

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2012-13 STAFF BUDGET BRIEFING**

**DEPARTMENT OF MILITARY  
AND VETERANS AFFAIRS**

**JBC Working Document - Subject to Change  
Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:  
Steve Allen, JBC Staff  
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For Further Information Contact:

Joint Budget Committee Staff  
200 E. 14th Avenue, 3rd Floor  
Denver, Colorado 80203  
Telephone: (303) 866-2061  
TDD: (303) 866-3472

**FY 2012-13 BUDGET BRIEFING  
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

**DEPARTMENT OF MILITARY AND VETERANS AFFAIRS**

**Table of Contents**

Graphic Overview. . . . . 1

Department Overview . . . . . 3

Decision Items. . . . . 8

Overview of Numbers Pages . . . . . 10

Issues:

Performance-based Goals and the Department's FY 2012-13 Budget Request. . . . . 11

Update on Readiness Center Construction and Costs. . . . . 18

Appendices:

A - Numbers Pages. . . . . 21

B - Summary of Major Legislation from 2011 Legislative Session.. . . . 28

C - Update on Long Bill Footnotes and Requests for Information. . . . . 30

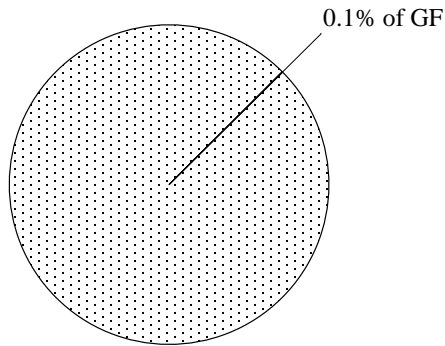
D - Update on Long Bill Footnotes and Requests for Information. . . . . \*

\* The State Auditor's Office has not identified any outstanding recommendations for this department.

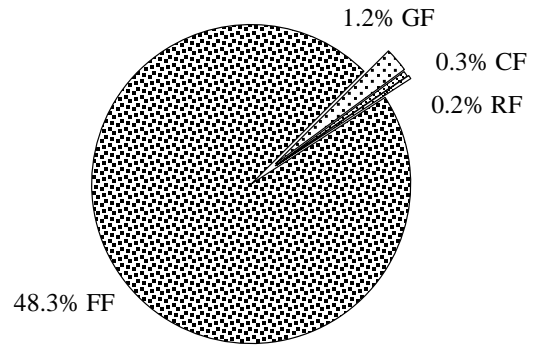
**FY 2012-13 Joint Budget Committee Staff Budget Briefing  
Department of Military and Veterans Affairs**

**GRAPHIC OVERVIEW**

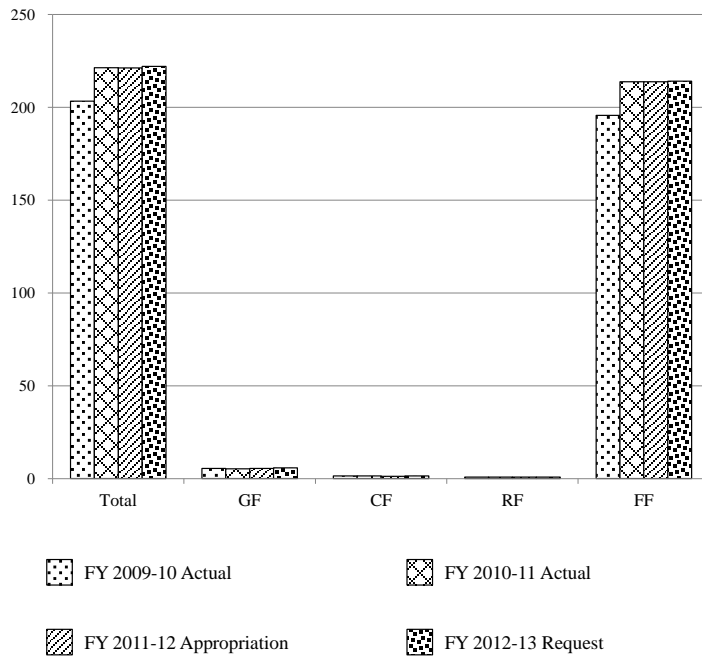
**Department's Share of Statewide General Fund**



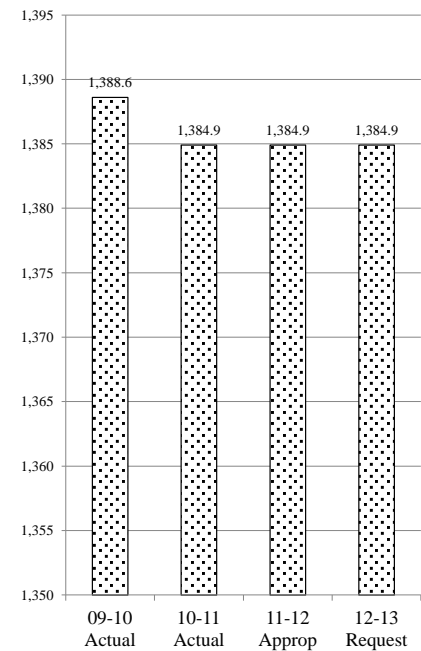
**Department Funding Sources**



**Budget History  
(Millions of Dollars)**



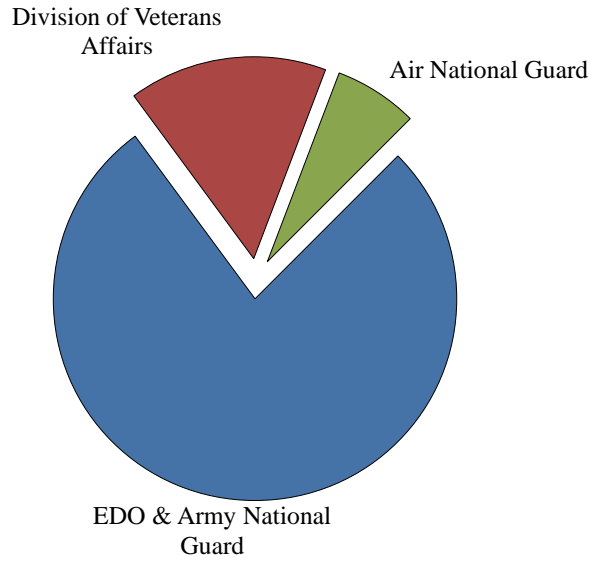
**FTE History**



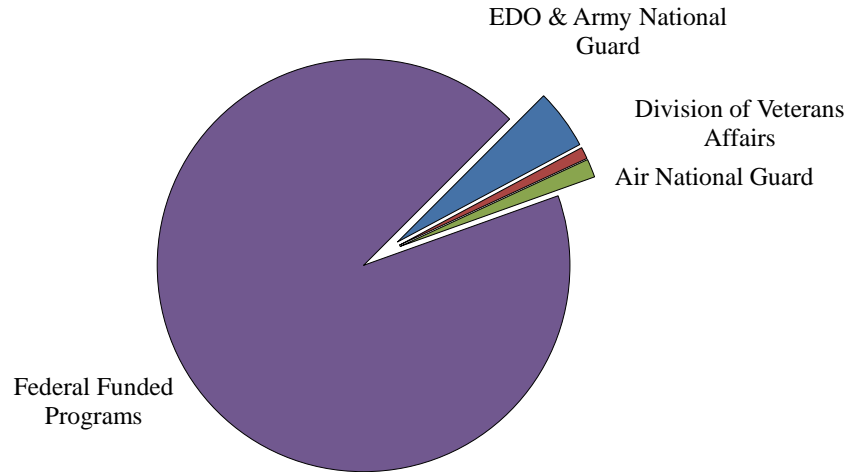
Unless otherwise noted, all charts are based on the FY 2011-12 appropriation.



### Distribution of General Fund by Division



### Distribution of Total Funds by Division



**FY 2012-13 Joint Budget Committee Staff Budget Briefing  
Department of Military and Veterans Affairs**

**DEPARTMENT OVERVIEW**

**Key Responsibilities**

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- ▶ Provide trained and ready military forces for the U.S. active armed services.
- ▶ Provide trained and ready military units for the preservation of life and property during natural disasters and civil emergencies in Colorado.
- ▶ Provide support for federal and state homeland security missions.
- ▶ Maintain equipment and facilities for the state's military forces.
- ▶ Provide for safekeeping of the public arms, military records, relics and banners of the state.
- ▶ Assist veterans and National Guard members with claims for federal and state benefits.
- ▶ Maintain the Western Slope Military Veterans Memorial Cemetery.
- ▶ Provide support for and facilitate the operation of the Civil Air Patrol, Colorado Wing.
- ▶ Assist in fighting the spread of drug trafficking.

**Factors Driving the Budget**

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The primary budget driver is the "federal force structure," or number of Guard personnel authorized by the U.S. National Guard Bureau, and the state's ability to fill that force structure, which together determine the amount of federal funds flowing into and through the Department. **The majority of funds coming from the federal government do not flow through the state's accounting systems and therefore are shown for informational purposes only in the Long Bill.** The federal government pays for the training and operations of National Guard units. The State is responsible for paying the costs of activating the Guard for State operations as well as some utilities and maintenance expenses.

The current combined strength of the Department's two Guard components, the Army National Guard and the Air National Guard, with 73 percent of members in the Army National Guard and 27 percent in the Air National Guard. The following table details the recent growth of the Guard.

<b>Colorado National Guard Authorized Strength and Membership</b>					
	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
<b>Total Authorized Strength</b>					
Army National Guard	n/a	n/a	4,009	3,878	4,016
Air National Guard	<u>n/a</u>	<u>n/a</u>	1,531	1,531	1,537
Total	n/a	4,964	5,540	5,409	5,553
<b>Total National Guard Members</b>					
Army National Guard	3,300	3,629	3,629	3,776	4,024
Air National Guard	<u>1,400</u>	<u>1,435</u>	<u>1,435</u>	<u>1,498</u>	<u>1,471</u>
Total	4,700	5,064	5,064	5,274	5,495
Percentage of Slots Filled	n/a	102.0%	91.4%	97.5%	99.0%

The Air National Guard has seen its responsibilities increase since the attacks of September 11, 2001 with the requirement to keep fighter aircraft on alert for homeland security. The Air National Guard has also been deployed to assist in the Global War on Terror in Afghanistan and Iraq, as well as assignments in the Balkans and counter-terrorism or counter-narcotics operations.

Under federal rules, when National Guard units are activated for federal service, those costs come from the Army or Air Force and are not shown in the Long Bill. While the costs of these activations are not shown in the Long Bill, the increased deployments strain family and employer relations and add to the hardships associated with National Guard service. Among those effects is increased use of the veterans assistance services of the Department. Table 1 shows the number of National Guard members activated since September 2001.

<b>Table 1</b>			
<b>Colorado National Guard Deployments since September 2001</b>			
<b>Year</b>	<b>Army National Guard</b>	<b>Air National Guard</b>	<b>Total</b>
2001-02	353	1,010	1,363
2002-03	1,076	569	1,645
2003-04	1,077	569	1,646
2004-05	302	338	640
2005-06	504	160	664
2006-07	850	272	1,122
2007-08	1,150	243	1,393
2008-09	600	450	1,050
2009-10	529	230	759
2010-11	612	500	1,112

More than 95 percent of Department's budget is funded by the federal government, primarily for training and operations of the national guard units. The federal government also provides most of the funding for the construction of armories and other military buildings. The State is responsible for all maintenance and utilities costs at armories located on state land, and 20 to 25 percent of those

costs for facilities on federal lands. In addition, when Guard units are activated for state missions, the state must pay the costs of those units during state deployments.

Armory maintenance contributes to readiness to perform federal and state missions by providing safe, modern, well-maintained facilities for training and mobilization. Poorly maintained facilities have a negative impact on recruitment and retention. The high operations tempo of National Guard units together with the age of National Guard facilities (on average, more than 40 years old) has increased facility-maintenance needs. In 2008, the General Assembly addressed this issue by increasing the Department's appropriation for armory maintenance by \$254,419. However, the Department's FY 2009-10 supplemental cut the appropriation by \$277,199 and the appropriation has remained constant since that time.

### **Executive Director and Army National Guard**

The Executive Director's Office is responsible for overall management of the Department. The Executive Director is both the civilian head of the Department and the Adjutant General in command of the State's military forces. Because of the federal funding for the department, the department has four human resource offices, three accounting operations, two purchasing/contracting operations, three budgeting operations, and three separate information technology systems.

The Executive Director's Office also includes appropriations that help support the Colorado Wing of the Civil Air Patrol, a federally-chartered nonprofit corporation that serves as a civilian auxiliary of the U.S. Air Force. Congress has assigned it three key missions: emergency services (which includes search and rescue and disaster relief operations), aerospace education, and cadet programs for teenage youth. The Colorado Wing consists of almost 2,000 volunteers and has 15 aircraft located around the state. The Colorado Wing receives its primary support from the Federal Government; the Department supports the Wing by providing 1.0 FTE and by paying part of the minor aircraft maintenance and operating expenses. The bulk of the funding for operations and maintenance comes from the Civil Air Patrol's national organization.

### **Colorado Army and Air National Guard**

The National Guard is both a state and federal military force with two components, the Army National Guard and the Air National Guard. It is Colorado's state militia, under the Governor's command, and also serves as a supplement to regular United States military forces.

The Executive Director of the Department also serves as the Adjutant General (commander) of the Colorado National Guard. Due to the requirements of the Federal Government, the Department has four Human Resource Offices, three accounting operations, two purchasing/contracting operations, three budgeting operations, and three separate IT systems. Each operation has a state office that handles functions for the state, and two or three different programs for the federal side of the Department.

In 2007 the National Guard Bureau awarded Colorado a new 800 member infantry battalion, which requires the construction of five new readiness centers (or armories) to house the battalion. This

is discussed further as a briefing issue later in this document. Even though these facilities are constructed to modern energy efficiency and "green" standards, the new facilities will require increases in utilities expenses and maintenance.

The status of the readiness centers, as of November 1, 2011, is as follows:

- Fort Lupton - Construction is complete.
- Grand Junction - Construction is complete.
- North Colorado Springs - Construction has begun.
- Windsor - Construction has begun.
- Alamosa - In negotiations to purchase a site.

### **Division of Veterans Affairs**

The Division of Veterans Affairs serves veterans by helping them as they apply for veteran's benefits, by providing information to county veterans service officers, administering, through the State Board of Veterans' Affairs, and by maintaining the Western Slope Military Veterans Cemetery in Grand Junction. The Division's five Veterans Service Officers represent veterans, under powers of attorney, in claims to the U.S. Veterans Administration and in proceeding before the U.S. Board of Veterans Appeals. The Division takes all claims, whether or not the staff believes they are meritorious.

The primary budget driver is the number of veterans who need assistance with federal benefits claims. The number of new claims has risen from approximately 1300 in the year 2000 to over 5000 today. According to the U.S. Department of Veterans Affairs, there are approximately 421,000 veterans now residing in Colorado.

Section 28-5-801, C.R.S., requires each county to establish a Veterans Service Office and appoint one or more County Veterans Service Officers (CVSO) for the county. Counties may act jointly in establishing the offices and appointing officers. The state reimburses the counties for part of those costs, based on whether the CVSO's were full or part-time. Counties with full-time Officers are reimbursed at a rate of \$200 per month, while counties with part-time Officers are reimbursed at a rate of \$100 per month. The Long Bill appropriation for this support is \$88,800, while county expenditures in support of the CVSO's exceed \$1 million annually.

The State Board of Veterans Affairs advises the Division on veterans issues and administers the Colorado State Veterans Trust Fund. The Trust Fund receives one percent of the proceeds, up to \$1 million, from the tobacco settlement agreement with tobacco manufacturers. Pursuant to Section 28-5-709 (1) (b), C.R.S., the trust fund may be used for:

- Capital improvements and amenities for state veterans nursing homes.
- Costs for the legislative oversight committee and the nursing home commission.
- Costs of state veterans cemeteries.
- Costs of the Division of Veterans Affairs.
- Veterans programs operated by non-profit veterans organizations.



- Construction projects to build National Guard armories at Alamosa, Grand Junction, and Windsor (repealed effective July 1, 2012).

In the 2009 session, the General Assembly passed H.B. 09-1329, which changed the amount of moneys transferred to the Trust Fund that are available for appropriation. For FY 2008-09 and after, 90 percent of the transfer of moneys to the fund may be appropriated, along with any accumulated interest. The remaining 10 percent of the transfer must be retained in the Trust Fund. The majority of funding from the Trust Fund provides funding for veterans organizations that provide services to veterans around the state.

The Western Slope Military Veterans Cemetery opened in Grand Junction in July 2002, and currently has approximately 2,000 interments. Under the terms of the federal grant to build the cemetery, the state must operate the cemetery for 20 years or repay the cost of construction. Funding for the Cemetery comes from the General Fund, the Western Slope Military Veterans' Cemetery Fund, and from interment fees from the U.S. Department of Veterans Affairs.

**FY 2012-13 Joint Budget Committee Staff Budget Briefing  
Department of Department of Military and Veterans Affairs**

**DECISION ITEM PRIORITY LIST**

<b>Decision Item</b>	<b>GF</b>	<b>CF</b>	<b>RF</b>	<b>FF</b>	<b>Total</b>	<b>FTE</b>
DI-1 <b>Fleet Replacement Request</b> <b>Executive Director and Army National Guard.</b> Though the Department has given this request priority 1 classification, Staff believes that it is actually a non-prioritized item. Other agencies have classified their fleet replacement requests as non-prioritized items.	\$11,041	\$0	\$0	\$0	\$11,041	
NP-1 <b>Statewide PERA Adjustment</b> <b>Executive Director and Army National Guard, Division of Veterans Affairs, and Air National Guard Divisions.</b> Statewide decision item.	\$56,497	\$1,824	\$0	\$106,096	\$164,417	0.0
NP-2 <b>Risk Management Common Policy Adjustment</b> <b>Executive Director and Army National Guard, Division of Veterans Affairs, and Air National Guard Divisions.</b> Statewide decision item.	\$37,410	\$0	\$0	\$0	\$37,410	0.0
NP-3 <b>Workers' Compensation Common Policy Adjustment</b> <b>Executive Director and Army National Guard Division.</b> Statewide decision item.	\$5,131	\$0	\$0	\$9,932	\$15,063	0.0
NP-4 <b>Capitol Complex Lease</b> <b>Executive Director and Army National Guard Division.</b> Statewide decision item.	\$4,832	\$0	\$0	\$2,819	\$7,651	0.0
NP-5 <b>OIT Communication Services</b> <b>Executive Director and Army National Guard.</b> Statewide decision item	\$16,164	\$0	\$0	\$0	\$16,164	0.0
NP-6 <b>OIT Purchase of Services from Computer Center</b> <b>Executive Director and Army National Guard.</b> Statewide decision item	\$173,571	\$0	\$0	\$0	\$173,571	0.0
NP-7 <b>OIT Multiuse Network Payments</b> <b>Executive Director and Army National Guard.</b> Statewide decision item	\$27,329	\$0	\$0	\$0	\$27,329	0.0

<b>Decision Item</b>	<b>GF</b>	<b>CF</b>	<b>RF</b>	<b>FF</b>	<b>Total</b>	<b>FTE</b>
NP-8	(\$60,776)	\$0	\$0	\$0	(\$60,776)	0.0
<b>Management and Administration of OIT</b>						
<b>Executive Director and Army National Guard.</b> Statewide decision item						
<b>Total</b>	<b>\$271,199</b>	<b>\$1,824</b>	<b>\$0</b>	<b>\$118,847</b>	<b>\$391,870</b>	<b>0.0</b>

**FY 2012-13 Joint Budget Committee Staff Budget Briefing  
Department of Department of Military and Veterans Affairs**

**OVERVIEW OF NUMBERS PAGES**

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2011-12 appropriation and its FY 2012-13 request.

**Total Requested Change, FY 2011-12 to FY 2012-13 (millions of dollars)**

<b>Category</b>	<b>GF</b>	<b>CF</b>	<b>RF</b>	<b>FF</b>	<b>Total</b>	<b>FTE</b>
FY 2011-12 Appropriation	5.4	1.2	0.8	213.8	\$221.2	1,384.9
FY 2012-13 Request	5.7	1.4	0.8	214.1	222.0	1,384.9
Increase / (Decrease)	\$0.3	\$0.2	\$0.0	\$0.3	\$0.8	0.0
Percentage Change	5.2%	18.1%	0.0%	0.1%	0.4%	0.0%

The following tables highlight the individual changes contained in the Department's FY 2012-13 budget request, as compared with the FY 2011-12 appropriation. For additional detail, see the Numbers pages in Appendix A.

**Requested Changes, FY 2011-12 Appropriation to FY 2012-13 Request  
Department Overview - All Divisions**

<b>Category</b>	<b>GF</b>	<b>CF</b>	<b>RF</b>	<b>FF</b>	<b>Total</b>	<b>FTE</b>
Common Policy Adjustments	225,424	(1,051)	0	183,644	??	0.0
Return state PERA contribution to 10.15% from 7.65% (Restores the PERA adjustment in S.B. 11-076)	56,497	1,824	0	106,096	??	0.0
State Veterans Trust Fund Spending (tobacco settlement funds)	0	217,486	0	0	??	0.0
<b>Total requested changes</b>	<b>\$281,921</b>	<b>\$218,259</b>	<b>\$0</b>	<b>\$289,740</b>	<b>\$0</b>	<b>0.0</b>

**FY 2012-13 Joint Budget Committee Staff Budget Briefing  
Department of Military and Veterans Affairs**

**BRIEFING ISSUE**

**ISSUE: Performance-based Goals and the Department's FY 2012-13 Budget Request**

This issue brief summarizes the Department of Military and Veterans Affairs report on its performance relative to its strategic plan and discusses how the FY 2012-13 budget request advances the Department's performance-based goals. Pursuant to the State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act (H.B. 10-1119), the full strategic plan for the Department of Military and Veterans Affairs will be accessible from the Office of State Planning and Budgeting web site.

The issue brief assumes that the performance-based goals are appropriate for the Department. Pursuant to the SMART Government Act legislative committees of reference are responsible for reviewing the strategic plans and recommending changes to the departments. The issue brief also assumes that the performance measures are reasonable for the performance-based goals. Pursuant to the SMART Government Act the State Auditor periodically assesses the integrity, accuracy, and validity of the reported performance measures. Please note that the Department's full strategic plan includes five overarching highest priority objectives and performance measures and additional division-specific objectives and performance measures.

When OSPB provided JBC staff with the Department's strategic plan last week, it stated that "prior to formal presentation to the appropriate committees of reference, strategic plans should be considered preliminary."

**DISCUSSION:**

**Performance-based Goals and Measures**

The Department's five top priority objectives are:

**1. Veterans Support**

*Objective: Coordinate, collaborate and communicate veterans' service benefits and provide training and certification for County Veteran's Service Officers (CVSO)*

**Selection of two performance measures when more than two are provided:** Chapter 3 of OSPB's budget instructions deals with strategic plans. Last summer OSPB posted on its web site preliminary updates to Chapter 3 that addressed the requirements of H.B. 10-1119. Those instructions stated that "For each of the department-wide objectives, one or two corresponding Performance Measures" should be provided. Though this revised version of Chapter 3 no longer appears on OSPB's web site, having been replaced with an old set of instructions dated May 29, 2009, staff has restricted this issue to two performance measures per goal. Since the Department provided four performance measures for the Veterans Support goal, staff asked the Department to

specify the two measures that it considered most important. This analysis applies to the chosen measures, which follow.

Percent of Counties Participating in County Veterans Service Officer Training		
Year	Benchmark	Actual
FY 2008-09	Not provided	75%
FY 2009-10	Not provided	80%
FY 2010-11	Not provided	77%
FY 2011-12 Appropriation	Not provided	
FY 2011-12 Request	Not provided	

Average number of veterans served by the Department monthly		
Year	Benchmark	Actual
FY 2008-09	Not provided	41
FY 2009-10	Not provided	195
FY 2010-11	Not provided	350
FY 2011-12 Appropriation	Not provided	
FY 2011-12 Request	Not provided	

**a. How is the Department measuring the specific goal/objective?**

**Background on County Veterans Service Officers:** Section 28-5-801 (1), C.R.S., requires each county to appoint a County Veterans Service Officer (CVSO), who provides support to veterans who live within their counties. They help veterans apply for pension, health, education, death and other benefits and can help with the appeals process if a claim is denied. Some counties have one or more full-time CVSO, others have a part-time or volunteer CVSO, while a few counties share a CVSO with another county. The state reimburses counties at the rate of \$200 per month for a part-time officer and \$400 per month for a full-time officer. The FY 2011-12 appropriation for this program is \$88,800, while counties report that they spent more than \$1.2 million in support of the program.

In addition to financial support, the Department provides training to CVSO and it considers attendance at training sessions a measure of its success in supporting these officers and assuring their competence.

**Background on veterans services provided directly by the Department:** The Department has 8.0 FTE who assist county veterans service officers with their duties and provide training for those officers. The total FY 2011-12 appropriation for these FTE equals \$594,000, with 91 percent coming from the General Fund and the remainder coming from tobacco settlement moneys.

These FTE also provide direct assistance to veterans; like CVSO, they help veterans apply for pension, health, education, death and other benefits and help with the appeals process. As the numbers in the above table indicate, the number of veterans served has been rising, which reflects the continuing weakness of the economy.

**b. Is the Department meeting its objective, and if not, why?**

Unknown. The Department has not provided benchmarks against which success can be measured.

**c. How does the budget request advance the performance-based goal?**

The Department's budget request will maintain but not expand the current level of support for County Veterans Service Officers and for veterans.

**2. State Support**

*Objective: Provide the Governor with trained and ready National Guard Forces and Civil Air Patrol for state support to civil authorities.*

The Department provided three performance measures for this goal. In response to a staff request, the Department designated the following two measures as the most important:

Successfully met 100% of Governor and Governor coordinated talking		
Year	Benchmark	Actual
FY 2008-09	A 100% benchmark is implicit in the goal	Yes
FY 2009-10	Same	Yes
FY 2010-11	Same	Yes
FY 2011-12 Appropriation	Same	
FY 2011-12 Request	Same	

Percentage of ready and trained Specialized Domestic Response Assets		
Year	Benchmark	Actual
FY 2008-09	Not provided	100%
FY 2009-10	Not provided	100%
FY 2010-11	Not provided	100%
FY 2011-12 Appropriation	Not provided	
FY 2011-12 Request	Not provided	

**a. How is the Department measuring the specific goal/objective?**

The Governor can activate elements of the National Guard, drawing upon its expertise in such areas as communications, logistics, search and rescue, decontamination, and disaster response. In past years, the Governor has called certain elements of the Colorado National Guard to state active duty to help deal with the Columbine High School tragedy, the 9/11 attacks, wildfires, flooding, and fugitives at large.

Staff does not know and doubts that an average reader of the strategic plan will know what the performance measure "Percentage of ready and trained Specialized Domestic Response Assets" refers to. Elsewhere the analysis indicates that 6 specialized response teams exist, but it includes no information concerning their specialities.

**b. Is the Department meeting its objective, and if not, why?**

*Governor and Governor coordinated talking:* Yes, all talking have been met.

*Ready and trained Specialized Domestic Response Assets:* Since the actual values equals 100%, this goal has been met, though no benchmark is provided.

**c. How does the budget request advance the performance-based goal?**

The Department's budget request will maintain but not expand the Department's ability to provide the Governor with trained and ready National Guard Forces and Civil Air Patrol for state support to civil authorities.

**3. Federal Support**

*Objective: Provide the federal government with a trained and ready national guard force for execution of assigned federal missions.*

Manning Levels				
	Army		Air	
Year	Benchmark	Actual	Benchmark	Actual
FY 2008-09	Not provided	100%	Not provided	93.5%
FY 2009-10	Not provided	100%	Not provided	94.0%
FY 2010-11	Not provided	100%	Not provided	94.3%
FY 2011-12 Appropriation	Not provided		Not provided	
FY 2011-12 Request	Not provided		Not provided	

**a. How is the Department measuring the specific goal/objective?**



Manning levels refer to actual strength as a percentage of authorized strength, as set by the National Guard Bureau. Manning levels reflect the Department's success in attracting recruits into the Guard. The Department notes that it is easier to recruit members for the Army National Guard than for the Air National Guard because there are army readiness centers in many areas of the state while the Air National Guard is based only at Buckley and Greeley.

**b. Is the Department meeting its objective, and if not, why?**

*Air manning levels:* Unknown since no benchmark is provided.

*Army manning levels:* Since the actual values equals 100%, this goal has been met, though no benchmark is provided.

**c. How does the budget request advance the performance-based goal?**

The Department's budget request will maintain but not expand the Department's ability to provide the federal government with a trained and ready national guard force for execution of assigned federal missions.

**4. Member and Family Support.**

*Objective: Maintain National Guard Member and Family Support Programs.*

Support Requested				
	Number of requests		Percentage of requests met	
Year	Benchmark	Actual	Benchmark	Actual
FY 2008-09	Not provided	7,957	Not provided	100%
FY 2009-10	Not provided	15,444	Not provided	100%
FY 2010-11	Not provided	19,689	Not provided	100%
FY 2011-12 Appropriation	Not provided		Not provided	
FY 2011-12 Request	Not provided		Not provided	

**a. How is the Department measuring the specific goal/objective?**

The number of requests received and met is a reasonable measure of the support provided to National Guard members and families. It may be helpful if the strategic plan enumerated some of the forms of support that are available.

**b. Is the Department meeting its objective, and if not, why?**

*Number of requests:* Unknown since no benchmark is provided. The Department notes that this number is increasing because of the state of the economy and because the level of community support for families with a Guard member overseas has declined in recent years.

*Percentage of requests met:* Since the actual values equals 100%, this goal has been met, though no benchmark is provided.

**c. How does the budget request advance the performance-based goal?**

The Department's budget request will maintain but not expand the Department's ability to provide support to National Guard members and their families.

**5. Participation and Influence**

*Objective: Participate and Influence Force Structure Modernization Discussions and Decisions*

New Facilities		
Year	Benchmark	Actual
FY 2008-09	None provided, but a benchmark may be inappropriate	0
FY 2009-10	Same	0
FY 2010-11	Same	2
FY 2011-12 Appropriation	Same	
FY 2011-12 Request	Same	

New Missions Received		
Year	Benchmark	Actual
FY 2008-09	None provided, but a benchmark may be inappropriate	1
FY 2009-10	Not provided	0
FY 2010-11	Not provided	0
FY 2011-12 Appropriation	Not provided	
FY 2011-12 Request	Not provided	

**a. How is the Department measuring the specific goal/objective?**

This goal is not easily quantified. The construction of new facilities and the receipt of new missions is an indicator of the Department's *participation* in force structure modernization programs. However it is less clear that these factors measure *influence*.

**b. Is the Department meeting its objective, and if not, why?**

Because this goal is hard to quantify, it is difficult to establish appropriate benchmarks with which to evaluate success. The occasional arrival of a new mission or of a new facility may be the closest one can come to a benchmark.

**c. How does the budget request advance the performance-based goal?**

The Department's budget request will maintain but not expand the Department's ability to participate in and influence force structure modernization discussions and decisions .

**FY 2012-13 Joint Budget Committee Staff Budget Briefing  
Department of Military and Veterans Affairs**

**BRIEFING ISSUE**

**ISSUE: Update on Readiness Center Construction and Costs**

In October 2007, the Federal National Guard Bureau awarded a new 800 soldier infantry battalion to Colorado, which required the construction of five new readiness centers (armories) around the state. Two of these centers are now complete, two are under construction and the fifth, which will be located in Alamosa, is yet to be fully funded and built; it requires an additional \$2.7 million in capital construction funding. Associated utility and maintenance costs, which may reach \$167,000 in FY 2012-13, will come from a Long Bill line item that may already be unable to meet current maintenance needs.

**SUMMARY:**

- The new battalion required the construction of five new readiness centers, with total construction costs of more than \$80 million, with more than 75 percent coming from federal funds. Most of these costs have already been met, but the State must still appropriate \$2.7 million in capital construction funds for the last center, which will be located in Alamosa.
- The state must pay a share of the utility and maintenance costs associated with the operation of these centers. These costs, which may reach \$167,000 in FY 2012-13, will be paid from an operating expenses line item that is arguably underfunded and may already be under considerable stress. The Department has requested no increase in appropriations for this line item.
- Staff is concerned that increased utility and maintenance costs will force the department to further delay needed maintenance on existing department structures.

**RECOMMENDATION:**

Staff recommends that the Committee discuss this issue with the Department of Military and Veterans Affairs at the Department's hearing with the Committee, focusing on the Department's ability to pay maintenance and utility costs for the new readiness centers and the effects that this will have on maintenance elsewhere.

**DISCUSSION:**

The State of Colorado Army National Guard was awarded an 800 soldier infantry battalion in October 2007, which required the construction of five new readiness centers (armories). The Department decided to locate these centers in North Colorado Springs, Grand Junction, Ft. Lupton, Alamosa, and Windsor, locations where the National Guard believes it can recruit soldiers to fill the authorized positions at the same time that it increases its presence around the State.

The federal government pays 75 percent of the construction costs of the four readiness centers built on state land (Grand Junction, Ft. Lupton, Alamosa, and Windsor) and 100 percent of construction costs for centers built on federal land (North Colorado Springs). Table 1 details the status of these projects and related construction costs:

Table 1 Readiness Center Construction				
Location	Status	State Funds	Federal Funds	Total
1. Fort Lupton	Complete	\$5,661,451	\$9,728,610	\$15,390,061
2. Grand Junction	Complete	4,001,637	11,228,713	15,230,350
3. North Colorado Springs	Under Construction	0	24,908,163	24,908,163
4. Windsor	Under Construction	5,681,260	9,014,565	14,695,825
5. Alamosa	Site purchase Negotiations	3,581,656	7,730,974	11,312,630
Total		\$18,926,004	\$62,611,025	\$81,537,029

In order to supplement scarce Capital Construction Funds, the General Assembly turned to the Colorado State Veterans Trust Fund, which annually receives between \$900,000 and \$1 million of tobacco settlement revenues, plus interest on the fund balance. Under current law, 90 percent of the tobacco settlement moneys transferred to the Fund (plus interest) are available for appropriation for the statutory purposes of the fund, with the remaining 10.0 percent retained in the fund. In prior years a larger percentage had to be retained in the fund. As a consequence, by 2010 a balance of approximately \$4.7 million had accumulated. In order to tap these revenues, the General Assembly passed H.B. 10-1140, which permitted the moneys in the Fund to be used for the construction of armories. An addition \$1.7 million was also available from the sale of surplus armories.

**\$2.7 million of Capital Construction Funds is still needed.** At this time, all the costs associated with the first 5 projects on the above list have been appropriated, with the funds either set aside or already expended. Of the \$3.6 million state cost for the Alamosa Center, \$853,568 has already been appropriated and set aside, but the remaining \$2,728,088 must still be appropriated. The Governor is recommending that the Alamosa Center be funded in the FY 2012-13 capital construction budget request. It is number 8 on the capital construction priority list.

**Maintenance and utilities.** The state is required to pay a portion of the cost of utilities and maintenance for readiness centers, with the percentage depending upon whether the center is located on state or federal land. For the four centers located on state land, Colorado must pay 50 percent of utility and maintenance costs. For the North Colorado Springs Center, on federal land, the state must pay 25% of maintenance and utility costs.

The Department has estimated combined maintenance and utilities costs to equal the amounts shown in the following table, which assumes that the Colorado Springs and Windsor centers will come on line in FY 2012-13, and the Alamosa center will be completed in FY 2013-14. The table also assumes a 2 percent inflation rate.

<b>Fiscal Year</b>	<b>Combined maintenance and utility costs for all open centers</b>
2011-12	\$81,063
2012-13	\$167,105
2013-14	\$201,602

These maintenance costs must be paid from the Operating Expense line in the Executive Director's Office, which has a General Fund appropriation of \$1,181,198 in the FY 2011-12 Long Bill. There is reason to believe that this line item is currently under stress. In 2008, the General Assembly approved a decision item that increased maintenance appropriations for this line by \$254,419 in order to reduce what the Department described as a large maintenance backlog. However, due to the economic downturn, the Department's FY 2009-10 supplemental cut the appropriation by \$277,199 and the appropriation has remained constant since that time. Staff is concerned that the increased utility and maintenance costs associated with the new center will force the department to further delay necessary maintenance on existing structures.

**FY 2012-13 Joint Budget Committee Staff Budget Briefing  
Department of Military and Veterans Affairs**

**APPENDIX A: NUMBERS PAGES**

	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Appropriation	FY 12-13 Request	DI and Approp v Request
<b>DEPARTMENT OF MILITARY AND VETERANS AFFAIRS</b>					
<b>Major General H. Michael Edwards, Adjutant General and Executive Director</b>					
<b>(1) EXECUTIVE DIRECTOR AND ARMY NATIONAL GUARD</b>					
<i>Provides trained and ready forces to the U.S. active armed services and provides trained and ready forces for the preservation of life and property during natural disasters and civil emergencies in Colorado. Starting in FY 2010-11, the State's support for the Civil Air Patrol is shown in this Division. The cash funds sources are armory rental fees, the Western Slope Military Veterans' Cemetery Fund; real estate proceeds; and the Distance Learning Cash Fund. The reappropriated funds source is the Colorado Commission on Higher Education financial assistance program.</i>					
Personal Services	2,238,477	2,046,221	2,017,444	2,065,860	NP-1
FTE	<u>35.3</u>	<u>33.3</u>	33.3	<u>33.3</u>	
General Fund	2,010,101	1,819,116	1,792,441	1,834,575	
Cash Funds	3,786	3,786	3,729	3,729	
Federal Funds	224,590	223,319	221,274	227,556	
Health, Life and Dental	<u>533,727</u>	<u>546,744</u>	636,077	<u>740,736</u>	
General Fund	185,560	164,270	175,825	179,254	
Cash Funds	458	229	16,583	16,520	
Federal Funds	347,709	382,245	443,669	544,962	

	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Appropriation	FY 12-13 Request	DI and Approp v Request
Short-term Disability	<u>8,945</u>	<u>9,912</u>	12,236	<u>12,390</u>	DI-1
General Fund	3,213	3,555	4,602	4,080	
Cash Funds	92	104	185	129	
Federal Funds	5,640	6,253	7,449	8,181	
S.B. 04-257 Amortization Equalization Disbursement	<u>119,077</u>	<u>152,605</u>	192,694	<u>224,000</u>	
General Fund	42,197	53,996	71,928	73,764	
Cash Funds	1,244	1,623	2,923	2,334	
Federal Funds	75,636	96,986	117,843	147,902	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>73,141</u>	<u>110,831</u>	154,456	<u>192,500</u>	
General Fund	25,310	38,307	57,412	63,391	
Cash Funds	770	1,187	2,349	2,006	
Federal Funds	47,061	71,337	94,695	127,103	
Salary Survey and Senior Executive Service	<u>0</u>	<u>0</u>	0	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Performance-based Pay Awards	<u>0</u>	<u>0</u>	0	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Shift Differential - FF	17,829	19,242	16,106	22,507	



	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Appropriation	FY 12-13 Request	DI and Approp v Request
Workers' Compensation	<u>71,565</u>	<u>72,598</u>	58,445	<u>73,508</u>	NP-3
General Fund	24,322	24,683	19,871	25,002	
Federal Funds	47,243	47,915	38,574	48,506	
Operating Expenses	<u>2,056,730</u>	<u>2,056,770</u>	2,056,770	<u>2,056,770</u>	
General Fund	1,181,158	1,181,198	1,181,198	1,181,198	
Cash Funds	46,000	46,000	46,000	46,000	
Federal Funds	829,572	829,572	829,572	829,572	
Information Technology Asset Maintenance - GF	22,372	22,372	22,372	22,372	
Legal Services for 110 Hours - GF	8,292	8,071	8,328	8,328	
Purchase of Services from Computer Center - GF	10,222	134,000	178,810	352,381	NP-6
Multiuse Network Payments - GF	11,235	23,160	59,906	87,235	NP-7
Management and Administration of OIT - GF	13,490	60,097	60,776	0	NP-8
Payment to Risk Management and Property Funds - GF	129,081	38,724	110,330	147,740	NP-2
Vehicle Lease Payments - GF	45,875	45,406	36,508	47,549	
Leased Space - GF	44,978	44,978	44,978	44,978	

	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Appropriation	FY 12-13 Request	DI and Approp v Request
Capitol Complex Leased Space (Camp George West)	<u>96,360</u>	<u>89,200</u>	83,459	<u>91,110</u>	NP-4
General Fund	76,608	64,660	52,733	57,565	
Federal Funds	19,752	24,540	30,726	33,545	
Communications Services Payments - GF	11,233	12,163	13,001	29,165	NP-5
Civil Air Patrol Operations - GF	58,638	58,638	58,638	58,638	
Local Armory Incentive Plan - CF	46,610	46,610	46,610	46,610	
Distance Learning - CF	3,000	3,000	3,000	3,000	
Colorado National Guard Tuition Fund	<u>1,046,157</u>	<u>1,046,157</u>	1,046,157	<u>1,046,157</u>	
General Fund	246,157	246,157	246,157	246,157	
Reappropriated Funds /a	800,000	800,000	800,000	800,000	
Army National Guard Cooperative Agreement - FF	3,504,314	3,505,244	3,454,368	3,509,359	NP-1
FTE	51.5	51.5	51.5	51.5	
<b>SUBTOTAL - (1) EXECUTIVE DIRECTOR AND ARMY NATIONAL GUARD</b>	10,171,348	10,152,743	10,371,469	10,882,893	4.9%
FTE	<u>86.8</u>	<u>84.8</u>	84.8	<u>84.8</u>	<u>0.0</u>
General Fund	4,150,042	4,043,551	4,195,814	4,463,372	6.4%
Cash Funds	101,960	102,539	121,379	120,328	-0.9%
Reappropriated Funds	800,000	800,000	800,000	800,000	0.0%
Federal Funds	5,119,346	5,206,653	5,254,276	5,499,193	4.7%

a/ Pursuant to Section 23-3.3-202, C.R.S., these funds are reappropriated from the Department of Higher Education to the National Guard Tuition Assistance Program

	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Appropriation	FY 12-13 Request	DI and Approp v Request
<b>(2) DIVISION OF VETERANS AFFAIRS</b>					
<i>Represents veterans in claims for federal benefits, supports county veterans service officers, administers the Colorado State Veterans Trust Fund, and maintains the Western Slope Military Veterans Cemetery. Cash funds sources are the Colorado State Veterans Trust Fund and the Western Slope Military Veterans Cemetery Fund. Reappropriated funds source is the Colorado State Veterans Trust Fund.</i>					
Veterans Service Operations	597,752	595,556	594,101	602,600	NP-1
FTE	<u>8.0</u>	<u>8.0</u>	8.0	<u>8.0</u>	
General Fund	544,243	542,047	540,592	549,091	
Cash Funds	50,000	50,000	50,000	50,000	
Reappropriated Funds	3,509	3,509	3,509	3,509	
County Veterans Service Officer Payments - GF	190,654	190,654	190,654	190,654	
Colorado State Veterans Trust Fund Expenditures - CF	1,028,911	1,029,275	811,789	1,029,275	
Western Slope Veterans Cemetery	410,259	409,106	407,727	412,134	NP-1
FTE	<u>4.5</u>	<u>4.5</u>	4.5	<u>4.5</u>	
General Fund	132,190	131,039	130,755	133,338	
Cash Funds	227,069	227,067	225,972	227,796	
Federal Funds	51,000	51,000	51,000	51,000	
<b>SUBTOTAL - (2) DIVISION OF VETERAN AFFAIRS</b>	2,227,576	2,224,591	2,004,271	2,234,663	11.5%
FTE	<u>12.5</u>	<u>12.5</u>	12.5	<u>12.5</u>	<u>0.0</u>
General Fund	867,087	863,740	862,001	873,083	1.3%
Cash Funds	1,305,980	1,306,342	1,087,761	1,307,071	20.2%
Reappropriated Funds	3,509	3,509	3,509	3,509	0.0%

	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Appropriation	FY 12-13 Request	DI and Approp v Request
Federal Funds	51,000	51,000	51,000	51,000	0.0%
<b>(3) AIR NATIONAL GUARD</b>					
<i>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 civil emergencies in Colorado</i>					
Operations and Maintenance Agreement for Buckley/Greeley	1,998,701	2,011,848	1,981,728	2,000,694	NP-1
FTE	<u>26.1</u>	<u>26.1</u>	26.1	<u>26.1</u>	
General Fund	390,758	378,942	363,843	367,124	
Federal Funds	1,607,943	1,632,906	1,617,885	1,633,570	
Buckley Cooperative Agreement - FF	1,027,331	1,002,078	988,906	1,013,550	
FTE	17.5	17.5	17.5	17.5	
Security for Space Command Facility at Greeley - FF	224,382	219,888	216,588	221,082	
FTE	5.0	5.0	5.0	5.0	
<b>SUBTOTAL - (3) AIR NATIONAL GUARD</b>	3,250,414	3,233,814	3,187,222	3,235,326	1.5%
FTE	<u>48.6</u>	<u>48.6</u>	48.6	<u>48.6</u>	<u>0.0</u>
General Fund	390,758	378,942	363,843	367,124	0.9%
Federal Funds	2,859,656	2,854,872	2,823,379	2,868,202	1.6%

	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Appropriation	FY 12-13 Request	DI and Approp v Request
<b>(4) FEDERAL FUNDED PROGRAMS</b>					
<i>Trains state military forces. Note: This section is included in the Long Bill for informational purposes only. These funds are not subject to appropriation by the General Assembly and do not pass through the state accounting system. Totals are reported based on the federal fiscal year beginning October 1, not the State fiscal year beginning July 1.</i>					
Federal Funded Programs Operations - FF	187,578,486	205,646,369	205,646,369	205,646,369	
FTE	1,239.0	1,239.0	1,239.0	1,239.0	
<b>SUBTOTAL - (4) FEDERAL FUNDED PROGRAMS - FF</b>	187,578,486	205,646,369	205,646,369	205,646,369	0.0%
FTE	1,239.0	1,239.0	1,239.0	1,239.0	0.0
<b>TOTAL - DEPARTMENT OF MILITARY AND VETERANS AFFAIRS</b>	<b>203,227,824</b>	<b>221,257,517</b>	221,209,331	<b>221,999,251</b>	<b>0.4%</b>
<b>FTE</b>	<b><u>1,386.9</u></b>	<b><u>1,384.9</u></b>	1,384.9	<b><u>1,384.9</u></b>	<b><u>0.0</u></b>
General Fund	5,407,887	5,286,233	5,421,658	5,703,579	5.2%
Cash Funds	1,407,940	1,408,881	1,209,140	1,427,399	18.1%
Reappropriated Funds	803,509	803,509	803,509	803,509	0.0%
Federal Funds	195,608,488	213,758,894	213,775,024	214,064,764	0.1%

**FY 2012-13 Joint Budget Committee Staff Budget Briefing  
Department of Military and Veterans Affairs**

**APPENDIX B: SUMMARY OF MAJOR LEGISLATION**

- ❑ **S.B. 11-037 (Heath/Kerr, J.): World War II Special License Plate.** Creates the "Veteran of World War II" special license plates to show that the vehicle owner is a veteran of World War II. The Legislative Council Staff Fiscal Note projects that revenue from sale of the plates will approximately balance the costs of production; sales will not raise revenue any group.
  
- ❑ **S.B. 11-076 (Steadman/Becker): PERA Contribution Rates.** For the 2011-12 state fiscal year only, reduces the employer contribution rate for the State and Judicial divisions of the Public Employee Retirement Association (PERA) by 2.5 percent and increases the member contribution rate for these divisions by the same amount. In effect, continues the FY 2010-11 PERA contribution adjustments authorized through S.B. 10-146 for one additional year. Reduces the Department's total appropriation by \$164,417, of which \$56,497 is General Fund, \$1,824 is cash funds, and \$106,096 is federal funds.
  
- ❑ **S.B. 11-146 (Hodge/Gerou):** Supplemental appropriation to the Department of Military and Veterans Affairs for FY 2010-11.
  
- ❑ **S.B. 11-209 (Hodge/Gerou):** General appropriations act for FY 2011-12.
  
- ❑ **H.B. 11-1037 (Ryden and Fields/Carroll): Military Family Checkoff Extension.** Extends the period of time for which State income tax forms will include a line for taxpayers to make a voluntary donation to the Military Family Relief Fund through income tax years commencing before January 1, 2016. The donation line first appeared on the 2005 income tax form and has received an average of \$218,596 in donations annually, with the average donation equaling \$14.10. Revenues are transferred, without an appropriation, to the Colorado National Guard foundation, where they are used for emergency grants for financial hardships to members of the Colorado National Guard or reservists and their families when ordered to active military duty.
  
- ❑ **H.B. 11-1237 (Swerdfeger/Bacon): National Guard Quarters and Billeting Fund.** Creates the Chargeable Quarters and Billeting Cash Fund, which receives moneys charged for the use of National Guard facilities (estimated to equal \$120,000 annually in the bill's Legislative Council Staff Fiscal Note, an estimate that assumes the Department will make a concerted effort to advertise and book National Guard facilities when they are available). Allows the fund to be used for the costs associated with the operation, repair and maintenance of those facilities. Moneys in the fund are continuously appropriated to the Department.
  
- ❑ **H.B. 10-1140 (Nikkel/Shaffer B.) Veterans Trust Fund National Guard Armories.** Authorizes the use of moneys from the Colorado State Veterans Trust Fund, which receives tobacco-settlement revenue, to construct armories for the National Guard.

□ **H.B. 09-1329 (Marostica/White): Veterans Trust Fund Percentages.** Beginning in FY 2008-09, makes 90 percent of the tobacco settlement moneys transferred to the Colorado State Veterans Trust Fund (plus any accumulated interest) available for appropriation for the statutory purposes of the fund, with the remaining 10.0 percent retained in the fund. Formerly, the statutory percentage appropriated from the fund was scheduled to decline in annual steps from 65% in FY 2007-08 to 35% in FY 2010-11. Appropriated an additional \$350,000 to the Department in FY 2008-09 and \$439,500 in FY 2009-10 from the Fund.

**FY 2012-13 Joint Budget Committee Staff Budget Briefing  
Department of Military and Veterans Affairs**

**APPENDIX C: UPDATE OF FY 2010-11  
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

**Long Bill Footnotes**

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- 41 Department of Military and Veterans Affairs, Federal Funded Programs --** These federal funds are shown for informational purposes. These funds are not to be included in the spending authority for the Department because these funds do not flow through the accounting systems of the state. It is the intent of the General Assembly that these programs, funding, and FTE are included to demonstrate the full scope of activities in the Department of Military Affairs.

Comment: This is an informational footnote and no action is required of the Department to comply.

**Requests for Information**

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- 5. All Departments, Totals --** Every department is requested to submit to the Joint Budget Committee, by November 1, 2011 information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2009-11 The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2011-12.

Comment: Since the majority of federal funds coming into the Department do not flow through the state's accounting systems and the associated FTE are not state FTE, this request does not apply to the vast majority of the Department 's federal FTE. There were no changes in federally funded FTE that are within the state system.