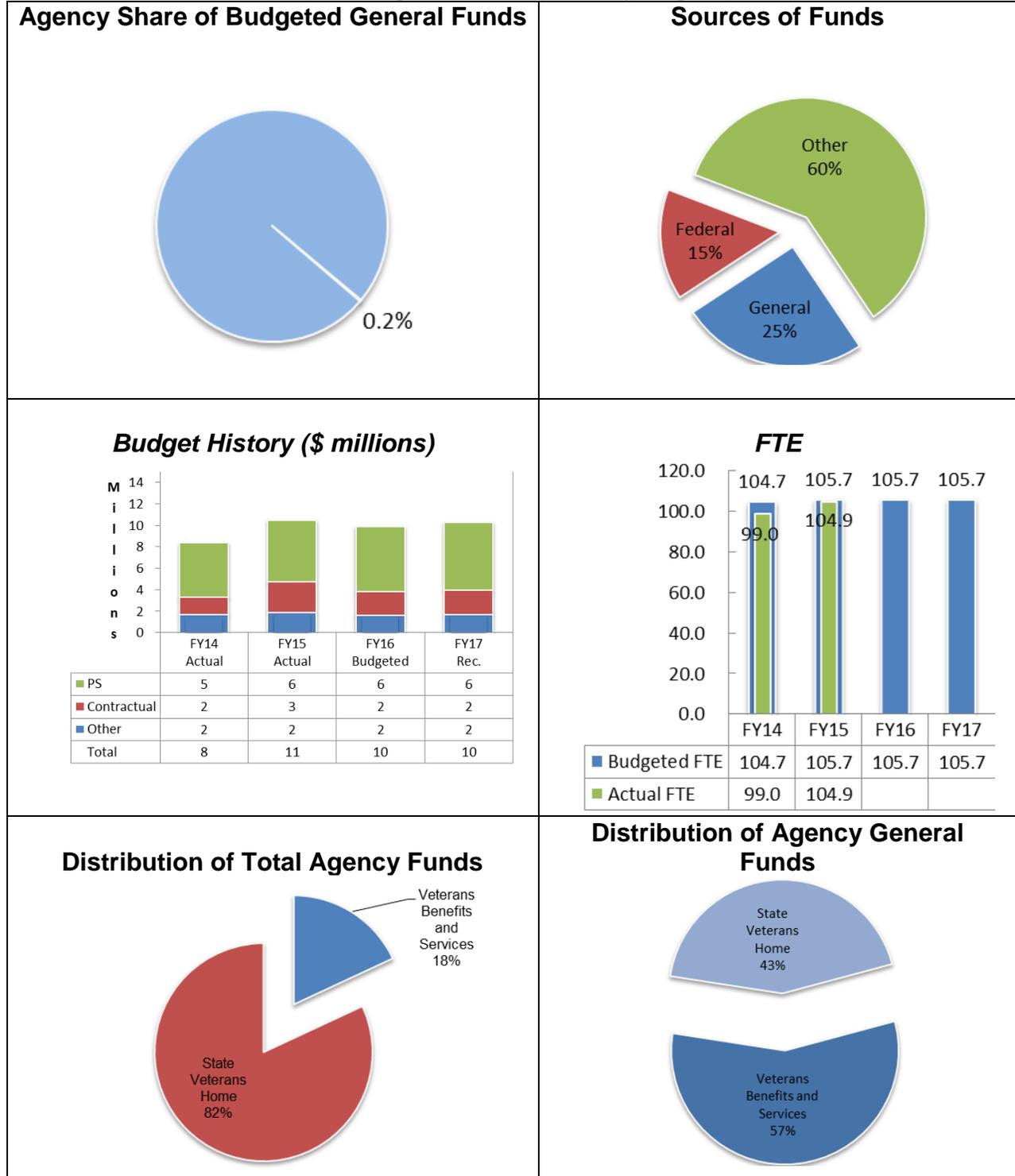


# FY17 Budget Briefing

## Department of Veterans Affairs

Information contained in this document is based on the Governor's original recommended FY17 budget.  
This document may not correspond with the final FY17 budget adopted by the Legislature.



## Key Personnel

- Larry Zimmerman, Secretary
- Connie Hohn, Budget and Finance Director
- Aaron Pollard, Deputy Secretary
- Brad Richardson, Superintendent of State Veterans' Home

## Department Total

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
<b>Personal Services</b>							
Employee Salaries	3,614,164	4,200,108	4,415,303	4,689,645	4,689,645	274,342	6.2%
Employee Benefits	1,489,445	1,547,377	1,679,290	1,679,290	1,679,290	0	0.0%
<b>FTE</b>	99.0	104.9	105.7	105.7	105.7	0.0	0.0%
<b>Funding Types</b>							
General	2,609,181	2,778,570	2,119,882	2,197,960	2,197,960	78,078	3.7%
Federal	812,355	1,039,248	1,303,555	1,499,819	1,499,819	196,264	15.1%
Other	1,682,074	1,929,668	2,671,156	2,671,156	2,671,156	0	0.0%
<b>Total PS</b>	5,103,609	5,747,485	6,094,593	6,368,935	6,368,935	274,342	4.5%
<b>Operating Expenses</b>							
Travel	249,631	198,238	203,811	203,811	203,811	0	0.0%
Contractual Services	1,592,174	2,881,876	2,198,330	2,385,455	2,263,166	64,836	2.9%
Supplies & Materials	931,949	923,365	1,042,686	1,078,572	1,079,572	36,886	3.5%
Grants And Subsidies	174,265	186,411	252,438	252,438	252,438	0	0.0%
Capital Outlay	373,031	592,764	155,237	155,237	155,237	0	0.0%
Other	0	0	0	0	0	0	0.0%
<b>Funding Types</b>							
General	1,061,992	1,075,209	407,581	407,581	407,581	0	0.0%
Federal	27,497	26,907	49,783	49,783	49,783	0	0.0%
Other	2,231,560	3,680,538	3,395,138	3,618,149	3,496,860	101,722	3.0%
<b>Total OE</b>	3,321,050	4,782,654	3,852,502	4,075,513	3,954,224	101,722	2.6%
<b>Totals</b>							
<b>Funding Types</b>							
General	3,671,173	3,853,779	2,527,463	2,605,541	2,605,541	78,078	3.1%
Federal	839,852	1,066,155	1,353,338	1,549,602	1,549,602	196,264	14.5%
Other	3,913,634	5,610,206	6,066,294	6,289,305	6,168,016	101,722	1.7%
<b>Total</b>	8,424,659	10,530,140	9,947,095	10,444,448	10,323,159	376,064	3.8%

## Department Object Detail

Item	Actual FY2014	Actual FY2015	Budgeted FY2016	Governor Rec FY2017	Inc/Dec Over FY2016	% Change Over FY2016
<b>PERSONAL SERVICES</b>						
General	2,609,181	2,778,570	2,119,882	2,197,960	78,078	3.7%
Federal	812,355	1,039,248	1,303,555	1,499,819	196,264	15.1%
Other Funds	1,682,074	1,929,668	2,671,156	2,671,156	0	0.0%
Total Personal Services	<b>5,103,609</b>	<b>5,747,486</b>	<b>6,094,593</b>	<b>6,368,935</b>	<b>274,342</b>	4.5%
FTE	99.0	104.9	105.7	105.7	0.0	0.0%
<b>TRAVEL</b>						
General	80,365	94,084	106,920	106,920	0	0.0%
Federal	4,859	3,140	14,485	14,485	0	0.0%
Other Funds	164,407	101,014	82,406	82,406	0	0.0%
Total Travel	<b>249,631</b>	<b>198,238</b>	<b>203,811</b>	<b>203,811</b>	<b>0</b>	0.0%
<b>CONTRACTUAL SERVICES</b>						
General	517,125	764,830	115,229	115,229	0	0.0%
Federal	19,134	19,494	26,322	26,322	0	0.0%
Other Funds	1,055,915	2,097,552	2,056,779	2,121,615	64,836	3.2%
Total Contractual Services	<b>1,592,174</b>	<b>2,881,876</b>	<b>2,198,330</b>	<b>2,263,166</b>	<b>64,836</b>	2.9%
<b>SUPPLIES AND MATERIALS</b>						
General	220,174	15,900	25,776	25,776	0	0.0%
Federal	1,258	2,964	8,100	8,100	0	0.0%
Other Funds	710,517	904,501	1,008,810	1,045,696	36,886	3.7%
Total Supplies and Materials	<b>931,949</b>	<b>923,365</b>	<b>1,042,686</b>	<b>1,079,572</b>	<b>36,886</b>	3.5%
<b>GRANTS AND SUBSIDIES</b>						
General	174,265	186,411	153,438	153,438	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	0	0	99,000	99,000	0	0.0%
Total Grants and Subsidies	<b>174,265</b>	<b>186,411</b>	<b>252,438</b>	<b>252,438</b>	<b>0</b>	0.0%
<b>CAPITAL OUTLAY</b>						
General	70,063	13,983	6,218	6,218	0	0.0%
Federal	2,246	1,309	876	876	0	0.0%
Other Funds	300,721	577,472	148,143	148,143	0	0.0%
Total Capital Outlay	<b>373,030</b>	<b>592,764</b>	<b>155,237</b>	<b>155,237</b>	<b>0</b>	0.0%
<b>OTHER</b>						
General	0	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	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	0.0%
<b>TOTAL</b>						
General	<b>3,671,173</b>	<b>3,853,778</b>	<b>2,527,463</b>	<b>2,605,541</b>	<b>78,078</b>	3.1%
Federal	<b>839,851</b>	<b>1,066,155</b>	<b>1,353,338</b>	<b>1,549,602</b>	<b>196,264</b>	14.5%
Other Funds	<b>3,913,634</b>	<b>5,610,207</b>	<b>6,066,294</b>	<b>6,168,016</b>	<b>101,722</b>	1.7%
Total All Funds	<b>8,424,659</b>	<b>10,530,140</b>	<b>9,947,095</b>	<b>10,323,159</b>	<b>376,064</b>	3.8%

## Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
<b>State Veterans' Home</b>					
Additional Medicaid Revenue - FTE transitioned from support services	125,896	148,446		274,342	
FMAP Change	(47,818)	47,818		-	
Utility increase based on Energy Cap			10,594	10,594	
Food service rate increase			54,242	54,242	
Propane/fuel oil decrease			(107,114)	(107,114)	
Wood chips for Boiler Mass system			144,000	144,000	
Total	78,078	196,264	101,722	376,064	-

- ✓ 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 FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
<b>Personal Services</b>							
Employee Salaries	777,565	861,201	1,024,924	1,024,924	1,024,924	0	0.0%
Employee Benefits	270,296	282,030	297,286	297,286	297,286	0	0.0%
<b>FTE</b>	17.9	19.2	20.0	20.0	20.0	0.0	0.0%
<b>Funding Types</b>							
General	913,721	1,007,211	1,096,470	1,096,470	1,096,470	0	0.0%
Federal	134,140	136,020	225,740	225,740	225,740	0	0.0%
Other	0	0	0	0	0	0	0.0%
<b>Total PS</b>	1,047,861	1,143,231	1,322,210	1,322,210	1,322,210	0	0.0%
<b>Operating Expenses</b>							
Travel	85,224	97,224	121,405	121,405	121,405	0	0.0%
Contractual Services	84,664	106,559	112,528	112,528	112,528	0	0.0%
Supplies & Materials	27,561	18,864	40,876	40,876	40,876	0	0.0%
Grants And Subsidies	174,265	186,411	252,438	252,438	252,438	0	0.0%
Capital Outlay	72,309	15,292	7,094	7,094	7,094	0	0.0%
<b>Funding Types</b>							
General	416,527	397,444	378,558	378,558	378,558	0	0.0%
Federal	27,497	26,907	49,783	49,783	49,783	0	0.0%
Other	0	0	106,000	106,000	106,000	0	0.0%
<b>Total OE</b>	444,024	424,351	534,341	534,341	534,341	0	0.0%
<b>Totals</b>							
<b>Funding Types</b>							
General	1,330,248	1,404,655	1,475,028	1,475,028	1,475,028	0	0.0%
Federal	161,637	162,927	275,523	275,523	275,523	0	0.0%
Other	0	0	106,000	106,000	106,000	0	0.0%
<b>Total</b>	1,491,886	1,567,582	1,856,551	1,856,551	1,856,551	0	0.0%

### Budget Notes

There were no recommended increases or decreases.

## 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.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
<b>Personal Services</b>							
Employee Salaries	2,836,599	3,338,907	3,390,379	3,664,721	3,664,721	274,342	8.1%
Employee Benefits	1,219,149	1,265,348	1,382,004	1,382,004	1,382,004	0	0.0%
<b>FTE</b>	81.1	85.7	85.7	85.7	85.7	0.0	0.0%
<b>Funding Types</b>							
General	1,695,459	1,771,360	1,023,412	1,101,490	1,101,490	78,078	7.6%
Federal	678,215	903,228	1,077,815	1,274,079	1,274,079	196,264	18.2%
Other	1,682,074	1,929,668	2,671,156	2,671,156	2,671,156	0	0.0%
<b>Total PS</b>	4,055,748	4,604,255	4,772,383	5,046,725	5,046,725	274,342	5.7%
<b>Operating Expenses</b>							
Travel	164,407	101,014	82,406	82,406	82,406	0	0.0%
Contractual Services	1,507,510	2,775,317	2,085,802	2,272,927	2,150,638	64,836	3.1%
Supplies & Materials	904,388	904,501	1,001,810	1,037,696	1,038,696	36,886	3.7%
Grants And Subsidies	0	0	0	0	0	0	0.0%
Capital Outlay	300,721	577,472	148,143	148,143	148,143	0	0.0%
Other	0	0	0	0	0	0	0.0%
<b>Funding Types</b>							
General	645,465	677,765	29,023	29,023	29,023	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	2,231,560	3,680,538	3,289,138	3,512,149	3,390,860	101,722	3.1%
<b>Total OE</b>	2,877,025	4,358,303	3,318,161	3,541,172	3,419,883	101,722	3.1%
<b>Totals</b>							
<b>Funding Types</b>							
General	2,340,924	2,449,125	1,052,435	1,130,513	1,130,513	78,078	7.4%
Federal	678,215	903,228	1,077,815	1,274,079	1,274,079	196,264	18.2%
Other	3,913,634	5,610,206	5,960,294	6,183,305	6,062,016	101,722	1.7%
<b>Total</b>	6,932,774	8,962,558	8,090,544	8,587,897	8,466,608	376,064	4.6%

### Budget Notes

**Additional Medicaid Beds** – includes increase of **\$125,896 in general funds and \$148,446 in federal fund authority**. These funds will be used in personal services in direct healthcare. This is due to culture change in the new facility. Many of our existing FTEs were moved from Support Services / Building Grounds to direct healthcare. Therefore job classifications have increased. For example – Janitorial / Laundry positions are now homemakers.

**FMAP Change** – This is an increase from 43.38% in FY16 to 45.89% in FY17. This results in a **general fund decrease of (\$47,818) and a federal fund increase of \$47,818**.

Utility Increase based on Energy Cap – This was a net total increase of **\$10,594 in other fund authority**.

Food Service Rate Increase – The contract was amended with the new facility and requires a rate increase which is **\$54,242 in other fund expenditure authority**.

Propane/Fuel Oil Decrease – The propane decrease is **(\$77,063)** and the Fuel oil decrease is **(\$30,051)**. This is based on the Energy Cap and is **other fund authority decrease**.

New Biomass Heating/Cooling System – This is **\$144,000 in other fund authority** for wood chips (estimate 1,600 tons of woodchips @ \$90/ton).

### Other Fund Balances

Company and Fund Name	Blue Book Page	Ending Cash and Investment Balance		60-Month Average Cash Balance	Lowest Monthly Cash Balance in Past Five Years	
		June 30			Amount	Month
		FY2014	FY2015			
Company 3021 - State Veterans' Home Operating Fund	233	3,931,198	4,585,934	2,402,524	400,295	June 2012
Company 3021 - Veterans' Home Capital Fund	234	781,813	1,120,694	594,806	281,171	September 2010
Company 3149 - Veterans Affairs Division Special Revenue Fund	235	89,061	87,353	83,383	55,868	May 2012
Company 5017 - Resident Trust Fund	236	168,233	170,299	194,445	145,734	July 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. 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 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 included demolition for rock removal. Building 4 has been vacant for years and they are currently waiting to knock it 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.
- ✓ June 2014 – Old Building Four was demolished and all debris removed. Most of the excavation has been completed. The majority of structural steel is done and several large concrete floors have been poured.

The blasting and earthwork are nearing completion for Phase I. Foundations are being poured and waterproofed. The slab-on-grade has been placed for Area C and steel is

being erected. The area for the Biomass foundation is being excavated and the foundation should be poured soon.

On May 22, they finally received, from the U.S. Dept. of Veterans Affairs Office of Intergovernmental Affairs, the official Memo of Agreement awarding the federal construction grant of \$23,599,934 (65% of the total cost) to the S.D. Dept. of Veterans Affairs.

To date, expenditures from the federal grant total \$3,472,295 and state expenditures from their \$16,365,044 appropriation total \$1,901,899.

- ✓ September 2014 – The steel framing is progressing and the concrete slab has been poured to connect Areas A, B & C. Roof trusses are being erected and exterior sheathing is moving ahead as planned. Total costs submitted to the VA are \$12.4M and \$6.56M has been reimbursed by the VA to date. There is one pending reimbursement for August expenses of \$1.5M.
- ✓ December 2014 – Sheet rocking has begun in Area B & C and bathroom tile installation will begin. The glu-lam beams are nearing completion at the entrance and siding is almost complete around the exterior of the building. The biomass boiler and associated system continue to progress in installation. As weather permits, concrete paving in the front parking area is progressing. Total costs submitted to the VA total \$20.27M and \$11.38M has been reimbursed by the VA to date. They have one pending reimbursement for November expenses just under \$1.8M.
- ✓ March 2015 – In Area C painting is almost complete and floor tiling began in hallways and resident rooms. Countertops and cabinets are installed in the kitchens. Resident room bathroom sinks are stockpiled on site with installation to begin soon. Landscaping will begin soon. Total costs submitted to VA total \$24.8M and \$15.3M has been reimbursed by the VA to date.
- ✓ June 2015 – Wings B and C are being completed with the bulk of the indoor construction taking place in Wing A, the town center and kitchen. Landscaping is underway and tree planting has started. Sidewalks, curb and gutter are being poured. Bio Mass plant is on track with startup scheduled in July. Total cost submitted to the VA total \$12.9M and \$18.96M has been reimbursed by the VA to date.
- ✓ October 2015 – move in day has been delayed due to a few issues that contractors need to address.
- ✓ December 2015 – Plans are to move in the new facility on January 13th. An open house is anticipated for April 2016.

Below is a current photo of the progress:



### **FY16 General Bill Amendment**

Honor Guard Detail Funeral Stipend: The Governor is recommending \$45,000 in general funds to reimburse veteran organizations for furnishing honor guard detail at the funeral of deceased veterans.

### **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).

<b>Bureau Name</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Bureau of Finance and Management	\$1,107	\$1,103	\$30,424	\$32,634
Bureau of Administration	\$116,095	\$13,714	\$75,989	\$205,798
Bureau of Information and Telecommunication	\$143,635	\$6,111	\$80,504	\$230,250
Bureau of Human Resources	\$7,658	\$895	\$46,995	\$55,548
<b>Total FY15 Interagency Payments</b>	<b>\$268,495</b>	<b>\$21,823</b>	<b>\$233,912</b>	<b>\$524,230</b>

**Governor's Recommended Compensation Plan and Billings Pool**  
 (page 01-24 of the Governor's FY17 Budget Book)

For FY17, the Governor recommended the funding for the state employee compensation plan and bureau billings be placed in a pool in BFM to be distributed to each agency. *Therefore, individual agency personal services and contractual services budgets do not reflect budget increases for the compensation plan, bureau billings, or the decrease for health insurance.*

- Below are the estimated distributions for employee compensation for FY17. BFM will distribute dollars from the Pool after calculating the increase for salary policy and the decrease for employee health insurance. The distributed amount to the agency will be in addition to the agency's appropriated personal services budget.

FY17 Salary Policy Component	Object	General	Federal	Other	Total
Health Insurance	PS	(\$9,490)	(\$6,476)	(\$11,534)	(\$27,500)
Market Adjustment	PS	\$47,561	\$32,620	\$48,303	\$128,485
Movement Towards Market Value	PS	\$46,172	\$20,165	\$44,938	\$111,275
Health Insurance	OE	(\$338)	(\$43)	(\$397)	(\$778)
Market Adjustment	OE	\$334	\$133	\$1,385	\$1,852
Movement Towards Market Value	OE	\$265	\$107	\$1,796	\$2,168
	<b>Total</b>	<b>\$84,504</b>	<b>\$46,506</b>	<b>\$84,491</b>	<b>\$215,501</b>

- Recommended FY17 - 2.7% market adjustment for all permanent employees (except Career Bands); 0%-2.7% market adjustments for Career Bands; 2.5% movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; decrease of \$275 per benefitted employee for the employer-paid portion of the health insurance plan.
  - Recommended FY16 – 2% market adjustment for all permanent employees (except Career Bands); 0%-6.6% market adjustments for Career Bands; 2.5% movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; 0% health insurance.
  - FY15 – 3% across-the-board/market adjustment for all permanent employees (including Career Bands); 3% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs; 18.6% health insurance.
  - FY14 – 3% across-the-board for all permanent employees (except Career Bands); 3.5% to 4% market adjustment for Career Bands; 3.5% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; 14.7% health insurance.
- Below are the estimated increases to the bureau billings for FY17. The amount distributed from the BFM pool to the agency will be in addition to the agency's appropriated contractual services budget.

Estimated FY17	General	Federal	Other	Total
Bureau Billing Adjustments	87	69	248	404