sustaining larger reductions.

BUDGET BALANCING OPTIONS FOR DEEPER CUT (20.0 PERCENT OR MORE SCENARIO)					
FY 2020-21 REVENUE	BILL? Y/N	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
Real Estate Proceeds transfer to General Fund	Y	\$10,106,395	(\$10,106,395)	\$0	0.0
Veterans Trust Fund transfer 45% to General Fund	Y	3,000,000	(3,000,000)	0	0.0

BUDGET BALANCING OPTIONS FOR DEEPER CUT (20.0 PERCENT OR MORE SCENARIO)					
FY 2020-21 EXPENDITURE	BILL? Y/N	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
Veterans Assistance Grant Program, reduce additional 10.0 percent (or more)	N	(100,000)	0	(100,000)	0.0
County Veterans Service Officer Payments, reduce additional 10.0 percent	N	(128,117)	0	(128,117)	0.0

→ DMVA MAINTENANCE STAFF ADDED IN FY 2019-20

JBC ACTION AS OF 3/16/20: The appropriation continues and annualizes funding for 9.0 FTE first added in the budget in FY 2019-20 to address maintenance needs at DMVA facilities. The total appropriation is \$572,622, including \$110,579 General Fund, excluding any centrally-appropriated amounts.

RECOMMENDATION: Staff recommends eliminating the funding associated with this FY 2019-20 initiative.

ANALYSIS:

Key Considerations: This was a significant staff expansion added in the FY 2019-20 budget, but as of Jan. 24, 2020, none of the 9.0 FTE new positions had been hired, and further delays in filling the positions were anticipated.

Additional Background:

The Department's R1 request in FY 2019-20 was to add new positions and vehicles for maintenance of DMVA readiness centers and other facilities. The full anticipated costs, including out-year centrally appropriated amounts anticipated to be required, are shown below.

FY 2019-20 Request							
	GF/ FF Split	FTE	State Share	FTE	Federal	FTE	Total
Pipe Mechanical Trades II	15% / 85%	0.5	\$38,897	2.5	\$191,430	3.0	\$230,327
Structural Trades II	15% / 85%	0.5	\$35,106	2.5	\$170,743	3.0	\$205,848
Electronics Specialist II	25% / 75%	0.5	\$35,153	1.5	\$104,186	2.0	\$139,339
LTC Operations II	0% / 100%	0.0	\$0	1.0	\$108,333	1.0	\$108,333
Total FTE		1.4	\$109,156	7.5	\$574,691	8.9	\$683,846
		VEH	State Share	VEH	Federal	VEH	Total
Vehicles (VEH)	50% / %50%	4.0	\$32,366	4.0	\$32,366	8.0	\$64,732
Total Request FY 2019-20			\$141,521		\$607,056		\$748,578

LTC=Labor/Trades/Crafts

The request included detail about the assignments for the new staff across the state and the large van and seven new maintenance utility trucks requested to help equip them. The request highlighted a backlog of maintenance orders, the large geographical areas covered by maintenance staff, and the 78,000 square foot per person covered by maintenance staff on average.

Staff's analysis indicated that the request represented an increase of over 30 percent in department facilities maintenance FTE, over 40 percent in related appropriations, and over 50 percent in vehicles allocated for facilities maintenance. Given the justification provided, staff recommended, and the Committee approved, the request with adjustments consistent with common policy.

However, in response to staff questions in January 2020 about the status of the new staff, the Department indicated:

“All Position Descriptions have been submitted to DMVA HRO for classification and announcement. However, none of the 9.0 FTE funded in last year's R1 have been hired due to DMVA HRO experiencing backlog in personnel actions. We are expecting at least four of these positions to have been hired by May 2020, and the remaining five by October 2020. At the beginning of FY 2019, the department had a backlog of 1,089 work orders. Since then, the department backlog has decreased by 200 work orders, totaling 883 outstanding work orders. The decrease is due to current maintenance technicians working additional hours and tackling quick turn-around jobs. Nonetheless, if the 9.0 FTE are not hired, the backlog of work orders is expected to compound and increase due to newly acquired and constructed facilities requiring maintenance support.”

While staff does not doubt there is a real need for these additional staff, the Department has obviously managed at a lower staffing level up until this point. Given the budget challenges facing the State, staff recommends that the staffing increase be deferred indefinitely and associated funding removed from the appropriation.

→ ARMY NATIONAL GUARD OPERATING EXPENSES LINE ITEM

JBC Action as of 3/16/20: The base funding approved for this line item was \$447,899, including \$401,899 General Fund. A footnote allows the Department to transfer up to 20.0 percent of General Fund appropriations between multiple line items in the Executive Director and Army National Guard Division, including this one. The other line items affected are Personal Services, Vehicle Lease Payments, and the Army National Guard Cooperative Agreement.

RECOMMENDATION: Staff recommends a reduction of \$50,000 General Fund to this line item, or 11.1 percent.

ANALYSIS:

Key Considerations: This Department has a history of significant reversions. Due to the transfer authority provided for this division, staff anticipates that the Department will compensate for reductions in this line item through reversions in other line items.

Additional Background: As highlighted previously, in the last five actual years, this department has reverted between 8.3 and 15.3 percent of its General Fund appropriations. While reversions in operating expenses have not been large, there have been significant reversions from other line items in this division. Due to the flexibility provided this department to transfer funds among line items, as well as the flexibility provided in this (and all) departments to transfer funds from centrally-appropriated line items, staff anticipates that the DMVA will be able to use reversions to compensate for cuts in this line item.

→ VETERANS ASSISTANCE GRANT PROGRAM - 10.0 AND 20.0 PERCENT REDUCTION SCENARIOS

JBC ACTION AS OF 3/16/20: As of 3/16, the JBC had approved \$1,157,886 and 0.5 FTE, including \$1,000,000 General Fund and \$157,886 cash funds for the Veterans Assistance Program Grant Program.

RECOMMENDATION:

- In a 10.0 percent reduction scenario, staff would recommend an additional reduction of \$150,000 General Fund (15.0 percent of the General Fund) for this program.
- If the Committee requires greater savings, it could take a further reduction of \$100,000 (an additional 10.0 percent) or even eliminate funding for the program entirely.

ANALYSIS:

Key Considerations: This program more than doubled grants for veterans' programs when it was added by the General Assembly in FY 2012-13. The program received an increase of \$157,886 cash funds in FY 2019-20. This option would eliminate most of this recent increase.

The program helps support services for vulnerable populations, including homeless veterans and veterans suffering from mental illness and substance abuse. Nonetheless, there are significant federal resources directed to serving these populations, and state funds are not the sole or primary source of support for these services.

Additional Background: As described previously, this program provides money to nonprofit organizations and governmental agencies that provide services to ensure veterans health and well-being, including mental health services, family counseling services, job training, employment, and housing for homeless veterans. The Board of Veterans Affairs determines grant allocations. Grants in FY 2017-18 ranged from \$2,500 to \$75,000. The largest share of funds were allocated to county departments' of Human Services for programs for veterans including mental health, substance abuse, and shelter programs. Funds were also allocated to groups such as Goodwill, Catholic Charities, and Home Front Cares for similar types of services.

→ COUNTY VETERANS SERVICE OFFICER PAYMENTS

JBC ACTION AS OF 3/16/20: This line item is \$1,281,168 General Fund, including an increase of \$23,888 General Fund for a community provider rate adjustment.

RECOMMENDATION: The Committee could reduce base funding in this line item by 20.0 percent (\$256,234)

ANALYSIS:

Key Considerations: This program received increases totaling \$600,000 General Fund through floor amendments in FY 2017-18 and FY 2018-19.

Additional Background: A primary function of the Department's Division of Veterans Affairs is to assist veterans in obtaining federal, as well as state, benefits to which they are entitled. To achieve this, the State operates on a "hub and spokes" model. It employs 13.0 state employees to advocate for veterans. It also distributes funding and provides technical assistance to counties, each of which is required,

pursuant to Section 28-5-801 (1), C.R.S., to employ at least one part-time veteran service officer (VSO).

The State appropriated \$1,257,263 General Fund for payments to counties for county VSOs in FY 2019-20. This included large recent-year increases, including \$300,000 added by the General Assembly in FY 2017-18 and a further \$300,000 added in FY 2018-19.

The Department uses the appropriated funds to pay flat amounts to counties in partial reimbursement for their county VSOs: \$29,400 to any county employing one or more VSO full time and \$14,700 to all other counties, which are required to employ a veteran service officer at least part time. Presently, 21 counties receive reimbursement for full-time VSO, while 43 counties receive reimbursement for having a part-time officer. A total of 82 full- and part-time VSOs are employed statewide, as some counties (El Paso, Douglas, Larimer, Weld, Arapahoe, Jefferson, Boulder, Pueblo, Rio Grande) employ 2-5 VSOs, although no county is reimbursed for more than one.

In general, it is difficult to determine the impact of the veteran service officer structure. The Department takes the position that it is not responsible for counties' veteran service officers' performance. Coloradans' use of VA services has been on the rise, but it is hard to know to what extent county and Department staff have driven that. On the one hand, the Department reports that client satisfaction of 98.3 percent, based on a survey tool it is using. On the other hand, new VA health care enrollments handled by state staff have been flat or declining. A comprehensive national 2006 analysis that attempted to determine the impact of veterans service officers on veterans' access to benefits was unable to draw clear correlations between state expenditures or ratios of veterans service officer to benefits received by veterans.²

→ TRANSFER REAL ESTATE PROCEEDS FUNDS

JBC ACTION AS OF 3/16/20: None.

RECOMMENDATION: The Committee could consider a statutory change to transfer all or a portion of Real Estate Proceeds authorized through Section 28-3-106(1)(a)(III), C.R.S., to the General Fund.

ANALYSIS:

Key Considerations: This would represent a transfer of funds the Department hoped to use in the future for development of new readiness centers and other sites. The transfer would reduce the Department's ability to move swiftly on purchase opportunities and would likely delay development of new sites until capital construction funds are again available.

Additional Background: The Adjutant General, with approval from the Governor, is authorized to rent, hire, purchase, and hold in trust for the State buildings and lands deemed of use by the National Guard. With the Governor's written permission, the Adjutant General may sell, trade, or dispose of real estate deemed unsuitable for military purposes at no less than the appraised value.

² Hunter et. al., *Analysis of Differences in Disability Compensation in the Department of Veterans Affairs*, Institute for Defense Analysis, December 2006.

https://www.va.gov/vetdata/docs/surveysandstudies/state_variance_study-volumes_1_2.pdf

There is currently \$10.1 million available from previous sale of lands, which primarily reflects sale of the Boulder readiness center property. This amount, or some portion of it, could be transferred to the General Fund.

REAL ESTATE PROCEEDS				
	FY 2018-19 ACTUAL	FY 2019-20 ESTIMATE	FY 2020-21 ESTIMATE	FY 2021-22 ESTIMATE
Beginning FY Balance	\$9,674,693	\$9,892,869	\$10,096,869	10,300,869
Revenues	218,338	205,000	205,000	205,000
Expenditures	162	1,000	1,000	1,000
Ending FY Balance without transfer	\$ 9,892,869	\$10,096,869	\$10,300,869	\$10,504,869

➔ VETERANS TRUST FUND - 10.0 AND 20.0 PERCENT REDUCTION SCENARIOS

JBC ACTION AS OF 3/16/20: As of 3/16, the JBC had approved appropriations of \$1,033,230 cash funds from the Veterans Trust Fund. This included an increase of \$150,000 cash funds which staff has (above) recommended be removed from the appropriation.

RECOMMENDATION:

- In a 10.0 percent reduction scenario, staff would not recommend Trust Fund changes. However, if sought by the Board and the Department, the Committee could consider providing additional appropriations from the Fund that would enable Board of Veterans Affairs to compensate for General Fund reductions in other Veterans Affairs programs, if it desired.
- If the Committee requires greater savings, it could sponsor legislation to transfer approximately \$3.0 million from this Fund to the General Fund. A total of \$6.8 million is available in the Fund, so more is available, although staff is not recommending a larger transfer at this time.

ANALYSIS:

Key Considerations: The Veterans Trust Fund is used primarily for grants to support services for veterans provided by groups such as the Veterans of Foreign Wars. Services are largely targeted to vulnerable populations and include homelessness prevention and emergency needs. In creating a “trust fund” the General Assembly appears to have sought to provide stability in funding for veterans’ services. That said, most veterans’ services are supported directly by the federal government, and this is not primary source of funding for such resources.

Additional Background: The Veterans Trust Fund is supported by 1.0 percent of annual receipts from the Tobacco Master Settlement Agreement. Funds are distributed based on decisions of the Board of Veterans Affairs. The Fund may be used for capital improvements and amenities at veterans community living centers, costs for veterans cemeteries, veterans’ programs operated by nonprofit veterans organizations, and costs incurred by the Division of Veterans Affairs. In FY 2018-19, about 90.0 percent of the funds were distributed to veteran serving organizations, such as the Veterans of Foreign Wars posts across the state, while about 10.0 percent was used to fund amenities at the state’s veterans community living centers (state-operated veterans nursing homes).

Statute specifies that 90.0 percent of annual tobacco allocations are available for appropriation, while 10.0 percent must be reserved in the Fund. As reflected in the table below, the Fund is expected to have a \$6.8 million balance at the beginning of FY 2020-21.

The Department has indicated that at least \$857,471 cash funds in the Veterans Trust Fund represents amounts previously appropriated and reverted from appropriations made in FY 2012-13 through FY 2018-19. These amounts may therefore be expended without violating statute. Additional appropriations from the Fund or transfers from the Fund to the General Fund would require statutory change.

VETERANS TRUST FUND PROJECTION*			
	FY 2020-21	FY 2021-22	FY 2022-23
Beginning FY Balance	\$6,811,654	\$6,892,013	\$6,972,372
<i>Revenues</i>			
Projected Tobacco MSA Revenue	803,589	803,589	803,589
Interest earnings	160,000	160,000	160,000
<i>Expenditures</i>			
Spending 90% MSA receipts + interest	(883,230)	(883,230)	(883,230)
Ending Balance	\$6,892,013	\$6,972,372	\$7,052,731

*FY 2020-21 is based on the LCS Tobacco MSA forecast; for purposes of the table, staff has assumed a similar level of receipts in subsequent years.