

Oregon Department of Veterans' Affairs

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	7,850,833	8,352,877	7,948,133	9,025,313	8,256,289
Lottery Funds	14,015,771	20,559,847	19,272,830	18,423,695	20,555,431
Other Funds	97,670,702	108,523,336	109,395,643	112,009,726	115,036,988
Other Funds (NL)	336,915,582	408,779,089	408,779,089	204,521,026	204,521,026
Federal Funds	6,429,755	1,525,000	3,267,259	1,617,844	1,617,844
Total Funds	462,882,643	547,740,149	548,662,954	345,597,604	349,987,578
Positions	98	105	105	103	103
FTE	94.92	104.47	104.47	102.59	102.59

* Includes Emergency Board and administrative actions through January 2021.

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 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 2021-23 current service level (CSL) budget of \$345.6 million is \$202.8 million (or 37%) less than the 2019-21 legislatively approved budget (LAB) of \$548.4 million. The decrease is primarily attributable to a \$204.3 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 2021-23

CSL budget of \$141.1 million is a \$1.5 million (or 1.1%) increase over the 2019-21 LAB of \$139.6 million. Lottery Funds expenditure limitation decreased due to one-time funding for grants to expand veterans' healthcare transportation in rural counties (\$500,000) and campus veteran resource centers (\$900,000); veteran educational bridge program grants (\$300,000) and limited duration program analyst (0.88 FTE); grant to the YMCA for a veterans' affordable housing project (\$1 million); and costs to update the ODVA office building (\$475,000).

An additional \$4.8 million Other Funds expenditure limitation was also removed for one-time costs to update the ODVA office building, home loan system modernization project, and a lottery bond grant to the YMCA to construct veterans' affordable housing. Federal Funds decreased due to one-time expenditure limitation provided in the 2019-21 budget for Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund payments received by the Department for the Oregon Veterans' Homes to prevent, prepare for, and respond to the coronavirus.

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, 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 and 2019 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 2020 forecast prepared by the DAS Office of Economic Analysis (OEA), lottery revenue dedicated to veterans' services is projected to total \$19.2 million in 2019-21 and \$22.7 million in 2021-23, which results in an estimated beginning balance of \$3.4 million in Veterans' Services Fund (VSF) for the 2021-23 biennium. After ODVA's 2021-23 CSL expenditures, as well as CSL expenditures in the Criminal Justice Commission for veterans' courts and the Oregon Health Authority for veterans' behavioral health services, the VSF has an estimated ending balance of \$5 million. Retaining an ending balance of \$2.8 million (12.5% of revenues), consistent with the prior biennium, leaves \$2.2 million of unallocated veterans' lottery proceeds. The Governor's Budget utilized this balance to finance Lottery Funds supported policy packages in ODVA. However, it is important to note that the two-week freeze and subsequent restrictions for extreme risk counties directly impact lottery revenues and are not considered in the December 2020 forecast. Decreases in actual lottery revenues during this period will be reflected in the March 2021 forecast and reduce the projected balance in the VSF. In addition to a diminished VSF balance, any decreases in 2021-23 projected revenues will further reduce lottery resources available to finance Lottery Funds expenditures.

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.

As of December 2020, ODVA has received a total of \$2.3 million in CARES Act Provider Relief Fund general and targeted distributions from the U.S. Department of Health and Human Services, available to healthcare providers for expenses and lost revenues due to COVID-19. Oregon's Veterans' Homes have experienced additional costs for personal protective equipment, testing, infection control, and increased staffing. Lower census levels have also resulted in decreased revenues.

Other Significant Issues and Background

ORS 408.385 identifies Roseburg as the site for the 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 2019 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 \$71 million for a 154-bed facility. USDVA construction grant funds would potentially cover \$46.2 million (65%) with \$24.8 million (35%) of matching funds needed from state or local resources.

The 2021-23 Governor's Budget includes the following Lottery Funds investments:

- \$750,000 to continue replacement of the conservatorship system. Funding approved in the 2019 session for this project was eliminated in the 2020 second special session and implementation deferred to 2021-23.
- \$500,000 to renew funding for Rural Veteran Healthcare Transportation Grants, which augment the federal Highly Rural Transportation Grant program to provide rural veterans with access to healthcare transportation services. ODVA partnered with the Oregon Department of Transportation (ODOT) in the 2019-21 biennium to administer this program.
- \$500,000 for Campus Veteran Resource Center Grants that are awarded to Oregon community colleges and public universities to expand and enhance existing veteran programs on campuses.
- \$192,669 to increase funding for the Veteran Services Grant Fund to a total of \$788,118 in the 2021-23 biennium.
- \$185,000 for a Human Resource Analyst 1 position to support the agency's increased staffing needs.

- \$175,000 to continue the Veteran Educational Bridge Grant Program, as well as introduction of a legislative concept to extend the program sunset from January 2, 2022 to January 2, 2024. Funding supports grants to student veterans who are unable to complete a degree program within the expected period due to the timing or unavailability of courses.
- \$100,000 to cover a portion of the Veterans' Services and Aging Veterans' Services Programs' share of agency operating costs covered by the Home Loan Program to align programs with support services costs.

Other Funds investments include \$400,000 to continue modernizing ODVA's home loan applications. ODVA received funding in the 2019-21 budget to replace and integrate the loan origination and servicing systems. The project is underway and expected to be completed in June 2021. An additional \$3 million Other Funds is provided for anticipated increased costs in providing care at the Oregon Veterans' Homes due to the ongoing COVID-19 pandemic.

In addition to statewide reductions in DAS assessments and Attorney General rates, elimination of services and supplies inflation, and increased vacancy savings assumptions, the Governor's Budget reduces General Fund expenditures by eliminating a vacant Public Services Representative 3 position (1.00 FTE) in the Portland Office, holding two support positions vacant for the biennium, and reducing services and supplies expenditures by approximately 6%.

Although ODVA experienced growth in loan volume over the several fiscal years, originations decreased from \$77 million in 2019 to \$47.4 million in 2020. The decline is primarily attributable to historically low mortgage interest rates and a shortage of available housing inventory. Additionally, while the percentage of delinquent loans has remained consistently below average, the economic impact of the COVID-19 pandemic, including increased unemployment, may lead to an increase the level of delinquencies. 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_2020-09-17-1.pdf