

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2009-10 STAFF BUDGET BRIEFING

**DEPARTMENT OF MILITARY
AND VETERANS AFFAIRS**

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

**Prepared By:
David Meng, 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 2009-10 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

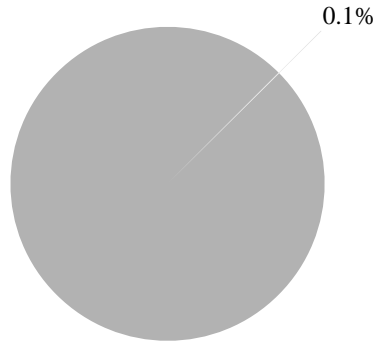
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**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Military and Veterans Affairs**

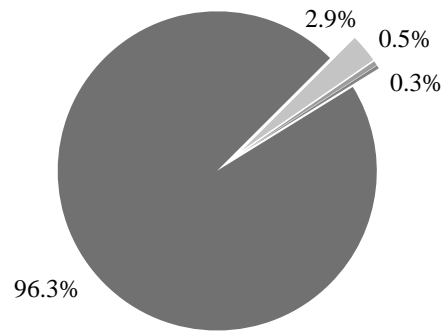
GRAPHIC OVERVIEW

Department's Share of Statewide General Fund



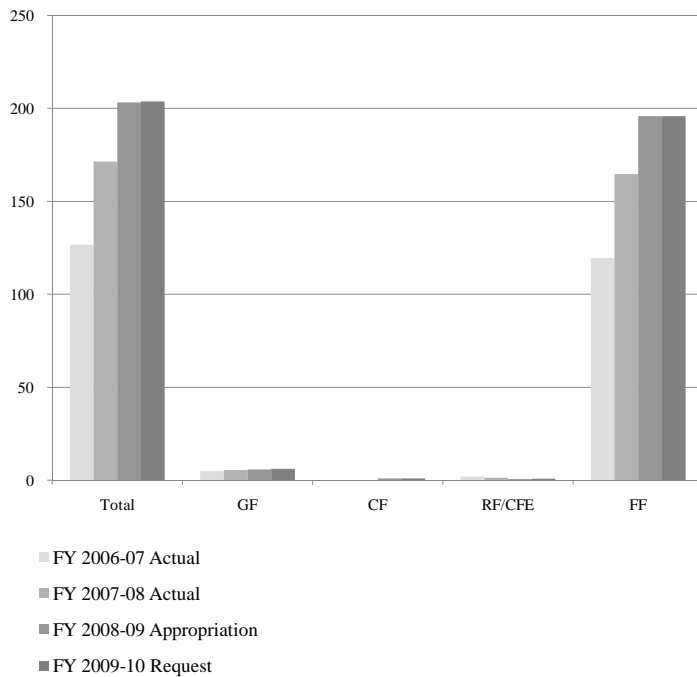
■ Department of Military and Veterans Affairs

Department Funding Sources

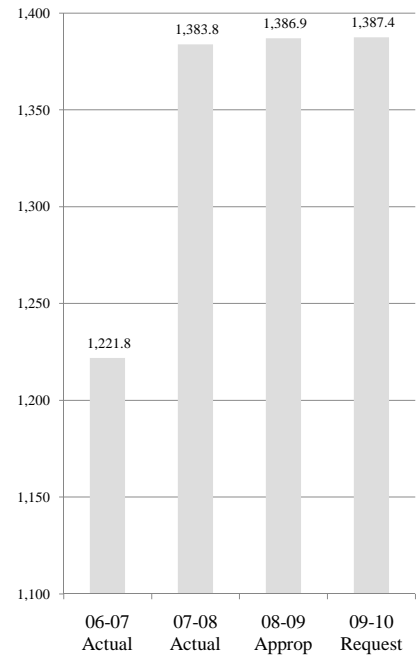


■ General Fund
■ Cash Funds
■ Reappropriated Funds
■ Federal Funds

**Budget History
(Millions of Dollars)**

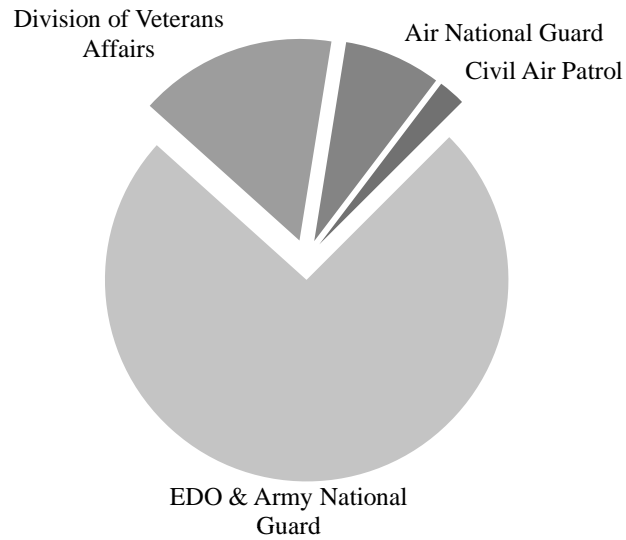


FTE History

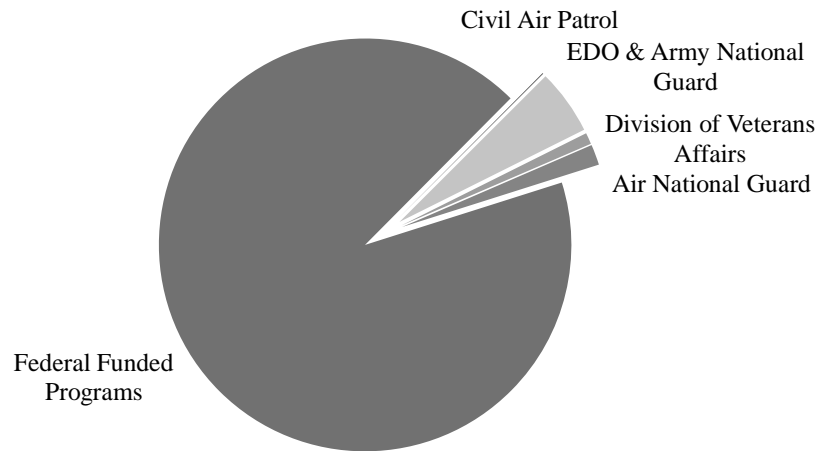


Unless otherwise noted, all charts are based on the FY 2008-09 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



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DEPARTMENT OVERVIEW

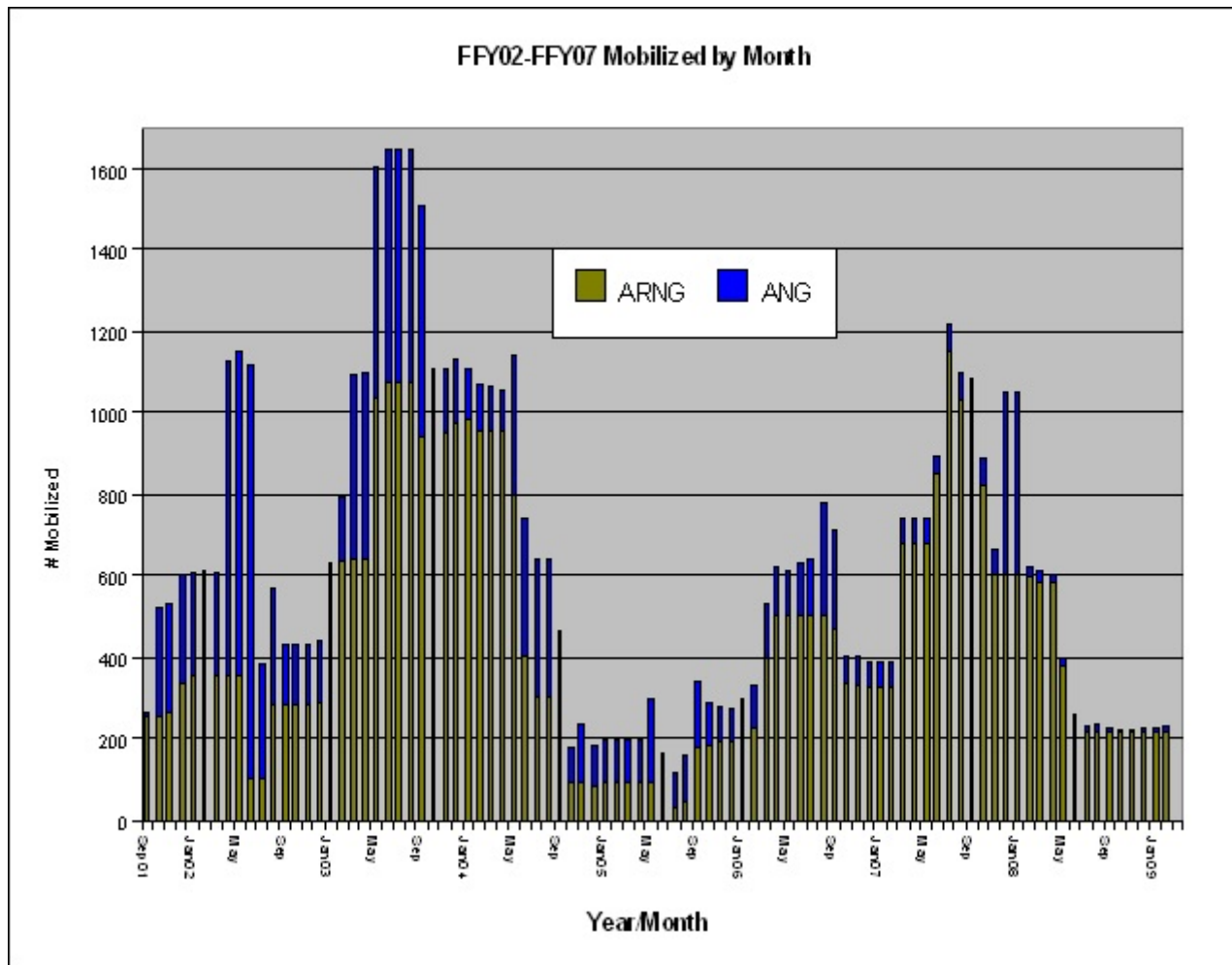
Key Responsibilities

- ▶ 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

The major factor driving the Department's budget is the Global War on Terrorism, the military name for the current wars in and around Iraq and Afghanistan. These wars have resulted in unprecedented federal activation of Colorado Air and Army National Guard members. Colorado has had either Air or Army units federally deployed in Afghanistan, Iraq, and the Balkans, and for counter-terrorism or counter-narcotics operations almost continuously for the past seven years.

The increased tempo and level of deployments strain family and employer relations and add to the hardships associated with military service. Among those effects is increased use of the veterans assistance services of the Department. The chart below shows the number of troops activated by month since September 2001.



Source: Department of Military and Veterans Affairs

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 the need for facilities maintenance. In 2008, the General Assembly addressed this issue by increasing the Department's base for armory maintenance by \$254,419.

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 as commander-in-chief, and also serves as a supplement to regular U.S. military forces when called into the service of the U.S.

The Executive Director of the Department also serves as the Adjutant General 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.

The primary budget driver is the "federal force structure," or number of Guard personnel authorized by the U.S. National Guard Bureau, plus the state's ability to fill the 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 in the Long Bill.

The current strength of the two Guard components is 5,094, an increase of 30 in the last year. Of that number, the Army National Guard has 3,680 members and the Air National Guard has 1,414 members. Current authorized strength is 5,540, with the Army Guard at 4,009 and the Air Guard at 1,531.

The Air National Guard's role has expanded in recent years with the requirement to keep F-16 aircraft on alert for homeland security as a result of the September 11, 2001 attacks. The Army National Guard is in the process of transforming into a new organization focused on an artillery brigade. This transformation will affect nearly every existing unit and armory. Some soldiers will be required to train to new positions, some armories will see old units dissolved and new ones formed. This transformation is also driving the need for construction of new armories in the State.

In 2008, the General Assembly approved \$4.0 million from Capital Construction Funds to go with \$11.2 million federal funds to build a readiness center in Grand Junction. While federal funding is on hand, the state funds have been put on hold due to the current uncertainty about financial condition of the State. In addition, \$2.1 million in cash funds and \$1.2 million in federal funds was approved to purchase land to build a readiness center in Lakewood. Because suitable land could not be found at an acceptable price in Lakewood, the focus changed to a site in Fort Lupton. A parcel of land there is under contract by the Department. The Department is working to find funding for land purchase and design for sites in Alamosa, Windsor and Colorado Springs. The Colorado Springs site may go on federal land, which will require only minimal contribution from the State.

Division of Veterans Affairs

The Division of Veterans Affairs serves veterans by representing them in federal benefits claims, by providing information to county veterans service officers, 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 in recent years, from 1,273 in 2000 to 4,381 in FY 2007-08. There are an estimated 420,000 veterans living 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 Officer (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 budget for this line was \$88,800, while county expenditures in support of the CVSO's was over \$1.2 million in FY 2005-06.

In order to raise the level of reimbursement closer to the actual costs incurred by the counties, the 2008 General Assembly approved a pilot program in five counties (Arapahoe, Denver, El Paso, Jefferson, and Mesa) to increase the reimbursement, based on the use of the additional funds to increase the effort of the CVSO's to register veterans. In order to receive the increased reimbursement, the counties would have to show increased registration of veterans in those counties. An additional \$124,354 was appropriated for implementation of this program in FY 2008-09.

The State Board of Veterans Affairs advises the Division on veterans issues and administers the Colorado State Veterans Trust Fund. The Trust Fund, which receives one percent of the proceeds from the Master Tobacco Settlement Agreement, up to \$1 million, 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

The Western Slope Military Veterans Cemetery opened in July 2002, and now has 1,428 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.

Division of Civil Air Patrol

The Civil Air Patrol is a federally-chartered nonprofit corporation, created in Title 10 of the U.S. Code (10 U.S.C. 9441), as an auxiliary to the U.S. Air Force. Its statutory purposes include encouraging citizens to contribute to developing aviation and maintaining air supremacy; providing aviation education and training; and fostering civil aviation in local communities.

The Colorado Division of Civil Air Patrol was created to support the Civil Air Patrol, Colorado Wing, which is staffed by volunteers. The state provides General Fund for support, including one FTE, minor aircraft maintenance, and operating expenses of the patrol.

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Department of Department of Military and Veterans Affairs**

DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
1 State Active Duty Payroll Automation Software Executive Director and Army National Guard. The Department requests \$64,000 General Fund to purchase computer software to automate payroll and military orders for members of the Colorado National Guard called to State Active Duty. <i>Statutory authority: Section 24-32-2101</i>	\$64,000	\$0	\$0	\$0	\$64,000	0.0
2 National Guard Tuition Assistance Executive Director and Army National Guard. The Department requests \$70,354 General Fund and \$150,000 reappropriated funds from the Colorado Commission on Higher Education Financial Aid, National Guard Assistance Fund. This Decision Item will require a statutory change. <i>Statutory authority: Section 23-5-111.4, C.R.S. and Section 23-3.3-202, C.R.S..</i>	70,354	0	150,000	0	220,354	0.0
3 Deputy Facilities Manager Executive Director and Army National Guard. The Department is requesting \$43,008 General Fund and 0.5 FTE for a Deputy Facilities Manager to oversee State facilities management. <i>Statutory authority: Section 28-3-106 (q), C.R.S..</i>	43,008	0	0	0	43,008	0.5
Non Prioritized Statewide Decision Items Statewide Common Policy Decision Items Executive Director and Army National Guard. Increases in Workers' Compensation, Capitol Complex Leased Space, Statewide Fleet Fuel, Statewide Postage, Vehicle Lease Payment and Mail Equipment Upgrade.	23,336	0	0	5,232	28,568	0.0
Total	\$200,698	\$0	\$150,000	\$5,232	\$355,930	0.5

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OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2008-09 appropriation and its FY 2009-10 request.

Total Requested Change, FY 2008-09 to FY 2009-10 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2008-09 Appropriation	\$5.9	\$1.0	\$0.7	\$195.8	\$203.2	1,386.9
FY 2009-10 Request	6.1	1.0	0.8	195.8	203.7	1,387.4
Increase / (Decrease)	\$0.3	\$0.0	\$0.2	\$0.1	\$0.5	0.5
Percentage Change	4.5%	1.5%	23.0%	0.0%	0.2%	0.0%

The following table highlights the individual changes contained in the Department's FY 2009-10 budget request, as compared with the FY 2008-09 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2008-09 Appropriation to FY 2009-10 Request

Category	GF	CF	RF	FF	Total	FTE
Executive Director and Army National Guard						
DI # 2 - National Guard Tuition Assistance	\$70,354	\$0	\$150,000	\$0	\$220,354	0.0
Army National Guard Cooperative Agreement	0	0	0	110,147	110,147	0.0
Personal Services - Annualize Salary Survey and Performance-based pay awards	79,013	162	0	10,230	89,405	0.0
DI # 1 - State Active Duty Payroll Software	64,000	0	0	0	64,000	0.0
DI # 3 - Deputy Facilities Manager	43,008	0	0	0	43,008	0.5
Statewide non-prioritized Decision Items	23,336	0	0	5,232	28,568	0.0
Shift Differential	0	0	0	349	349	0.0

Category	GF	CF	RF	FF	Total	FTE
Employee Benefits ¹	<u>(52,070)</u>	<u>(1,871)</u>	<u>0</u>	<u>(95,800)</u>	<u>(149,741)</u>	<u>0.0</u>
Subtotal	\$227,641	(\$1,709)	\$150,000	\$30,158	\$406,090	0.5
Division of Veterans Affairs						
Veterans Service Operations (Annualize Salary Survey and Performance-based pay awards)	\$20,032	\$0	\$0	\$0	\$20,032	0.0
Colorado State Veterans Trust Fund Expenditures	0	11,911	0	0	11,911	0.0
Western Slope Veterans Cemetery (Annualize Salary Survey and Performance-based pay awards)	<u>5,344</u>	<u>4,322</u>	<u>0</u>	<u>0</u>	<u>9,666</u>	<u>0.0</u>
Subtotal	\$25,376	\$16,233	\$0	\$0	\$41,609	0.0
Air National Guard						
Annualize Salary Survey and Performance-based pay awards	<u>\$9,863</u>	<u>\$0</u>	<u>\$0</u>	<u>\$95,049</u>	<u>\$104,912</u>	<u>0.0</u>
Subtotal	\$9,863	\$0	\$0	\$95,049	\$104,912	0.0
Federal Funded Programs						
Personal Services	\$0	\$0	\$0	\$2,660,223	\$2,660,223	0.0
Operating and Maintenance	0	0	0	1,774,277	1,774,277	0.0
Construction	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,500,000)</u>	<u>(4,500,000)</u>	<u>0.0</u>
Subtotal	\$0	\$0	\$0	(\$65,500)	(\$65,500)	0.0
Civil Air Patrol						
Personal Services - Annualize Salary Survey and Performance-based pay awards	<u>\$2,823</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,823</u>	<u>0.0</u>
Subtotal	\$2,823	\$0	\$0	\$0	\$2,823	0.0
Total Change	\$265,703	\$14,524	\$150,000	\$59,707	\$489,934	0.5

¹ Employee Benefits include Health, Life and Dental insurance, Short-term Disability insurance, Amortization Equalization Disbursement (AED), Supplemental AED, Salary Survey, and Performance-based Pay Awards.

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Department of Military and Veterans Affairs**

BRIEFING ISSUE

ISSUE: Colorado State Veterans Trust Fund

Under Section 28-5-709 (3) (b) (I), C.R.S., veterans programs funded from the Colorado State Veterans Trust Fund will have to be further restricted due to reduced availability of funding. Current funding meets only about half of the needs for grants to serve veterans and funding will have to be cut further in order to comply with statutes.

SUMMARY:

- ❑ Section 28-5-709 (3) (b) (I), C.R.S., mandates that declining amounts of the distribution of funds from the Master Tobacco Settlement agreement to the Colorado State Veterans Trust Fund are available to be appropriated each year until FY 2011-12 on programs benefitting veterans in the State. In FY 2009-10, the amount available for appropriation is at 45 percent and will decline by 10 percent (or about \$100,000) each year until FY 2011-12, when the amount will be 25 percent of the distribution. These cuts will be partially offset by the increased interest income of the trust fund as it grows.
- ❑ By law, the Trust Fund receives one percent of the annual proceeds of the Master Settlement Agreement up to a maximum of \$1 million. The funds transferred to the Trust Fund has varied by year, from a low as \$800,618 in FY 2006-07 to a high of about \$990,000 in FY 2002-03. The *average* amount of moneys received by the Trust Fund over the last five years has been about \$890,000.
- ❑ The two factors discussed above will combine to result in funds available for veterans' programs being reduced to a low of about \$450,000 in FY 2011-12. Expenditures were \$547,247 in FY 2006-07 and \$643,904 in FY 2007-08. The FY 2008-09 appropriation is \$627,500.

DISCUSSION:

The Colorado State Veterans Trust Fund was created by statute with the specific goal of assisting eligible veterans residing in Colorado. The fund receives an annual payment of one percent of the total moneys received by the State of Colorado from the Master Tobacco Settlement Agreement, up to a maximum of \$1 million. Originally, statutes stated that 75 percent of the transfer must be retained in the fund to build up the Trust Fund, while 25 percent is eligible for appropriation for the purposes of the fund.

The Fund is administered by the Colorado Board of Veterans Affairs. According to Section 28-5-709 (1) (b) C.R.S., the moneys in the Trust Fund are to be used for:

- ❑ Capital improvements or needed amenities for existing or future state veterans nursing homes.
- ❑ Costs incurred by the Legislative Oversight Committee and the State and Veterans Nursing Home Commission created in article 12 of title 26, C.R.S., to evaluate the quality of care provided to veterans and their families at certain state and veterans nursing homes.
- ❑ Costs incurred by existing or future state veterans' cemeteries.
- ❑ Costs incurred by the Division of Veterans Affairs.
- ❑ Veterans programs operated by nonprofit veterans organizations that meet criteria adopted by the Board and that are selected by the Board as grant recipients.

The grant recipients and types of services provided to veterans are shown in the table on page 14.

In 2003, during the economic downturn, the General Assembly directed that \$2,280,000 be transferred from the Veterans Trust Fund to the General Fund. This transfer essentially depleted the Trust Fund. To address the funding shortfall that would have occurred, additional legislation was passed that changed the percentage of Master Settlement Agreement moneys that were available to be appropriated from 25 percent to 75 percent. That same ratio prevailed through FY 2006-07. For FY 2007-08, the percentage that could be appropriated was reduced to 65 percent. In succeeding years, the percentage that can be spent has been or will be reduced by 10 percent per year until it again reaches 25 percent in FY 2011-12. The change in percentages and the resulting reduction in the amount of funds that can be spent are shown in the table below:

Colorado State Veterans Trust Fund Changes to Percentages of Tobacco Settlement Moneys Available for Appropriation				
Fiscal Year ^a	Percentage Available for Appropriation	Transfer Available for Appropriation	Estimated Interest Earnings ^b	Total Available for Appropriation ^c
2006-07	75.0%	\$600,464	\$43,613	\$644,077
2007-08	65.0%	711,852 ^d	66,497	778,349
2008-09	55.0%	550,000	74,841	624,841
2009-10	45.0%	450,000	174,955	624,955
2010-11	35.0%	350,000	181,885	531,885
2011-12	25.0%	250,000	200,871	450,871
2012-13	25.0%	250,000	224,286	474,286

^a FY 2006-07 and 2007-08 are actual, FY 2008-09 is appropriated, and FY 2009-10 through 2012-13 are projected.

^b Actual results through FY 2007-08, assumes 3.5% interest earnings on fund balance for subsequent years.

^c Amount of transfer available assumes that the Trust Fund will receive the full \$1 million authorized in statute. Over the last five years, the average moneys received has been about \$880,000.

^d Transfer available for appropriation includes \$114,468 appropriated through H.B. 07-1359.

The effect of the change in the amount of funds that can be appropriated will have a significant effect on the programs that can be funded. Over the last several years, the Board of Veterans Affairs has received grant applications totalling over \$1.2 million each year, but has only been able to fund a little over half of the proposed programs. The unfunded need will increase as the settlement moneys decrease over the next several years.

With the passage of H.B. 08-1078, the General Assembly restored \$2,917,300 from the General Fund to the Veterans Trust Fund. This figure represents the amount of funds transferred from the Veterans Trust Fund to the General Fund in 2003, plus accrued interest. The transfer was made on August 15, 2008, and will result in a boost in interest earnings for FY 2009-10, which keeps the spending authority stable for that fiscal year.

As can be seen in the table above, however, the amount of funds available for appropriation under current statute declines from \$650,000 in FY 2009-10 to a projected low of about \$450,000 in FY 2011-12. Starting in FY 2012-13, when the decline in the percentage of funds that can be appropriation stops at 25 percent, the appropriations can begin to recover, as the interest income will grow year to year. The amounts however, will not recover to current levels until about ten years from now, depending on interest rates in the ensuing years.

Colorado State Veterans Trust Fund Grants to Veterans Service Organizations (FY 2006-07)				
Grantee	Purpose of Grant	Amount Granted	Amount Expended	Veterans Served
American Legion Post 113 Alamosa	Transportation of Veterans	\$25,870	\$25,870	1,565
American Legion Post 2 Pueblo	Transportation of Veterans	10,540	9,050	768
American Legion Post 108 Pagosa Springs	Vehicle Purchase Transportation of Veterans	35,210	32,755	211
VFW Post 3621 Lamar	Vehicle Purchase Transportation of Veterans	31,400	31,203	442
VFW Post 4031 Durango	Transportation of Veterans	25,000	25,000	402
VFW Post 4265 Craig	Transportation of Veterans	10,000	10,000	209
Disabled Veterans Chapter 8 Greeley	Renovate Homeless Shelter Transportation of Veterans	8,949	8,218	10
VFW Post 9644 Sheridan	Veterans Assistance	75,000	75,000	4,099
American Legion Post 1992 Aurora	Support Services to Veterans Work Program	30,000	22,435	498
American Legion Post 66 State Veterans Nursing Home Walsenburg	Transportation of Veterans Entertainment System	10,000 7,500	3,777 7,500	63 600
American Legion Post 2700 Grand Junction	Job related assistance	33,000	26,407	430
American Legion Post 44 Steamboat Springs	Transportation of Veterans	5,000	3,827	37
Disabled Veterans Region 8 Denver	Homeless Veterans Stand- down (Denver)	10,200	10,200	406
VFW Post 6331 Aurora	Veteran Training Program	9,650	9,400	14
VFW Post 4051 Colorado Springs	Support Homeless Shelter	50,000	50,000	387
VFW Post 4171 Golden	Homeless and Incarcerated Veterans Support	20,000	19,128	221
American Legion Post 203 Pueblo	Homeless Stand-down	10,000	10,000	86
VFW Post 5231 Mancos	Veterans Employment Program & Veterans Assistance	2,063	1,400	15

Colorado State Veterans Trust Fund Grants to Veterans Service Organizations (FY 2006-07)				
Grantee	Purpose of Grant	Amount Granted	Amount Expended	Veterans Served
State Veterans Nursing Home Walsenburg	Vehicle Purchase	22,033	22,033	300
VFW Post 899 Alamosa	Veteran Employment Program and Veterans Assistance	3,000	1,482	21
TREA Chapter 1 Colorado Springs	Veterans Stand-down Veteran Employment Program	11,500	11,024	140
DAV Chapter 5 Loveland	Vehicle Purchase Veteran Employment Program	31,000	21,580	44
State Veterans Nursing Home, Homelake	Amenities and Ice Maker	63,110	63,065	90
Total Grants to Veterans Service Organizations		\$540,025	\$500,354	11,058
Administration	Grant management, Board of Veterans Affairs travel	\$31,263	\$25,075	0
Total Grants and expenditures from Veterans Trust Fund		\$571,288	\$525,429	11,058

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Military and Veterans Affairs**

BRIEFING ISSUE

ISSUE: State Active Duty Payroll Automation Software (Decision Item # 1)

The Department is requesting \$64,000 General Fund in FY 2009-10 for the purchase of computer software to automate payroll and military orders for members of the Colorado National Guard called to State Active Duty by the Governor. There are also ongoing software support expenses that will need funding in future years, \$20,000 for FY 2010-11 and lesser amounts in future years.

SUMMARY:

- The current method of paying National Guard members who are called to state active duty by the Governor is time-consuming, labor intensive and fraught with errors.
- Software is available that was developed for the State of Florida that can talk to the federal databases, reducing the chances for error and simplifying the process.

DISCUSSION:

The Department's request is for software that will automate the payroll process when National Guard members are called into State Active Duty by the Governor. The software was developed by the State of Florida several years ago to automate the system, saving money and reducing errors.

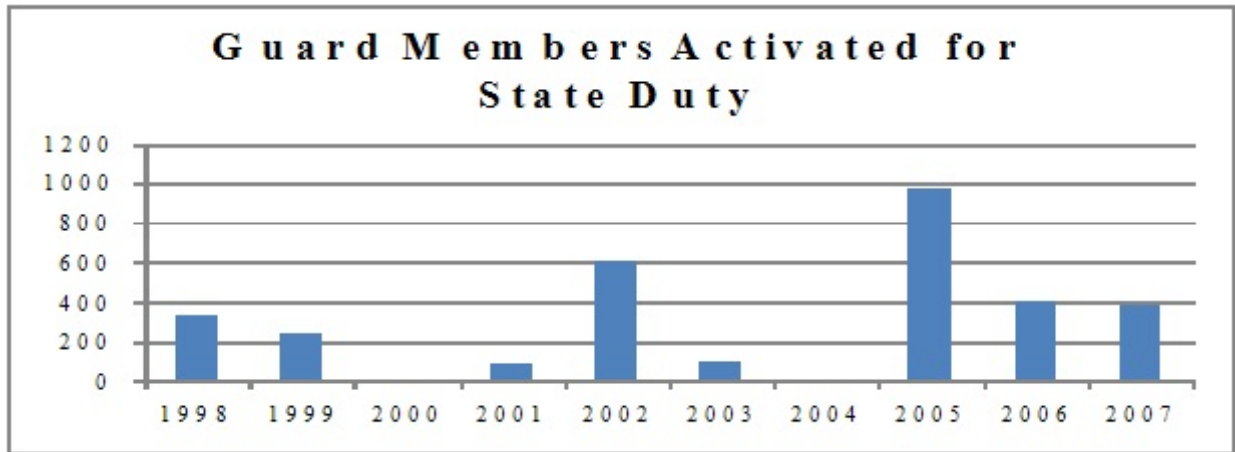
The system will cost \$64,000 for the first year (FY 2009-10, with \$20,000 for FY 2010-11. After that year, the annual support costs are a maximum of \$13,000 for FY 2011-12, and a maximum of \$5,000 for FY 2012-13 and FY 2013-14. The five year cost of the system is \$107,000. Florida's experience with the system is that they have not needed the full expenditure for maintenance in the out years as the system is stable with most of the bugs worked out.

National Guard troops are paid by the Federal Government while on training status, and for any federal activations that they may be called up for. The State does not carry Guard members on the State payroll system. When the Guard is activated by the Governor for State Active duty, the state is responsible for paying the costs of the troops. The troops must be paid at the rate of pay commensurate with their federal pay grade (Section 24-3-904, C.R.S.). When activated for State duty, the payments comes from the Governors Emergency Fund.

Currently, the State's computers cannot "talk" with their federal counterparts in order to obtain pay data. Information such as the member's pay, social security number, addresses and bank account information must be obtained from the United States Property and Fiscal Office. Each member must be entered into the State's personnel system as an unclassified temporary employee.

Activations involving only a few Guard members do not generally pose a problem, however when the Department's response is large, such as for Hurricane Katrina, the blizzards or the Windsor Tornado, the magnitude of the response overwhelms the Department's staff as well as the federal agency. The Department's payroll and human resources sections each consist of one person, so if the activation is large, temporary employees are hired to assist with the process. All of these administrative costs are charged to the Governor's Emergency Fund.

Below is a chart showing the number of Guard members activated in each of the last ten years. For the last ten years, the average number of Guard members activated each year has been about 310.



The Department tracked hours involved in pay for the two blizzards in December 2006 to determine what activations were costing the state in administrative costs. Those costs are shown in the table below.

December 2006 Blizzards Direct Administrative Costs for Paying Guard Members on State Active Duty				
Organization	Position	Hourly Wage	Hours	Total Cost
United States Property and Fiscal Office Staff	Payroll Staff	\$27.80	35	\$973
	Payroll Staff	27.80	30	834
Colorado National Guard Joint Staff	Personnel Officer	49.80	160	7,968
	Assistant Personnel Officer	37.41	220	8,230
	Personnel Chief	36.06	35	1,262
	Operations Officer	53.80	3	161
Department of Military and Veterans Affairs	Temporary Employee	23.00	40	920
	Printing and Mailing			165

December 2006 Blizzards				
Direct Administrative Costs for Paying Guard Members on State Active Duty				
Organization	Position	Hourly Wage	Hours	Total Cost
Total Direct Administrative Costs for Paying National Guard Members on Activation				\$20,514
Costs per soldier (318 soldiers activated)				\$64.51

In addition to the direct costs, the Department has identified indirect costs that also bear on the costs of activations. Some of these costs are the time that salaried department personnel spend on them, the others are costs to the Guard members themselves. While these costs are not actually out of pocket costs, they do represent opportunity costs of other projects that department personnel could accomplish during that time or the costs to the National Guard members in terms of late pay and errors in the payroll process.

The Department has determined that the per soldier cost of pay errors is \$6.54 and the pay cycle delay was \$100.00 per soldier. There were 26 errors made during the blizzards (out of 318 soldiers activated). In addition, it took the Department nearly four weeks to run the payroll, and it was six weeks before all the errors were resolved.

While there is no doubt that these are costs inherent with the current pay system, these numbers are rather arbitrary. The Department has identified that dissatisfaction with delayed payroll has an impact on Guard members. Most soldiers do not receive pay from the civilian employers while on active duty, and such a delay has a negative impact on the soldiers who have to wait for that pay. That dissatisfaction has a negative impact on retention of Guard members.

These indirect costs as identified by the Department are shown in the Table below:

December 2006 Blizzards				
Indirect Administrative Costs for Paying Guard Members on State Active Duty				
Category/Organization	Position/Task	Hourly Wage	Hours	Total Cost
Department of Military and Veterans Affairs	Human Resources Director	\$33.17	21	\$697
	Assistant	13.20	9	119
	Controller	50.19	45	2,259
	Pay Clerk	19.63	74	1,453
National Guard Soldiers	Filling out duplicate W-4/I-9 forms	20.00	64	1,272
	Pay Errors			2,080
	Pay Cycle Delay			31,800
Total Direct Administrative Costs for Paying National Guard Members on Activation				\$39,679
Costs per soldier (318 soldiers activated)				\$124.78

December 2006 Blizzards Total Direct and Indirect Costs for Paying Activated National Guard Members (On a Per Soldier Basis)	
Direct Costs	\$64.51
Indirect Costs	\$124.78
Direct and Indirect Costs	\$189.29
Savings at 85% of costs *	\$160.90

* Savings are estimated based on Florida's experience with the system, where the State saved 85% of the cost of manual payroll preparation with this system.

The Department also tracked its time for the Windsor tornado, which involved 119 soldiers. The savings was \$170.06 per soldier in direct and indirect costs, very near the per soldier costs of the blizzards of 2006. Applying the 85% of costs saved (again based on Florida's experience), the total savings were over \$17,000 for this event.

Obviously, activations of the National Guard can not be predicted, but based on the experience of the last ten years, over 300 soldiers will be activated during each fiscal year. Breakeven analysis shows that the State will have saved the original cost of the new system within two years of average activations. These savings over the next five years are quantified in the table below:

Breakeven Analysis for Software Purchase and Support					
Fiscal Year	Requested Amount	Anticipated Direct Cost Savings *	Anticipated Indirect Costs Savings *	Total Savings / (Cost)	Cumulative Savings / (Cost)
2009-10	\$64,000	\$17,000	\$33,000	(\$14,000)	(\$14,000)
2010-11	20,000	17,000	33,000	30,000	16,000
2011-12	13,000	17,000	33,000	37,000	53,000
2012-13	5,000	17,000	33,000	45,000	98,000
2013-14	5,000	17,000	33,000	45,000	143,000
Five Year Totals	\$107,000	\$85,000	\$165,000	\$143,000	

* Based on savings for an average of 311 soldiers activated per year.

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	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Request
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS					
Major General H. Michael Edwards, Adjutant General and Executive Director					
(1) EXECUTIVE DIRECTOR AND ARMY NATIONAL GUARD					
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					
Personal Services	1,674,667	1,810,915	2,147,047	2,273,532	
FTE	<u>28.6</u>	<u>28.6</u>	<u>34.3</u>	<u>34.8</u>	
General Fund	1,535,179	1,680,424	1,922,542	2,038,635	DI # 3
Cash Funds	0	0	3,624	3,786	
Federal Funds	139,488	130,491	220,881	231,111	
Health, Life and Dental	<u>115,219</u>	<u>126,962</u>	<u>552,233</u>	<u>533,727</u>	
General Fund	103,925	126,962	191,994	185,560	
Cash Funds	0	0	474	458	
Cash Funds Exempt	11,294	0	0	0	
Federal Funds	0	0	359,765	347,709	
Short-term Disability	<u>3,494</u>	<u>3,633</u>	<u>9,540</u>	<u>8,842</u>	
General Fund	3,212	3,633	3,422	3,171	
Cash Funds	0	0	100	93	
Cash Funds Exempt	282	0	0	0	
Federal Funds	0	0	6,018	5,578	
SB04-257 Amortization Equalization Disbursement	<u>16,582</u>	<u>33,276</u>	<u>116,543</u>	<u>136,038</u>	
General Fund	15,174	33,276	41,236	48,134	
Cash Funds	0	0	1,240	1,447	
Cash Funds Exempt	1,408	0	0	0	
Federal Funds	0	0	74,067	86,457	

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	Request	Request
SB06-235 Supplemental Amortization Equalization					
Disbursement	<u>0</u>	<u>5,942</u>	<u>53,941</u>	<u>85,024</u>	
General Fund	0	5,942	18,644	29,387	
Cash Funds	0	0	578	911	
Federal Funds	0	0	34,719	54,726	
Salary Survey and Senior Executive Service	<u>65,509</u>	<u>82,000</u>	<u>248,962</u>	<u>177,877</u>	
General Fund	61,339	82,000	86,388	61,722	
Cash Funds	0	0	3,336	2,383	
Cash Funds Exempt	4,170	0	0	0	
Federal Funds	0	0	159,238	113,772	
Performance-based Pay Awards	<u>0</u>	<u>37,299</u>	<u>110,030</u>	<u>0</u>	
General Fund	0	37,299	38,360	0	
Cash Funds	0	0	1,435	0	
Federal Funds	0	0	70,235	0	
Shift Differential - Federal Funds	19,579	22,286	17,480	17,829	
Workers' Compensation	<u>87,577</u>	<u>61,602</u>	<u>78,566</u>	<u>78,685</u>	
General Fund	44,226	21,295	26,712	26,831	
Federal Funds	43,351	40,307	51,854	51,854	
Operating Expenses	<u>957,050</u>	<u>1,010,410</u>	<u>2,333,640</u>	<u>2,422,070</u>	
General Fund	768,178	762,041	1,458,068	1,541,266	DI # 1,3
Cash Funds	0	0	46,000	46,000	
Cash Funds Exempt	2,851	3,895	0	0	
Federal Funds	186,021	244,474	829,572	834,804	
Information Technology Asset Maintenance - General Fund	14,801	26,013	27,372	27,372	
Legal Services for 110 hours-General Fund	1,656	1,082	8,261	8,261	

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	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Request
Purchase of Services from Computer Center - General Fund	0	543	10,581	10,581	
Multiuse Network Payments	<u>337,382</u>	<u>403,389</u>	<u>11,235</u>	<u>11,235</u>	
General Fund	106,939	172,389	11,235	11,235	
Federal Funds	230,443	231,000	0	0	
Payment to Risk Management and Property Funds - General Fund	127,478	97,727	153,342	153,342	
Vehicle Lease Payments - General Fund	22,758	24,294	48,676	51,041	
Leased Space - General Fund	31,560	37,765	44,978	44,978	
Capitol Complex Leased Space (Camp George West)	<u>76,640</u>	<u>68,472</u>	<u>81,972</u>	<u>89,554</u>	
General Fund	55,015	42,126	62,220	69,802	
Federal Funds	21,625	26,346	19,752	19,752	
Communications Services Payments - GF	10,935	10,754	11,233	11,233	
Utilities	<u>1,201,089</u>	<u>1,142,106</u>	<u>0</u>	<u>0</u>	
General Fund	635,552	607,899	0	0	
Federal Funds	565,537	534,207	0	0	
Local Armory Incentive Plan - Cash Funds	23,677	11,947	46,610	46,610	
Distance Learning	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>3,000</u>	
Cash Funds	0	0	3,000	3,000	
Colorado National Guard Tuition Fund	<u>711,761</u>	<u>825,803</u>	<u>825,803</u>	<u>1,046,157</u>	DI # 2
General Fund	175,803	175,803	175,803	246,157	
Cash Funds Exempt/Reappropriated Funds a/	535,958	650,000	650,000	800,000	

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Army National Guard Cooperative Agreement-Federal Funds	4,447,742	3,916,046	3,436,537	3,546,684	
FTE	51.5	51.5	51.5	51.5	
Administrative Services	278,398	296,127	0	0	
FTE	<u>5.1</u>	<u>5.1</u>	<u>0.0</u>	<u>0.0</u>	
General Fund	101,682	112,411	0	0	
Federal Funds	176,716	183,716	0	0	
					<i>Request vs.</i>
					<i>Appropriation</i>
SUBTOTAL - (1) EXECUTIVE DIRECTOR AND ARMY NATIONAL GUARD	10,225,554	10,056,393	10,377,582	10,783,672	3.9%
FTE	<u>85.2</u>	<u>85.2</u>	<u>85.8</u>	<u>86.3</u>	<u>0.6%</u>
General Fund	3,815,412	4,061,678	4,341,067	4,568,708	5.2%
Cash Funds	23,677	11,947	106,397	104,688	-1.6%
Cash Funds Exempt/Reappropriated Funds	555,963	653,895	650,000	800,000	23.1%
Federal Funds	5,830,502	5,328,873	5,280,118	5,310,276	0.6%

a/ H.B. 04-1347 appropriation from the Department of Higher Education to the National Guard Tuition Assistance Program.

(2) DIVISION OF VETERANS AFFAIRS

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.

Veterans Service Operations	554,383	546,495	590,168	610,200	
FTE	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	
General Fund	553,525	544,581	586,659	606,691	
Cash Funds Exempt/Reappropriated Funds	858	1,914	3,509	3,509	
County Veterans Service Officer Payments - General Fund	72,240	71,200	213,154	213,154	
Colorado State Veterans Trust Fund - Cash Funds Exempt	800,618	N/A	N/A	N/A	

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriation	Request	Request
Colorado State Veterans Trust Fund Expenditures	<u>547,827</u>	<u>643,904</u>	<u>627,500</u>	<u>639,411</u>	
Cash Funds	0	67,784	627,500	639,411	
Cash Funds Exempt	547,827	576,120	0	0	
Western Slope Veterans Cemetery	240,494	271,885	406,017	415,683	
FTE	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	
General Fund	111,619	133,479	130,025	135,369	
Cash Funds	0	0	224,992	229,314	
Cash Funds Exempt	128,875	76,065	0	0	
Federal Funds	0	62,341	51,000	51,000	
					<i>Request vs.</i>
					<i>Appropriation</i>
SUBTOTAL - (2) DIVISION OF VETERANS AFFAIRS	2,215,562	1,533,484	1,836,839	1,878,448	2.3%
FTE	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>	<u>0.0%</u>
General Fund	737,384	749,260	929,838	955,214	2.7%
Cash Funds	0	67,784	852,492	868,725	1.9%
Cash Funds Exempt/Reappropriated Funds	1,478,178	654,099	3,509	3,509	0.0%
Federal Funds	0	62,341	51,000	51,000	0.0%

(3) AIR NATIONAL GUARD

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

Operations and Maintenance Agreement for

Buckley/Greeley	1,872,016	1,454,779	2,059,999	2,114,483	
FTE	<u>26.1</u>	<u>26.1</u>	<u>26.1</u>	<u>26.1</u>	
General Fund	373,522	448,095	456,018 (M)	465,881	
Federal Funds	1,498,494	1,006,684	1,603,981	1,648,602	
Buckley Cooperative Agreement - FF	1,228,739	1,316,155	986,664	1,027,331	
FTE	15.0	15.0	17.5	17.5	

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	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Request
Security for Space Command Facility at Greeley - Federal Funds	168,874	177,486	214,621	224,382	
FTE	5.0	5.0	5.0	5.0	
					<i>Request vs. Appropriation</i>
SUBTOTAL - (3) AIR NATIONAL GUARD	3,269,629	2,948,420	3,261,284	3,366,196	3.2%
FTE	46.1	46.1	48.6	48.6	0.0%
General Fund	373,522	448,095	456,018	465,881	2.2%
Federal Funds	2,896,107	2,500,325	2,805,266	2,900,315	3.4%
(4) FEDERAL FUNDED PROGRAMS					
Trains state military forces. Note: This section is included in the Long Bill for informational purposes only. The funds are not subject to appropriation 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.					
Personal Services - FF	68,266,956	86,102,647	88,685,726	91,345,949	
FTE	1,077.0	1,239.0	1,239.0	1,239.0	
Operating and Maintenance - FF	29,705,038	57,419,961	59,142,560	60,916,837	
Construction - FF	12,100,000	13,100,000	39,100,000	34,600,000	
Special Programs - FF	715,700	128,933	715,700	715,700	
					<i>Request vs. Appropriation</i>
SUBTOTAL - (4) FEDERAL FUNDED PROGRAMS					
Federal Funds	110,787,694	156,751,541	187,643,986	187,578,486	0.0%
FTE	1,077.0	1,239.0	1,239.0	1,239.0	0.0%

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(5) CIVIL AIR PATROL					
The Division of Civil Air Patrol supports the U.S. Civil Air Patrol, Colorado Wing, a non-profit organization which is a civilian auxiliary of the United States Air Force. Its primary mission is search and rescue. It is also chartered with promoting aerospace education and operating a cadet program. The state supports the wing with one FTE and provides for some operational costs and minor maintenance.					
Personal Services-General Fund	64,102	65,419	68,703	71,526	
FTE	1.0	1.0	1.0	1.0	
Operating Expenses-General Fund	13,324	13,309	13,324	13,324	
Aircraft Maintenance-General Fund	34,693	45,277	45,314	45,314	
					<i>Request vs. Appropriation</i>
SUBTOTAL - (5) CIVIL AIR PATROL					
General Fund	112,119	124,005	127,341	130,164	2.2%
FTE	1.0	1.0	1.0	1.0	0.0%
					<i>Request vs. Appropriation</i>
TOTAL - DEPARTMENT OF MILITARY AND VETERANS AFFAIRS					
	126,610,558	171,413,843	203,247,032	203,736,966	0.2%
FTE	<u>1,221.8</u>	<u>1,383.8</u>	<u>1,386.9</u>	<u>1,387.4</u>	<u>0.0%</u>
General Fund	5,038,437	5,383,038	5,854,264	6,119,967	4.5%
Cash Funds	23,677	79,731	958,889	973,413	1.5%
Cash Funds Exempt/Reappropriated Funds	2,034,141	1,307,994	653,509	803,509	23.0%
Federal Funds	119,514,303	164,643,080	195,780,370	195,840,077	0.0%

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APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **S.B. 08-101 (Schultheis/Gardner B.): NORAD Commemorative License Plates.** Creates the "North American Aerospace Defense Commemorative" special license plate to commemorate the 50th anniversary of NORAD's creation.
- ❑ **H.B. 08-1035 (Carroll M., Morse): Military Family Relief Fund Checkoff:** Extends the voluntary contribution line for the Military Family Relief Fund on Colorado income tax forms through the 2010 tax year.
- ❑ **H.B. 08-1078 (Buescher/Morse): Repay Colorado State Veterans Trust Fund.** Transfers \$2,917,300 from the General Fund to the Colorado State Veterans Trust Fund. This represents the amount, plus interest, that was transferred from the Veterans Trust Fund to the General Fund 2003.
- ❑ **H.B. 08-1097 (Lambert/Romer): Protections for Emergency Volunteers:** Allows a member of the Civil Air Patrol who is called to duty for a Patrol mission to take a leave of absence from employment during the period of the mission, up to 15 days annually, without loss of pay or other benefits.
- ❑ **H.B. 08-1175 (Garza-Hicks/Kopp): Fourth Infantry Special License Plate.** Creates the "United States Army 4th Infantry Division" special license plate for individuals wishing to express support for the division.
- ❑ **H.B. 08-1252 (Rice/Shaffer): Tuition Assistance for Colorado National Guard.** Allows a Colorado National Guard member to receive tuition assistance when enrolled in a certificate or degree program in homeland security at a private institution of higher education.

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**APPENDIX C: UPDATE OF FY 2008-09
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Long Bill Footnotes

- 48 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 system 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 of the Department of Military and Veterans Affairs.

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

Requests for Information

- 1. All Departments, Totals** - Every department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that are applied for or received during FY 2008-09. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

Comment: No response was necessary from the Department.