

ANALYSIS

Item 29: Department of Veterans' Affairs

Veterans' Homes

Analyst: John Terpening

Request: Increase Other Funds capital construction expenditure limitation for the Department of Veterans' Affairs by \$7,100,000 for the HVAC project at the Lebanon Veterans' Home and increase Federal Funds expenditure limitation by \$134,000 for receipt of a federal grant award.

Analysis: The Department of Veterans' Affairs has two budget requests related to the veterans' homes in Lebanon and The Dalles. The first is a capital construction project at the Lebanon Veterans' Home to replace the HVAC system which has been experiencing ongoing equipment failures. The Department's request is for the total estimated project cost of \$7.1 million. However, the Department has applied to the U.S. Department of Veterans' Affairs (USDVA) for federal grant-in-aid funds for this project, which is anticipated to be priority one due to the life safety component and dedicated state funding. Priority one projects are eligible for up to 65% of the cost of the project. If the USDVA approves funding for the project, the Department would return to the Legislature or the Emergency Board with a request for Federal Funds capital construction limitation. The Other Funds match amount of \$2.5 million, or 35% would come from veteran home reserves.

The second request is for \$134,000 of Federal Funds expenditure limitation for the receipt of a federal grant award. The Department successfully applied for a grant through the USDVA for funding that will be utilized for retention of nursing staff at The Dalles Veterans' Home facility. The grant application request was approved by the Joint Interim Committee on Ways and Means in November 2025. The grant has a 50% state match requirement which can be met through budgeted veterans' home funding.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend establishing Other Funds capital construction expenditure limitation of \$7,100,000 for the Lebanon Veterans' Home HVAC System; and increasing Federal Funds expenditure limitation by \$134,000 for receipt of a federal grant award, for the Department of Veterans' Affairs, in a budget reconciliation bill during the 2026 session.

Request: Establish a Capital Construction Other Funds expenditure limitation of \$7,100,000 for the Lebanon Capital Construction Heating, Ventilation, and Air-Conditioning (HVAC) project. Increase Federal Funds expenditure limitation by \$134,000 for The Dalles Veteran Home federal grant, which provides funding for nursing support.

Recommendation: Approve the request during the 2026 Legislative Session.

Discussion: The 2025-27 Governor's Recommended Budget included funding for the Lebanon Veteran Home HVAC project and was presented to the Joint Ways and Means Subcommittee on Transportation and Economic Development in February 2025. The facility faces persistent HVAC system failures that create safety and compliance risks. The requested expenditure limitation increase corrects an omission from the Capital Construction bill (Senate Bill 5506, 2025) and enables ODVA to proceed with a system replacement.

The project will be partially funded through a pending U.S. Department of Veterans Affairs (USDVA) grant of \$4.6 million, representing 65 percent of total project costs, with the remaining 35 percent match to be funded from reserves in the Oregon Department of Veterans' Affairs (ODVA) Veteran Home program. Approval of the Other Funds expenditure limitation increase is necessary to demonstrate the state's ability to meet federal matching requirements, which is a prerequisite for grant award consideration. The USDVA notified ODVA that the project is a priority one status project for the federal fiscal year 2026 funding cycle. Once Federal Funds are awarded, ODVA intends to return to the Emergency Board to request Federal Funds Capital Construction expenditure limitation to reimburse Other Funds expenditures above the required match.

The request for The Dalles Veteran Home reflects a technical need to establish federal expenditure limitation for a USDVA grant for which ODVA received approval to apply from the Interim Joint Ways and Means Subcommittee in November 2025. ODVA currently spends more than \$200,000 annually on shift bonuses to maintain adequate nurse staffing. The \$134,000 grant will supplement and offset existing costs associated with nurse hiring and retention at the facility. The grant requires a 50 percent match, which ODVA will provide from Veteran Homes Other Funds already included in the approved budget. The funding flows through ODVA's budget to the Veterans Care Centers of Oregon in a contract. This funding does not support ODVA staff positions, resulting in no impact on agency FTE.

Overall, the limitation increase allows ODVA to use federal resources to support workforce stability at The Dalles Veteran Home while mitigating ongoing operational cost pressures.

Legal Reference: Establishment of an expenditure limitation of \$7,100,000 for the Oregon Department of Veterans' Affairs for the payment of expenses from fees, moneys, or other revenues including Miscellaneous Receipts, excluding lottery and federal funds, collected or received for the biennium beginning July 1, 2025, for Capital Construction for the Lebanon Veterans Home HVAC project.

Increase the Federal Funds expenditure limitation established by chapter 526, section 5, Oregon Laws 2025, for the Oregon Department of Veterans' Affairs by \$134,000 for the 2025-27 biennium.



Oregon

Tina Kotek, Governor

Oregon Department of Veterans' Affairs

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December 12, 2025

The Honorable Senator Kate Lieber, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE, H-178
Salem, OR 97301

Dear Senator Lieber and Representative Sanchez:

Nature of the Request

ODVA is requesting the following expenditure limitation increases for the Veteran Homes:

Lebanon Veteran Home - Increase Other Funds Capital Construction (6-year) expenditure limitation in the amount of \$7,100,000 for the Heating, Ventilation, and Air Conditioning (HVAC) project.

The Dalles Veteran Home - Increase Federal Funds expenditure limitation \$134,000 for the federal grant which provides funding from the United States Department of Veterans Affairs (USDVA) for the purpose of hiring and retention of nurses at The Dalles Veteran Home facility.

Agency Action

Lebanon Veteran Home - The Lebanon HVAC project was included in ODVA's Governor's Recommended Budget 2025-27, and ODVA presented this project to the Joint Ways and Means Subcommittee on Transportation and Economic Development on February 26, 2025. The facility has been experiencing ongoing equipment failures related to the HVAC system. This limitation increase will allow ODVA to provide the much-needed replacement of this system to ensure consistent temperatures for the residents as well as demonstrate to the Federal agency that ODVA has the required matching funds to support our grant request. Through communication with LFO staff in June, it is our understanding that this limitation was erroneously omitted as part of the capital construction bill (SB 5506, 2025). ODVA submitted the federal funds request in April 2025 in the amount of \$4,600,000 which is 65% of the full project funding. This grant requires that ODVA provide 35% funds as a match to the grant and we expect this project to be on the priority one (1) list in the 2026 Federal Fiscal Year (FFY). ODVA will provide the project funding from the Veteran Home reserves. Once we have federal funds in hand, ODVA will come to the next available Emergency Board and request federal funds capital construction limitation, which will reimburse any Other Funds expenditures above the 35% matching requirement.

The Dalles Veteran Home – On November 17, 2025, the Interim Joint Ways and Means Subcommittee provided retro-approval of the afore-mentioned grant that ODVA is seeking federal expenditure limitation on. The request would supplement/offset costs on our Veterans Care Centers of Oregon (VCCO) contract and allow for greater program support through the addition of federal resources. ODVA currently pays in excess of \$17k per month (\$200k per year) in shift bonuses to retain nurses in The Dalles. This grant requires a 50% match and this would come from the Veteran Homes Other Funds and is already included in the Veteran Homes budget. This grant has no impact on ODVA FTE as none of the grant funding would go to support ODVA staff. On November 26, 2025, ODVA received approval notification from the Department of Veterans Affairs for the \$134,000.

Action Requested

ODVA is requesting expenditure limitation increases for both Veteran Homes:

Lebanon Veteran Home

- Other Funds Capital Construction (6-year) expenditure limitation of \$7,100,000

The Dalles Veteran Home

- Federal Funds expenditure limitation of \$134,000

There is no impact on Agency positions or FTE.

Legislation Affected

Sec 4(1)(c), Ch 526 – Other Funds

Sec 5, Ch 526, Oregon Laws 2025 (HB 5038) – Federal Funds

Sincerely,



Dr. Nakeia Council Daniels
Director, Oregon Department of Veterans' Affairs

cc: Amanda Beitel, Legislative Fiscal Officer
Kate Nass, Chief Financial Officer
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