

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2009-10

**DEPARTMENT OF
MILITARY AND VETERANS AFFAIRS**

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

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**DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
FY 2009-10 SUPPLEMENTAL RECOMMENDATIONS
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Prioritized Supplementals

**Early Supplemental Request, Department Priority #1
 Reduce Operations and Maintenance for Buckley Air Force Base**

	Request	Recommendation
Total	(\$70,000)	(\$70,000)
General Fund	(70,000)	(70,000)

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

Department Request: The Department's request is to reduce the appropriation for the Operations and Maintenance Agreement for Buckley/Greeley by \$70,000 General Fund. This is an ongoing reduction that annualizes to \$81,167 General Fund in FY 2010-11. This request was part of the Governor's August package of budget balancing proposals for FY 2009-10.

Staff Analysis: The Department's proposal to reduce General Fund expenses to meet the Department's budget reduction target includes this supplemental which reduces maintenance expenses at Buckley Air Force Base (AFB) by \$70,000 General Fund in FY 2009-10 and annualizes to \$81,167 General Fund in future years. This line item is for maintenance and operations of Air National Guard buildings at Buckley AFB.

The State is required to match every \$4 of federal funds in this line with \$1 of State funds, however, in recent years, federal funding has not been available to maintain the 4 to 1 ratio. Therefore, the Department does not expect to lose any federal funds as a result of this reduction in State funding.

This line combines personal services and operating expenses into one line. The line is detailed in the following table.

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Supplemental Request Operations and Maintenance Agreement for Buckley/Greeley Reduction			
	Total Funds	General Fund	Federal Funds
FY 2009-10 Personal Services Appropriation	\$1,234,941	\$245,301	\$989,640
FY 2009-10 Operating Expense Appropriation	<u>856,580</u>	<u>216,019</u>	<u>640,561</u>
FY 2009-10 Total Appropriation	2,091,521	461,320	1,630,201
Supplemental #1 - Reduce Operating Expenses for Buckley AFB	(70,000)	(70,000)	0
Recommended Operating Expense Appropriation	<u>786,580</u>	<u>146,019</u>	<u>640,561</u>
Recommended Total Appropriation	\$2,021,521	\$391,320	\$1,630,201

The proposed reduction in the Operating Expenses appropriation reduces the line by approximately one-third. The reductions will result in repairs and maintenance projects to only those necessary for health, life, and safety of national guard members. Much like after the last downturn, a backlog of maintenance projects that have been delayed will build up until funding is available.

The Department states that the quality and condition of facilities is an important part of recruiting and retaining National Guard members. Deterioration to facilities due to lack of maintenance will likely increase the costs of the ultimate repairs and shorten the life of the facilities. However, all decisions being made at this time have negative ramifications, therefore, staff sees little alternative to these funding reductions.

Staff Recommendation: Staff recommends that the Committee approve a reduction of \$70,000 General Fund for operating expenses in the Operations and Maintenance Agreement for Buckley/Greeley line item.

**Early Supplemental Request, Department Priority #2
 Reduce Veterans Service Operations**

	Request	Recommendation
Total	<u>(\$50,000)</u>	<u>(\$50,000)</u>
General Fund	(50,000)	(50,000)
Cash Funds	0	0

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Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
<i>JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.</i>	

Department Request: The Department requests a reduction of \$50,000 General Fund in the Veterans Service Operations line in the Division of Veterans Affairs. This is an ongoing reduction for future fiscal years. This request was part of the Governor's August package of budget balancing proposals for FY 2009-10.

Staff Analysis: The Department's proposal to reduce General Fund expenses to meet the Department's budget reduction target includes this supplemental which will reduce operating expenses in the Veterans Service Operations line item by \$50,000 General Fund. This line provides funding for the Division of Veterans Affairs Veterans Service Operations, which assists veterans in obtaining benefits from the U.S. Department of Veterans Affairs. The line includes 8.0 FTE, including the Division Director, Veterans Service Officers, and administrative staff. The consolidated line includes the operating expenses for Veterans Service Operations.

The reduction will not come in personnel services or FTE, who have seen claims increase from 1,273 in 2000 to 5,406 in FY 2008-09, but in operating expenses of the division. Approximately \$20,000 will be saved by eliminating one of two annual training conferences for county veterans service officers. The remaining \$30,000 will come from reduction of training courses, certifications, and reference materials used by the Division.

The reductions will come at the expense of better trained veterans service offices, both those employed by the State, and county veterans service officers. There will be fewer training opportunities for the officers, and fewer and/or outdated reference materials for the Veterans Service Officer officers to utilize.

This line combines personal services and operating expenses into one line. The line is detailed in the following table.

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Department's Supplemental Request Veterans Service Operations Reduction			
	Total Funds	General Fund	Reapprop. Funds
FY 2009-10 Personal Services Appropriation	\$507,453	\$507,453	\$0
FY 2009-10 Operating Expense Appropriation	<u>99,238</u>	<u>99,238</u>	<u>3,509</u>
FY 2009-10 Total Appropriation	606,691	606,691	3,509
Supplemental #2 - Reduce Operating Expenses Veterans Service Operations	(50,000)	(50,000)	0
Requested Operating Expense Appropriation	<u>49,238</u>	<u>49,238</u>	<u>3,509</u>
Requested Total Appropriation	\$556,691	\$556,691	\$3,509

In order to maintain the level of services provided not just to veterans, but also to the veterans service officers who serve them, staff recommends that the Committee consider an alternative that would reduce General Fund, but maintain funding at current levels. The alternative is to use the Colorado State Veterans Trust Fund to make up the \$50,000 General Fund reduction requested by the Department.

Section 28-5-709 (1) (b) (III), C.R.S., allows for moneys in the Veterans Trust Fund to be used (among other uses) for "costs incurred by the division;". In FY 2009-10, the appropriation for the Veterans Trust Fund is \$1,078,911, of which approximately \$813,000 has been committed by the Board of Veterans Affairs. Prior to FY 2009-10, the appropriation from the Trust Fund had been approximately \$600,000. The appropriation was used primarily to fund programs, such as medical transportation and other services to veterans, from veterans organizations that provide these services. Because of a change in statute, that amount increased to approximately \$1.1 million for FY 2009-10.

The Colorado State Board of Veterans Affairs, which administers funding grants from the Veterans Trust Fund, has approved a grant of \$40,000 to the Division of Veterans Affairs. These moneys would be available to fund the same programs that had been cut from the General Fund. Staff is concerned that this leaves the Division of Veterans Affairs funding subject to the continued "generosity" of the Board of Veterans Affairs. Staff believes that the better, and more transparent, solution is to have the General Assembly appropriate moneys from the Trust Fund to the Veterans Service Operations line item.

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Staff Recommendation: Staff recommends that the Committee approve, for FY 2009-10, a reduction in the Division of Veterans Affairs, Veterans Service Operations line item by \$50,000 General Fund, and increase funding from the Veterans Trust Fund by \$50,000 cash funds, and decrease the appropriation to the Colorado State Veterans Trust Fund Expenditures by \$50,000 cash funds. Approval of staff's recommendation will require a new letternote for the cash funds expenditure in Veterans Service Operations.

Staff's recommended supplemental appropriation is detailed in the following table.

Veterans Service Operations JBC Staff Supplemental Recommendation				
	Total Funds	General Fund	Cash Funds <a>	Reapprop. Funds
<u>Veterans Service Operations</u>				
Current Appropriation	\$610,200	\$606,691	\$0	\$3,509
Staff Recommended Supplemental	<u>0</u>	<u>(50,000)</u>	<u>50,000</u>	<u>0</u>
Revised Recommended Appropriation	610,200	556,691	50,000	3,509
<u>Colorado State Veterans Trust Fund Expenditures</u>				
Current Appropriation	1,078,911	0	1,078,911	0
Staff Recommended Supplemental	<u>(50,000)</u>	<u>0</u>	<u>(50,000)</u>	<u>0</u>
Revised Recommended Appropriation	1,028,911	0	1,028,911	0

<a> Cash funds source is the Colorado State Veterans Trust Fund

**Early Supplemental Request, Department Priority #3
 Reduce Executive Director's Office Operating Expenses**

	Request	Recommendation
Total	<u>(\$277,199)</u>	<u>(\$277,199)</u>
General Fund	(277,199)	(277,199)

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Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
<i>JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.</i>	

Department Request: The Department requests a reduction of \$277,199 General Fund to the Operating Expenses line item in the Executive Director and Army National Guard Division. This is an ongoing reduction to continue in future fiscal years starting in FY 2010-11. This request was part of the Governor's August package of budget balancing proposals for FY 2009-10.

Staff Analysis: The Department's proposal to reduce General Fund expenses to meet the Department's budget reduction target includes this supplemental which would reduce Operating Expenses by \$277,199 General Fund, through the reduction of repair and maintenance expense.

Implementation of the supplemental will require the Department to reduce its maintenance and repair operations to only those related to health, life and safety. Because of deferred maintenance projects, a backlog of deferred projects will likely develop during the period of reduced funding. This is similar to a backlog of deferred projects that arose after operating expenses were reduced in the last economic downturn.

During that downturn, Operating Expenses were reduced by \$185,000 for four years, after which a backlog of \$667,000 in deferred maintenance had built up. The funding was restored in FY 2006-07, and approximately one-third of the backlog was appropriated each year for three years to address the maintenance backlog. For FY 2009-10, that additional funding for maintenance was added to the budget. This is approximately the amount that is recommended for cutting in the supplemental.

The Department states that the quality and condition of facilities is an important part of recruiting and retaining National Guard members. Deterioration to facilities due to lack of maintenance will likely increase the costs of the ultimate repairs and shorten the life of the facilities. However, all decisions about budget cuts being made at this time have negative ramifications, therefore, staff sees little alternative to these funding reductions.

Staff Recommendation: Staff recommends that the Committee approve the reduction of \$277,199 General Fund in the Executive Director and Army National Guard Division, Operating Expenses.

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**Supplemental Request, Department Priority #1
 Budget Adjustment to Reflect FY 2009-10 Furloughs**

	Request	Recommendation
Total	(\$105,441)	(\$105,441)
General Fund	(33,998)	(33,998)
Cash Funds	(2,250)	(2,250)
Federal Funds	(69,193)	(69,193)

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

Department Request: The Department's request is to reduce the Department's appropriation for Personal Services by \$105,441, including \$33,998 General Fund, \$2,250 cash funds, and \$69,193 federal funds to reflect the impact of the furlough days.

Staff Analysis: The General Assembly included a statewide personal services reduction equivalent to 1.82 percent of each agencies' appropriation in the FY 2009-10 Long Bill (S.B. 09-259). The net FY 2009-10 impact of the one-time reduction was \$26.5 million, of which \$16.1 million was General Fund. The executive branch was given the flexibility to develop and implement a plan to meet the mandated reduction. The Governor requests an adjustment to the personal services reductions within the FY 2009-10 Long Bill to reflect the actual staffing actions taken within each agency to achieve a decrease of 1.82 percent.

The Personal Services line items affected by the furlough impacts are presented in the table below.

Furlough Day Supplemental Request				
	General Fund	Cash Funds	Federal Funds	Total
<u>(1) Executive Director and Army National Guard</u>				
Personal Services	(\$14,511)	\$69	(\$2,302)	(\$16,744)
Short-term Disability	(43)	(3)	(87)	(133)

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Furlough Day Supplemental Request				
	General Fund	Cash Funds	Federal Funds	Total
S.B. 04-257 Amortization Equalization Disbursement	(658)	(44)	(1,339)	(2,041)
S.B. 06-235 Supplemental Amortization Equalization Disbursement	(411)	(27)	(837)	(1,275)
Army National Guard Cooperative Agreement	0	0	(42,370)	(42,370)
<u>(2) Division of Veterans Affairs</u>				
Veterans Service Operations	(12,448)	0	0	(12,448)
Western Slope Veterans Cemetery	(3,179)	(2,245)	0	(5,424)
<u>(3) Air National Guard</u>				
Operations and Maintenance Agreement Buckley/Greeley	(562)	0	(22,258)	(22,820)
<u>(5) Civil Air Patrol</u>				
Personal Services	(2,186)	0	0	(2,186)
Department Total	(\$33,998)	(\$2,250)	(\$69,193)	(\$105,441)

Staff Recommendation: Staff recommends that the Committee approve the reduction of \$105,441 in the Department's appropriation, including \$33,998 General Fund. These reductions will be applied as identified in the table directly above.

Statewide Common Policy Supplemental Requests

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

Department's Portion of Statewide Supplemental Request	Total	General Fund	Federal Funds	FTE
Risk Management Contract Review and Reduction	(\$1,076)	(\$387)	(\$689)	0.0
Risk Management Reduction of Liability, Property and Workers' Compensation Volatility	(13,579)	(11,558)	(2,021)	0.0

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Department's Portion of Statewide Supplemental Request	Total	General Fund	Federal Funds	FTE
Capitol Complex Building Maintenance Reductions	(3,374)	(3,374)	0	0.0
FY 2009-10 OIT Management and Administration One-Time Adjustment	(8,051)	(8,051)	0	0.0
OIT Personal Services Reduction Initiative	(359)	(359)	0	0.0
Elimination of Noxious Weed Abatement	(2,228)	(2,228)	0	0.0
Annual Fleet Vehicle Replacement True-up	(4,565)	(4,565)	0	0.0
Mail Equipment Upgrade	(777)	(777)	0	0.0
Department's Total Statewide Supplemental Requests	(34,009)	(31,299)	(2,710)	0.0

Staff Recommendation: The staff recommendation for these requests is pending Committee approval of common policy supplementals. **Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee approves this common policy supplemental.** If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

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	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Department of Military and Veterans Affairs					
Adjutant General and Executive Director - Major General H. Michael Edwards					
Early Supplemental #1 - Reduce Operations and Maintenance for Buckley Air Force Base					
<i>(3) Air National Guard</i>					
Operations and Maintenance Agreement for					
Buckley/Greeley	1,285,742	2,091,521	(70,000)	(70,000)	2,021,521
FTE	<u>26.1</u>	<u>26.1</u>	<u>0.0</u>	<u>0.0</u>	<u>26.1</u>
General Fund	342,236	461,320	(70,000)	(70,000)	391,320
Federal Funds	943,506	1,630,201	0	0	1,630,201
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Early Supplemental #2 - Reduce Veterans Service Operations					
<i>(2) Division of Veterans Affairs</i>					
Veterans Service Operations	486,835	610,200	(50,000)	0	610,200
FTE	<u>8.0</u>	<u>8.0</u>	<u>0.0</u>	<u>0.0</u>	<u>8.0</u>
General Fund	483,326	606,691	(50,000)	(50,000)	556,691
Cash Funds	0	0	0	50,000	50,000
Reappropriated Funds	3,509	3,509	0	0	3,509
Colorado State Veterans Trust Fund					
Expenditures - Cash Funds	643,336	1,078,911	0	(50,000)	1,028,911

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	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Early Supplemental #2	1,130,171	1,689,111	(50,000)	(50,000)	1,639,111
FTE	8.0	8.0	0.0	0.0	8.0
General Fund	483,326	606,691	(50,000)	(50,000)	556,691
Cash Funds	643,336	1,078,911	0	0	1,078,911
Reappropriated Funds	3,509	3,509	0	0	3,509
<hr/>					
Early Supplemental #3 - Reduce Executive Director's Office Operating Expenses					
<i>(1) Executive Director and Army National Guard</i>					
Operating Expenses	<u>2,290,613</u>	<u>2,334,706</u>	<u>(277,199)</u>	<u>(277,199)</u>	<u>2,057,507</u>
General Fund	1,425,222	1,459,134	(277,199)	(277,199)	1,181,935
Cash Funds	161	46,000	0	0	46,000
Federal Funds	865,230	829,572	0	0	829,572
<hr/>					
Supplemental #1 - Budget Adjustment to Reflect FY 2009-10 Furloughs					
Total Personal Services	9,122,556	9,126,107	(105,441)	(105,441)	<u>9,020,666</u>
FTE	<u>125.1</u>	<u>125.4</u>	<u>0.0</u>	<u>0.0</u>	<u>125.4</u>
General Fund	3,387,242	3,302,010	(33,998)	(33,998)	3,268,012
Cash Funds	56,750	238,720	(2,250)	(2,250)	236,470
Federal Funds	5,678,564	5,585,377	(69,193)	(69,193)	5,516,184

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	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Totals Excluding Pending Items					
Department of Military and Veterans Affairs					
Totals for ALL Departmental line items	176,902,801	203,756,422	(502,640)	(502,640)	203,253,782
FTE	<u>1,389.6</u>	<u>1,386.9</u>	<u>0.0</u>	<u>0.0</u>	<u>1,386.9</u>
General Fund	5,515,536	5,862,332	(431,197)	(431,197)	5,431,135
Cash Funds	696,916	1,410,190	(2,250)	(2,250)	1,407,940
Reappropriated Funds	653,509	803,509	0	0	803,509
Federal Funds	170,036,840	195,680,391	(69,193)	(69,193)	195,611,198
Statewide Common Policy Supplementals					
(see narrative for more detail)	<u>N.A.</u>	<u>N.A.</u>	<u>(34,009)</u>	<u>Pending</u>	<u>N.A.</u>
General Fund			(31,299)		
Federal Funds			(2,710)		
Totals Including Pending Items					
Department of Military and Veterans Affairs					
Totals for ALL Departmental line items	176,902,801	203,756,422	(536,649)	(502,640)	203,253,782
FTE	<u>1,389.6</u>	<u>1,386.9</u>	<u>0.0</u>	<u>0.0</u>	<u>1,386.9</u>
General Fund	5,515,536	5,862,332	(462,496)	(431,197)	5,431,135
Cash Funds	696,916	1,410,190	(2,250)	(2,250)	1,407,940
Reappropriated Funds	653,509	803,509	0	0	803,509
Federal Funds	170,036,840	195,680,391	(71,903)	(69,193)	195,611,198

Key:

N.A. = Not Applicable or Not Available