

Oregon Department of Veterans' Affairs

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Governor's Budget
General Funds	7,157,378	8,927,158	9,140,366	9,560,759	9,492,419
Lottery Funds	16,562,491	21,091,851	21,326,867	19,642,554	21,160,199
Other Funds	98,756,734	121,247,139	121,680,744	120,580,491	125,576,489
Other Funds (NL)	257,495,965	204,521,026	289,687,331	203,125,000	261,125,000
Federal Funds	592,874	1,617,844	1,628,594	1,719,613	3,881,025
Total Funds	380,565,442	357,405,018	443,463,902	354,628,417	421,235,132
Positions	102	104	104	102	102
FTE	101.65	103.79	103.79	101.97	101.97

* Includes Emergency Board and administrative actions through December 2022

Program Description

The mission of the Oregon Department of Veterans' Affairs (ODVA) is to serve and honor veterans through leadership, advocacy, and strong partnerships. ODVA has three primary program areas that are supported by the agency's core operations: the Veterans' Loan Program, the Veterans' Services Program, and Aging Veteran Services, which includes the two Veterans' Homes. The Veterans' Loan Program, funded entirely with Other Funds, provides home loans to qualified veterans. Other Funds revenues for the loan program are derived from the proceeds of general obligation bond sales, loan and contract repayments, fee and rental income, and investment earnings. The Veterans' Services Program provides claims and appeals assistance; partnerships with counties, tribes, and national veterans' service organizations to assist veterans; and grant programs that expand services in the key areas of health, education, and economic opportunity. The Veterans' Services Program is funded with General Fund and Lottery Funds available through the passage of Ballot Measure 96. Aging Veteran Services provides oversight of the two skilled-nursing and memory care facilities in The Dalles and Lebanon, expertise in aging veterans' benefits and services, and conservatorship and representative payee services. General Fund, Lottery Funds, and Other Funds generated from conservatorship fees support Aging Veteran Services. The operational costs of the Veterans' Homes are funded with Other Funds from resident-related income, including funds from the U.S. Department of Veterans' Affairs, Medicare, Medicaid, insurance companies, and private payers.

CSL Summary

The overall 2023-25 current service level (CSL) budget of \$354.6 million is \$88.8 million (or 20%) less than the 2021-23 legislatively approved budget (LAB) of \$443.5 million. The decrease is primarily attributable to a \$86.6 million decrease in Other Funds nonlimited expenditure limitation to align with projected home loans and debt service payments in the upcoming biennium. Excluding nonlimited funds, the 2023-25 CSL budget of \$151.5 million is a \$2.3 million (or 1.5%) decrease over the 2021-23 LAB of \$153.8 million. Lottery Funds expenditure limitation

decreased due to removal of one-time funding for grants to expand veterans' healthcare transportation in rural counties (\$642,072), campus veteran resource centers (\$600,000) and veteran services grant program (\$342,669); veteran emergency financial assistance program (\$100,000); and one time funding for replacing the conservatorship program IT system (\$750,000).

An additional \$9.5 million Other Funds expenditure limitation was also removed associated with one-time costs for a lottery bond grant to the YMCA to construct veterans' affordable housing (\$6,113,208), to provide care to veterans living in the two Oregon Veterans' Homes during the COVID pandemic (\$3,000,000) and a home loan system modernization project (\$400,000). These reductions to Other Funds were mostly offset by increases for inflation and price list adjustments. Federal Funds increased slightly due to inflation and price list adjustments.

Policy Issues

Passage of Ballot Measure 96 in 2016 dedicated 1.5% of state lottery net proceeds towards veterans' services beginning July 1, 2017. During the 2017 session, Measure 96 Lottery Funds were allocated to ODVA to expand services to veterans, which included investments to double the pass-through funding to County Veteran Service Officers (CVSOs) and National Service Organizations (NSOs); discontinue the use of home loan program revenues to subsidize veterans' services program activities; provide permanent funding for a veterans' crisis and suicide prevention hotline; and establish the Veteran Services Grant Fund. Additional investments in the 2017, 2019 and 2021 legislative sessions have established pass-through funding to Tribal Veteran Service Officers and the creation of grant programs for campus veteran resource centers, rural healthcare transportation services, and to provide student veteran financial assistance. Renewal of one-time funding for grant programs is dependent on available lottery revenues dedicated to veterans' services.

Based on the December 2022 forecast prepared by the DAS Office of Economic Analysis (OEA), lottery revenue dedicated to veterans' services is projected to total \$28.2 million in 2021-23 and \$26.7 million in 2023-25, which results in an estimated beginning balance of \$5.3 million in Veterans' Services Fund (VSF) for the 2023-25 biennium. After ODVA's 2023-25 CSL expenditures, as well as CSL expenditures in the Criminal Justice Commission for veterans' courts and the Oregon Health Authority for veterans' behavioral health and dental services, the VSF has an estimated ending balance of \$3.3 million. Retaining an ending balance of \$3.3 million (12.5% of revenues), consistent with the prior biennium, leaves no unallocated veterans' lottery proceeds.

ODVA assumed the role of the State Approving Agency (SAA) for the state of Oregon on October 1, 2019. USDVA oversees the administration of GI Bill education benefits through annual performance contracts with designated SAAs. SAAs approve education and training programs that are eligible to receive GI Bill benefits and provide technical assistance and outreach to schools and veterans. Prior to October 1, 2018, the Higher Education Coordinating Commission (HECC) served as the SAA for Oregon; however, USDVA did not renew the annual contract with HECC for the 2019 federal fiscal year.

Governor's Budget Summary

The 2023-25 Governor's budget includes six policy option packages (POP) for \$8.9 million in total funds with no increase in positions or FTE. The fund type breakdown is \$1.6 million Lottery Funds, \$5.2 million Other Funds, and \$2.2 million Federal Funds. Below is additional detail on each of the budget requests:

- \$6,855,000 in Other Funds and Federal Funds for capital improvements with POP 113. There are three projects: HVAC equipment at The Dalles Veterans' Home (\$3.5 million), Salem ODVA HQ air conditioning equipment (\$1.4 million) and Salem ODVA HQ 2nd floor renovation (\$2 million)
- \$1,000,000 in Lottery Funds for increased funding of the Campus Veteran Resource Center Grant program with POP 119. The program was established in 2017 and has awarded \$2.5 million in grants to Oregon's community colleges and public universities in support of veterans' higher education.
- \$400,000 in Other Funds to continue the home loan service IT replacement project with POP 108. ODVA has been actively working to replace their Loan Servicing and Account Management Software (LSAMS). The funding covers implementation and first year costs of the new system.
- \$400,000 in Lottery Funds to increase the Veteran Education Bridge Grant with POP 120. The grant provides financial assistance to veterans who, due to unavailability of classes or training hours, are unable to complete a degree or training program within the expected completion period due to the timing of courses or training hours.
- \$159,000 split between Lottery Funds and Other Funds for IT staff augmentation in POP 106. The request would provide the agency with a contractor-based staff augmentation position dedicated to ensuring continuity of operations for their legacy systems which provide loan servicing services, loan origination services, and critical conservatorship and representative payee services to veterans. Maintaining legacy systems until modernization efforts are complete is essential.
- \$91,600 to increase tribal passthrough funding with POP 118. The additional funds will allow tribes with a Memorandum of Understanding with ODVA to maintain a permanent, sometimes part time, Veteran Services Officer (VSO) accredited by the U.S. Department of Veterans Affairs. VSOs are trained to prepare and submit claims for earned VA benefits on behalf of veterans and their eligible dependents

Two of the policy option packages are related to ODVA's Veterans' Services Program grants. These grants have historically been funded by the legislature on a one-time basis each biennium. The Governor's budget does not fund three grant programs that received one-time funding in the 2021-23 biennium. The overall 2023-25 agency request budget for the two grants is \$1.4 million General Fund which is a decrease of \$0.1 million General Fund and \$1 million Lottery Funds (or 41% in total) in total Veterans' Services Program grant funding. However, the funding for the two individual grants is increased over the funding they received in the 2021-23 biennium.

Other Significant Issues and Background

ORS 408.385 identifies Roseburg as the site for a third veterans' home. Lottery bonds for the Roseburg Veterans' Home were initially approved in 2011-13 and were reauthorized in the two subsequent biennia. During the 2017 session, \$10.5 million of Article XI-Q general obligation bonds were authorized and capital construction limitation was re-established for a new six-year period. However, bonds have not been issued in prior biennia and were not reauthorized in the 2021 session. Construction of the third home has not occurred for multiple reasons, including absence of a USDVA construction grant award that would provide 65% of the funding, lack of remaining matching funds, and concerns that the facility would maintain necessary occupancy to operate a sustainable level. ODVA reported on progress of the home in 2018 and recommended that the Roseburg Veterans' Home be built on the Roseburg Veterans Affairs Health Care System campus adjacent to the new main VA hospital. USDVA has agreed to transfer 13.4 acres to the State of Oregon, through a federal land grant, for the site of the home, as well as provide parking lots and utility infrastructure. The transfer of land and construction of the new home will not begin until ODVA has been awarded a competitive USDVA construction grant, which is dependent up ODVA securing the required 35% state match. ODVA intends to base the Roseburg home on the "small home care" model used in the Lebanon Veterans' Home. ODVA currently estimates construction costs of \$103 million for a 126 bed facility. USDVA construction grant funds would potentially cover \$67 million (65%) with \$36.1 million (35%) of matching funds needed from state or local resources.

ODVA received funding in the 2019-21 budget to replace and integrate the loan origination and servicing systems. The system is expected to integrate with the new origination system and enable customer-facing online account management of their state veteran home loan. The project continued through the 2021-23 biennium and is expected to be completed in the first year of the 2023-25 biennium.

Home loan originations for ODVA increased from \$46.9 million in 2021 to \$88.6 million in 2022. The increase is attributable to rising mortgage interest rates and an increase in available housing inventory. Additionally, the percentage of delinquent loans has remained consistently low. For 2022, it is 0.44% which is down from 0.64% in 2021 and well below the agency's target of 1.50%. Stable home loan revenues are integral to the long-term financial health of the program.

Key Performance Measures

A copy of ODVA's Annual Performance Progress Report can be found on the LFO website:

https://www.oregonlegislature.gov/lfo/APPR/APPR_ODVA_2022-09-29-1.pdf