

**76th OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 5546-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Huffman
Carrier – Senate: Sen. Nelson**

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

Vote: 23 – 0 – 2

House – Yeas: Beyer, Buckley, Cowan, Freeman, Garrard, Komp, McLane, Nathanson, Nolan, Richardson, G. Smith, Thatcher, Whisnant
– Nays:
– Exc: Kotek

Senate – Yeas: Devlin, Edwards, Girod, Johnson, Monroe, Nelson, Thomsen, Verger, Whitsett, Winters
– Nays:
– Exc: Bates

Prepared By: R Mark Miedema, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Meeting Date: May 27, 2011

Agency

Department of Veterans' Affairs

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Biennium

2011-13

Budget Summary*

| | 2009-11 | 2011-13 | 2011-13 | 2011-13 | Committee Change from | |
|-------------------------------------|--------------------------------------|-----------------------|--------------------|-----------------------------|-----------------------------------|---------------|
| | Legislatively Approved Budget (1) | Current Service Level | Governor's Budget | Committee Recommendation | 2009-11 Leg Approved \$ Change | % Change |
| General Fund | \$ 5,898,200 | \$ 6,630,666 | \$ 5,898,200 | \$ 5,670,231 | \$ (227,969) | -3.9% |
| Other Funds-Limited | 47,920,104 | 46,792,375 | 45,562,427 | 44,930,719 | (2,989,385) | -6.2% |
| Other Funds-Nonlimited | 168,075,000 | 168,075,000 | 168,075,000 | 168,075,000 | 0 | 0.0% |
| Other Funds-Nonlimited Debt Service | 405,161,708 | 275,020,385 | 275,020,385 | 275,020,385 | (130,141,323) | -32.1% |
| Federal Funds -Limited | 1,970,508 | | | | | |
| Total Funds | 629,025,520 | 496,518,426 | 494,556,012 | 493,696,335 | (133,358,677) | -21.5% |

Position Summary

| | | | | | | |
|--------------------------------------|--------|-------|-------|-------|--------|--------|
| Authorized Positions | 110 | 99 | 98 | 94 | -16 | -14.5% |
| Full-time Equivalent (FTE) Positions | 107.64 | 99.00 | 98.00 | 94.00 | -13.64 | -12.7% |

(1) Includes adjustments through March 2011.

* 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, fees from those served by the Conservatorship program and loan program transfers. 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 \$493,696,335 and 94.0 full-time equivalent positions which is a General Fund decrease from the 2009-11 Legislatively Approved Budget (LAB) of 3.9 percent and a total funds decrease from the LAB of 21.5 percent.

Loan Program

The Subcommittee approved a total funds budget of \$16,099,919 and 63.10 full-time equivalent positions for the Loan Program. The Veterans' Loan Program uses general obligation bond revenue to finance below-market home loans to eligible veterans. Since 1945, about 334,400 home and farm loans have been made totaling \$7.7 billion. Recent 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 Subcommittee approved Package 086 Eliminate Inflation. This package is used on a statewide basis to eliminate basic inflation. It reduces expenditure limitation by \$51,768 Other Funds.

The Subcommittee approved Package 087 Personal Services Adjustments. This package makes a 5.5 percent across-the-board reduction in total Personal Services from the Current Service Level (CSL) budget. It reduces expenditure limitation by \$650,869 Other Funds. The recommended reduction is not specific to an account or reduction strategy. Final Personal Services decisions will be determined by policy decisions and labor negotiations.

The Subcommittee approved Policy Option Package 101 Phase out of the campus veterans' service officer position. This package eliminates a position and reduces expenditure limitation by \$167,673 Other Funds.

The Subcommittee approved Package 802 Vacant Position Savings. This package eliminates four vacant positions. The positions have been vacant for ten months or more and the Department isn't actively working to recruit employees to fill them. It reduces expenditure limitation by \$631,708 Other Funds.

Veterans' Services Program

The Subcommittee approved General Fund expenditures in the amount of \$5,670,230 and Other Funds expenditures of \$2,171,694 for a total funds budget of \$7,841,925 and 28.9 full-time equivalent positions for Veteran's Services. The Veterans' Services program delivers benefits counseling, claims and educational and emergency assistance, and conservatorship services to eligible veterans, dependents and survivors throughout Oregon.

The Subcommittee approved Package 050 which shifted veterans' education funding from one time Other Funds to General Fund in 2011-13. It increased the General Fund appropriation by \$92,160. This is a one-time funding and the Department of Administrative Services is requested to unschedule the amount pending demonstration by ODVA that eligible subscription to the program remains in excess of 165 students per month through April 2012.

The Subcommittee approved Package 081 May 2010 Emergency Board action. This package increases the educational aid benefit the State pays to veterans who have exhausted their federal Veterans' Administration education benefit. It increased General Fund \$60,000. This is a one-time funding and the Department of Administrative Services is requested to unschedule the amount pending demonstration by ODVA that eligible subscription to the program remains in excess of 165 students per month through April 2012.

The Subcommittee approved Package 084 December 2010 Emergency Board action. This package increases the educational aid benefit the State pays to veterans who have exhausted their federal Veterans' Administration education benefit. It increased General Fund by \$108,359. This is a one-time funding and the Department of Administrative Services is requested to unschedule the amount pending demonstration by ODVA that eligible subscription to the program remains in excess of 165 students per month through April 2012.

The Subcommittee approved Package 085 Allotment Reduction Roll-Ups. This package extends the 2010 Governor's Allotment Reductions to General Fund expenditures as follows: \$194,605 for Veterans' Emergency Assistance; \$9,557 for Payments to National Service Organizations and \$275,157 for Enhanced County Payments for Veterans Service Officer programs for 2009-11 through the 2011-13 biennium. It reduces General Fund by \$479,319. Members of the subcommittee and the Ways and Means Co-Chairs expressed a desire to add additional General Fund of \$350,000 for Enhanced County Payments for Veterans Service Officers, subject to availability of funding.

The Subcommittee approved Package 087 Personal Services Adjustments. This package makes a 5.5 percent across-the-board reduction in total Personal Services from the CSL budget. It reduces General Fund by \$95,911 and reduces expenditure limitation by \$165,913 Other Funds. The recommended reduction is not specific to an account or reduction strategy. Final Personal Services decisions will be determined by policy decisions and labor negotiations.

The Subcommittee approved Package 090 Analyst Adjustments. This package replaces Package 086 and includes elimination of basic inflation and a reduction for Attorney General and state government service charges. It reduces appropriation \$211,000 General Fund.

The Subcommittee approved Package 100 as modified. The package would have shifted Other Funds positions to the General Fund. The package as accepted incorporates the Package 087 Personal Service Adjustment making a 5.5 percent across-the-board reduction in total Personal Services from the CSL budget. It reduces expenditure limitation by \$82,634 Other Funds. The recommended reduction is not specific to an account or reduction strategy. Final Personal Services decisions will be determined by policy decisions and labor negotiations.

The Subcommittee approved Package 801 Targeted Statewide Adjustments. This package implements statewide reduction actions that are included in the Co-Chairs' Budget. It reduces Service and Supplies by \$22,314 General Fund. This statewide action is a 6.5 percent reduction in total General Fund and Lottery Funds Services and Supplies, which is in addition to the elimination of most CSL inflation contained in Package 086.

Package 819 Supplemental Statewide Ending Balance was approved. This package includes the supplemental statewide ending balance hold back adjustment of 3.5 percent on General Fund and Lottery Funds expenditures. It reduces General Fund by \$205,656.

In accordance with the Co-Chairs' budget plan, the budget bill for the Department includes direction that the ODVA may expend up to 54 percent of all General Fund appropriated to it for the 2011-13 biennium in Fiscal Year 2011-12.

The Subcommittee urged the Department of Veterans' Affairs to continue efforts to emphasize the importance of County Veterans' Service Officers through training and information provided to county commissions, and supports the utilization of a common veterans' benefit record and information system because of the efficiencies that can be gained among partners.

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 through a contract with a private care provider. The Subcommittee approved a budget of \$26,659,106 Other Funds and 2.00 FTE positions.

The Subcommittee approved Package 086 Eliminate Inflation. This package is used on a statewide basis to eliminate Attorney General inflation and to adjust State Government Service Charges. It reduces expenditure limitation by \$89,394 Other Funds.

The Subcommittee approved Package 087 Personal Services Adjustments. This package makes a 5.5 percent across-the-board reduction in total Personal Services from the CSL budget. It reduces expenditure limitation by \$21,278 Other Funds. The recommended reduction is not specific to an account or reduction strategy. Final Personal Services decisions will be determined by policy decisions and labor negotiations.

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 Subcommittee included Nonlimited Other Funds expenditures of \$443,095,385 in the budget.

Capital Construction

This budget unit includes expenditure authority for design of a second veterans home in Linn County which is to be completed within a six-year period with an aggregate cost of \$300,000 Other Funds. The funds for this design work will be provided by Linn County. Linn County would provide the 35 percent match with the federal Veterans Administration providing 65 percent of the ultimate cost of the facility. While Capital Construction expenditure limitation is included in a separate bill to be heard by a different Ways and Means subcommittee, the Subcommittee that hears an agency's budget makes recommendations on the capital projects included in the Capital Construction bill.

Summary of Performance Measure Action

See attached Legislatively Adopted 2011-13 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

SB 5546-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 | | | |
| 2009-11 Legislatively Approved Budget at March 2011 * | \$ 5,898,200 | \$ 0 | \$ 47,920,104 | \$ 573,236,708 | \$ 1,970,508 | \$ 0 | \$ 629,025,520 | 110 | 107.64 |
| 2011-13 ORBITS printed Current Service Level (CSL)* | \$ 6,630,666 | \$ 0 | \$ 46,792,375 | \$ 443,095,385 | \$ 0 | \$ 0 | \$ 496,518,426 | 99 | 99.00 |
| 2011-13 Governor's Recommended Budget* | \$ 5,898,200 | \$ 0 | \$ 45,562,427 | \$ 443,095,385 | \$ 0 | \$ 0 | \$ 494,556,012 | 98 | 98.00 |
| <u>SUBCOMMITTEE ADJUSTMENTS (from GRB)</u> | | | | | | | | | |
| <u>Loan Program - 001</u> | | | | | | | | | |
| Package 802: Vacant Position Savings | | | | | | | | | |
| Personal Services | \$ 0 | \$ 0 | \$ (631,708) | \$ 0 | \$ 0 | \$ 0 | \$ (631,708) | (4) | -4.00 |
| <u>Veterans Services - 002</u> | | | | | | | | | |
| Package 801: Targeted statew ide Adjustments -- 6.5% S&S reductions | | | | | | | | | |
| Services and Supplies | \$ (22,314) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (22,314) | 0 | 0.00 |
| Package 819: Supplemental Ending Balance adjustment | | | | | | | | | |
| Personal Services | \$ (69,428) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (69,428) | 0 | 0.00 |
| Special Payments | \$ (136,227) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (136,227) | 0 | 0.00 |
| TOTAL ADJUSTMENTS | \$ (227,969) | \$ 0 | \$ (631,708) | \$ 0 | \$ 0 | \$ 0 | \$ (859,677) | (4) | (4.00) |
| SUBCOMMITTEE RECOMMENDATION * | \$ 5,670,231 | \$ 0 | \$ 44,930,719 | \$ 443,095,385 | \$ 0 | \$ 0 | \$ 493,696,335 | 94 | 94.00 |
| % Change from 2009-11 Leg Approved Budget | -3.9% | 0.0% | -6.2% | -22.7% | -100.0% | 0.0% | -21.5% | -14.5% | -12.7% |
| % Change from 2011-13 Current Service Level | -14.5% | 0.0% | -4.0% | 0.0% | 0.0% | 0.0% | -0.6% | -5.1% | -5.1% |
| % Change from 2011-13 Gov's Recommended Budget | -3.9% | 0.0% | -1.4% | 0.0% | 0.0% | 0.0% | -0.2% | -4.1% | -4.1% |

Legislatively Proposed 2011-2013 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 2012 | Target 2013 |
|--|-----------------------------|----------------|---------------------|-------------|-------------|
| 1 - DELINQUENT ACCOUNTS - Percentage of Oregon Department of Veterans' Affairs home loan accounts that are delinquent. | | Approved KPM | 1.59 | 1.50 | 1.50 |
| 2 - DISABILITY COMPENSATION - Average U.S. Department of Veterans Affairs (federal VA) disability compensation received per Oregon veteran. | | Approved KPM | 13,125.00 | 11,245.00 | 11,245.00 |
| 3 - RECOVERY OF NEW FEDERAL DOLLARS - Recovery of new U.S. Department of Veterans Affairs (federal VA) benefit dollars for Oregon veterans, their dependents, and survivors with Oregon Department of Veterans' Affairs claims representation. | | Approved KPM | 43.30 | 36.00 | 36.00 |
| 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 | 89.00 | 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 | 87.00 | 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 | 91.00 | 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 | 93.00 | 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 2012 | Target 2013 |
|--|----------------------------------|-----------------------|----------------------------|--------------------|--------------------|
| 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 | 92.00 | 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 | 90.00 | 90.00 | 90.00 |
| 5 - BEST PRACTICES: Percent of total best practices met by the Board. | | Approved KPM | 0.00 | 60.00 | 60.00 |

LFO Recommendation:

The Legislative Fiscal Office recommends that existing Key Performance Measures be renumbered to reflect priorities identified by the Ways and Means Subcommittee on Transportation and Economic Development and Veterans Affairs policy committees, as follows: 1) Recovery of New Federal Dollars; 2) Disability Compensation; 3) Delinquent accounts (in the home loan program); 4) Customer Satisfaction. Corresponding 2011-13 targets as identified in the 2010 Annual Performance Progress Report are recommended for approval. The Legislative Fiscal Office further recommends that the Department develop a new measure or incorporate into the "Recovery of New Federal Dollars" measure a means of assessing and reporting on the percentage of eligible Oregon veterans receiving Federal benefits, and propose a measure related to the administration of the Oregon Veterans Home(s) for the 2013-15 biennium.

Sub-Committee Action: