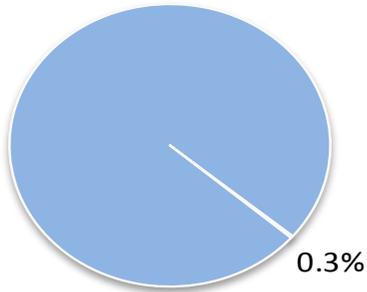


FY15 Budget Briefing

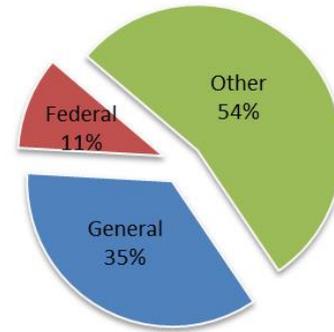
Department of Veterans Affairs

Information contained in this document is based on the Governor's original recommended FY15 budget.
This document may not correspond with the FY15 budget adopted by the Legislature.

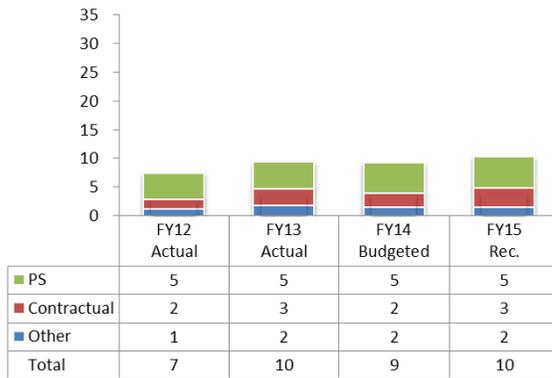
Agency Share of Budgeted General Funds



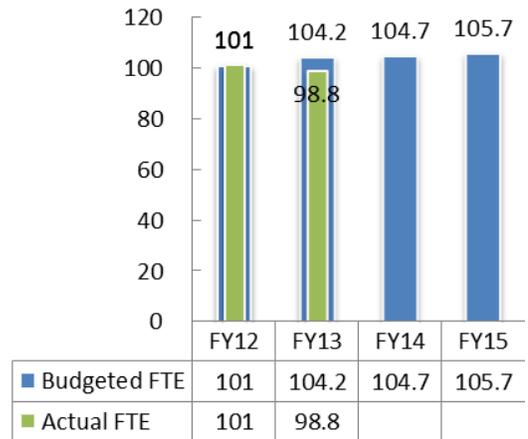
Sources of Funds



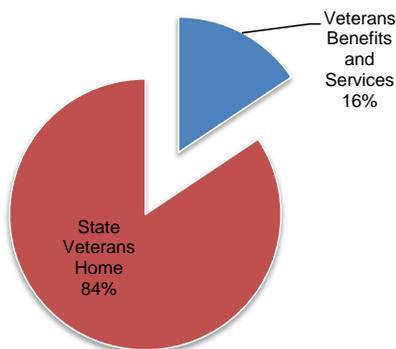
Budget History (\$ millions)



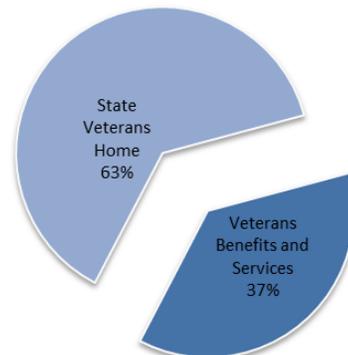
FTE



Distribution of Total Agency Funds



Distribution of Agency General Funds



Key Personnel

- Command Sergeant Major Larry Zimmerman, Secretary
- Connie Hohn, Budget and Finance Director
- Aaron Pollard, Deputy Secretary
- LaVonne Gasper, Interim Superintendent of State Veterans' Home

Department Total

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Rec Inc/Dec FY15	% Change From FY2014
Personal Services						
Employee Salaries	3,395,443	3,394,688	3,950,606	4,000,734	50,128	1.3%
Employee Benefits	1,204,942	1,343,043	1,474,301	1,486,859	12,558	0.9%
FTE	101.0	98.8	104.7	105.7	1.0	1.0%
Funding Types						
General	2,244,136	2,409,308	2,517,406	2,580,092	62,686	2.5%
Federal	406,373	806,517	1,023,048	1,023,048	0	0.0%
Other	1,949,876	1,521,906	1,884,453	1,884,453	0	0.0%
Total PS	4,600,385	4,737,731	5,424,907	5,487,593	62,686	1.2%
Operating Expenses						
Travel	114,874	142,562	196,467	196,467	0	0.0%
Contractual Services	1,602,411	2,962,161	2,314,596	3,321,023	1,006,427	43.5%
Supplies & Materials	866,691	842,267	1,032,369	970,007	(62,362)	(6.0%)
Grants and Subsidies	43,976	632,496	207,875	210,688	2,813	1.4%
Capital Outlay	205,833	205,427	154,737	154,737	0	0.0%
Other	23,934	0	0	0	0	0.0%
Funding Types						
General	823,652	1,443,219	1,067,048	1,073,023	5,975	0.6%
Federal	22,844	993,328	45,497	45,834	337	0.7%
Other	2,011,222	2,348,364	2,793,499	3,734,065	940,566	33.7%
Total OE	2,857,718	4,784,911	3,906,044	4,852,922	946,878	24.2%
Totals						
Funding Types						
General	3,067,789	3,852,527	3,584,454	3,653,115	68,661	1.9%
Federal	429,217	1,799,845	1,068,545	1,068,882	337	0.0%
Other	3,961,098	3,870,270	4,677,952	5,618,518	940,566	20.1%
Total	7,458,103	9,522,643	9,330,951	10,340,515	1,009,564	10.8%

Department Object Detail

Item	Actual FY2012	Actual FY2013	Budgeted FY2014	Governor Rec FY2015	Inc/Dec Over FY2014	% Change Over FY2014
PERSONAL SERVICES						
General	2,244,136	2,409,308	2,517,406	2,580,092	62,686	2.5%
Federal	406,373	806,517	1,023,048	1,023,048	0	0.0%
Other Funds	1,949,876	1,521,906	1,884,453	1,884,453	0	0.0%
Total Personal Services	4,600,385	4,737,731	5,424,907	5,487,593	62,686	1.2%
FTE	101.0	98.8	104.7	105.7	1.0	1.0%
TRAVEL						
General	66,357	73,053	114,376	114,376	0	0.0%
Federal	8,740	6,101	21,085	21,085	0	0.0%
Other Funds	39,777	63,408	61,006	61,006	0	0.0%
Total Travel	114,874	142,562	196,467	196,467	0	0.0%
CONTRACTUAL SERVICES						
General	472,365	509,598	559,491	562,653	3,162	0.6%
Federal	12,886	967,561	16,936	17,273	337	2.0%
Other Funds	1,117,160	1,485,002	1,738,169	2,741,097	1,002,928	57.7%
Total Contractual Services	1,602,411	2,962,161	2,314,596	3,321,023	1,006,427	43.5%
SUPPLIES AND MATERIALS						
General	208,264	207,784	240,088	240,088	0	0.0%
Federal	1,218	2,766	6,600	6,600	0	0.0%
Other Funds	657,209	631,717	785,681	723,319	(62,362)	-7.9%
Total Supplies and Materials	866,691	842,267	1,032,369	970,007	(62,362)	-6.0%
GRANTS AND SUBSIDIES						
General	43,875	632,496	146,875	149,688	2,813	1.9%
Federal	0	0	0	0	0	0.0%
Other Funds	101	0	61,000	61,000	0	0.0%
Total Grants and Subsidies	43,976	632,496	207,875	210,688	2,813	1.4%
CAPITAL OUTLAY						
General	8,858	20,289	6,218	6,218	0	0.0%
Federal	0	16,900	876	876	0	0.0%
Other Funds	196,975	168,238	147,643	147,643	0	0.0%
Total Capital Outlay	205,833	205,427	154,737	154,737	0	0.0%
OTHER						
General	23,934	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	0	0	0	0	0	0.0%
Total Other	23,934	0	0	0	0	0.0%
TOTAL						
General	3,067,789	3,852,528	3,584,454	3,653,115	68,661	1.9%
Federal	429,217	1,799,845	1,068,545	1,068,882	337	0.0%
Other Funds	3,961,098	3,870,271	4,677,952	5,618,518	940,566	20.1%
Total All Funds	7,458,104	9,522,644	9,330,951	10,340,515	1,009,564	10.8%

Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
Veterans' Benefits & Services					
Public Information Officer	62,686			62,686	1.0
County/Tribal Vets Svce Office - add Union County	2,813			2,813	
State Veterans' Home					
Energy Cap			19,564	19,564	
Propane decrease			(62,362)	(62,362)	
Other Fund Authority Vets Home			982,703	982,703	
Interagency billing increases	3,162	337	661	4,160	
Total	68,661	337	940,566	1,009,564	1.0

- ✓ See Budget Notes regarding these Expansions and Reductions on the following pages under the various programs.

VETERANS' BENEFITS AND SERVICES

The mission of the Veterans' Benefits and Services and the network of County and Tribal Veterans' Services Officers is to ensure that veterans, their dependents and survivors, receive the full measure of benefits and services to which they are entitled.

	Actual FY12	Actual FY13	Budgeted FY14	Gov Rec FY15	Rec % Change Inc/Dec FY15	From FY2014
Personal Services						
Employee Salaries	684,162	733,967	875,260	925,388	50,128	5.7%
Employee Benefits	203,052	250,892	251,564	264,122	12,558	5.0%
FTE	17.8	18.9	19.0	20.0	1.0	5.3%
Funding Types						
General	762,938	858,642	916,058	978,744	62,686	6.8%
Federal	124,277	126,218	210,766	210,766	0	0.0%
Other	0	0	0	0	0	0.0%
Total PS	887,214	984,860	1,126,824	1,189,510	62,686	5.6%
Operating Expenses						
Travel	62,854	63,078	135,461	135,461	0	0.0%
Contractual Services	75,903	70,091	86,399	87,833	1,434	1.7%
Supplies & Materials	13,129	7,179	32,376	32,376	0	0.0%
Grants and Subsidies	43,875	632,496	207,875	210,688	2,813	1.4%
Capital Outlay	3,138	14,763	7,094	7,094	0	0.0%
Other	0	0	0	0	0	0.0%
Funding Types						
General	199,988	764,119	362,708	366,618	3,910	1.1%
Federal	22,844	23,489	45,497	45,834	337	0.7%
Other	0	0	61,000	61,000	0	0.0%
Total OE	222,832	787,608	469,205	473,452	4,247	0.9%
Totals						
Funding Types						
General	962,926	1,622,761	1,278,766	1,345,362	66,596	5.2%
Federal	147,121	149,706	256,263	256,600	337	0.1%
Other	0	0	61,000	61,000	0	0.0%
Total	1,110,046	1,772,467	1,596,029	1,662,962	66,933	4.2%

Budget Notes

- A. Interagency Billings - Increase of \$1,097 in general funds and \$337 in federal fund expenditure authority due to changes in bureau billings.
- B. Public Information Officer – The transfer from the Dept. of Military includes one FTE and \$62,686 in general funds. The Public Informational Officer's primary duties are within the Dept. of Veterans Affairs.
- C. County and Tribal Veterans Service Office – The state provides financial assistance to counties and tribes for the salary paid to their County/Tribal Veterans Service Officer. Union County will be added to the program for FY2015. This is an increase of \$2,813 in general funds.

STATE VETERANS' HOME

The State Veterans' Home is located in Hot Springs and provides a quality living environment, along with adequate medical support, in an independent living and long-term care setting for all eligible South Dakota veterans and their spouses, widows, or widowers; and to provide administration, maintenance, management, medical care, and other services necessary to meet or exceed state and federal requirements.

	<u>Actual</u> <u>FY12</u>	<u>Actual</u> <u>FY13</u>	<u>Budgeted</u> <u>FY14</u>	<u>Gov Rec</u> <u>FY15</u>	<u>Rec % Change</u> <u>Inc/Dec</u> <u>FY15</u>	<u>From</u> <u>FY2014</u>
Personal Services						
Employee Salaries	2,711,281	2,660,721	3,075,346	3,075,346	0	0.0%
Employee Benefits	1,001,890	1,092,150	1,222,737	1,222,737	0	0.0%
FTE	83.3	79.9	85.7	85.7	0.0	0.0%
Funding Types						
General	1,481,199	1,550,666	1,601,348	1,601,348	0	0.0%
Federal	282,096	680,299	812,282	812,282	0	0.0%
Other	1,949,876	1,521,906	1,884,453	1,884,453	0	0.0%
Total PS	3,713,171	3,752,872	4,298,083	4,298,083	0	0.0%
Operating Expenses						
Travel	52,021	79,483	61,006	61,006	0	0.0%
Contractual Services	1,526,508	2,892,069	2,228,197	3,233,190	1,004,993	45.1%
Supplies & Materials	853,562	835,088	999,993	937,631	(62,362)	(6.2%)
Grants and Subsidies	101	0	0	0	0	0.0%
Capital Outlay	202,695	190,663	147,643	147,643	0	0.0%
Other	0	0	0	0	0	0.0%
Funding Types						
General	623,664	679,100	704,340	706,405	2,065	0.3%
Federal	0	969,839	0	0	0	0.0%
Other	2,011,222	2,348,364	2,732,499	3,673,065	940,566	34.4%
Total OE	2,634,886	3,997,304	3,436,839	4,379,470	942,631	27.4%
Totals						
Funding Types						
General	2,104,863	2,229,766	2,305,688	2,307,753	2,065	0.1%
Federal	282,096	1,650,139	812,282	812,282	0	0.0%
Other	3,961,098	3,870,270	4,616,952	5,557,518	940,566	20.4%
Total	6,348,057	7,750,175	7,734,922	8,677,553	942,631	12.2%

Budget Notes

- A. Interagency Billings - Increase of \$2,065 in general funds and \$661 in other fund expenditure authority due to changes in bureau billings.
- B. Energy Cap Utility increase - \$19,564 in other fund authority.
- C. Propane decrease – Total decrease of (\$62,362) in other fund authority.

- D. New Veterans Home - \$982,703 in other fund authority was recommended by the Governor for projects relating to the new State Veterans' Home in Hot Springs.

FY14 Emergency Special Appropriation

Cash vs. Borrowing for State Veterans' Home – The Governor is recommending \$16,365,044 in general funds for the Dept. of Veterans' Affairs for the construction of the new State Veterans' Home.

Other Fund Balances

Company and Fund Name	Blue Book Page	Ending Cash and Investment Balance		60-Month Average	Lowest Monthly Cash Balance in Past Five Years	
		FY2012	FY2013		Cash Balance	Amount
		Company 3021 - State Veterans' Home Operating Fund	229	\$ 2,047,719	\$ 2,839,736	\$ 938,709
Company 3021 - Veterans' Home Capital Fund	230	\$ 493,128	\$ 709,170	\$ 357,245	\$ 108,521	July 2008
Company 3149 - Veterans Affairs Division Special Revenue Fund	231	\$ 89,543	\$ 86,938	\$ 93,985	\$ 55,868	May 2012
Company 5017 - Resident Trust Fund	232	\$ 202,502	\$ 248,297	\$ 190,212	\$ 145,734	February 2010

New Veterans' Home

- ✓ SB 52 – passed during the 2011 Legislative Session and provides for the design, construction, and equipping of the new veterans' home near Hot Springs at the estimated cost of thirty four million six hundred thousand dollars (\$34,600,000). The South Dakota Building Authority was authorized to finance up to twelve million one hundred ten thousand dollars (\$12,110,000) of the total costs through the issuance of revenue bonds. The Department was also appropriated twenty two million four hundred ninety thousand dollars (\$22,490,000) in federal fund expenditure authority in the general appropriations act (g-bill) for FY2012.
- ✓ SB 27 – passed during the 2013 Legislative Session and revised SB 52. Changed the estimated cost to \$41,271,214 (increase of \$6,671,214). The South Dakota Building Authority was authorized to finance up to \$16,365,044 of the costs (increase of \$4,255,044) through the issuance of revenue bonds. The Department was also appropriated \$23,599,934 in federal fund expenditure authority (the largest-ever grant for a state veterans home) and \$16,365,044 in other fund expenditure authority (state bonds). In addition, \$1,306,236 was appropriated from the general fund to the Bureau of Administration to pay for costs related to the installation and implementation of a heating system (Biomass powered boiler) in the new veterans' home.
- ✓ 2013 Session - the proposed building is approximately 138,184 square feet. The facility will accommodate 100 residents, and be expandable to accommodate 125 residents. The design concept features a neighborhood based residential living arrangement consistent with the new 2011 Design Guide for Community Living Centers. It was scheduled to go to bid in February 2013 and they had hoped to have bids awarded by April 1, 2013. The Department estimated that construction would begin in May/June 2013 and take two years for completion.
- ✓ May 2013 - Gov. Dennis Daugaard announced he will call the South Dakota Legislature into a special session sometime in late June (Special Session was set for June 22) to deal with cost overruns in the construction of a new State Veterans Home in Hot Springs. The governor said that when bids from contractors were opened, the lowest bid was considerably above projections, leading to a total project cost of \$51.3 million. The

governor said state government has enough money to cover the cost overrun, which means construction need not be delayed. He said the state's projected surplus at the end of the budget year on June 30 would be sufficient to cover the extra cost. The estimate for the home was missed by about \$5 million for construction and labor and \$3 million for engineering work. A gap of about \$10 million needed to be covered. The governor had signed a contract with Scull Construction contingent upon getting the money. The purpose of the special session was to avoid re-bidding the project.

- ✓ June 2013 – No need for the Special Session because the Veterans Administration gave South Dakota eight extra months to revise the veterans' home project without losing a \$23,599,934 million grant or forfeiting Medicaid payments. The state has until February 2014 to finalize plans to keep the grant. The estimated total cost of the Vets' Home is \$41,271,214. J. Scull Construction is the Construction Manager at Risk for this project. The traditional Design with an architect is the most used process but for this project the Construction Manager at Risk option was the best and most effective. With the Construction Manager at Risk they are able to see the numbers and bids upfront. This has been used a lot with the Universities in the last couple of years.
- ✓ September 25, 2013 – Groundbreaking ceremonies were held for the new Michael J. Fitzmaurice State Veterans Home. The Department of Transportation has offered to help transport debris from the construction site. Governor Dugaard also made an announcement that he is creating a State Veterans Home Endowment Fund to assist in the care of the state's veterans into the future. The new Veterans' Home will be a 133,000 sq. ft. stacked two-story building with a lower level walkout main entrance. The 100-bed facility will contain 52 skilled nursing beds on the main level and 48 non-skilled or residential living beds on the upper level (Going to two levels will not create a problem in case of an emergency as the main floor will be the skilled nursing level and the second floor will be the residential-style living). The living spaces will be broken into eight neighborhoods housed in eight wings. Each neighborhood will include a living room, dining room and kitchen area that will provide a home-like environment to the 12-13 occupants housed in each neighborhood. They are serving the same number of people but in a more efficient way; they are required based on their Veterans Administration grant to have 100 beds (52 skilled nursing and 48 residential living). Construction of the Veterans Home will begin in the Spring of 2014 and would tentatively be finished November 2015. Veterans could move in the Spring of 2016.
- ✓ November 2013 – Contractors began mobilizing equipment and resources. Site preparation began on December 2 which includes demolition of Building 4 and earthwork. Building 4 has been vacant for years and they are currently waiting to knock it down. They have done 4 detonations and when it freezes hard enough they will knock the building down. Foundation work will begin on January 20, 2014.
- ✓ Governor's Budget Address – The Governor recommended using a one-time appropriation of \$16,365,044 instead of borrowing the \$16 million state's share after the federal grant. It wouldn't affect FY15 but in FY16 there would be an ongoing general fund budget saving of \$1,589,069.

Governor's Recommended Compensation Plan – BFM Pool

For FY15, the Governor recommends the state employee compensation plan be distributed from a pool in the BFM. *Therefore, individual agency budgets do not reflect the changes for the compensation plan.*

	<u>General</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
Across the Board Increase and Market Adjustments	\$67,288	\$26,205	\$48,310	\$141,803
Health Insurance	\$62,340	\$24,544	\$45,168	\$132,052
Movement Toward Job Worth (PACE)	\$33,618	\$7,154	\$22,738	\$63,510
Pay for Performance (Career Band Families)	\$10,265	\$5,431	\$5,756	\$21,452
Targeted Compensation Adjustments	\$27,628	\$7,485	\$36,821	\$71,934
Total of all Components	\$201,139	\$70,819	\$158,793	\$430,751

- Recommended FY15 - 3.0% PACE; 0%-4.5% Pay for Performance for Career Banding; 3% Across-the-Board/Market; 18.6% Health Insurance; Targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs.
- FY14 – 3.5% PACE; 0%-4.5% Pay for Performance for Career Banding; 3% Across-the-Board; 3.5%-4% Market Adjustment for Career Banding; 14.7% Health Insurance
- FY13 – 2.5% PACE; up to 7.0% Market Adjustment for Career Banding; 3% Across-the-Board; 3.3% Health Insurance.
- FY12 – 0% PACE; 0% Across-the-Board; 0% Health Insurance. One-time payment to permanent, non-probationary state employees equaling 5%, 3.4%, or 1.7% of the individual's annual salary depending on their longevity. (No increase to base in FY12.)
- FY11 – 0% PACE; 0% Across-the-Board; 6.3% Health Insurance
- FY10 – 0% PACE; 0% Across-the-Board; 0% Health Insurance

Interagency Billings

Below are the sources of funds this agency used to pay for services provided by central governmental bureaus (Bureau of Finance and Management, Bureau of Information and Telecommunications, Bureau of Administration, and the Bureau of Human Resources).

FY13 Actual Expenditures	General Funds	Federal Funds	Other Funds	Total Funds
Bureau of Administration	72,163.26	14,123.03	80,457.11	166,743.40
Bureau of Finance and Management	13,492.56	915.26	4,702.87	19,110.69
Bureau of Human Resources	33,550.94	926.87	10,773.70	45,251.51
Bureau of Information and Telecommunications	53,208.44	3,096.67	12,857.87	69,162.98
<i>Total Bureau Billings</i>	172,415	19,062	108,792	300,269