

HB 5036 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

Prepared By: April McDonald, Department of Administrative Services

Reviewed By: Zane Potter, Legislative Fiscal Office

**Department of Veterans' Affairs
2021-23**

PRELIMINARY

Budget Summary*

	2019-21	2021 - 23	2021-23	Committee Change from 2019-21 Leg.	
	Legislatively Approved Budget ⁽¹⁾	Current Service Level	Committee Recommendation	Committee Change from 2019-21 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 7,589,959	\$ 8,653,653	\$ 8,636,335	\$ 1,046,376	13.8%
General Fund Debt Service	\$ 358,174	\$ 371,660	\$ 371,660	\$ 13,486	3.8%
Lottery Funds	\$ 19,272,830	\$ 17,733,685	\$ 20,469,441	\$ 1,196,611	6.2%
Lottery Funds Debt Service	\$ -	\$ 690,010	\$ 690,010	\$ 690,010	100.0%
Other Funds Limited	\$ 109,375,643	\$ 112,009,726	\$ 115,372,793	\$ 5,997,150	5.5%
Other Funds Debt Service	\$ 20,000	\$ -	\$ -	\$ (20,000)	-100.0%
Other Funds Nonlimited	\$ 193,025,000	\$ 153,025,000	\$ 153,025,000	\$ (40,000,000)	-20.7%
Other Funds Debt Service Nonlimited	\$ 215,754,089	\$ 51,496,026	\$ 51,496,026	\$ (164,258,063)	-76.1%
Federal Funds Limited	\$ 3,267,259	\$ 1,617,844	\$ 1,617,844	\$ (1,649,415)	-50.5%
Total	\$ 548,662,954	\$ 345,597,604	\$ 351,679,109	\$ (196,983,845)	-35.9%

Position Summary

Authorized Positions	105	103	104	-1
Full-time Equivalent (FTE) positions	104.47	102.59	103.79	-0.68

⁽¹⁾ Includes adjustments through January 2021

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The total available revenue for the Oregon Department of Veterans' Affairs (ODVA) is funded with a mix of General Fund (1.5%), Lottery Funds (3.7%), and Other Funds (94.6%). The Department also receives Federal Funds (0.3%) for certain U.S. Department of Veterans' Affairs (USDVA) grants.

The most significant Other Funds revenue sources are veteran loan repayments including charges for loan-related services, dedicated general obligation bond proceeds, interest and investment income, rent from leasing space within the Veterans' building, fees from the conservatorship program, and funding received from private parties, Medicare, Medicaid, and USDVA benefits for the two veterans' homes. The Oregon War Veterans' Fund, a constitutionally dedicated fund, receives nearly all of the Department's Other Funds revenues, except those for the Veterans' Homes. The Department's total Other Funds revenue, projected through the 2021-23 biennium, is expected to be notably lower than the 2019-21 biennium; decreasing by 11.2%. This decrease is driven by a decline in Loan Program revenues, including dedicated general obligation bond proceeds, interest income, and veteran loan repayments.

With the passage of Ballot Measure 96 (2016), the available funding for ODVA increased due to the addition of Lottery Funds. Measure 96 directs 1.5% of net lottery proceeds into the state's Veterans' Services Fund to provide services for the benefit of Oregon veterans. Total lottery revenue dedicated to veterans' services is projected to be \$24.8 million for the 2021-23 biennium. Lottery Funds will be allocated to ODVA for legislatively approved Lottery Funds expenditures, primarily in the Statewide Veteran Services Program and the Aging Veteran Services Program.

The Department receives General Fund to support the Veterans' Services Program, Aging Veteran Services, and debt service in the Veterans' Home Program on bonds sold for capital construction projects.

Summary of Transportation and Economic Development Subcommittee Action

ODVA's mission is to help ensure over 300,000 Oregon veterans, spanning four generations and five major eras of conflict, have access to the best care, resources, and opportunities offered by the nation's veteran benefit system. The Department is a voice of advocacy ensuring all veterans receive assistance in accessing their earned benefits, whether provided by federal, state, local governments, or nonprofit organizations. The Department has four primary functions; providing veterans' services, operating the veterans' Home Loan program, managing Oregon's two veterans' homes (in The Dalles and Lebanon), and addressing the needs of aging veterans and their families.

The Subcommittee recommended a budget of \$351,679,109 total funds and 104 positions (103.79 FTE). This is a 35.9% decrease from the 2019-21 legislatively approved budget and one less position (0.68 FTE). The substantial decrease is driven by Nonlimited expenditures related to the Loan Program, reflecting a decline in bonding and debt service related to the program.

Loan Program

In 1945, Oregon citizens voted to create a Veterans' Home Loan program, established in Article XI-A of the Oregon Constitution. The Home Loan Program provides low-interest rate mortgages on single family, owner-occupied homes to qualified veterans. Although state-based veteran housing benefits currently exist in 28 states, Oregon is one of five states in the nation grandfathered under federal tax law to offer a state veteran home loan program. The program offers financing up to the Fannie Mae limit, currently \$548,250 for a single-family unit. The Loan Program is supported entirely by Other Funds expenditure limitation. The revenues are derived from loan and contract repayments, proceeds from bond sales (both of which are constitutionally dedicated for certain veteran programs), fee and rental income, and investment earnings. In addition to being constitutionally dedicated, Loan Program funds are restricted by federal tax law, bond covenants, standby bond purchase agreements and liquidity provider agreements.

The Subcommittee recommended a budget of \$18,470,367 Other Funds expenditure limitation and 47 positions (46.79 FTE). This is a 4% increase from the 2019-21 legislatively approved budget. The recommended budget includes the following packages:

Package 099, Microsoft 365 Consolidation. This package reduces Other Funds expenditure limitation by \$33,053 as part of a statewide effort to consolidate Microsoft 365 within the Office of the State Information Officer. This cost is built into the State Government Service Charge for every agency as an increase for the 2021-23 biennium. This package makes a corresponding reduction to the Department's budget equivalent to what should be paid for Microsoft 365 in the 2019-21 biennium.

Package 101, Strengthen Outdated IT Systems and Operations. Package 101 increases Other Funds expenditure limitation by \$400,000 on a one-time basis in the Home Loan Program to continue modernizing the program's information systems. Modernization of the home loan origination system is currently underway with completion expected in June 2021. This package funds replacement of the home loan servicing application and is expected to integrate with the new origination system and enable customer-facing online account management of their state veteran home loan.

Veterans' Services Program

The Veterans' Services Program is responsible for providing advocacy and benefits to veterans, their dependents, and survivors. The program provides benefits counseling, claims and appellate representation, certification and training for counties and national service organizations, educational assistance, emergency financial assistance, and support of service delivery partnerships across the state. The programs within this division include: Statewide Veterans Services, County Veteran Service Officers (CVSOs), National Service Organizations (NSO), Tribal Veteran Representatives Program (TVR), and the Emergency Financial Assistance Program.

Prior to the passage of Ballot Measure 96 (2016), the Veterans' Services Program received primarily General Fund along with various Other Funds resources. Now this program receives Lottery Funds as the predominant funding source, representing 64.2% of the Division's expenditures.

The Subcommittee recommended a budget of \$7,877,272 General Fund, \$17,280,807 Lottery Funds, \$137,329 Other Funds expenditure limitation, \$1,617,844 Federal Funds expenditure limitation, and 39 positions (39.00 FTE). The total funds budget of \$26,913,252 is a 7.3% decrease from the 2019-21 legislatively approved budget and supports two fewer positions (1.68 FTE). The recommended budget includes the following packages:

Package 099, Microsoft 365 Consolidation. This package reduces General Fund by \$14,108, Lottery Funds by \$13,855, and Other Funds expenditure limitation by \$353 as part of a statewide effort to consolidate Microsoft 365 within the Office of the State Information Officer. This cost is built into the State Government Service Charge for every agency as an increase for the 2021-23 biennium. This package makes a corresponding reduction to the Department's budget equivalent to what should be paid for Microsoft 365 in the 2019-21 biennium.

Package 101, Strengthen Outdated IT Systems and Operations. This package increases Lottery Funds by \$285,000 in the Veterans' Services Program for the following investments:

- \$185,000 is provided to establish a permanent Human Resource Analyst 1 (1.00 FTE) and the associated services and supplies costs. ODVA's current HR staffing consists of one management level position and one support analyst position, serving approximately 105 employees located across the state with a broad spectrum of workforce management needs. This position addresses the needed bench strength and alleviates workload issues.
- \$100,000 is provided to support the Statewide Veteran Services and Aging Veteran Services programs. The additional Lottery Funds are intended to mitigate the subsidization of these programs by ODVA's Home Loan Program revenues. This action will strengthen the financial sustainability of the Home Loan Program and reflect a best practice, as Loan Program revenues will be dedicated to Loan Program activities.

Package 102, Mobilize Partnerships to Support Veterans. This package increases Lottery Funds by \$1,042,669 in the Veterans' Services Program for the following investments:

- \$600,000 is provided on a one-time basis to renew the Campus Veteran Resource grant. Funding will support campus veteran resource centers throughout Oregon, helping veterans transition successfully and thrive in college.
- \$342,669 is provided on a one-time basis to increase funding for the Veteran Services Grant Program to a total of \$938,118 for the 2021-23 biennium. This supports the provision of direct services to Oregon veterans including mental health care, housing security, and employment.
- \$100,000 is added on a one-time basis for the Veteran Emergency Financial Assistance Program. Funding provides financial assistance to veterans with emergency needs, such as temporary housing and related housing needs, emergency medical or dental expenses and emergency transportation needs.
- \$650,000 is transferred on a one-time basis to the Oregon Department of Transportation (ODOT) to administer the Rural Veteran Healthcare Transportation grant program. ODVA partnered with ODOT during the 2019-21 biennium to administer this program.

Package 801, LFO Analyst Adjustments. This package includes the following adjustments:

- Two positions (2.00 FTE) are permanently moved from the Veterans' Services Program to the Aging Veteran Services program. These positions include an Office Specialist 2 (\$145,727 Lottery Funds) and a Public Services Representative 3 (\$161,778 General Fund). These positions were moved operationally during the 2019-21 biennium and this adjustment aligns the budget as needed.

- A Program Analyst 1 position is adjusted from 0.88 FTE to 1.00 FTE and a Program Analyst 2 position is adjusted from 0.92 FTE to 1.00 FTE. The total cost of these adjustments is \$35,831 Lottery Funds and allows the agency to hire full time employees without incurring unfunded personal service expenditures.
- Lottery Funds expenditure limitation is increased by \$642,072 to support funds carried forward from the 2019-21 biennium. These funds were provided to ODVA for a one-time grant to the YMCA of Marion and Polk Counties, for construction of veterans' affordable housing adjacent to the new YMCA facility in Salem.

Oregon Veterans' Home Program

The Oregon Veterans' Home Program provides the state's most vulnerable veterans and their families with skilled nursing, Alzheimer's and memory-related care, and rehabilitative services in an environment understanding to the unique needs of the men and women who served our country. Currently, there are two Oregon facilities; one located in The Dalles and the second in Lebanon. A third Veterans' Home is in stages of preliminary planning for Roseburg. The provision of care at an Oregon Veteran's Home is an earned benefit available to veterans, their spouses and parents who had a child die while serving in the United States Armed Forces. ODVA contracts with Veterans Care Centers of Oregon (VCCO), a non-profit organization, for the day-to-day operation of the facility. Together, ODVA and VCCO assure the delivery of award-winning, high-quality care to veterans.

The Oregon Veterans' Home Program is a self-sustaining program, operating entirely on Other Funds revenues. General Fund is appropriated for debt service on Article XI-Q Bonds issued for capital projects at the homes, including construction of a classroom for training nursing staff at The Dalles facility and a parking lot for the Lebanon home.

The Subcommittee recommended a budget of \$371,660 General Fund, \$96,765,097 Other Funds expenditure limitation and four positions (4.00 FTE). The total funds budget of \$97,136,757 is an 8.5% increase from the 2019-21 legislatively approved budget. The recommended budget includes the following packages:

Package 099, Microsoft 365 Consolidation. This package reduces Other Funds expenditure limitation by \$3,527 as part of a statewide effort to consolidate Microsoft 365 within the Office of the State Information Officer. This cost is built into the State Government Service Charge for every agency as an increase for the 2021-23 biennium. This package makes a corresponding reduction to the Department's budget equivalent to what should be paid for Microsoft 365 in the 2019-21 biennium.

Package 101, Strengthen Outdated IT Systems and Operations. This package increases Other Funds expenditure limitation by \$3,000,000 on a one-time basis in order to respond to anticipated cost increases related to providing care to veterans living in the two Oregon Veterans' Homes during the ongoing COVID-19 pandemic. This increase is supported by revenues from the Veterans' Home Program for the 2021-23 biennium.

Aging Veteran Services

The Aging Veteran Services Division was established in the 2019-21 biennium to address the needs and concerns of the rapidly aging veteran demographic and their families. According to a report from the Oregon Office of Economic Analysis, the population of adults 65 years and older have experienced growth rates of over four percent annually, between 2011 and 2019. This growth is anticipated to continue, albeit at the slower average rate of 2.5% annually, during the 2020-2029 forecast period. By 2029, nearly 22% of all Oregonians will be adults 65 years and older. Moreover, as early as 2025, a projected 55% of Oregon's veterans will be over 65. This aging population will need access to long-term care, home and community based services, adult foster care, prescription medications, and increased health and dental care. Aging Veteran Services collaborates with all state, federal, and community partners to ensure aging veterans, their families, and caregivers receive advocacy and services.

The Division incorporates the Conservatorship Program, Aging Veteran Outreach and the Veteran Volunteer Program. The Conservatorship Program assists veterans in managing their financial affairs by functioning as a conservator or a representative payee. The Aging Veteran Outreach Program works collaboratively with agency partners to coordinate benefits and services specific to the aging population. The Program educates other agencies and the public regarding aging veterans' benefits and file claims on behalf of veterans residing in a veterans' home or participating in the conservatorship program. The Veteran Volunteer Program was established to create a volunteer network trained to locate and assist veterans with their benefits. The Program also provides ongoing training and oversight for volunteers.

The Subcommittee recommended a budget of \$759,063 General Fund, \$3,878,644 Lottery Funds, and 14 positions (14.00 FTE). The total funds budget of \$4,637,707 is a 30.4% increase from the 2019-21 legislatively approved budget. This increase is largely due to investments made in the following recommended packages:

Package 099, Microsoft 365 Consolidation. This package reduces General Fund by \$3,210 and Lottery Funds by \$5,961 as part of a statewide effort to consolidate Microsoft 365 within the Office of the State Information Officer. This cost is built into the State Government Service Charge for every agency as an increase for the 2021-23 biennium. This package makes a corresponding reduction to the Department's budget equivalent to what should be paid for Microsoft 365 in the 2019-21 biennium.

Package 101, Strengthen Outdated IT Systems and Operations. This package increases Lottery Funds by \$750,000 on a one-time basis to continue the agency's progress towards replacing the Conservatorship Program system. The current system is an outdated legacy application running on COBOL language with dependency on a single contracted application developer. In the 2019-21 biennium, ODVA contracted professional services for project management and business analysis and has worked with Enterprise Information Services (EIS) to meet all state oversight and planning requirements. This package provides funding to procure and implement a solution during the 2021-23 biennium.

Package 801, LFO Analyst Adjustments. This package permanently moves two positions (2.00 FTE) from the Veterans' Services Program to the Aging Veteran Services program. These positions include an Office Specialist 2 (\$145,727 Lottery Funds) and a Public Services Representative 3

(\$161,778 General Fund). These positions were moved operationally, during the 2019-21 biennium, and this technical adjustment aligns the budget as needed.

Nonlimited

This program includes two types of expenditures: Nonlimited bond and loan expenditures, as well as Nonlimited debt service expenditures.

- Nonlimited bond-related expenditures are for planning and issuing bonds. They include bond counsel and attorney fees, State Treasury bond fees and fees relating to preparing bond disclosure documents. Nonlimited loan-related expenditures consist of costs charged back to the loan balances and eventually collected. These expenditures include loans made to veterans, payment of property taxes, hazard insurance, foreclosure, and state-owned property costs and other costs incurred to protect the state's interest in property secured by a loan. The proceeds from the bond sales provide the capital necessary to issue loans.
- Nonlimited debt service expenditures are for the principal and interest payments due on outstanding bonds and any net payments from interest rate swaps.

The Subcommittee recommended a budget of \$204,521,026 Other Funds Nonlimited. This is a 50% decrease from the 2019-21 legislatively approved budget.

Summary of Performance Measure Action

See attached Legislatively Adopted 2021-23 Key Performance Measures form.

PRELIMINARY

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Department of Veterans' Affairs
April McDonald -- 503-877-8125

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE	
			LIMITED	NONLIMITED	LIMITED	NONLIMITED				
2019-21 Legislatively Approved Budget at Jan. 2021*	\$ 7,948,133	\$ 19,272,830	\$ 109,395,643	\$ 408,779,089	\$ 3,267,259	\$ -	548,662,954	105	104.47	
2021-23 Current Service Level (CSL)*	\$ 9,025,313	\$ 18,423,695	\$ 112,009,726	\$ 204,521,026	\$ 1,617,844	\$ -	345,597,604	103	102.59	
SUBCOMMITTEE ADJUSTMENTS (from CSL)										
SCR 001 - Loan Program										
Package 099: Microsoft 365 Consolidation										
Services and Supplies	\$ -	\$ -	\$ (33,053)	\$ -	\$ -	\$ -	(33,053)			
Package 101: Strengthen Outdated IT Systems and Operations										
Capital Outlay	\$ -	\$ -	\$ 400,000	\$ -	\$ -	\$ -	400,000			
SCR 002 - Veterans' Services Program										
Package 099: Microsoft 365 Consolidation										
Services and Supplies	\$ (14,108)	\$ (13,855)	\$ (353)	\$ -	\$ -	\$ -	(28,316)			
Package 101: Strengthen Outdated IT Systems and Operations										
Personal Services	\$ -	\$ 171,911	\$ -	\$ -	\$ -	\$ -	171,911	1	1.00	
Services and Supplies	\$ -	\$ 113,089	\$ -	\$ -	\$ -	\$ -	113,089			
Package 102: Mobilize Partnerships to Support Veterans										
Special Payments: 6025 Dist to Other Gov Unit	\$ -	\$ 600,000	\$ -	\$ -	\$ -	\$ -	600,000			
Special Payments: 6030 Dist to Non-Gov Unit	\$ -	\$ 342,669	\$ -	\$ -	\$ -	\$ -	342,669			
Special Payments: 6035 Dist to Individuals	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	100,000			
Package 801: LFO Analyst Adjustments										
Personal Services	\$ (161,778)	\$ (109,896)	\$ -	\$ -	\$ -	\$ -	(271,674)	(2)	(1.80)	
Special Payments: 6050 Dist to Non-Profit Org.	\$ -	\$ 642,072	\$ -	\$ -	\$ -	\$ -	642,072			
SCR 003 - Oregon Veterans Home Program										
Package 099: Microsoft 365 Consolidation										
Services and Supplies	\$ -	\$ -	\$ (3,527)	\$ -	\$ -	\$ -	(3,527)			
Package 101: Strengthen Outdated IT Systems and Operations										
Services and Supplies	\$ -	\$ -	\$ 3,000,000	\$ -	\$ -	\$ -	3,000,000			
SCR 004 - Aging Veteran Services										
Package 099: Microsoft 365 Consolidation										
Services and Supplies	\$ (3,210)	\$ (5,961)	\$ -	\$ -	\$ -	\$ -	(9,171)			

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Package 101: Strengthen Outdated IT Systems and Operations Capital Outlay	\$ -	\$ 750,000	\$ -	\$ -	\$ -	\$ -	750,000		
Package 801: LFO Analyst Adjustments Personal Services	\$ 161,778	\$ 145,727	\$ -	\$ -	\$ -	\$ -	307,505	2	2.00
TOTAL ADJUSTMENTS	\$ (17,318)	\$ 2,735,756	\$ 3,363,067	\$ -	\$ -	\$ -	6,081,505	1	1.20
SUBCOMMITTEE RECOMMENDATION *	\$ 9,007,995	\$ 21,159,451	\$ 115,372,793	\$ 204,521,026	\$ 1,617,844	\$ -	351,679,109	104	103.79
% Change from 2019-21 Leg Approved Budget	13.3%	9.8%	5.5%	-50.0%	-50.5%	0.0%	-35.9%	-1.0%	-0.7%
% Change from 2021-23 Current Service Level	-0.2%	14.8%	3.0%	0.0%	0.0%	0.0%	1.8%	1.0%	1.2%

*Excludes Capital Construction Expenditures

PRELIMINARY

Legislatively Approved 2021 - 2023 Key Performance Measures

Published: 6/3/2021 10:15:52 AM

Agency: Veterans' Affairs, Department of

Mission Statement:

The Oregon Department of Veterans' Affairs (ODVA), serves and honors veterans through our leadership, advocacy and strong partnerships.

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2022	Target 2023
1a. Loan Program - Delinquent Accounts - Percentage of Oregon Department of Veterans' Affairs home loan accounts that are delinquent.		Approved	0.51%	1.50%	1.50%
1b. Loan Program - Loan Origination. Increase the loan origination volume to \$45 million or more in new loans per year.		Approved	\$47.44	\$45.00	\$50.00
2a. Oregon Veterans Homes - Maintain an occupancy rate of at least 80% for licensed beds in both Veteran Homes.		Approved	92%	80%	83%
2b. Oregon Veterans Homes - Maintain below-market veteran private pay rates.		Approved	\$245.00	\$351.00	\$372.00
3. Veteran Services - Disability Compensation and Pension Benefits - Amount of average U.S. Department of Veterans Affairs (federal VA) disability and pension compensation received per Oregon Veteran who receives these benefits.		Approved	\$16,605.54	\$17,318.00	\$17,838.00
4. Veteran Services - Power of Attorney (POA) - Number of powers of attorney granted by veterans to veteran service officers and the Department.		Approved	9,804	7,100	7,650
5. 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	86%	90%	90%
	Accuracy		92%	90%	90%
	Availability of Information		87%	90%	90%
	Expertise		95%	90%	90%
	Overall		96%	90%	90%
	Helpfulness		94%	90%	90%
6. Best Practices - Percent of total applicable best practices met by the Board.		Approved	100%	100%	100%
7. Reducing Veteran Homelessness - Percentage of veteran homeless households who exited into permanent housing and retained that housing for six months or longer.		Approved	79%	80%	80%

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the proposed Key Performance Measures and updated targets.

SubCommittee Action:

The Transportation and Economic Development Committee approved the Legislative Fiscal Office recommendations.