

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5047-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Jenson
Carrier – Senate: Sen. Shields**

Action: Do Pass as Amended and as Printed A-Engrossed

Vote: 24 – 0 – 2

House

Yeas: Barker, Buckley, Frederick, Freeman, Hanna, Huffman, Jenson, Komp, McLane, Nathanson, Smith, Tomei, Williamson

Nays:

Exc: Read, Richardson

Senate

Yeas: Bates, Devlin, Edwards, Girod, Hansell, Johnson, Monroe, Steiner Hayward, Thomsen, Whitsett, Winters

Nays:

Exc:

Prepared By: R Mark Miedema, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Meeting Date: May 31, 2013

Agency

Department of Veterans' Affairs

Biennium

2013-15

Budget Summary*

	2011-13 Legislatively Approved Budget ⁽¹⁾	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$\$ Change	% Change
General Fund	\$ 6,562,195	\$ 6,237,138	\$ 8,791,637	\$ 2,229,442	34.0%
Other Funds	\$ 45,016,342	\$ 47,550,792	\$ 43,779,888	\$ (1,236,454)	(2.7)%
Other Funds Nonlimited	\$ 443,095,385	\$ 335,225,000	\$ 335,225,000	\$ (107,870,385)	(24.3)%
Total	\$ 494,673,922	\$ 389,012,930	\$ 387,796,525	\$ (106,877,397)	(21.6)%

Position Summary

Authorized Positions	94	94	82	(12.00)
Full-time Equivalent (FTE) positions	94.00	93.20	81.20	(12.80)

(1) Includes adjustments through December 2012.

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Department of Veterans' Affairs (ODVA) Loan Program receives revenues from principal and interest payments on outstanding loans, investment earnings and loan origination fees. The Veterans Services programs are supported by General Fund and fees from those served by the Conservatorship program. The Veterans Home is supported by payments from the Veterans Administration, Medicare, Medicaid and private payments by residents.

Summary of Transportation & Economic Development Subcommittee Action

The ODVA serves Oregon veterans, their dependents, and survivors. The Department provides home loans at favorable interest rates, benefits counseling, claims assistance, conservatorship services, and education and emergency assistance to veterans. In addition, the Department operates the Oregon Veterans Home, which provides skilled nursing and Alzheimer's disease care.

The Subcommittee approved a total funds budget of \$387,796,525 and 81.20 full-time equivalent positions which is a \$2.2 million General Fund increase from the 2011-13 Legislatively Approved Budget or a 34 percent increase. However, total funds decreased from the 2011-13 Legislatively Approved Budget by 22 percent due to a reduction in the amount of refunding bonds anticipated to be issued in the Home Loan program.

Loan Program

The Veterans' Loan Program uses general obligation bond revenue to finance home loans to eligible veterans at favorable rates. Since 1945, about 334,700 home and farm loans have been made totaling \$7.7 billion. Changes in federal law allow the Department to issue Qualified Veterans' Mortgage Bonds (QVMB) for any veteran who applies within 25 years from the date of their discharge. Until this change, the Department could only issue QVMB's to fund home loans to veterans that served through the Vietnam era (prior to December 31, 1976) who applied for the loan within 30 years from the date of their discharge.

The Ways and Means Subcommittee on Transportation and Economic Development recommended approval of the following policy option packages:

Package 070: Revenue Shortfalls - To balance expenditures to available revenue, this package reduces Other Funds Personal Services expenditures by \$1,692,427 and eliminates 12 positions.

Package 091: Statewide Administrative Savings - This package is a placeholder for administrative efficiencies in finance, information technology, human resources, accounting, payroll, and procurement expenditures. The Department of Administrative Services will continue to work on details of these reductions with agencies and report back during the 2014 session. This package reduces Other Funds expenditure limitation by \$153,220.

Package 092: PERS Tax Policy - This package reflects the policy change in Senate Bill 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent. This package reduces Other Funds expenditure limitation by \$24,743.

Package 093: Other PERS Adjustments - This package reflects the policy change in Senate Bill 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent. An administrative action by the PERS Board, as directed by a budget note in the Senate Bill 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate. The package reduces Other Funds expenditure limitation by \$197,705.

The Ways and Means Subcommittee on Transportation and Economic Development recommended expenditure limitation in the amount of \$15,297,188 Other Funds and 51 positions (50.30 FTE) for the Loan program.

Veterans' Services Program

The Veterans' Services program delivers benefits counseling, claims and conservatorship services to eligible veterans, dependents and survivors throughout Oregon. The program also provides educational and emergency assistance to veterans, and passes through funding to Counties and National Service Organizations that provide accredited benefits counseling and claims services to veterans in their local communities.

The Ways and Means Subcommittee on Transportation and Economic Development recommended approval of the following policy option packages:

Package 092: PERS Tax Policy - This package reflects the policy change in Senate Bill 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent. This package reduces Other Funds expenditure limitation by \$1,914 and eliminates \$7,710 General Fund.

Package 093: Other PERS Adjustments - This package reflects the policy change in Senate Bill 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent. An administrative action by the PERS Board, as directed by a budget note in the Senate Bill 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate. The package eliminates \$61,604 General Fund and reduces Other Funds expenditure limitation by \$15,297.

Package 100: Fund Shift Veteran Service Officers - This package provides an additional \$1,088,710 in General Fund support, and a corresponding decrease in Other Funds expenditure limitation for seven Veteran Service Officer positions that provide counseling and claims services to veterans in Marion, Polk and Multnomah counties. Between 1991 and 2013, these positions had been supported in part by Home Loan program proceeds; this package effectively ends that practice, enabling the Loan program to invest reserves and loan proceeds back into home loans and related services for eligible veterans.

Package 101: Fund Shift CVSO Certification and Special Payments Coordinator - This package provides an additional \$295,851 General Fund support and a corresponding decrease in Other Funds expenditure limitation for two positions that provide certification and special payment services to county veteran service officers. Between 1991 and 2013, these positions had been supported in part by Home Loan program proceeds; this package effectively ends that practice, enabling the Loan program to invest reserves and loan proceeds back into home loans and related services for eligible veterans.

Package 102: Fund Shift Veteran Services Support Personnel - This package provides an increase in General Fund support of \$218,005 and a corresponding decrease in Other Funds expenditure limitation to fund support staff related to the Veterans Services program personnel exclusively through General Fund and related fee revenue. Between 1991 and 2013, these positions had been supported in part by Home Loan program proceeds; this package effectively ends that practice, enabling the Loan program to invest reserves and loan proceeds back into home loans and related services for eligible veterans.

Package 103: Reclassification of Veteran Services Managers - This package provides \$21,247 General Fund support and Other Funds expenditure limitation of \$4,390 to finance the reclassification of three manager's currently receiving work-out-of-class compensation. A reclassification from PEM B to PEM C more accurately reflects duties that include holding power of attorney, representing veterans in legal proceedings, exercising fiduciary duties on behalf of individual veterans, and oversight of federally accredited service officers.

Package 811: - County Veteran Service Officers Enhancement - This package provides an additional \$1 million, one-time General Fund appropriation to support County Veterans' Service Officers in thirty-four eligible counties (excluding Marion and Polk counties, whose veterans receive claims and counseling services directly from Oregon Department of Veterans' Affairs personnel). This additional support is to be allocated to counties pursuant to the budget note below.

The Ways and Means Subcommittee on Transportation and Economic Development recommended a General Fund appropriation for Veteran's Services of \$8,791,637 as follows:

- (1) Services provided by the Department of Veterans Affairs except ORS 406.310 and ORS 406.462 activities . . . \$4,104,288
- (2) Payments to counties pursuant to ORS 460.310, ORS 406.462 and one-time incentive money. \$4,576,728
- (3) Payments to war veterans' service organizations pursuant to ORS 460.310. \$ 110,621

The Ways and Means Subcommittee on Transportation and Economic Development recommended Other Funds expenditure limitation in the amount of \$865,498 for a total funds budget of \$9,657,135 and 28.90 full-time equivalent positions for the Veterans' Services program.

Budget Note:

The Oregon Department of Veterans' Affairs is directed to develop the Veterans' Extended Outreach Grant program to guide the allocation of an additional \$1 million in support for County Veterans' Service Officers. The goals of the program shall be to serve veterans statewide to greatest effect, to improve outreach to veterans, to inform them of their benefits, and to file claims on their behalf. It is the Legislature's intent that the additional investment shall supplement and not supplant existing services to veterans provided by counties, and that from the additional investment, accountability and measurable outcomes result. Outcomes shall include, but shall not be limited to, the number of new power of attorneys granted to County Veteran Service Officers and the amount of new federal benefit dollars recovered on behalf of Oregon veterans. A base of \$10,000 to each eligible county shall be granted. The Oregon Department of Veterans' Affairs may retain a portion for administrative expenses resulting from additional claims that are generated, except that no less than \$600,000 shall be disbursed in the form of competitive grants. A committee shall evaluate proposals for competitive grants. The committee shall consist of the following: two employees of the Department of Veterans' Affairs appointed by the Director, and two County Veteran Service Officers representing one urban region and one rural region chosen by the Director in consultation with the County Veteran Service Officer Association; and one member of the Veterans Advisory Committee, to be chosen by the Chair of the Veterans Advisory Committee.

Oregon Veterans' Home Program

The Oregon Veterans' Home provides intermediate and skilled nursing, and Alzheimer's disease care to some of Oregon's vulnerable veteran population. Care is provided in a 75,000 square foot, single-story facility in The Dalles through a contract with a private care provider. The Ways and Means Subcommittee on Transportation and Economic Development recommended approval of the following policy option packages:

Package 091: Statewide Administrative Savings - This package is a placeholder for administrative efficiencies in finance, information technology, human resources, accounting, payroll, and procurement expenditures. The Department of Administrative Services will continue to work on details of these reductions with agencies and report back during the 2014 session. This package reduces Other Funds expenditure limitation by \$153,224.

Package 092: PERS Tax Policy - This package reflects the policy change in Senate Bill 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent. This package reduces Other Funds expenditure limitation by \$1,023.

Package 093: Other PERS Adjustments - This package reflects the policy change in Senate Bill 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent. An administrative action by the PERS Board, as directed by a budget note in the Senate Bill 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate. The package reduces Other Funds expenditure limitation by \$8,175.

Package 105: Senate Bill 3208 Study - Pursuant to the passage of House Bill 3208 in 2011, the Department was instructed to study the need for skilled nursing beds to accommodate current and future needs of veterans. This package increases Other Funds expenditure limitation by \$75,000 to conduct this legislatively directed study of need.

Nonlimited

The Nonlimited program includes loans made to veterans in the Veterans Loan Program and debt service payments on State General Obligation Bonds issued to finance that program. Nonlimited expenditures also include bond related issuance costs and payments on behalf of the borrowers that are charged to the loan account. The Ways and Means Subcommittee on Transportation and Economic Development recommended \$335,225,000 for these purposes.

Capital Construction

Design and construction of a second veterans' home in Linn County is underway and is expected to be completed in 2014. The project is funded through a state/local share of 35 percent of total project cost, with the federal Veterans Administration providing 65 percent of the ultimate cost of the facility. Due to design changes required by the federal Veterans Administration, the cost of the Veterans' Home in Linn County has increased from initial estimates by \$10.8 million. Capital Construction expenditure limitation is included in a separate bill, House Bill 5507, and will be heard by the Ways and Means Subcommittee on Capital Construction. The Ways and Means Subcommittee on Transportation and Economic Development recommends that an increase of \$4 million in Other Funds capital construction limitation and an increase of \$6,840,377 of federal funds capital construction limitation be included in House Bill 5507 to provide funding for construction of the second Veterans' Home, located in Linn County, Oregon.

Summary of Performance Measure Action

The Ways and Means Subcommittee on Transportation and Economic Development did not adopt any Key Performance Measures for the Department and asked the Department to come back in February 2014 with measures after the Director has had a chance to review the current KPM's.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5047-A

**Department of Veterans Affairs
R Mark Miedema -- (503)378-4735**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2011-13 Legislatively Approved Budget at Dec 2012 *	\$ 6,562,195	\$ 0	\$ 45,016,342	\$ 443,095,385	\$ 0	\$ 0	\$ 494,673,922	94	94.00
2013-15 ORBITS printed Current Service Level (CSL)*	\$ 6,237,138	\$ 0	\$ 47,550,792	\$ 335,225,000	\$ 0	\$ 0	\$ 389,012,930	94	93.20
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>									
SCR 001 - Loan Program									
Package 070: Revenue Shortfalls									
Personal Services	\$ 0	\$ 0	\$ (1,692,427)	\$ 0	\$ 0	\$ 0	\$ (1,692,427)	(12.00)	(12.00)
Package 091: Statewide Administrative Savings									
Personal Services	\$ 0	\$ 0	\$ (122,576)	\$ 0	\$ 0	\$ 0	\$ (122,576)	0	0.00
Services and Supplies	\$ 0	\$ 0	\$ (30,644)	\$ 0	\$ 0	\$ 0	\$ (30,644)		
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (24,743)	\$ 0	\$ 0	\$ 0	\$ (24,743)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (197,705)	\$ 0	\$ 0	\$ 0	\$ (197,705)	0	0.00
SCR 002 - Veterans Services									
Package 092: PERS Taxation Policy									
Personal Services	\$ (7,710)	\$ 0	\$ (1,914)	\$ 0	\$ 0	\$ 0	\$ (9,624)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ (61,604)	\$ 0	\$ (15,297)	\$ 0	\$ 0	\$ 0	\$ (76,901)	0	0.00
Package 100: Fund Veteran Service Officers exclusively General Fund									
Personal Services	\$ 994,802	\$ 0	\$ (994,802)	\$ 0	\$ 0	\$ 0	\$ 0	0	0.00
Services and Supplies	\$ 93,908	\$ 0	\$ (93,908)	\$ 0	\$ 0	\$ 0	\$ 0		
Package 101: Fund CVSO Certification exclusively with General Fund									
Personal Services	\$ 273,755	\$ 0	\$ (273,755)	\$ 0	\$ 0	\$ 0	\$ 0	0	0.00
Services and Supplies	\$ 22,096	\$ 0	\$ (22,096)	\$ 0	\$ 0	\$ 0	\$ 0		

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5047-A

Department of Veterans Affairs
R Mark Miedema -- (503)378-4735

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Package 102: Fund Veteran Service Officers administrative support exclusively w ith General Fund									
Personal Services	\$ 215,340	\$ 0	\$ (215,340)	\$ 0	\$ 0	\$ 0	0	0	0.00
Services and Supplies	\$ 2,665	\$ 0	\$ (2,665)	\$ 0	\$ 0	\$ 0	0	0	0.00
Package 103: Reclass Veterans Service Managers									
Personal Services	\$ 21,247	\$ 0	\$ 4,390	\$ 0	\$ 0	\$ 0	25,637	0	0.00
Package 811: Support for County Veterans Service									
Special payments	\$ 1,000,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,000,000	0	0.00
SCR 003 - Veterans Home									
Package 091: Stataw ide Administrative Savings									
Services and Supplies	\$ 0	\$ 0	\$ (153,224)	\$ 0	\$ 0	\$ 0	(153,224)	0	0.00
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (1,023)	\$ 0	\$ 0	\$ 0	(1,023)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (8,175)	\$ 0	\$ 0	\$ 0	(8,175)	0	0.00
Package 105: Study to determine Veterans skilled care needs.									
Services and Supplies	\$ 0	\$ 0	\$ 75,000	\$ 0	\$ 0	\$ 0	75,000		
TOTAL ADJUSTMENTS	\$ 2,554,499	\$ 0	\$ (3,770,904)	\$ 0	\$ 0	\$ 0	(1,216,405)	(12.00)	(12.00)
SUBCOMMITTEE RECOMMENDATION *	\$ 8,791,637	\$ 0	\$ 43,779,888	\$ 335,225,000	\$ 0	\$ 0	\$ 387,796,525	82	81.20
% Change from 2011-13 Leg Approved Budget	34.0%	0.0%	-2.7%	-24.3%	0.0%	0.0%	-21.6%	-12.8%	-13.6%
% Change from 2013-15 Current Service Level	41.0%	0.0%	-7.9%	0.0%	0.0%	0.0%	-0.3%	-12.8%	-12.9%

Legislatively Approved 2013-2015 Key Performance Measures

Agency: VETERANS' AFFAIRS, DEPARTMENT of

Mission: The Oregon Department of Veterans' Affairs (ODVA), with the support of our citizens, recognizes and honors Oregon's veterans and their families by providing the highest quality programs, service and benefits.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2014	Target 2015
1 - DELINQUENT ACCOUNTS - Percentage of Oregon Department of Veterans' Affairs home loan accounts that are delinquent.		Approved KPM	1.95	1.50	1.50
2 - DISABILITY COMPENSATION - Average U.S. Department of Veterans Affairs (federal VA) disability compensation received per Oregon veteran.		Approved KPM	13,517.00	11,737.00	12,237.00
3 - RECOVERY OF NEW FEDERAL DOLLARS - Recovery of new U.S. Department of Veterans Affairs (federal VA) benefit dollars (in millions) for Oregon veterans, their dependents, and survivors with Oregon Department of Veterans' Affairs claims representation.		Approved KPM	63.50	36.00	37.00
4 - CUSTOMER SATISFACTION - Percentage of customers rating their satisfaction with the Oregon Department of Veterans' Affairs customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Accuracy	Approved KPM	94.00	90.00	90.00
4 - CUSTOMER SATISFACTION - Percentage of customers rating their satisfaction with the Oregon Department of Veterans' Affairs customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Availability of Information	Approved KPM	93.00	90.00	90.00
4 - CUSTOMER SATISFACTION - Percentage of customers rating their satisfaction with the Oregon Department of Veterans' Affairs customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Expertise	Approved KPM	95.00	90.00	90.00
4 - CUSTOMER SATISFACTION - Percentage of customers rating their satisfaction with the Oregon Department of Veterans' Affairs customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Helpfulness	Approved KPM	95.00	90.00	90.00

Agency: VETERANS' AFFAIRS, DEPARTMENT of

Mission: The Oregon Department of Veterans' Affairs (ODVA), with the support of our citizens, recognizes and honors Oregon's veterans and their families by providing the highest quality programs, service and benefits.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2014	Target 2015
4 - CUSTOMER SATISFACTION - Percentage of customers rating their satisfaction with the Oregon Department of Veterans' Affairs customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Overall	Approved KPM	90.00	90.00	90.00
4 - CUSTOMER SATISFACTION - Percentage of customers rating their satisfaction with the Oregon Department of Veterans' Affairs customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Timeliness	Approved KPM	94.00	90.00	90.00
5 - BEST PRACTICES: Percent of total applicable best practices met by the Board.		Approved KPM	100.00	100.00	100.00

LFO Recommendation:

The Legislative Fiscal Office office recommends that key performance measures for the Oregon Department of Veterans' Affairs be approved as proposed above. Declining targets for KPM 2 and KPM 3 reflect an adjustment for the absence of the surge of claims between 2009-11 attributable to the Niehmen Class Action Lawsuit that opened up veteran claims to those exposed to Agent Orange. The LFO recommendation includes a change to KPM 5; since the ODVA Advisory Committee does not perform all the duties of a Board or Commission, it is not possible to meet all best practices assessed. There are a total of 15 measures, only 10 of which apply to the advisory committee. Therefore, LFO recommends that the wording for KPM 5 be changed to "Percent of applicable best practices met by the Advisory Committee" and that the target be changed to 100.

Sub-Committee Action:

In deference to the new Agency director and in recognition that the majority of the existing Key Performance Measures have in place for approximately a decade, the Ways and Means Subcommittee on Transportation and Economic Development recommends that the Director of the Department of Veterans' Affairs evaluate agency Key Performance Measures for relevance and utility, and return to the February 2014 Legislative Session with recommendations for new measures where appropriate. The Subcommittee recommends that Key Performance Measures for the 2013-15 biennium be adopted at that time.