

SB 5538 A BUDGET REPORT and MEASURE SUMMARY

Carrier: Rep. Mannix

Joint Committee On Ways and Means

Action Date: 05/31/23

Action: Do Pass the A-Eng bill.

House Vote

Yeas: 12 - Breese-Iverson, Cate, Evans, Gomberg, Holvey, Lewis, McLain, Pham K, Reschke, Sanchez, Smith G, Valderrama

Senate Vote

Yeas: 11 - Anderson, Campos, Dembrow, Findley, Frederick, Gelser Blouin, Girod, Hansell, Knopp, Sollman, Steiner

Prepared By: Wendy Gibson, Department of Administrative Services

Reviewed By: Walt Campbell, Legislative Fiscal Office

**Department of Veterans' Affairs
2023-25**

Budget Summary*

	2021-23 Legislatively Approved Budget ⁽¹⁾	2023-25 Current Service Level	2023-25 Committee Recommendation	Committee Change from 2021-23 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 8,768,706	\$ 9,188,089	\$ 8,958,387	\$ 189,681	2.2%
General Fund Debt Service	\$ 371,660	\$ 372,670	\$ 372,670	\$ 1,010	0.3%
Lottery Funds	\$ 20,827,683	\$ 19,091,554	\$ 21,652,654	\$ 824,971	4.0%
Lottery Funds Debt Service	\$ 499,184	\$ 551,000	\$ 551,000	\$ 51,816	10.4%
Other Funds Limited	\$ 121,680,744	\$ 120,580,491	\$ 139,034,649	\$ 17,353,905	14.3%
Other Funds Nonlimited	\$ 188,949,200	\$ 153,025,000	\$ 153,025,000	\$ (35,924,200)	(19.0%)
Other Funds Debt Service Nonlimited	\$ 152,044,603	\$ 50,100,000	\$ 108,100,000	\$ (43,944,603)	(28.9%)
Federal Funds Limited	\$ 1,628,594	\$ 1,719,613	\$ 3,881,025	\$ 2,252,431	138.3%
Total	\$ 494,770,374	\$ 354,628,417	\$ 435,575,385	\$ (59,194,989)	(12.0%)

Position Summary

Authorized Positions	104	102	101	(3)
Full-time Equivalent (FTE) positions	103.79	101.97	100.97	(2.82)

Summary of Revenue Changes

The total available revenue for the Oregon Department of Veterans' Affairs (ODVA) is a mix of General Fund (2.1%), Lottery Funds (5.1%), and Other Funds (91.9%). The Department also receives Federal Funds (0.9%) for certain U.S. Department of Veterans' Affairs (USDVA) grants and deferred maintenance projects related to the veterans' homes.

The most significant Other Funds revenue sources are veteran loan repayments, 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 the Department's Other Funds revenues, except those for the Veterans' Homes. The Department's total Other Funds revenue, projected through the 2023-25 biennium, is expected to be lower than the 2021-23 biennium, decreasing by 9.1%. 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. The May 2023 state economic and revenue forecast projects \$27.5 million in Lottery revenue dedicated to veterans' services in the 2023-25 biennium. Lottery Funds will be allocated through House Bill 5029 to ODVA for legislatively approved Lottery Funds expenditures, primarily in the Statewide Veteran Services Program and the Aging Veteran Services Program. Additionally, Lottery Funds are allocated from the Economic Development Fund for debt service related to the Veterans' Affordable Housing Project. With the recommended budget, a reserve balance of at least 12.5% of projected revenues is expected to be retained in the Veterans' Services Fund to allow for fluctuations in projected revenues and accommodate Lottery Funds expenditure increases during the biennium.

The Department receives General Fund to support the Veterans' Services Program, Aging Veteran Services, and debt service on bonds sold for Capital Construction projects related to veterans' housing and the Veterans' Home Program.

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 \$435,575,385 total funds and 101 positions (100.97 FTE). This is a 12% decrease from the 2021-23 Legislatively Approved Budget (LAB). The decrease is primarily 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 Federal Housing Finance Authority limit, currently \$647,200 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 \$23,256,862 Other Funds expenditure limitation, and 46 positions (45.97 FTE). This is a 24.6% increase from the 2023-25 LAB. The recommended budget includes the following packages:

Package 106, IT Staff Augmentation. This package provides \$79,500 Other Funds expenditure limitation, on a one-time basis, to augment the current information system staffing within the agency by adding funding for a contractor to maintain the AS400 legacy applications. The contractor would triage user incidents, conduct break-fix work, create application workflow and process maps, and identify system efficiencies.

Package 108, Continue Home Loan Svc IT Replacement Project. This package increases Other Funds expenditure limitation by \$1,000,000 on a one-time basis. The current modernization project will replace the end-of-life loan servicing system, Loan Servicing and Accounting Management Software, with a new Software-As-A-Service platform. This package provides the funding needed in the first year of the biennium to complete procurement and implementation of the Home Loan Servicing Replacement project as well as funding to cover the first year of service and maintenance costs. The Department selected a vendor in early May 2023, and is working to get a signed contract in place by July 2023. Once the contract is signed, ODVA will be billed procurement-related costs by the Department of Administrative Services and the Department of Justice. The subcommittee approved the following budget note related to the project:

Budget Note

ODVA shall provide a summary status report that includes the scope, schedule, budget, major milestones, key issues, risks and progress to the Legislative Fiscal Office prior to the 2024 Legislative Session. Additionally, the agency is directed to continue qualified project management practices and notify the Legislative Fiscal Office of changes in the project management structure.

Package 113, ODVA Capital Improvement Projects. This package increases Other Funds expenditure limitation by \$3,355,000 to complete two deferred maintenance projects. The first project replaces the chillers, cooling towers, and associated items at the Salem ODVA building for \$1.4 million. The second project funds a second-floor renovation project at the Salem ODVA building for \$2.0 million. This package is supported by revenue generated by the Home Loan Program.

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, National Service Organizations, Tribal Veteran Representatives Program, 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 over half of the program's expenditures in 2023-25.

The Subcommittee recommended a budget of \$8,155,751 General Fund, \$18,785,069 Lottery Funds, \$1,756,899 Other Funds expenditure limitation, \$1,719,613 Federal Funds expenditure limitation, and 37 positions (37.00 FTE). The total funds budget of \$30,417,332 is an 8.5% decrease from the 2021-23 LAB due to the phase out of one-time bond funding received in the 2021-23 biennium for a veterans housing project. The recommended budget includes the following packages:

Package 118, Increase Tribal Passthrough Funding. This package provides \$91,600 Lottery Funds dedicated to veterans' services to increase pass-through funding for the Tribal Veteran Service Officer Program. The increased funding will assist tribal partners with the ability to retain permanent staff to support tribal veteran services.

Package 119, Increase Campus Veteran Resource Center Grant. This package provides \$1,000,000 Lottery Funds dedicated to veterans' services, on a one-time basis, to expand Campus Veteran Resource Centers and Campus Veteran Resource Coordinators at Oregon colleges and universities.

Package 120, Increase Veteran Education Bridge Grant. This package provides \$400,000 Lottery Funds dedicated to veterans' services, on a one-time basis, to increase funding for the Veteran Educational Bridge Grant. The grant program started in 2019 to provide financial assistance to student veterans unable to complete their degree or training program in time due to scheduling constraints.

Package 121, Veteran Transportation Grant. This package is a revenue only package providing \$650,000 Lottery Funds dedicated to veterans' services to establish permanent funding for the Rural Veterans Healthcare Transportation Grant Program. This grant program, operated in partnership with the Oregon Department of Transportation, reduces barriers to transportation for veterans traveling to healthcare and behavioral healthcare services.

Package 122, Increase Veteran Services Grant. This package provides \$350,000 Lottery Funds dedicated to veterans' services funding, on a one-time basis, for the Statewide Veteran Services Grant Program.

Package 123, Increase Vet Emergency Financial Assist Grant. This package provides \$100,000 Lottery Funds dedicated to veterans' services, on a one-time basis, to increase funding for the Veterans Emergency Financial Assistance program. The funding would increase the number of one-time grants awarded to Oregon's veterans and their immediate families to overcome financial insecurity.

Package 801, LFO Analyst Adjustments. This package reduces General Fund by \$92,804, increases Lottery Funds by \$540,000, and increases Other Funds expenditure limitation by \$1,600,000.

The General Fund reduction to services and supplies includes \$18,608 of funding associated with the abolished position in Package 802. The additional \$74,196 service and supplies reduction is to align the agency's budget with statewide General Fund available resources.

The one-time Other Funds expenditure limitation increase of \$1,600,000 extends the limitation for spending on funding received in the 2021-23 biennium 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. The original project timeline estimated the project completion date as June 2023. Due to project delays, the deadline for completion has been extended to January 2024.

The one-time increase of \$540,000 Lottery Funds dedicated to veterans' services provides funding for the estimated operational costs of wrap-around services at the new Courtney Place Veterans Housing. The operational costs were estimated at \$1.0 million for the first three years of operations. Construction of the building is estimated to be completed in January 2024, leaving 18 months for operations in the 2023-25 biennium. Additional funding was added to fund the hiring of personnel a few months prior to opening.

Package 802, Vacant Position Reductions. This package reduces General Fund by \$136,898 and abolishes one Public Service Representative 3 position (1.00). The position has been vacant for more than 45 months.

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 of the unique needs of the men and women who served our country. Currently, there are two Oregon facilities; one in The Dalles and the second in Lebanon. A third Veterans' Home is in the preliminary planning stages 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 facility operations. ODVA and VCCO work together to ensure 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 \$372,670 General Fund, \$114,020,888 Other Funds expenditure limitation, \$2,161,412 Federal Funds expenditure limitation, and four positions (4.00 FTE). The total funds budget of \$116,554,970 is a 20% increase from the 2021-23 LAB. The recommended budget includes the following packages:

Package 113, ODVA Capital Improvement Projects. This package increases Other Funds expenditure limitation by \$1,338,588 and Federal Funds expenditure limitation by \$2,161,412, on a one-time basis, to complete a deferred maintenance project. The project will replace four large air handler units and associated items at The Dalles Veterans' Home.

Package 801, LFO Adjustments. This package provides \$11,081,070 Other Funds expenditure limitation for nursing wage increases at the two Veterans' Homes – \$3.3 million for Lebanon and \$7.8 million for The Dalles.

Aging Veteran Services

The Aging Veteran Services Program was established to focus on the needs of Oregon's growing population of aging veterans and their families. Having a more direct focus on aging veterans through this division is reflective of the demographics of the veterans being served across the state. Currently, nearly 50% of Oregon veterans served during the World War II, Korea, and Vietnam eras. According to the Oregon Office of Economic Analysis, the population of adults 65 years and older will grow at an average of 1.9% annually, with a subset of this population of those aged 75-84 growing at annual rates of 4.6% over the next few years. For the foreseeable future, older veterans and their families will increasingly need access to long-term care, adult foster care, home and community-based services, and certain specialized needs, such as prosthetics, mental health care, and hearing aids. The Aging Veteran Services Division is the front line for connecting aging veterans to available benefits and resources.

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 \$802,636 General Fund, \$3,418,585 Lottery Funds, and 14 positions (14.00 FTE). The total funds budget of \$4,221,221 is a 10.7% from the 2021-23 LAB. The decrease is related to the phase out of one-time funding received in the 2021-23 biennium. The recommendation includes the following package:

Package 106, IT Staff Augmentation. This package provides \$79,500 Lottery Funds dedicated to veterans' services, on a one-time basis, to augment the current information system staffing within the Department by adding funding for a contractor to maintain the AS400 legacy

applications, including the conservatorship program IT system. The contractor would triage user incidents, conduct break-fix work, create application workflow and process maps, and identify system efficiencies.

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. This includes 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 \$261,125,000 Other Funds Nonlimited. This is a 23.4% decrease from the 2021-23 LAB. The recommendation includes the following package:

Package 124, ODVA Debt Service. This package increases Other Funds Nonlimited debt service expenditures by \$58,000,000 for principal and interest payments on bonds sold to support the Veterans' Home Loan Program.

Summary of Performance Measure Action

See attached Legislatively Adopted 2023-25 Key Performance Measures form.

Oregon Department of Veterans' Affairs
Wendy Gibson -- 971-900-9992

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2021-23 Legislatively Approved Budget at Jan 2023 *	\$ 9,140,366	\$ 21,326,867	\$ 121,680,744	\$ 340,993,803	\$ 1,628,594	\$ -	\$ 494,770,374	104	103.79
2023-25 Current Service Level (CSL)*	\$ 9,560,759	\$ 19,642,554	\$ 120,580,491	\$ 203,125,000	\$ 1,719,613	\$ -	\$ 354,628,417	102	101.97
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>									
SCR 001 - Loan Program									
Package 106: IT Staff Augmentation									
Services and Supplies	\$ -	\$ -	\$ 79,500	\$ -	\$ -	\$ -	\$ 79,500		
Package 108: Continue Home Loan Svc IT Replacement Project									
Services and Supplies	\$ -	\$ -	\$ 600,000	\$ -	\$ -	\$ -	\$ 600,000		
Capital Outlay	\$ -	\$ -	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000		
Package 113: ODVA Capital Improvement Projects									
Capital Outlay	\$ -	\$ -	\$ 3,355,000	\$ -	\$ -	\$ -	\$ 3,355,000		
SCR 002 - Veterans' Services Program									
Package 118: Increase Tribal Passthrough Funding									
Special Payments	\$ -	\$ 91,600	\$ -	\$ -	\$ -	\$ -	\$ 91,600		
Package 119: Increase Campus Veteran Resource									
Special Payments	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000		
Package 120: Increase Veteran Education Bridge Grant									
Special Payments	\$ -	\$ 400,000	\$ -	\$ -	\$ -	\$ -	\$ 400,000		
Package 122: Increase Veteran Services Grant									
Special Payments	\$ -	\$ 350,000	\$ -	\$ -	\$ -	\$ -	\$ 350,000		
Package 123: Increase Vet Emergency Financial Assist Grant									
Special Payments	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 100,000		
Package 801: LFO Analyst Adjustments									
Services and Supplies	\$ (92,804)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (92,804)		
Special Payments	\$ -	\$ 540,000	\$ -	\$ -	\$ -	\$ -	\$ 540,000		
Capital Outlay	\$ -	\$ -	\$ 1,600,000	\$ -	\$ -	\$ -	\$ 1,600,000		
Package 802: Vacant Position Reductions									
Personal Services	\$ (136,898)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (136,898)	(1)	(1.00)
SCR 003 - Oregon Veterans Home Program									
Package 113: ODVA Capital Improvement Projects									
Capital Outlay	\$ -	\$ -	\$ 1,338,588	\$ -	\$ 2,161,412	\$ -	\$ 3,500,000		
Package 801: LFO Analyst Adjustments									
Services and Supplies	\$ -	\$ -	\$ 11,081,070	\$ -	\$ -	\$ -	\$ 11,081,070		

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
SCR 004 - Aging Veteran Services									
Package 106: IT Staff Augmentation Services and Supplies	\$ -	\$ 79,500	\$ -	\$ -	\$ -	\$ -	\$ 79,500		
SCR 087 - Nonlimited									
Package 124: ODVA Debt Service Debt Service	\$ -	\$ -	\$ -	\$ 58,000,000	\$ -	\$ -	\$ 58,000,000		
TOTAL ADJUSTMENTS	\$ (229,702)	\$ 2,561,100	\$ 18,454,158	\$ 58,000,000	\$ 2,161,412	\$ -	\$ 80,946,968	(1)	(1.00)
SUBCOMMITTEE RECOMMENDATION *	\$ 9,331,057	\$ 22,203,654	\$ 139,034,649	\$ 261,125,000	\$ 3,881,025	\$ -	\$ 435,575,385	101	100.97
% Change from 2021-23 Leg Approved Budget	2.1%	4.1%	14.3%	(23.4%)	138.3%	0.0%	(12.0%)	(2.9%)	(2.7%)
% Change from 2023-25 Current Service Level	(2.4%)	13.0%	15.3%	28.6%	125.7%	0.0%	22.8%	(1.0%)	(1.0%)

*Excludes Capital Construction Expenditures

Legislatively Approved 2023 - 2025 Key Performance Measures

Published: 5/29/2023 5:36:32 PM

Agency: Department of Veterans' Affairs

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 2024	Target 2025
1a. Loan Program - Delinquent Accounts - Percentage of Oregon Department of Veterans' Affairs home loan accounts that are delinquent.		Approved	0.44%	1.40%	1.35%
1b. Loan Program - Loan Origination. Increase the loan origination volume to \$45 million or more in new loans per year.		Approved	\$88.64	\$65.00	\$70.00
2a. Oregon Veterans Homes - Maintain an occupancy rate of at least 80% for licensed beds in both Veteran Homes.		Approved	76%	80%	80%
2b. Oregon Veterans Homes - Maintain below-market veteran private pay rates.		Approved	\$291.00	\$386.00	\$397.00
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	\$17,625.50	\$21,457.00	\$22,489.00
4. Veteran Services - Power of Attorney (POA) - Number of powers of attorney granted by veterans to veteran service officers and the Department.		Approved	8,057	7,828	8,219
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	79%	90%	90%
	Accuracy		88%	90%	90%
	Availability of Information		89%	90%	90%
	Expertise		90%	90%	90%
	Overall		95%	90%	90%
	Helpfulness		90%	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	92.50%	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 Subcommittee approved the key performance measures and targets.