

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0340
Prime Sponsor(s): Sen. Crowder

Date: January 28, 2013
Bill Status: Senate SVMA
Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING THE COMPLETION OF THE CEMETERY EXPANSION PROJECT AT THE HOMELAKE MILITARY VETERANS CEMETERY.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue	See State Revenue section.	
State Expenditures		
General Fund	\$376,049	\$23,346
FTE Position Change	0.6 FTE	0.6 FTE*
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: See State Appropriations section.		
Local Government Impact: None.		

* In addition to increased workload requiring 0.6 FTE as a direct consequence of SB 13-040, the bill may drive cash fund revenue sufficient to refinance 0.4 FTE (an existing groundskeeper position) using the Homelake Military Veterans Cemetery Fund in FY 2014-15 or future fiscal years. See discussion of this issue in the 'State Expenditures - Operations and maintenance' section below.

Summary of Legislation

This bill modifies the definition of the Homelake Military Veterans Cemetery (HMVC) to include three distinct expansion areas: the northwest (NW) triangular area, the northeast (NE) triangular area, and the north triangular area (or "wedge") (see map at Appendix A). The Department of Human Services (DHS) must complete expansion of the cemetery into these areas by July 1, 2013, such that burial plots are available in each area.

The DHS will prepare a report concerning the HMVC to be delivered to the State, Military, and Veterans Affairs Committees of the General Assembly by January 1, 2014. The HMVC report must discuss completion of the expansion project and maintenance requirements, including allocation of maintenance between public employees and contractors. The deadline for cemetery expansion and report requirements are repealed as of January 2, 2014.

Background

Current HMVC operations. Under current law, any U.S. military veteran who has served in a foreign war or similar combat conditions and who is a resident of Colorado at the time of death is eligible for burial at the HMVC. The existing cemetery currently is nearing its capacity, with fewer than 5 unreserved burial plots available at the cemetery. The Colorado State Veterans Center at Homelake is responsible for managing burials and interments at its cemetery, and also dedicates 0.4 FTE for a grounds and nursery employee to maintain the cemetery. All personnel at the Colorado State Veterans Center at Homelake, including groundskeeping personnel for the HMVC, are paid from resident fees at the facility.

Activities at the HMVC generated \$6,196 in FY 2011-12, including a total of 4 burials and 11 cremations. Fees are currently \$500 to \$750 for burials, and \$300 to \$350 for cremations, depending on veteran status and residency in the state. Burial services may be paid for in advance but are typically settled at the time of service.

The DHS owns vacant land adjacent to the existing cemetery. A portion of surplus land (the "flag" area) was identified as an area for cemetery expansion, and several master plans for the Colorado State Veterans Center at Homelake campus include specific plans for cemetery plots in the expansion areas.

House Bill 12-1063. House Bill 12-1063 established the Homelake Military Veterans Cemetery Fund (HMVC Fund) to receive cemetery revenue, required a system to reserve burial plots, and authorized a new fee for such reservations. The HMVC Fund is subject to annual appropriation by the General Assembly to fund costs associated with capital improvements and operation and maintenance of the HMVC. Final rulemaking for the HMVC Fund is anticipated in 2012, after which advance sale of burial plots through the reservation system will accrue to the fund.

Donated work. Operating under a limited-term lease granted by the DHS to Homelake Historic Preservation, an organization of veterans and other community members undertook a beautification project at the cemetery. This project included a significant effort to clean and prepare the expansion areas affected by SB 13-040. Reporting a total of \$245,000 in donated materials and in-kind services, the group has cleared the land of rubble waste, weedy vegetation, and other debris; performed overlot grading; paved a perimeter road; and installed new fencing at the property line. The majority of the 1.5 acre total expansion area does not yet have finished grading, walkways, irrigation, lighting, or established landscaping.

State Revenue

Revenue to the HMVC Fund will increase as a result of the bill. Expansion of the HMVC increases revenue-generating activities at the cemetery, with all proceeds from burial plot sales, interment, and other services deposited in the fund. Initially, reservations for new plots are expected to generate at least as much revenue as interment-related services. The increase in revenue from reservations is anticipated once the expansion project is complete in FY 2013-14 and is estimated to continue through FY 2014-15. Without increasing fees, revenue is expected to eventually level

off to near-current levels due to the limited populations of persons that are eligible to seek the HMVC as a final resting place.

The fiscal note assumes that all revenue generated by the cemetery, including gifts, grants, and donations, is deposited in the HMVC Fund. The fiscal note also assumes that plots in the expanded area will be sold in advance of improvements to the site, and that historic rates of burial plot purchases and interments will continue in the foreseeable future. By directing that the cemetery be expanded, the bill enhances the potential for long-term cemetery revenue.

State Expenditures

To complete expansion of the HMVC, state expenditures in the DHS increase in FY 2013-14 by \$376,049 and 0.6 FTE, and in FY 2014-15 by \$23,346 and 0.6 FTE. The bill results in construction costs and increases the DHS workload, as described below. Costs under the bill are summarized in Table 1.

Table 1. Expenditures Under SB 13-040		
Cost Components	FY 2013-14	FY 2014-15
Personal Services	\$20,241	\$22,776
FTE	0.6	0.6
Operating Expenses and Capital Outlay	1,308	570
Construction Costs	354,500	
TOTAL	\$376,049	\$23,346

* As discussed in the Technical Notes section, costs are assumed to commence in FY 2013-14, despite the bill's July 1, 2013, deadline for completing HMVC expansion.

Construction costs. A basic implementation of the HMVC expansion, including all three triangular areas, will incur one-time costs estimated at \$354,500 for design, construction, construction administration, and related contractual services. To provide new burial plots in the expansion areas, the scope of work includes grading and drainage, realignment and extension of roads and walkways, extension of utilities, irrigation, and landscaping. The NW and NE triangular areas may involve a more limited scope of work, as they have been maintained (with adequate topsoil, access, etc.) as part of the existing cemetery. Construction costs are summarized in Table 2.

Site Preparation (infrastructure, grading, etc.)	\$40,500
Paving/Concrete/Flatwork	72,500
Electrical (lighting, etc.)	50,000
Landscaping (including equipment)	85,000
Irrigation	23,000
Design/Professional Services	66,500
Contingency	17,000
Total Estimated Cost	\$354,500

Completion of the HMVC expansion is a capital project, requiring sufficient time to conform with state contracting rules and also requiring certain site conditions, such as thawed ground. The Technical Notes section below discusses this issue in more detail. Due to the applicable practical and legal constraints, the fiscal note assumes that the expansion project will be completed in FY 2013-14.

Operations and maintenance. The opening of significant new burial plots in the HMVC increases workload for DHS groundskeeping staff. In its expanded format, the cemetery requires at least one full-time groundskeeper to maintain an appropriate level of care. This represents an increase of 0.6 FTE from the existing DHS budget. The fiscal note assumes that cemetery expansion will be completed in FY 2013-14 and will require additional personnel beginning in FY 2013-14 to supervise and assist with the expansion project.

Other DHS workload. Preparation of a report to the General Assembly increases workload for DHS on a one-time basis in FY 2013-14. As a summary of activities for which DHS employees are responsible, this report will be completed by personnel appropriated by this bill or within the base budget of DHS. The management of burial plots has been a departmental responsibility for many years and no new appropriation is warranted for this function; should expansion drive a significant number of backlogged reservations, the department is authorized to use 5 percent of the moneys expended from the HMVC Fund for administrative costs.

Funding. The fiscal note assumes that expansion of the cemetery makes possible regular revenue to and expenditures from the HMVC Fund. As noted in the Background section, cemetery operations are intended to be funded on a cash basis subject to available appropriations. When sufficient funds are available in the HMVC fund, the DHS may refinance personal services and operating costs for 0.4 FTE currently working on cemetery operations, in addition to the 0.6 FTE associated with expansion. The fiscal note assumes that the balance in the HMVC Fund will not cover costs associated with this 0.4 FTE until at least FY 2014-15. **Until sufficient cash funds are available, increased costs at the HMVC must be appropriated from the General Fund.**

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 3.

Table 3. Expenditures Not Included Under SB 13-040*		
Cost Components	FY 2013-14	FY 2014-15
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,008	\$4,012
Supplemental Employee Retirement Payments	1,242	1,533
TOTAL	\$5,250	\$5,545

*More information is available at: <http://colorado.gov/fiscalnotes>

State Appropriations

For FY 2013-14, the Department of Human Services requires a General Fund appropriation of \$376,049 and 0.6 FTE.

Departmental Differences

The DHS submitted a preliminary cost estimate for expansion of the HMVC with both HB 12-1063 and this bill. The current bill delineates an overall expansion area of about 1.5 acres. The expansion project at the time of HB 12-1063 was initially assumed to be approximately 5 acres. A "flag" parcel to the west of the wedge/north triangular area is part of long-term plans for the cemetery, accounting for the additional 3.5 acres assessed with HB 12-1063.

Table 4 compares DHS cost estimates for the expansion of HMVC.

Table 4. Comparison of DHS Cost Estimates for HMVC Expansion			
	HB 12-1063	SB 13-040	Fiscal Note
Total Acreage	5 acres	1.5 acres	1.5 acres
Site Prep (infrastructure, grading, etc.)	\$100,000	\$40,500	\$40,500
Paving/Concrete/Flatwork	72,500	111,000	72,500
Electrical (lighting, etc.)	205,000	125,500	50,000
Fencing	90,000	0	0
Landscaping (including equipment)	145,000	101,250	85,000

Table 4. Comparison of DHS Cost Estimates for HMVC Expansion (Cont.)			
	HB 12-1063	SB 13-040	Fiscal Note
Irrigation	65,000	25,500	23,000
Shade/Ceremonial Structure	50,000	35,500	0
Design/Professional Services	120,000	66,500	66,500
Contingency	42,500	0	17,000
Total Estimated Cost	\$890,000	\$505,750	\$354,500

The DHS states that its estimate assumes that HMVC is developed to the same standards as other veterans cemeteries. This maintains honor and dignity for veterans burials regardless of location. In addition, the DHS believes that amenities such as a shade structure and lighting are necessary for the safety and access of all visitors to the cemetery.

Based on the following considerations, the costs identified in the State Expenditures section are sufficient for a safe, complete, least-cost implementation of the bill:

- Donated work reduces the scope and cost of certain remaining site improvements. While fencing costs are appropriately reduced in the DHS cost estimate, the cost for other items, such as paving, are not reduced in a manner that reflects the value of existing (and recent) work.
- The NW and NE triangular areas do not require regrading and are served by walkways, irrigation, and amenities in the existing cemetery.
- The DHS program goes beyond the bill's mandate for new burial plots and is susceptible to value engineering. For example, with limited hours of operation, lighting and electrical work may be reduced to underground infrastructure (as may be necessary for future development). The preliminary budget may be reduced by at least 10 to 20 percent through value engineering.
- The DHS preliminary cost estimate for SB 13-040 is not proportional with the acreage reduction. While a directly proportional reduction is not anticipated due to mobilization and other fixed costs, the DHS estimates for landscaping and concrete/paving, particularly, provide a higher budget than reasonably anticipated in comparison with the DHS estimate for HB 12-1063.
- Cost estimates by both DHS and Legislative Council Staff for this fiscal note are preliminary. The budget required to complete HMVC expansion will be determined with greater certainty through the design and engineering phase. Significant discrepancies in cost will be adjusted through the annual budget process.

Technical Notes

The bill establishes deadlines that can not be met. These include the July 1, 2013, deadline for completion of HMVC expansion. Assuming General Fund appropriations are made available for the current fiscal year, frozen ground may prevent immediate commencement of the project. In addition, the project cannot practically be completed by July 1, 2013, because the DHS requires adequate time for the production of contract documents, the letting of bids, and mobilization of equipment. As drafted, the DHS mandate to proceed with the cemetery expansion and to report on its completion may be repealed on January 2, 2014, before it is able to assess punchlist work and close the contract.

In addition to difficulties presented by timing, the bill does not appear to allow phasing of the expansion project (*e.g.*, the DHS must make available new plots in each of the triangular expansion areas by July 1, 2013). The fiscal note for HB 12-1063 determined that deposits in the HMVC Fund totaling \$30,000 would be sufficient to commence the expansion project. As amended by SB 13-040, funding in the full amount to complete the project is necessary to implement the bill.

Departments Contacted

Human Services
Personnel and Administration
Law

Military and Veterans Affairs
Natural Resources

Appendix A
Map of Homelake Military Veterans Cemetery Expansion Areas

