

Oregon Department of Veterans' Affairs

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	12,954,681	8,380,599	8,568,114	10,275,406	10,127,148
Lottery Funds	--	14,856,025	15,400,349	14,779,342	23,095,751
Other Funds	79,801,323	113,266,941	116,893,607	103,405,833	104,488,196
Other Funds (NL)	235,863,557	387,546,159	447,546,159	408,779,089	408,779,089
Federal Funds	3,403,376	500,000	7,347,138	1,000,000	1,525,000
Total Funds	332,022,937	524,549,724	595,755,367	538,239,670	548,015,184
Positions	88	96	100	97	106
FTE	87.55	95.84	97.13	96.71	105.59

* Includes Emergency Board and administrative actions through December 2018.

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 and partnerships with counties and national veterans' service organizations to assist veterans. The Veterans' Services Program is funded with General Fund and Lottery Funds available through the passage of 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 and Issues

The overall 2019-21 current service level (CSL) budget of \$538.2 million is \$57.5 million (or 9.7%) less than the 2017-19 legislatively approved budget (LAB) of \$595.8 million. The decrease is primarily attributable to \$60 million Other Funds nonlimited expenditure limitation that was administratively added to the LAB after development of CSL to accommodate increased veterans' home loan originations. Lottery Funds expenditure limitation decreased due to one-time funding for grants to expand campus veteran resource centers (\$1 million) and development of a conservatorship system (\$400,000). A total of \$22.7 million Other Funds and Federal Funds expenditure limitation was

phased-out of the budget for capital projects at The Dalles and Lebanon Veterans' Homes and construction of the Roseburg Veterans' Home. An additional \$1.5 million Other Funds expenditure limitation was also removed for one-time costs to update the ODVA office building, purchase a home loan system, and issue General Fund supported bonds.

The number of CSL positions is less than the LAB as a result of the addition of three full-time permanent positions (0.75 FTE) by the Emergency Board in December 2018. ODVA requested and received positions and resources to establish the agency as the U.S. Department of Veterans Affairs (USDVA) State Approving Agency for veterans' education programs. USDVA oversees the administration of GI Bill education benefits through annual performance contracts with designated State Approving Agencies (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. SAA positions and program costs for the 2019-21 biennium, which are expected to total \$670,930, will need to be added to ODVA's budget during the 2019 session. ODVA anticipates receiving \$525,000 Federal Funds in 2019-21 through USDVA contract reimbursements beginning October 1, 2019, which will support nearly 80% of ongoing costs.

Policy Issues

Passage of Measure 96 in 2016 dedicated 1.5% of state lottery net proceeds towards veterans' services beginning July 1, 2017. During the 2017 session, \$14.9 million of 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. An additional \$1.5 million was allocated to the Housing and Community Services Department (HCSD) to address veterans' housing and homelessness issues. Total lottery revenue dedicated to veterans' services was projected to be \$19.1 million for the 2017-19 biennium based on the Office of Economic Analysis' (OEA) May 2017 revenue forecast, with adjustments for administrative actions. This resulted in an end-of-session estimated ending balance of \$2.9 million in the constitutionally dedicated Veterans' Services Fund to allow for fluctuations in revenue projections and provide a working capital balance to accommodate Lottery Funds expenditure increases during the biennium.

Based on the December 2018 forecast prepared by OEA, lottery revenue dedicated to veterans' services is projected to total \$21.6 million in 2017-19 and \$21.5 million in 2019-21, which results in an increased estimated beginning balance of \$4.7 million for the 2019-21 biennium. After ODVA's 2019-21 CSL expenditures, the Veterans' Services Fund has an estimated ending balance of \$11.4 million. Retaining an ending balance of \$2.7 million (12.5% of revenues), consistent with the prior biennium, leaves \$8.7 million of unallocated veterans' lottery proceeds. ODVA requested an additional \$3.7 million Lottery Funds through policy option packages (POPs) included in their 2019-21 agency request budget and the Governor's Budget included an additional \$4.6 million in Lottery Funds initiatives, which almost entirely utilizes available lottery proceeds above the recommended ending balance.

Other Significant Issues and Background

ODVA has a statewide partnership with counties through the CVSOs. Historically, CVSOs have existed in 34 of the 36 counties and ODVA has provided services for Marion and Polk counties. However, a Polk County Veteran Service Office was established in January 2017 and Marion County opened a Veteran Service Office in 2018 that will be fully trained and certified in spring 2019.

\$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 in the 2017-19 biennium for a third Veterans' Home in Roseburg. Lottery bonds for the Roseburg Veterans' Home were initially approved in 2011-13 and have been reauthorized in each subsequent biennium. Construction of the third home has not occurred in prior biennia for multiple reasons, including absence of a USDVA construction grant award that would provide 65% of the funding and analysis by ODVA that did not support the facility maintaining necessary occupancy levels to operate at a sustainable level. Lack of progress prompted legislation in the 2018 session that required ODVA to study and report on the progress of establishing the Roseburg Veterans' Home. ODVA's September 2018 report 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 13.2 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 and secured 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 \$48 million for a 126-bed facility. USDVA construction grant funds would cover \$31.2 million (65%) and \$10.5 million in state general obligation bonds has already been committed towards the state match (35%), which results in an additional \$6.3 million of matching funds needed from state or local resources. As remaining matching funds have yet to be identified, the approved Article XI-Q bonds will not be included in the February 2019 bond sale and will need to be reauthorized in the 2019 session. General Fund debt service (\$1.7 million) included in ODVA's CSL expenditures will be decreased accordingly.

Due to the shortage of nurses and medical technicians in the City of Roseburg and Douglas County that would be needed to staff the Roseburg Veterans' Home, ODVA was directed through a budget note to convene a rural medical training facilities workgroup. ODVA submitted the workgroup's report in September 2018 confirming that there are significant workforce shortages in multiple allied health and behavioral health fields in Roseburg, Douglas County, rural Oregon, and statewide. While the workgroup did not recommend one specific solution to increasing the number of medical professionals, they proposed that workforce shortages could be reduced through a number of methods, including incentive programs, recruitment bonuses, and competitive salaries for health care professors and instructors. The workgroup also considered the Oregonians for Rural Health proposal for a regional non-physician medical college in Roseburg.

ODVA's 2019-21 agency request budget includes POPs totaling \$237,500 General Fund, \$3.7 million Lottery Funds, \$1.1 million Other Funds, and two positions (2.00 FTE). Lottery Funds requests include funding to increase pass-through funding to NSOs (\$354,708); provide additional grants through the Veterans' Services Grant Fund (\$1 million); expand the transportation grant program to rural counties (\$600,000); and continue funding for the Campus Veterans Resource Grant Program (\$700,000), including removal the program's January

2020 sunset. A Business Development Representative position funded with home loan revenues is requested to expand the home loan program. The Department has also re-requested funding for two information technology projects: replacement of the agency's conservatorship system (\$400,000 Lottery Funds) and purchase of home loan system that integrates loan origination and servicing functions (\$250,000 Other Funds). Projects were requested and approved in ODVA's 2017-19 LAB; however, the Department determined that the projects needed further analysis and development of business requirements before implementation.

The Governor's Budget included additional Lottery Funds investments in transitional housing for homeless veterans (\$1.1 million), tribal partnerships and Veterans' Service Officer (\$500,000), veterans' behavioral health grants (\$560,000), down payment assistance for veterans' home loans (\$500,000), an Employment and Economic Development Specialist position (\$300,000), design and environmental studies for the Roseburg Veterans' Home (\$250,000), and increased funding for the Veterans' Services Grant Fund (\$500,000). ODVA's request to continue the refresh of their building and complete renovations of the second floor was included in the Governor's Budget, with the exception that the General Fund portion of the request (\$237,500) was substituted with Lottery Funds. As part of a statewide initiative to strengthen internal audit functions, funding was also provided for an Internal Auditor position.