

STATE OF COLORADO

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

6848 South Revere Parkway
Centennial, Colorado 80112
Phone 720-250-1500
Fax 720-250-1519
www.colorado.gov/dmva



John W. Hickenlooper
Governor

Major General
Michael A. Loh
The Adjutant General

November 1, 2018

Representative Millie Hamner
Chair, Joint Budget Committee
200 East 14th Avenue, 3rd Floor
Denver, CO 80203

Dear Representative Hamner,

The Department of Military and Veterans Affairs is pleased to submit its FY 2018-19 response to Request for Information (RFI) #1 which reads as follows:

1. By November 1, 2018, the Department is requested to submit a report on recommended changes to its budget structure for the Executive Director's Office and Army National Guard. The report is specifically requested to address whether changes to the Department's budget structure, including some increased flexibility, could more closely align state and federal budgeting and reduce the need to over-appropriate General Fund based on uncertain federal match rates.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Dorman", is written over a horizontal line.

Greg Dorman
Resource Director and Legislative Liaison
Colorado Department of Military and Veterans Affairs

Cc:

Representative Dave Young, Joint Budget Committee
Representative Bob Rankin, Joint Budget Committee
Senator Kent D. Lambert, Joint Budget Committee
Senator Dominick Moreno, Joint Budget Committee
Senator Kevin Lundberg, Joint Budget Committee
John Ziegler, Joint Budget Committee, Staff Director
Amanda Bickel, Joint Budget Committee, Staff
Cassie Rutter, Office of State Planning and Budgeting, Staff

JBC Staff Initiated Request for Information (RFI) from Department of Military and Veterans Affairs
JBC Figure Setting dated February 8, 2018. FY2018-19 RFI #1 states:

By November 1, 2018, the Department is requested to submit a report on recommended changes to its budget structure for the Executive Director's Office and Army National Guard. The report is specifically requested to address whether changes to the Department's budget structure, including some increased flexibility, could more closely align state and federal budgeting and reduce the need to over-appropriate General Fund based on uncertain federal match rates.

Current Situation: DMVA historically has had annual General Fund reversions within the Executive Director line and a lack of expenditure transparency between several EDO lines – including Personal Services, Operating Expense, Vehicle Lease Payments, and Army National Guard Cooperative Agreement.

Army National Guard Cooperative Agreement (ARNG) expenditures are within all lines mentioned above, therefore there is no clear line item showing the expenditures for that item. The general fund match of ARNG appendices is with the personal services line as well as within the operating expense line. Accounting and budget has to compile and keep track of several different lines to accurately show the true budget and expenditures. Management and program also does not receive a simple line item to track its budget and expenditures.

Vehicle Lease payments also had the issue but it has been resolved by reallocating some of the spending authority into federal funds and also providing a footnote allowing the department to transfer some funds within certain parameters. Many of the vehicles were and are charged to an appendix that covers the cost with a significant portion of federal funds. DMVA cannot move the ARNG expense to the ARNG line because the Vehicle Lease Payment line is a DPA Common Policy Line Item.

Expected outcome: reduce reversions while maximizing flexibility and transparency

How/Why this occurs: DMVA in conjunction with the National Guard Bureau works within Cooperative Agreements. These are different than grants as we work together on the task. Funding can be any combination of 100% federal down to a 50/50 split federal / general fund split. In the current structure, it is difficult to maintain visibility of general funds in relation to federal matching dollars and use that information to expend appropriately. The federal program managers within the cooperative agreement can request additional funding while the state cannot request additional matching funds, nor carry it forward to the next year except under unique circumstances.

Proposed Solution:

Two phase approach: 1) redistribute spending authority and 2) request footnote for budget transfer authority

Redistribute the general fund spending authority lines between personal services, operating expense and Army National Guard cooperative agreement, including FTE. The personal services line and operating expense line will be limited to EDO line items and will not have any program spending

authority or expenses within them. The Army National Guard line will now have all of the relevant spending authority and expenses in one line, making it easier to manage and generate reports.

To fully make this work the department is also requesting transfer authority between such lines as it has for the vehicle lease line in footnote #77. We request an expansion of this footnote to include personal services, operating expense, and ARNG.

FTE Request Redistribution

Transfer 10.9 FTE from the EDO Personal Services line to the Army National Guard Cooperative Agreement line. However, request that FTE number stays in far left column under Item and Subtotal and not under a specific funding source. The 36.3 FTE will become 25.4 on the Personal Services line and 75.1 on the ARNG line. Then total FTE in the federal column to under the Item and Subtotal Column.

Personal Services Redistribution

Transfer General Fund spending authority in the amount of \$558,607 to the Army National Guard Cooperative Agreement line. The Cash Fund \$4,046 and Federal Funds \$366,081 spending authority in the EDO Personal Services line remain intact. The remaining funds now in the EDO Personal Services line is now only true EDO spending authority and does not contain any other program costs.

Operating Expense Redistribution

Transfer General Fund spending authority of \$1,249,601 and move to the Army National Guard Cooperative Agreement line. The Cash Fund \$46,000 shall remain in the Operating Expense Line as this pertains to EDO services. The Federal Funds \$841,705 spending authority in the EDO Operating Expense line shall transfer to the ARNG CA line as these federal funds are directly related to guard direct activities. The remaining funds now in the EDO Operating Expense line is now only true EDO spending authority and does not contain any other program costs.

Amounts based off of current long bill, HB 18-1322

- (1) Executive Director and Army National Guard
 - a. Personal Services

	Total FTE	Total \$	GF	CF	FF
Personal Service Current Line Amount	36.3	\$2,604,556	\$2,234,429	\$4,046	\$366,081
Redistribution to ARNG CA line	(10.9)	(\$558,607)	(\$558,607)	\$0	\$0
Revised EDO Personal Services Line	25.4	\$2,045,949	\$1,675,822	\$4,046	\$366,081

(1) Executive Director and Army National Guard

a. Operating Expenses

	Total FTE	Total \$	GF	CF	FF
Operating Expenses Current Line Amount	N/A	\$2,420,030	\$1,532,325	\$46,000	\$841,705
Redistribution to ARNG CA line		(\$2,091,306)	(\$1,249,601)	\$0	(\$841,705)
Revised EDO Operating Expenses Line	N/A	\$328,724	\$282,724	\$46,000	\$0

(1) Executive Director and Army National Guard

a. Army National Guard Cooperative Agreement

	Total FTE	Total \$	GF	CF	FF
ARNG CA Current Line Amount	64.2	\$8,200,000	\$0	\$0	\$8,200,000
Redistribution to ARNG CA line from Personal Services	10.9	\$558,607	\$558,607	\$0	\$0
Redistribution to ARNG CA line from Operating		\$2,091,306	\$1,249,601	\$0	\$841,705
Revised EDO ARNG CA Line	75.1	\$10,849,913	\$1,808,208	\$0	\$9,041,705

Risk to DMVA: If we do not receive flexibility each area could be at risk in not moving FTE and/or dollars between EDO and ARNG – which we can do right now internally.

What if we do nothing: Then we can continue our internal flexibility with the funds but no line item would show a clear picture of its expenditures/utilization.