

BUDGET REPORT AND MEASURE SUMMARY

Joint Committee On Ways and Means

Action:

Action Date:

Vote:

Prepared By: Tamara Brickman, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Agency: Department of Veterans' Affairs

Biennium: 2015-17

Budget Summary*

	2013-15 Legislatively Approved Budget ⁽¹⁾	2015-17 Current Service Level	2015-17 Committee Recommendation	Committee Change from 2013-15 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 9,196,628	\$ 8,289,227	\$ 9,078,408	\$ (118,220)	-1.3%
General Fund Debt Service	\$ 502,814	\$ 2,618,940	\$ 2,618,940	\$ 2,116,126	420.9%
Lottery Funds Debt Service Limited	\$ -	\$ 2,093,963	\$ -	\$ -	0.0%
Other Funds Limited	\$ 50,400,107	\$ 81,630,223	\$ 82,257,619	\$ 31,857,512	63.2%
Other Funds Nonlimited	\$ 150,525,000	\$ 150,525,000	\$ 150,525,000	\$ -	0.0%
Other Funds Debt Service Nonlimited	\$ 184,700,000	\$ 167,808,710	\$ 167,808,710	\$ (16,891,290)	-9.1%
Federal Funds Limited	\$ 400,000	\$ -	\$ 1	\$ (399,999)	-100.0%
Total	\$ 395,724,549	\$ 412,966,063	\$ 412,288,678	\$ 16,564,129	4.2%

Position Summary

Authorized Positions	84	83	86	2
Full-time Equivalent (FTE) positions	82.63	83.00	86.00	3.37

⁽¹⁾ Includes adjustments through December 2014

* Excludes Capital Construction expenditures

Revenue Summary

The Oregon Department of Veterans' Affairs funds its programs with a mix of General Fund (3.0 percent of total funds) and Other Funds (97.0 percent of total funds). On occasion the Department receives a small amount of Federal Funds from grants. The most significant Other Funds sources are: veteran loan repayments (17.0 percent); dedicated fund general obligation bond proceeds (21.0 percent); fees from the conservatorship program and loan-related services; rent from leasing space within the Veterans' building; Veterans Homes resident payments (14.0 percent, which include disability and pension benefits, Medicare and Medicaid reimbursements, and private payments); and investment earnings (9.0 percent).

The Veterans' Loan Program funds have been used for many years to fund both the Loan Program and to support the Veterans' Services Program. The Department received General Fund in the 2013-15 biennium, to restore funding for Veterans' Services positions being paid with Loan Program monies; a small portion of the Veterans' Services Program remains subsidized with Loan Program funds. The Department has sufficient Other Funds revenue to maintain the operations of the Department during the biennium. However, long term utilization of Loan Program reserves for agency operations will likely have a negative impact on the Loan Program in the future. However, demand for veteran home loans is picking up slightly, as evidenced by the addition of 1.00 FTE in the program for the 2015-17 biennium.

Summary of Transportation and Economic Development Subcommittee Action

The Oregon Department of Veterans' Affairs (ODVA) has four major operational functions: veteran services, the veteran home loan program, the two veteran homes (The Dalles and Lebanon) and core operations that support and enhance other functions. Early in 2014, the Department developed a new five-year strategic plan to create a more robust agency focused on serving Oregon veterans and their families.

The Subcommittee approved a budget of \$412,288,678 total funds, and 86 positions (86.00 FTE). This is a 4.2 percent increase from the 2013-15 Legislatively Approved Budget.

Loan Program – 001

In 1945, Oregon citizens voted to create a Veterans' Home Loan program, established in Article XI-A in the Oregon Constitution. The Home Loan Program provides low-interest rate mortgages on single family, owner-occupied homes to qualified veterans. Oregon is one of five states in the nation grandfathered under federal tax law to offer a state veteran home loan program; the other four states are Alaska, California, Texas, and Wisconsin. Historically, this enhanced housing benefit has generally resulted in significantly lower home loan interest rates than are normally available in the marketplace.

The Loan Program is entirely Other Funds. The revenues are derived from loan and contract repayments, proceeds from bond sales (both of which are constitutionally dedicated for certain veteran programs), fee and rental income, and investment earnings. In addition to being constitutionally dedicated, Loan Program funds are restricted in their use by federal tax law, bond covenants, standby bond purchase agreements and liquidity provider agreements.

The Subcommittee approved a budget of \$15,477,065 Other Funds, 51 positions (51.10 FTE). This is a 0.3 percent decrease from the 2013-15 Legislatively Approved Budget.

The Subcommittee approved the following recommendations:

- Package 105 - Meet Demands for New Veteran's Home Loans. The Subcommittee approved an increase in Other Funds expenditure limitation of \$148,346 for a permanent Loan Specialist 1 position (1.00 FTE) to accommodate additional loan program activity within the Home Loan Program. Loan activity is on pace to increase approximately 32 percent over calendar year 2013.
- Package 106 - Loan Program IT Modernization. Other Funds expenditure limitation is increased by \$250,000 to update loan origination and servicing IT programs. The current IT systems are antiquated and will shortly become unsupported. These resources enable the Department to purchase off-the-shelf software, as well as installation and training to ensure the sufficiency of home-loan data in future biennia.

Veterans' Services Programs – 002

The Veterans' Services Program is responsible for providing advocacy and benefits to veterans, their dependents, and survivors. The program provides benefits counseling, claims and appellate representation, certification and training for counties and national service organizations, conservatorship services, and other service delivery partnerships across the state.

Veterans' Services Programs receives primarily General Fund, but also utilizes various Other Funds resources. The Conservatorship program charges fees on the income and assets of persons under conservatorship. In the 2013-15 biennium, approximately 60 percent of the General Fund received by ODVA for Veteran Services was directly passed through to the county and national service officer program or disbursed to veterans or their family members in the form of educational aid and emergency assistance benefits.

The Subcommittee approved a budget of \$9,952,212 total funds, and 30 positions (29.90 FTE). This is a 5.7 percent decrease from the 2013-15 Legislatively Approved Budget, primarily due to the phasing out of a one-time, \$1 million grant program to County Veteran Service Officers in 2013.

The Subcommittee approved the following recommendations:

- Package 101 - County Training; Reclasses to Align Positions. The Subcommittee recommended appropriating \$193,135 General Fund for one position (1.00 FTE), a Training Development Specialist 2 position, that was established as limited duration at the May 2014 meeting of the Emergency Board to continue as permanent. The package also allows for reclassifications of five positions to enable ODVA to utilize available position authority in a more strategic manner. In addition to the General Fund approved for the package, the Subcommittee recommended that \$50,000 from the Emergency Assistance program be repurposed to support a portion of the training position included in this package. The position augments the agency's one existing position that provides training, support, and continuing education to County Veteran Service Officers, who must be certified in order to file claims on behalf of veterans. The position will help address the intensive training needs of a historically high number of County Veteran Services Officer positions that have turned over since 2013 and are awaiting accreditation. It takes roughly 18 months of intensive initial training for a CVSO to achieve accreditation, and extra support is also needed for the continuing education needs of all County Veteran Service Officers.
- Package 102 - County Funds/Technical Aid; Veterans Outreach. This package consists of an appropriation of \$246,046 General Fund to increase the distribution to the County Veteran Service Officer (CVSO) program. In addition to the \$246,046 General Fund appropriation, the Subcommittee recommended the Department repurpose the special payments it currently makes for educational aid (\$88,983), as well as a portion of funds from the Emergency Assistance Program (\$164,971) to provide a total of \$500,000 above the current service for the CVSO program, to be apportioned based on the ODVA funding formula for the program. The \$500,000 General Fund expenditure limitation is to be built into the Department's base budget moving forward.

The Subcommittee's recommendations for Package 101 and 102 result in a balance of \$100,000 remaining for the Department's Emergency Assistance Program.

- Package 801, LFO Analyst Adjustments. This package appropriates, on a one-time basis, \$350,000 General Fund to support a veterans' crisis and suicide prevention hotline. Additionally, it provides \$1 in Federal Funds expenditure limitation to provide a base level of funding through which the Department may request authority to apply for federal grant awards, which would require an increase (rather than establishment) of expenditure limitation for such grants in the 2015-17 biennium. In an effort to avoid the need for separate procurements of telephone crisis intervention services, the Subcommittee recommended the following budget note.

Budget Note:

The Oregon Department of Veterans' Affairs (ODVA) shall coordinate with Oregon Health Authority (OHA) to establish a veterans' crisis suicide line that offers free, anonymous assistance, 24 hours a day, to active-duty service members, veterans and their families. To avoid duplication of services and in order to provide delivery of the most efficient services, coordination should ensure that the contract for suicide crisis intervention services is with a provider that has contractual affiliation with the National Suicide Prevention Line and the national Veteran's Crisis Line. Specific statistical information should be maintained associated with services delivered to veterans.

Oregon Veterans Home Program – 003

The Oregon Veterans Home Program provides the state's most vulnerable veterans and their families with skilled nursing, Alzheimer's and memory-related and rehabilitative care in an environment understanding the unique needs of veterans. Currently, there are two facilities located in Oregon: one in The Dalles, and a second in Lebanon. Care at the Oregon Veterans Homes is an earned benefit available to veterans, their spouses, and parents who had a child die while serving in the United States Armed Forces. The ODVA contracts with Veterans Care Centers of Oregon (VCCO), a non-profit organization, for the day-to-day operation of the facility.

The Oregon Veterans Home Program operational funding is derived entirely from Other Funds. Operational funds come primarily from the following sources: resident care-related payments, including the Federal VA, which provides a daily per diem rate for qualifying residents; Medicare and Medicaid payments; and private pay for certain residents. The program also receives donated monies used to enhance the quality of life of residents at the homes. General Fund is budgeted for debt service on Article XI-Q Bonds, issued in November 2013, used as a portion of the local/state match to construct the Veterans' Home in Lebanon.

The Subcommittee approved a budget of \$68,525,691 total funds, five positions (5.00 FTE). This is a 99.1 percent increase from the 2013-15 Legislatively Approved Budget, largely due to bringing the Lebanon home up to full operational capacity, and to the addition of a new Aging Veterans' Services Director position.

The Subcommittee approved the following recommendations:

- Package 107- Increase Veterans' Home Efficacy with Reclass. This package increases Other Funds expenditure limitation by \$9,050 to provide the resources to reclassify the ODVA's Admissions and Liaison Officers currently employed at each of the veterans' homes to supervisory status. These positions serve as the ODVA representatives and liaisons between the facilities' onsite contractor and ODVA senior management. The change appropriately reflects their duties in supervising an ODVA admissions assistant employee at each of the facilities.
- Package 802 - Aging Veterans' Services Director. This package includes \$220,000 Other Funds expenditure limitation for one position (1.00 FTE) to create an Aging Veteran Services Director (which the Department created in the interim). The position provides subject matter expertise and contract oversight to ODVA's two skilled nursing facilities, ensuring that residents receive the highest level of care. In addition, the position is tasked with coordinating efforts between ODVA and other state and local partners to share best practices, expertise, and preventative strategies in an effort to reduce the need for safety-net services for this population. The package provides funding for this permanent position, which is budgeted at a Principal Executive Manager F level.

- Package 811- Updated Base Debt Service Adjustment. This package removes \$2,093,963 Lottery Funds revenue and expenditure limitation. This revenue and limitation was to serve as debt service payments for a sale that was authorized in the 2013-15 biennium for the capital construction of a third Veterans' Home. Construction of a third home is not anticipated in the 2015-17 biennium, thus the bonds were not sold in the 2013-15 biennium.

Nonlimited – 087

This program unit includes two types of expenditures:

- **Loan and Bond Nonlimited Expenditures** consist of loan-related expenditures including loans made, payment of property taxes, hazard insurance, foreclosure and state-owned property costs, and other costs incurred to protect the State's interest in property used to secure a loan. Additionally, bond-related costs for the planning for and issuing bonds, including bond counsel and attorney fees, State Treasury bond fees, and fees relating to preparing bond disclosure documents are Nonlimited.
- **Debt Service Nonlimited Expenditures** are the principal and interest payments due on bond sales and any net interest rate swap payments made to swap counterparties.

Revenue for the Nonlimited program comes from bond proceeds, loan repayments, and investment earning.

The Subcommittee approved a budget of \$318,333,710 Other Funds Nonlimited. This is a 5.0 percent decrease from the 2013-15 Legislatively Approved Budget.

Summary of Performance Measure Action

See attached Legislatively Adopted 2015-17 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

SB 5539-A

Oregon Department of Veterans' Affairs
 Tamara Brickman -- (503) 378-4709

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2013-15 Legislatively Approved Budget at Dec 2014 *	\$ 9,699,442	\$ -	\$ 50,400,107	\$ 335,225,000	\$ 400,000	\$ -	\$ 395,724,549	84	82.63
2015-17 Current Service Level (CSL)*	\$ 10,908,167	\$ 2,093,963	\$ 81,630,223	\$ 318,333,710	\$ -	\$ -	\$ 412,966,063	83	83.00
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
001 - Loan Program									
Package 105: Meet Demands for New Veteran's Loans									
Personal Services	\$ -	\$ -	\$ 133,346	\$ -	\$ -	\$ -	\$ 133,346	1	1.00
Services and Supplies	\$ -	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000		
Package 106: Loan Program IT Modernization									
Services and Supplies	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000		
Capital Outlay	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000		
002 - Veterans' Services Program									
Package 101: County Training; Reclasses to Align Positions									
Personal Services	\$ 167,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,604	1	1.00
Services and Supplies	\$ 25,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,531		
Package 102: County Funds/Technical Aid: Veterans Outreach									
Special Payments	\$ 246,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 246,046		
Package 801: LFO Analyst Adjustments									
Services and Supplies	\$ 350,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,000		
Special Payments	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1		
003 - Oregon Veterans Home Program									
Package 107: Increase Veterans' Home Efficacy with Reclass									
Personal Services	\$ -	\$ -	\$ 9,050	\$ -	\$ -	\$ -	\$ 9,050	0	0.00
Package 802: Aging Veterans' Services Director									
Personal Services	\$ -	\$ -	\$ 220,000	\$ -	\$ -	\$ -	\$ 220,000	1	1.00
Package 811: Updated Base Debt Service Adjustment									
Debt Service	\$ -	\$ (2,093,963)	\$ -	\$ -	\$ -	\$ -	\$ (2,093,963)		
TOTAL ADJUSTMENTS	\$ 789,181	\$ (2,093,963)	\$ 627,396	\$ -	\$ 1	\$ -	\$ (677,385)	3	3.00
SUBCOMMITTEE RECOMMENDATION *	\$ 11,697,348	\$ -	\$ 82,257,619	\$ 318,333,710	\$ 1	\$ -	\$ 412,288,678	86	86.00
% Change from 2013-15 Leg Approved Budget	20.6%	0.0%	63.2%	-5.0%	-100.0%	0.0%	4.2%		
% Change from 2015-17 Current Service Level	7.2%	-100.0%	0.8%	0.0%	0.0%	0.0%	-0.2%		

*Excludes Capital Construction Expenditures

Legislatively Approved 2015-2017 Key Performance Measures

Agency: VETERANS' AFFAIRS, DEPARTMENT of

Mission: The Oregon Department of Veterans' Affairs (ODVA), serves and honors veterans through our leadership, advocacy and strong partnerships.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
1 a - DELINQUENT ACCOUNTS - Percentage of Oregon Department of Veterans' Affairs home loan accounts that are delinquent.		Approved KPM	1.45	1.50	1.50
2 a - Oregon Veterans Homes: Occupancy. Maintain an occupancy rate for licensed bed of at least 80% for licensed beds in both veterans' homes.		Approved KPM		80.00	80.00
5 - 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	87.00	90.00	90.00
5 - 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	81.00	90.00	90.00
5 - 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	86.00	90.00	90.00
5 - 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	91.00	90.00	90.00
5 - 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	92.00	90.00	90.00

Agency: VETERANS' AFFAIRS, DEPARTMENT of

Mission: The Oregon Department of Veterans' Affairs (ODVA), serves and honors veterans through our leadership, advocacy and strong partnerships.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
5 - 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	89.00	90.00	90.00
6 - BEST PRACTICES: Percent of total applicable best practices met by the Board.		Approved KPM	100.00		

LFO Recommendation:

The Legislative Fiscal Office recommends that KPM 2 (Disability Compensation) and KPM 3 (Recovery of New Federal Dollars) be deleted and replaced with a new KPM 3 (Veteran Services: Disability Compensation and Pension Benefits), as this is a more comprehensive measure of how Oregon Veterans compares with the average amount of federal benefits received by veterans nation-wide. In addition, LFO recommends new KPMs relating to the Loan Program (Proposed New KPM 1b - Loan Program Loan Origination), the Oregon Veterans Homes (2b Maintain Below-Market Private Pay Rate), and the number of new Power Attorneys granted (KPM 4), to measure performance in these service areas.

Sub-Committee Action:

Approve the Legislative Fiscal Office Recommendation.