

2025-27 Budget Review

Department of Veterans' Affairs

| | 2021-23 Actual | 2023-25 Legislatively Approved * | 2025-27 Current Service Level | 2025-27 Governor's Budget |
|--------------------|--------------------|--|-------------------------------------|------------------------------|
| General Fund | 7,947,203 | 9,795,850 | 10,386,032 | 10,417,559 |
| Lottery Funds | 17,928,443 | 22,903,358 | 21,435,312 | 25,421,414 |
| Other Funds | 105,002,123 | 141,425,696 | 142,132,485 | 191,075,778 |
| Other Funds (NL) | 273,376,471 | 316,125,000 | 265,878,769 | 383,478,769 |
| Federal Funds | 524,738 | 3,932,620 | 1,961,694 | 1,961,694 |
| Total Funds | 404,778,978 | 494,182,524 | 441,794,292 | 612,355,214 |
| Positions | 102 | 103 | 100 | 108 |
| FTE | 101.97 | 102.23 | 100.00 | 105.75 |

* Includes legislative and administrative actions through December 2024.

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 six program areas: the Veterans' Home Loan Program, the Appeals and Special Advocacy Program, the Strategic Partnerships Program, the Veterans' Home Program, the Aging Veteran Services Program, and Operations.

The Veterans' Home 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 Appeals and Special Advocacy Program and Strategic Partnerships Program were previously combined but have been separated in the new 2025-27 agency structure. These programs are funded with General Fund and Lottery Funds. The Appeals and Special Advocacy Program provides advocacy and access to earned benefits for veterans and their eligible family members. The Strategic Partnerships Program provides direct and indirect services for Oregon veterans and their families, helping to ensure advocacy and access to earned state and federal benefits.

The Veterans' Home Program provides oversight of the two skilled-nursing and memory care facilities in The Dalles and Lebanon. 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.

Aging Veteran Services, funded with General Fund and Lottery Funds, provides expertise in aging veterans' benefits and services, and conservatorship and representative payee services. The Operations

Program provides administrative support and internal services to all other areas of the agency. Operations is funded with Other Funds, General Fund and Lottery Funds.

BUDGET ENVIRONMENT

Passage of Ballot 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 subsequent biennia 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 2024 forecast prepared by the Department of Administrative Services' Office of Economic Analysis (OEA), lottery revenue dedicated to veterans' services is projected to total \$28.2 million in 2023-25 and \$29.8 million in 2025-27, which results in an estimated beginning balance of \$6.2 million in Veterans' Services Fund (VSF) for the 2025-27 biennium. VSF moneys are also used to fund expenditures in the Criminal Justice Commission for veterans' courts, Bureau of Labor and Industries for veterans' outreach, and the Oregon Health Authority for veterans' behavioral health and dental services. After allocations for those agencies, the VSF has an estimated ending balance of \$7.8 million at current service level. Retaining a contingency ending balance of \$3.7 million (12.5% of revenues), consistent with the prior biennium, leaves \$4 million in unallocated veterans' lottery proceeds. The unallocated balance can be used to fund ODVA's one-time grants which are discussed in the current service level section below.

ODVA assumed the role of the State Administrative Agency (SAA) for the state of Oregon in 2019, which had previously been filled by the Higher Education Coordinating Commission. The U.S. Department of Veterans' Affairs (USDVA) oversees the administration of GI Bill education benefits through annual performance contracts with designated SAA's. SAA's approve education and training programs that are eligible to receive GI Bill benefits and provide technical assistance and outreach to schools and veterans.

CURRENT SERVICE LEVEL

The overall 2025-27 current service level (CSL) budget of \$441.8 million is \$52.4 million, or 10.6%, less than the 2023-25 legislatively approved budget (LAB) of \$494.2 million. The decrease is primarily attributable to a \$50.2 million reduction in Other Funds Nonlimited expenditure limitation to align with projected home loans and debt service payments in the upcoming biennium. Excluding nonlimited funds, the 2025-27 CSL budget of \$175.9 million is a \$2.1 million, or 1.2%, decrease from the 2023-25 LAB of \$178.1 million. Lottery Funds expenditure limitation decreased due to the removal of one-time funding to support the Campus Veteran Resource Center (\$1 million), Veteran Educational Bridge (\$400,000), and Veteran Services (\$350,000) grant programs; veterans' emergency financial assistance

(\$100,000); and a grant to the Salem Y Veterans Housing to support wraparound service costs at Courtney Place Veterans Housing (\$540,000).

Other Funds expenditure limitation associated with one-time costs was removed for a lottery bond grant to the YMCA to construct veterans' affordable housing (\$1.6 million), agency capital improvement projects (\$4.7 million), and a home loan system modernization project (\$1.6 million). These reductions to Other Funds were mostly offset by inflation increases and price list adjustments. Federal Funds expenditure limitation decreased due to the phase out of agency capital improvement projects (\$2.2 million).

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's budget is \$612.4 million total funds, a 38.6% increase from CSL and includes over 20 policy option packages (POPs) totaling \$621,352 General Fund, \$4 million Lottery Funds, \$49.1 million Other Funds, \$117.6 million Nonlimited Other Funds, and the establishment 10 positions (7.75 FTE). These investments are offset by adjustments that reduce total funds by \$716,397 and two positions (2.00 FTE). Some of the major investments by program area include:

- **Operations** - \$1.9 million Other Funds and seven positions (5.50 FTE) to support human resources, facilities, finance, executive support, DEI, and data performance.
- **Veteran's Home Loan** - \$1.2 million Other Funds and one position (0.75 FTE) to continue funding the home loan servicing IT project (discussed further in the next section below), including maintenance and servicing of the new system, which is expected to go live in spring 2025, and a loan specialist position to support the home loan origination function. Nonlimited Other Funds are also increased by \$116 million to issue Article XI-A general obligation bonds for the loan program and \$1.6 million to expend donations received.
- **Strategic Partnership** - \$3.9 million Lottery Funds for veteran grant programs, increased funding to Tribal Veteran Service Officers, and a position (0.75 FTE) to improve outreach on the availability of behavioral health services. The one-time grant funding includes \$401,157 for the Rural Veterans Healthcare Transportation Grant, \$1 million for Veterans' Emergency Financial Assistance, \$400,000 for the Veterans' Education Bridge Grant, \$1 million for the Campus Veteran Resource Center Grant, and \$500,000 for the Veteran Services Grant.
- **Capital Projects** - \$8.4 million in net Article XI-Q bond proceeds for capital construction projects at the agency headquarters and two veterans' homes. Projects at the headquarters include replacement of HVAC equipment and the building's roof. The veterans' homes projects address issues of either life-safety, quality of care, or good stewardship at the facilities in Lebanon and The Dalles.
- **Roseburg Veterans' Home** - \$35 million in net Article XI-Q bond proceeds to provide match for potential federal funding to construct a third veterans' home in Roseburg. The project is discussed further in the section below.

The 2025-27 Governor's budget also includes two General Fund investments in the Strategic Partnership program that support housing initiatives. The first is \$221,352 for an additional position (0.75 FTE) in the Incarcerated Veterans Program to allow the program to work with more correctional facilities. The

second is \$400,000 in grant funding to assist Oregon veterans who are exiting incarceration or have already exited incarceration from Oregon Department of Corrections facilities, with housing stability.

OTHER SIGNIFICANT ISSUES

ORS 408.385 identifies Roseburg as the site for a third veterans' home in Oregon. The U.S. Department of Veterans Affairs (USDVA) State Homes Construction Grant Program (SHCGP) provides up to 65% of project costs for approved veteran's home projects, but states are required to show they have available matching funds before being considered for approval. 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 and were not reauthorized in the 2021 session or 2023 session, absent a federal grant award for the project. Subsequently, USDVA advised that in order for the project to move up the federal priority list, state matching funds had to be both authorized and available (i.e., bond authority is not sufficient). In the 2024 session, the Legislature authorized a special purpose appropriation of \$35 million for the state's portion of construction of the Roseburg home, based on the most recent estimate of a minimum of \$100 million for construction costs. The agency has updated the appropriate documents with the USDVA to apply for the "Priority 1" list and is expecting federal review in spring 2024. The state's General Fund match will need to be reappropriated in the 2025-27 biennium to either match a federal grant award or maintain the project's placement on priority list.

ODVA received funding in the 2019-21 budget to replace and integrate their loan origination and servicing systems. Limited progress was made, and in 2021-23 the agency prioritized the home loan servicing system first and received \$400,000 of funding to initiate the project. The 2023-25 budget included \$1 million to continue the project in the hopes of completing it before the end of the biennium. In 2024, ODVA received increase expenditure limitation of \$1.7 million and two positions (1.26 FTE) to continue the project. The most recent estimate for the new system to be operational is March 31, 2025. The agency estimates \$1 million in additional funding in the 2025-27 budget for ongoing maintenance and service costs of the new system.

KEY PERFORMANCE MEASURES

A copy of the Oregon Department of Veterans' Affairs Annual Performance Progress Report can be found on the LFO website: [KPM - View Report](#)

Contact Information

Walt Campbell, Principal Legislative Analyst (Bonding)

Legislative Fiscal Office

900 Court Street NE, Room H-178, Salem, Oregon 97301

Oregon State Capitol | (503) 986-1828 | www.oregonlegislature.gov/lfo