

HB 5039 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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Department of Veterans' Affairs

2017-19

PRELIMINARY

Budget Summary*

	2015-17 Legislatively Approved Budget ⁽¹⁾	2017-19 Current Service Level	2017-19 Committee Recommendation	Committee Change from 2015-17 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 10,389,026	\$ 10,049,290	\$ 7,500,000	\$ (2,889,026)	(27.8%)
General Fund Debt Service	\$ 2,618,940	\$ 1,017,323	\$ 1,017,323	\$ (1,601,617)	(61.2%)
Lottery Funds	\$ -	\$ -	\$ 12,868,322	\$ 12,868,322	100.0%
Other Funds Limited	\$ 82,929,644	\$ 86,784,284	\$ 100,457,558	\$ 17,527,914	21.1%
Other Funds Nonlimited	\$ 175,525,000	\$ 168,025,000	\$ 168,025,000	\$ (7,500,000)	(4.3%)
Other Funds Debt Service Nonlimited	\$ 167,808,710	\$ 219,521,159	\$ 219,521,159	\$ 51,712,449	30.8%
Federal Funds Limited	\$ 1,150,000	\$ -	\$ 500,000	\$ (650,000)	(56.5%)
Total	\$ 440,421,320	\$ 485,397,056	\$ 509,889,362	\$ 69,468,042	15.8%

Position Summary

Authorized Positions	88	88	94	6
Full-time Equivalent (FTE) positions	87.76	88.00	94.00	6.24

⁽¹⁾ Includes adjustments through December 2016

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Oregon Department of Veterans' Affairs (ODVA) funds its programs with a mix of General Fund (1.7 percent), Lottery Funds (2.5 percent), and Other Funds (95.7 percent). The department also receives Federal Funds for certain U.S. Department of Veterans' Affairs (USDVA) grants. The most significant Other Funds sources are: veteran home loan repayments; dedicated fund general obligation bond proceeds; fees from the conservatorship program and loan-related services; rent from leasing space within the Veterans' building; Veterans' Homes resident payments, including funds from the USDVA, Medicare and Medicaid reimbursements, insurance companies, and private payers; and investment earnings.

With the passage of Measure 96 (2016), funding for the Oregon Department of Veterans' Affairs increased overall, due to the addition of Lottery Funds. Measure 96 directed 1.5 percent of net lottery proceeds into a Veterans' Services Fund to provide services for the benefit of veterans. Total lottery revenue dedicated to veterans' services is projected to be \$18.7 million for the 2017-19 biennium. Lottery Funds will be allocated to ODVA for budgeted Lottery Funds expenditures.

The Veterans' Loan Program funds have been used for many years to fund both the Loan Program and the Veterans' Services Program. The department has sufficient Other Funds revenue to maintain the operations of the department during the biennium. The use of resources from the

loan program to support the Veteran Services Program has contributed to a decline in funding for the loan program. The department received General Fund in the 2013-15 and 2015-17 biennia, to restore funding for most Veterans' Services positions paid with loan program monies. Additionally, the 2017-19 budget shifts the remaining Veterans' Services costs supported with home loan revenues to Lottery Funds, eliminating subsidization of veterans' services activities and stabilizing the loan program.

Summary of Transportation and Economic Development Subcommittee Action

ODVA has four major operational functions: veterans' services, the veteran home loan program, the two veteran homes (The Dalles and Lebanon) and core operations supporting and enhancing other functions. ODVA recognizes the need to maximize the current veteran benefits that federal, state, local governments and nonprofits provide and is working to develop and deepen fully engaged partnerships.

The Subcommittee approved a budget of \$509,889,362 total funds and 94 positions (94.00 FTE). This is a 15.8 percent increase from the 2015-17 Legislatively Approved Budget and an additional six positions (6.24 FTE).

Loan Program

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, which have been achieved through the issuance of tax-free, state general obligation bonds called Qualified Veteran Mortgage Bonds (QVMB). QVMB's have limitations on how they can be used, most notably, borrowers must apply for a loan within 25 years of discharge from military service and funds cannot be used for refinancing. The Home Loan Program has limited amounts of less restrictive bond monies from which it can also make loans to veterans who apply for a loan after 25 years from date of discharge (Measure 70 loans). It is this money being used to finance loans made to Oregon veterans, made eligible as a result of the passage of Measure 70 in 2010. The program offers financing up to the Fannie Mae limit, currently \$424,100.

The Loan Program is entirely Other Funds limitation. 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 \$16,849,771 Other Funds limitation and 46 positions (46.00 FTE). This is a 6.0 percent increase from the 2015-17 Legislatively Approved Budget.

The Subcommittee approved Package 101, 21st Century Service Delivery. The package increases Other Funds limitation by \$250,000 to purchase and install an "end-to-end" home loan system. An "end-to-end" loan system combines an origination and a servicing system, which carries loan information entered during the initial application and loan origination phase through to the loan servicing process, creating efficiencies and reducing errors. The new software system will also allow veterans to review home loan information online.

The Subcommittee approved Package 102, Target Veteran Services. The package decreases Other Funds limitation by \$1,666,406 and reduces the Home Loan Program by six positions (6.10 FTE). A corresponding increase in Lottery Funds limitation and positions is included in the Veterans' Services Program. Home Loan Program revenues have historically been used to supplement veterans' services costs; however, this practice has led to losses and a decrease in the overall net position of the Home Loan Program over the last six years. This packages shifts funding for six veterans' services positions and associated Services and Supplies expenditures from Other Funds, supported by home loan revenues, to Lottery Funds in the Veterans' Services Program. Eliminating the subsidization of veterans' services program activities will strengthen, stabilize, and sustain the Home Loan Program for future generations of veterans.

The Subcommittee approved Package 103, Strengthen Veteran Home Loan Program. The package increases Other Funds limitation by \$1,134,692 and one position (1.00 FTE) to strengthen and improve compliance in the Home Loan Program and "refresh" the ODVA state office building. An Operations and Policy Analyst 2 position is established to serve as a Quality Assurance and Compliance Coordinator (QA/CC) in the Home Loan Program to maintain oversight and compliance with federal and state regulations, including new Consumer Financial Protection Bureau (CFPB) rules. Funding is also provided to reclassify two existing Loan Specialist 1 positions to Loan Specialist 2 positions, due to the increased responsibilities of these positions to comply with the new Dodd-Frank and CFPB regulations for loan origination. Included in this limitation increase is one-time funding of \$933,333, provided to "refresh" the ODVA state office building, including replacing the carpet, painting the walls and updating signage on the exterior and interior of the building to improve readability.

Veterans' Services Program

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, educational assistance, emergency financial assistance, and other service delivery partnerships across the state. Veterans' services programs include: Statewide Veterans Services, County Veteran Service Officers (CVSOs), National Service Organizations (NSO), Aging Veteran Services and Conservatorship and the Emergency Financial Assistance Program.

Prior to the 2017-19 biennium, Veterans' Services Programs received primarily General Fund, but also utilized various Other Funds resources. The Conservatorship program charges fees on the income and assets of persons under conservatorship. With the passage of Measure 96 (2016), this program will also receive Lottery Funds for providing services to veterans across Oregon.

The Subcommittee approved a budget of \$7,500,000 General Fund, \$12,868,322 Lottery Funds, \$107,623 Other Funds limitation, \$500,000 Federal Funds limitation and 43 positions (43.00 FTE). The total funds budget of \$20,975,945 is a 68.2 percent increase from the 2015-17 Legislatively Approved Budget and an additional 11 positions (11.34 FTE).

The Subcommittee approved Package 090, Analyst Adjustments. The package decreases General Fund by \$2,549,290 and increases Lottery Funds by \$2,549,290 to fund a portion of the Department's current service level budget with Lottery Funds. Pass-through funding for the CVSOs is shifted from General Fund to Lottery Funds. Targeted General Fund reductions, due to budget constraints, are offset with Lottery Funds available through the passage of Measure 96. Package 90 does not eliminate funding for programs in ODVA's current service level budget, including \$103,700 General Fund for the Emergency Financial Assistance Program, which provides one-time grants to veterans who have emergency needs. Finally, the package also provides \$1 Federal Funds limitation as a placeholder for anticipated Federal grant awards.

The Subcommittee approved Package 101, 21st Century Service Delivery. The package increases Lottery Funds limitation by \$600,000 to replace the department's conservatorship system. The conservatorship system enables court-appointed ODVA conservators and trust officers to deliver conservatorship and representative payee services. The current legacy system is outdated and supported by the original retired developer on contract with the department, two days a week. The package provides funding for one-time development, implementation, and training costs of \$400,000 and ongoing software licensing and maintenance costs of \$200,000, which will allow ODVA to proceed with a Request for Proposal (RFP) to replace the conservatorship system with a new, effective and efficient application.

The Subcommittee approved Package 102, Target Veteran Services. The package increases Lottery Funds limitation by \$9,369,032 (allocated from the lottery dollars dedicated by Measure 96), decreases Other Funds limitation by \$920,464 and adds 11 positions (11.10 FTE) in the Veterans' Services Program, to expand access to services for the underserved veteran community by strengthening the County and National Service Organizations, expanding services to aging veterans and stabilizing the Home Loan program by reducing the subsidization of Veterans' Services Program activities by loan program revenues.

- Within this package, the CVSO program is enhanced by \$4,354,861, for total CVSO funding of \$8,709,722, and the National Service Organizations (NSO) program is enhanced by \$118,156, for total NSO funding of \$236,312. This increase in CVSO and NSO funding is intended to enhance existing state and county funding, helping to serve more veterans, increase the number of claims filed and bring more federal dollars to the state.
- \$390,256 Lottery Funds is included in the package to establish two positions (2.00 FTE) to accommodate the increased statewide support services workload anticipated with the additional CVSO funding. A trainer position (Program Analyst 2) in the Salem office is established to provide essential training and certification for county veteran service officers; and an administrative specialist position (Office Specialist 2) is established to process the increased number of claims and appeals expected to be filed through the Portland ODVA office.
- The package also includes \$380,548 Lottery Funds to establish two positions (2.00 FTE) within the Aging Services Program. A Representative Payee (Administrative Specialist 2) position is added to accommodate the representative payee caseload. An Aging

Veterans' Outreach Specialist (Program Analyst 2) position is added to serve as a veteran service officer (VSO) with expertise in veterans' benefits and complex aging health care issues.

- Finally, the package includes a decrease in Other Funds limitation by \$920,464 and increases Lottery Fund expenditures by \$2,139,011 to shift the Other Funds portion of 10 positions in the Veterans' Services Program to Lottery Funds (\$920,464) as well as to pay for the Veterans' Services Program share of support services costs (\$1,218,547). To reduce the subsidization of this program with Home Loan funds, the package increases Lottery Funds for the corresponding Other Funds reductions of \$1,666,406 (6.10 FTE) in the Home Loan Program and \$319,794 (1.00 FTE) in the Veterans' Home Program.

The Subcommittee approved Package 104, Mobilize Partnerships. The package increases Lottery Funds limitation by \$350,000 (allocated from the lottery dollars dedicated by Measure 96) in the Veterans' Services Program to support a veterans' crisis and suicide prevention hotline 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. This package also reserves \$1.5 million in Measure 96 Lottery Funds to be allocated to address veterans' homelessness and housing issues, pending ODVA and the Housing and Community Services Department reporting to the Joint Committee on Ways and Means in February 2018.

Budget Note

The Housing and Community Services Department and the Oregon Department of Veterans' Affairs are directed to work in concert to develop a plan to advise the Legislature on strategic investments of Measure 96 lottery dollars for veterans' homelessness and housing issues that will result in long-term housing stability for veterans. The Oregon Department of Veterans' Affairs and the Housing and Community Services Department will report back to the Joint Committee on Ways and Means in February 2018 with a proposal that includes a key performance measure to quantify progress toward this goal. The report shall include, but need not be limited to the following: information on best practices and programs in other states that have shown efficacy; the amount and source of resources intended to be utilized for each option presented; other partners or cooperation necessary from state or local entities; the number of veterans that can be assisted with each proposal at the suggested level of support; and whether changes to statute would be needed to implement the plan.

The Subcommittee approved Package 801, LFO Analyst Adjustments. The package increases Federal Funds limitation by \$499,999, with the understanding that the Department of Administrative Services will un-schedule the limitation increase until ODVA has received Legislative approval to apply for a federal grant and has been notified that its application for the grant has been successful. ODVA expects to receive notice of a Transportation of Veterans in Highly Rural Areas renewal grant opportunity in July, after the close of the 2017 session. ODVA will submit a 10-day notification letter of its intent to submit an application to legislative leadership and seek retroactive approval to apply, during September 2017 Legislative days. Typically, Federal Funds limitation would not be increased until the February 2018 Session, which would delay distribution

of the grant funds to counties. This package allows federal limitation to be scheduled once ODVA is notified that its application is successful. ODVA has applied and received the annual Highly Rural Transportation Grant since the grant program was established in 2014.

Oregon Veterans Home Program

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 the men and women who served our country in uniform. Currently, there are two facilities located in Oregon, one in The Dalles and the second in Lebanon. Care at the Oregon Veteran's 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 contract with VCCO followed the state's competitive procurement process and has resulted in the delivery of award-winning high quality care to veterans.

The Oregon Veterans Home Program operational funding is derived entirely from Other Funds limitation. Operational funds come primarily from resident care-related payments, including the U.S. Department of Veterans' Affairs, 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 appropriated 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 \$1,107,323 General Fund, \$83,500,164 Other Funds limitation and five positions (5.00 FTE). The total funds budget of \$84,517,487 is a 23.0 percent increase from the 2015-17 Legislatively Approved Budget.

The Subcommittee approved Package 090, Analyst Adjustments. The package increases Other Funds limitation by \$14,946,166 to address the Lebanon Veterans' Home operating at a higher census and occupancy level sooner than was originally anticipated, in addition to a higher than anticipated census at The Dalles Veterans' Home. This package also includes updated projections for minimum wage costs. These dollars are expended as professional services under a contract with Veterans Care Centers of Oregon (VCCO), a non-profit organization, for the day-to-day operations of each facility. Operational expenditures are covered through payments received by ODVA for resident care.

The Subcommittee approved Package 102, Target Veteran Services. The package decreases Other Funds limitation by \$70,714 in the Veterans' Home Program, which is the net impact of transferring the Aging Services Director from this program to the Veterans' Services Program and establishing an Assistant Director for Aging Services (Principal/Executive Manager D) within this program. The Assistant Director for Aging Services will help direct and manage the day-to-day operations of the division, including the two Oregon Veterans' Homes program directors and contractors who manage the homes. The Aging Services Director is responsible for coordinating the statewide effort related to aging veterans' services. This results in a net zero add of positions within the Veterans' Home Program. The Director's position being transferred to the Veterans' Services Program is funded with Lottery Funds.

Nonlimited

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 of 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 earnings.

The Subcommittee approved a budget of \$387,546,159 Other Funds Nonlimited. This is a 12.9 percent increase from the 2015-17 Legislatively Approved Budget. This increase is largely due to an increase in debt service payments expected in 2017-19.

Summary of Performance Measure Action

See attached Legislatively Adopted 2017-19 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

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				
2015-17 Legislatively Approved Budget at Dec 2016 *	\$ 13,007,966	\$ -	\$ 82,929,644	\$ 343,333,710	\$ 1,150,000	\$ -	\$ 440,421,320	88	87.76	
2017-19 Current Service Level (CSL)*	\$ 11,066,613	\$ -	\$ 86,784,284	\$ 387,546,159	\$ -	\$ -	\$ 485,397,056	88	88.00	
SUBCOMMITTEE ADJUSTMENTS (from CSL)										
SCR 001 - Loan Program										
Package 101: 21st Century Service Delivery										
Capital Outlay	\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000			
Package 102: Target Veteran Services										
Personal Services	\$ -	\$ -	\$ (1,163,226)	\$ -	\$ -	\$ -	\$ (1,163,226)	(6)	(6.10)	
Services and Supplies	\$ -	\$ -	\$ (503,180)	\$ -	\$ -	\$ -	\$ (503,180)			
Package 103: Strengthen Veteran Home Loan Program										
Personal Services	\$ -	\$ -	\$ 183,526	\$ -	\$ -	\$ -	\$ 183,526	1	1.00	
Services and Supplies	\$ -	\$ -	\$ 951,166	\$ -	\$ -	\$ -	\$ 951,166			
SCR 002 - Veterans' Services Program										
Package 090: Analyst Adjustments										
Special Payments (Dist. to Counties)	\$ (2,549,290)	\$ 2,549,290	\$ -	\$ -	\$ 1	\$ -	\$ 1			
Package 101: 21st Century Services Delivery										
Capital Outlay	\$ -	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ 600,000			
Package 102: Target Veteran Services										
Personal Services	\$ -	\$ 2,980,058	\$ (920,464)	\$ -	\$ -	\$ -	\$ 2,059,594	11	11.10	
Services and Supplies	\$ -	\$ 1,915,957	\$ -	\$ -	\$ -	\$ -	\$ 1,915,957			
Special Payments (Dist to Counties)	\$ -	\$ 4,354,861	\$ -	\$ -	\$ -	\$ -	\$ 4,354,861			
Special Payments (Dist to Non-Gov't Units)	\$ -	\$ 118,156	\$ -	\$ -	\$ -	\$ -	\$ 118,156			
Package 104: Mobilize Partnerships										
Services and Supplies	\$ -	\$ 350,000	\$ -	\$ -	\$ -	\$ -	\$ 350,000			
Package 801: LFO Analyst Adjustments										
Special Payments (Dist to Counties)	\$ -	\$ -	\$ -	\$ -	\$ 499,999	\$ -	\$ 499,999			
SCR 003 - Oregon Veterans Home Program										
Package 090: Analyst Adjustments										
Services and Supplies	\$ -	\$ -	\$ 14,946,166	\$ -	\$ -	\$ -	\$ 14,946,166			
Package 102: Target Veteran Services										
Personal Services	\$ -	\$ -	\$ (118,364)	\$ -	\$ -	\$ -	\$ (118,364)	0	0.00	
Services and Supplies	\$ -	\$ -	\$ 47,650	\$ -	\$ -	\$ -	\$ 47,650			
TOTAL ADJUSTMENTS	\$ (2,549,290)	\$ 12,868,322	\$ 13,673,274	\$ -	\$ 500,000	\$ -	\$ 24,492,306	6	6.00	
SUBCOMMITTEE RECOMMENDATION *	\$ 8,517,323	\$ 12,868,322	\$ 100,457,558	\$ 387,546,159	\$ 500,000	\$ -	\$ 509,889,362	94	94.00	
% Change from 2015-17 Leg Approved Budget	(34.5%)	100.0%	21.1%	12.9%	(56.5%)	0.0%	15.8%	6.8%	7.1%	
% Change from 2017-19 Current Service Level	(23.0%)	100.0%	15.8%	0.0%	100.0%	0.0%	5.0%	6.8%	6.8%	

*Excludes Capital Construction Expenditures

Legislatively Approved 2017 - 2019 Key Performance Measures

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Agency: Veterans' Affairs, Department of

Mission Statement:

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

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
1. b. Loan Program - Loan Origination. Increase the loan origination volume to \$35 million or more in new loans per year.		Approved	\$62.30	\$35.00	\$35.00
1. a. Loan Program - Delinquent Accounts - Percentage of Oregon Department of Veterans' Affairs home loan accounts that are delinquent.		Approved	0.80%	1.50%	1.50%
2. a. Oregon Veterans Homes - Maintain an occupancy rate of at least 80% for licensed beds in both Veteran Homes.		Approved	77%	80%	80%
2. b. Oregon Veterans Homes - Maintain below-market veteran private pay rates.		Approved	\$205.00	\$321.00	\$340.00
3. Veteran Services - Disability Compensation and Pension Benefits - Amount of average U.S. Department of Veterans Affairs (federal VA) disability and pension compensation received per Oregon Veteran who receives these benefits.		Approved	\$15,225.00	\$15,787.00	\$16,324.00
4. Veteran Services - Power of Attorney (POA) - Number of powers of attorney granted by veterans to veteran service officers and the Department.		Approved	11,842	12,000	13,200
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	88%	90%	90%
	Accuracy		88%	90%	90%
	Availability of Information		80%	90%	90%
	Expertise		88%	90%	90%
	Overall		93%	90%	90%
	Helpfulness		91%	90%	90%
6. Best Practices - Percent of total applicable best practices met by the Board.		Approved	100%	100%	100%

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the proposed Key Performance Measures and targets.

SubCommittee Action:

The Transportation and Economic Development Subcommittee approved the Legislative Fiscal Office recommendations.