

D55P00
Department of Veterans Affairs

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$6,886	\$7,964	\$8,088	\$124	1.6%
Deficiencies and Reductions	0	-167	-287	-120	
Adjusted General Fund	\$6,886	\$7,797	\$7,801	\$4	0.0%
Special Fund	529	985	837	-149	-15.1%
Deficiencies and Reductions	0	0	-3	-3	
Adjusted Special Fund	\$529	\$985	\$834	-\$152	-15.4%
Federal Fund	14,673	15,008	15,679	671	4.5%
Deficiencies and Reductions	0	0	-25	-25	
Adjusted Federal Fund	\$14,673	\$15,008	\$15,654	\$646	4.3%
Adjusted Grand Total	\$22,088	\$23,790	\$24,288	\$498	2.1%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- Funding grows \$497,986 in fiscal 2016 after accounting for cost containment actions in fiscal 2015 and 2016 reducing agency spending and employee compensation.
- Federal funds increase \$646,009, driven primarily from an increase in federal spending at Charlotte Hall Veterans Home (CHVH).

Note: Numbers may not sum to total due to rounding.

For further information contact: Richard H. Harris

Phone: (410) 946-5530

Personnel Data

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>
Regular Positions	76.00	79.00	79.00	0.00
Contractual FTEs	<u>3.88</u>	<u>4.88</u>	<u>3.84</u>	<u>-1.04</u>
Total Personnel	79.88	83.88	82.84	-1.04

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.14	5.24%
Positions and Percentage Vacant as of 12/31/14	7.00	8.86%

- The Maryland Department of Veterans Affairs' (MDVA) contractual full-time equivalents declines 1.0 in the allowance from a contractual conversion at CHVH. The new position was added in fiscal 2015.
- The agency is budgeted with a turnover rate of 5.2%, which assumes an average of 4.1 positions vacant throughout the fiscal year. As of December 31, 2014, MDVA had 7.0 vacant positions.

Analysis in Brief

Major Trends

Service to Maryland's Veterans: MDVA's Service Program provides information, guidance, and assistance to veterans in obtaining federal, State, and local benefits. The State's veterans population has been gradually decreasing over the past several years though the number of benefits claims filed has grown. However, some regional offices that process claims for veterans have workloads much higher than other locations. **The Secretary should comment on improving claims service processes for veterans in Maryland, and if positions can be shifted to the offices with the highest claims volume.**

Charlotte Hall Veterans Home: The Charlotte Hall Veterans Home is a State-operated long-term health care facility for veterans located in St. Mary's County. The home's performance generally exceeds the State average for long-term care facilities.

Recommended Actions

1. Concur with Governor's allowance.

D55P00 – Department of Veterans Affairs

D55P00
Department of Veterans Affairs

Operating Budget Analysis

Program Description

The Maryland Department of Veterans Affairs (MDVA) provides a variety of administrative, outreach, and support services to the State's veterans and their families, dependents, and survivors. The department also manages veterans' cemeteries, maintains three veterans' war memorials in cooperation with local jurisdictions, and operates and manages Charlotte Hall Veterans Home (CHVH) in St. Mary's County. The department's goals are to:

- aid veterans in the preparation of claims for benefits to which they are entitled, such as service-connected disability compensation, educational assistance, home loans, death benefits, and medical care;
- operate and maintain the five veterans' cemeteries to provide interment for eligible Maryland veterans and their dependents;
- provide upkeep and maintenance for Maryland's war memorials;
- operate the State's veterans' home at CHVH for Maryland veterans who are unable to take care of themselves due to disability or advanced age, or who are in need of nursing home care; and
- coordinate outreach and advocacy efforts to inform veterans, their dependents, and their survivors of their benefits and entitlements by law.

Performance Analysis: Managing for Results

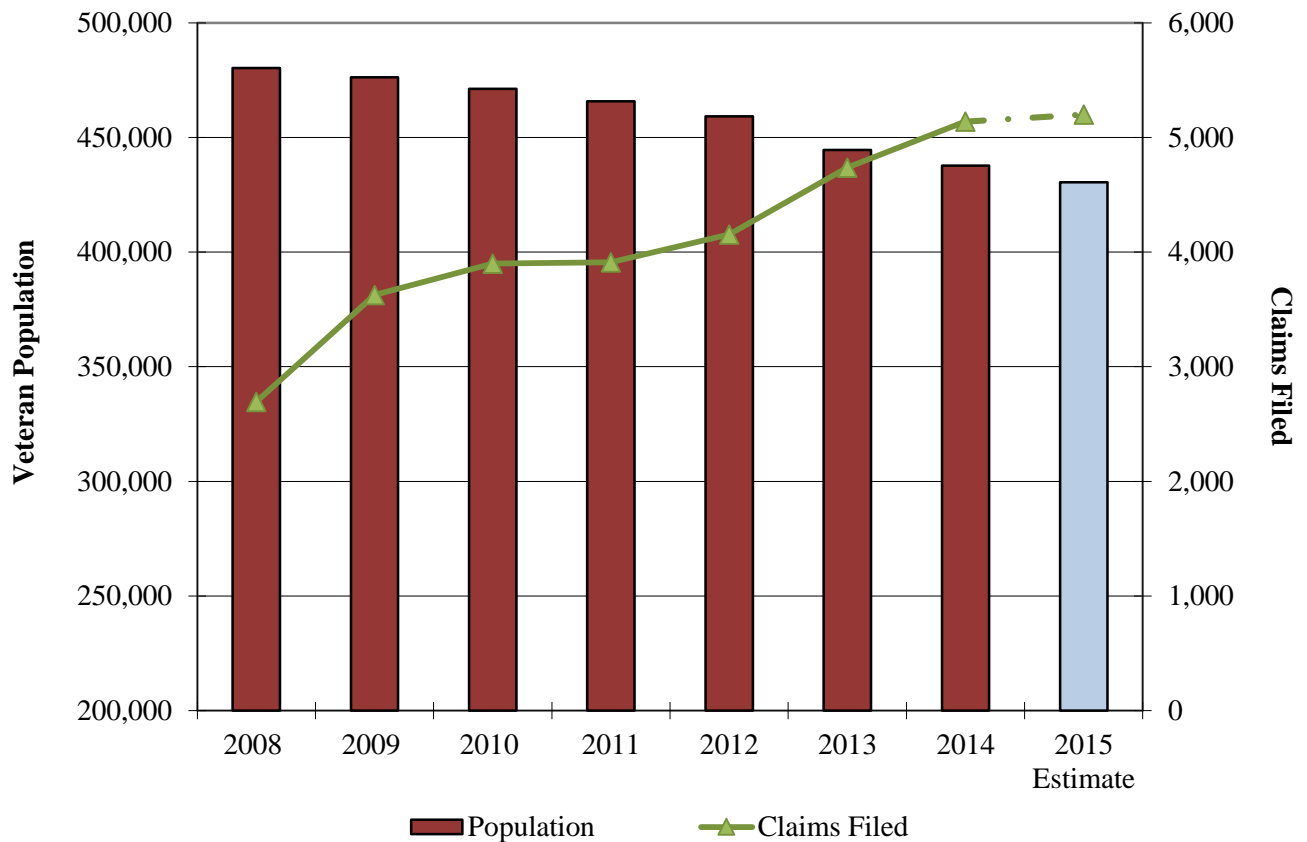
The Managing for Results submission for MDVA tracks performance measures for all aspects of the department's mission. Below are measures for two of the most important functions: service to Maryland's veterans and the well-being of residents at CHVH.

1. Service to Maryland's Veterans

MDVA's Service Program provides information, guidance, and assistance to veterans, their dependents, and their survivors in applying for and obtaining federal, State, and local benefits and entitlements granted by law. These benefits include disability compensation, pension, death benefits,

educational assistance, home loans, and medical care. As shown in **Exhibit 1**, Maryland’s veteran population has declined steadily since fiscal 2008, following the return of those who served in Operation Enduring Freedom and Operation Iraqi Freedom. Maryland’s veteran population numbered 437,762 in fiscal 2014, and declines are expected to continue in the future.

Exhibit 1
Maryland Veteran Population and Claims Filed
Fiscal 2008-2015 Est.

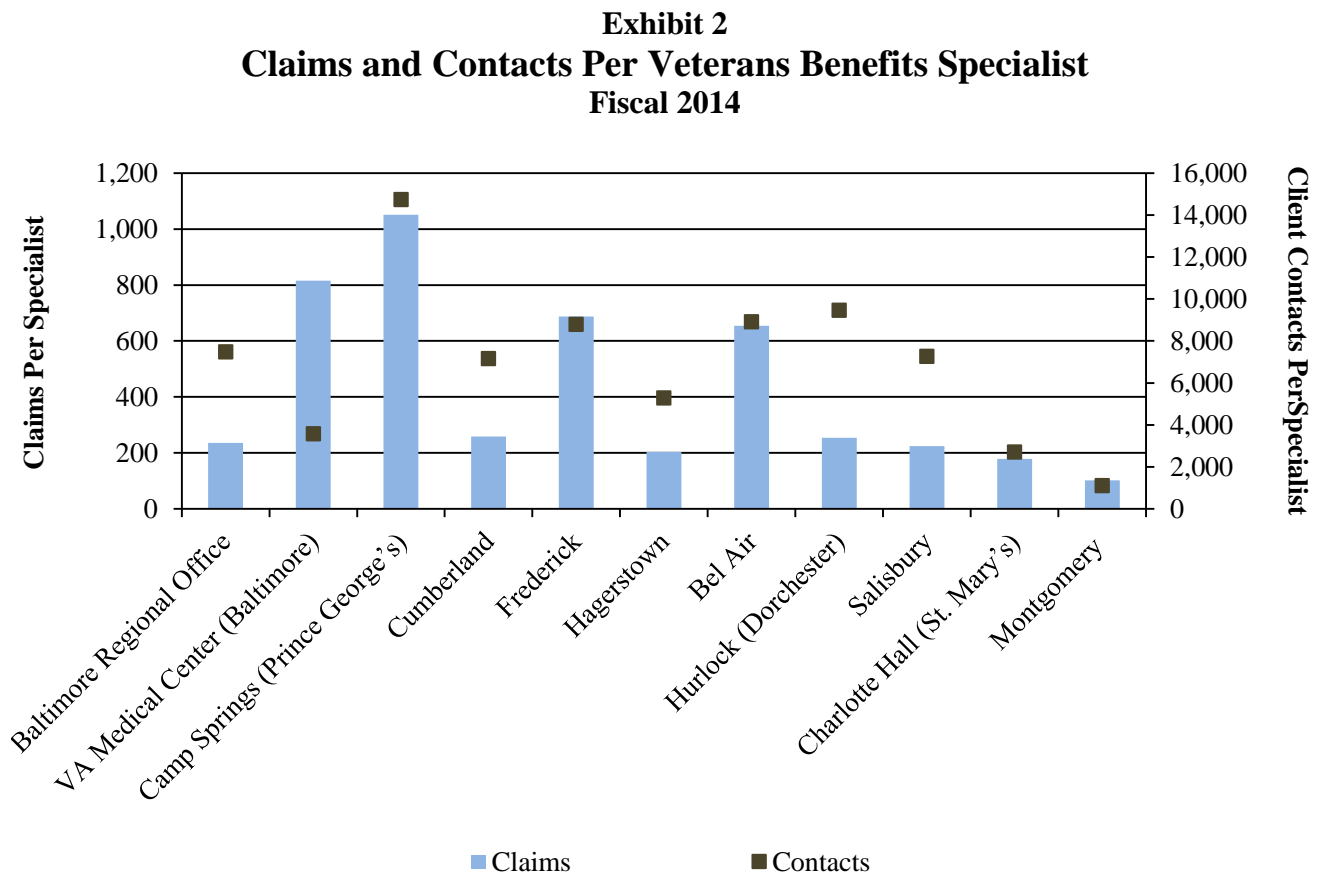


Source: Governor’s Budget Books, Fiscal 2012-2016

Although the veteran population has fallen, the number of claims filed by veterans or on their behalf has increased, especially in the years between fiscal 2008 and 2009 and between fiscal 2012 and 2013, when claims filed grew 14.0%. Claims filed grew an additional 8.5% in fiscal 2014. MDVA attributes the growth to a change allowing veterans to transfer existing claims to MDVA from other organizations and to opening a new service center in Montgomery County. Continued growth is projected for fiscal 2015, but at a more modest 1.2% rate.

MDVA benefits claims specialists aid Maryland veterans in filing claims to the US Department of Veterans Affairs by reviewing information and ensuring that required documentation is included with the claim. Lack of documentation is one of the leading reasons why a claim is denied by the federal government.

Exhibit 2 shows the workload of benefits specialists at each of MDVA’s local service centers. The exhibit shows the number of claims filed and client contacts per benefits specialist at each location in fiscal 2014. In terms of claims filed, it ranges from 178 per specialist at CHVH (Montgomery is lower at 102, but it opened in fiscal 2014) to 1,051 at Camp Springs in Prince George’s County. Camp Springs and the Veterans Affairs Medical Center in Baltimore process the highest number of claims despite having only one benefits specialist employed at each location. The Baltimore Regional Office processes the third largest amount, 709 claims, but has three specialists based there. **The Secretary should comment on improving claims service processes for veterans in Maryland and if positions can be shifted to the offices with the highest claims volume.**



Source: Maryland Department of Veterans Affairs

2. Charlotte Hall Veterans Home

CHVH, which opened in 1985, is a State-operated long-term health care facility located on 126 acres in St. Mary's County. Clinical care and health care management at CHVH is provided by a private contractor but overseen by the director and other MDVA staff. CHVH currently has 454 beds designated for assisted living and skilled nursing long-term care for Maryland veterans and eligible spouses who are unable to care for themselves due to age or disability. The home provides shelter, sustenance, medical care, and the social services necessary to maintain residents' quality of life. While CHVH is open to both men and women, the majority of residents are male.

The agency's goal for the home is to have indicators of resident quality of life exceed those of the State's average for long-term care facilities. **Exhibit 3** shows two of the rates tracked by the department: (1) rate of pressure ulcers for residents who are deemed at a high risk of developing one; and (2) the percent of residents immunized against influenza.

Exhibit 3
Quality of Life Indicators
Fiscal 2012-2015 (Est.)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 Est.</u>
High-risk Patients with Pressure Ulcers				
Charlotte Hall	7.1%	5.9%	5.2%	5.7%
State Average	8.4%	7.7%	7.7%	7.6%
Residents Given Influenza Vaccination				
Charlotte Hall	91.2%	90.0%	100.0%	100.0%
State Average	77.8%	73.0%	93.0%	95.0%

Source: Governor's Budget Books, Fiscal 2015-2016

The exhibit shows that CHVH out-performs the State average for the pressure ulcer rate as well as percent of residents immunized against influenza. It should be noted that it is difficult to directly compare different retirement and nursing facilities due to differences in resident populations, and the military veteran population at CHVH is much different from other retirement communities in the State.

Fiscal 2015 Actions

Cost Containment

In July 2014, the Board of Public Works (BPW) approved a series of cost containment actions for agencies statewide. As shown in **Exhibit 4**, MDVA's share of the reductions totaled \$133,000. The largest reductions were to budgeted medical services for residents at CHVH (\$80,000) and in office supplies (\$23,000). In January 2015, BPW approved another series of cost containment actions, including an across-the-board reduction to general funds. MDVA's share of this was \$167,283.

Exhibit 4 Fiscal 2015 Reconciliation (\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Legislative Appropriation with Budget Amendments		\$8,097	\$985	\$15,008		\$24,091
July BPW	Increased turnover, reduced office supplies budget, and lower spending on medical care for Veterans Home residents.	-133	0	0	0	-133
Working Appropriation		\$7,964	\$985	\$15,008	\$0	\$23,958
January BPW Across the Board	2% across-the-board reduction.	-167	0	0	0	-167
Total Actions Since January 2015		-\$167	\$0	\$0	\$0	-\$167
Adjusted Working Appropriation		\$7,797	\$985	\$15,008	\$0	\$23,790

BPW: Board of Public Works

Source: Department of Legislative Services

Proposed Budget

After accounting for cost containment actions in fiscal 2015 and 2016, spending increases \$497,986. Federal funds increase \$646,009, while general funds grow \$3,732 and special funds decline \$151,755. The increase in federal funds is driven by higher federal spending at CHVH. The decline in special funds is largely due to the administration of the Veterans Trust Fund shifting to a nonprofit organization from the Executive Direction budget program.

Similar to most agencies in fiscal 2016, **Exhibit 5** shows that the biggest increases in personnel spending are in employee and retiree health insurance and employee salaries prior to cost containment. Back-of-the-bill reductions to employee salaries (Section 20) and budgeted increments (Section 21) reduce salary spending by \$149,295.

Within the Cemetery program, the largest change is a decline of \$225,684 that aligns contractual spending on groundskeeping, maintenance, and supplies (such as grave liners) with recent experience. At CHVH, federal support of its electronic medical records system increases \$123,536, while spending for a massage therapist and barber/beauty shop services is budgeted closer to the fiscal 2014 actual, increasing \$135,408. There is also a \$100,000 decline in funds budgeted for the Veterans Trust Fund, as a separate nonprofit entity was established to collect the donations.

Exhibit 5 Proposed Budget Department of Veterans Affairs (\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
Fiscal 2014 Actual	\$6,886	\$529	\$14,673	\$22,088
Fiscal 2015 Working Appropriation	7,797	985	15,008	23,790
Fiscal 2016 Allowance	<u>7,801</u>	<u>834</u>	<u>15,654</u>	<u>24,288</u>
Fiscal 2015-2016 Amt. Change	\$4	-\$152	\$646	\$498
Fiscal 2015-2016 Percent Change		-15.4%	4.3%	2.1%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance.....	\$198
Regular earnings (prior to cost containment)	140
Employee retirement	68
Turnover adjustments	60
Social Security contributions	12
Workers' compensation.....	-35
Section 21: Abolish fiscal 2016 increments	-74
Section 20: 2% employee pay cut	-75

D55P00 – Department of Veterans Affairs

Where It Goes:

Cemetery Program

Consultant study	30
Motor vehicle maintenance and repair	20
Maintenance and building equipment	15
Hearing oil.....	12
Grounds, maintenance, and supplies closer to actual spending.....	-226

Charlotte Hall Veterans Home

Contracted therapeutic and barber/beauty shop services budgeted closer to fiscal 2014 actual ...	135
Maintenance of electronic medical records system.....	124
Maryland Environmental Service charges	16
Supplies for recreation activities	16
Medical care for residents	12
Equipment repairs and maintenance based on actual spending.....	10
Energy Conservation Loan Repayment.....	-57

Other Changes

Gas and oil for motor vehicles	36
Electricity	29
Support for expenses of the War Memorial Building in Baltimore	26
Office supplies and equipment	31
Contractual spending at memorials and cemeteries	20
Creation of new executive department budget system.....	10
Contractual employee salaries.....	7
Travel	7
Building/road repairs and maintenance	6
Net change in fiscal 2015 and 2016 cost containment actions	1
Transfer of Veterans Trust Fund to nonprofit organization	-100
Other.....	21

Total	\$498
--------------	--------------

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Cost Containment

In addition to the back of the bill reductions to employee compensation found in Sections 20 and 21, Section 19 includes a statewide reduction to general fund spending. MDVA's share of this reduction is \$166,000, about 2% of the agency's general funds. It is currently unknown how the agency will allocate the reduction.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Department of Veterans Affairs (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2014					
Legislative Appropriation	\$6,981	\$796	\$13,485	\$0	\$21,261
Deficiency Appropriation	-143	-3	-16	0	-162
Budget Amendments	60	2	1,616	0	1,677
Reversions and Cancellations	-11	-266	-411	0	-688
Actual Expenditures	\$6,886	\$529	\$14,673	\$0	\$22,088
Fiscal 2015					
Legislative Appropriation	\$8,064	\$985	\$15,003	\$0	\$24,052
Cost Containment	-133	0	0	0	-133
Budget Amendments	33	1	5	0	39
Working Appropriation	\$7,964	\$985	\$15,008	\$0	\$23,958

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

Statewide negative deficiencies reduced MDVA spending on employee and retiree health insurance, retirement reinvestment, and the creation of a new employee information system. These reductions totaled \$143,232 in general funds, \$2,734 in special funds, and \$16,328 in federal funds.

Other statewide actions affecting the MDVA budget include budget amendments appropriating funds for an employee cost-of-living adjustment (COLA) and increments. Funds appropriated for these purposes totaled \$59,276 in general funds, \$1,912 in special funds, and \$15,838 in federal funds. An additional \$1,600,000 federal fund budget amendment was appropriated for CHVH to cover underfunding of the home's medical services provider management fee and the reclassification of two home residents that changed their reimbursement structure.

At the close of the fiscal year, \$11,191 in general funds was unspent due to miscellaneous underspending within the Cemeteries and Memorials and Monuments budget programs. These funds reverted to the general fund. There was also a special fund cancellation of \$266,061, the majority of which comes from the Cemetery program, where \$111,189 in salary spending was mistakenly attributed to federal funds in addition to \$88,872 in general underbudgeted spending. An additional \$65,000 from the Veterans Trust Fund reverted back to the fund.

Finally, \$411,116 in federal funds were reverted to fund balances, the majority of which from contractual services, in the Cemetery program, \$385,648. Vacancies in that program also created a \$94,688 surplus, though these savings were offset somewhat by the need for \$72,885 elsewhere in the MDVA budget. An additional \$3,745 was unspent within the CHVH budget. Both the balance in cemetery funds and CHVH reverted to fund balances held by MDVA.

Fiscal 2015

The fiscal 2015 legislative appropriation was reduced by \$133,000 in general funds through a statewide cost containment action. Various spending reductions added to this total, including increasing turnover, reducing the office supply budget in the Cemetery program, lowering payments for CHVH's medical services, and other miscellaneous spending reductions.

The fiscal 2015 employee COLA added \$33,336 in general funds, \$764 in special funds, and \$4,681 to the MDVA budget.

**Object/Fund Difference Report
Department of Veterans Affairs**

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	76.00	79.00	79.00	0.00	0%
02 Contractual	3.88	4.88	3.84	-1.04	-21.3%
Total Positions	79.88	83.88	82.84	-1.04	-1.2%
Objects					
01 Salaries and Wages	\$ 4,236,880	\$ 4,724,285	\$ 5,167,308	\$ 443,023	9.4%
02 Technical and Spec. Fees	27,985	127,913	134,136	6,223	4.9%
03 Communication	72,691	80,823	81,248	425	0.5%
04 Travel	68,447	41,447	48,510	7,063	17.0%
06 Fuel and Utilities	559,022	634,704	637,565	2,861	0.5%
07 Motor Vehicles	117,388	197,019	257,812	60,793	30.9%
08 Contractual Services	16,468,244	17,531,581	17,651,968	120,387	0.7%
09 Supplies and Materials	100,356	201,800	243,593	41,793	20.7%
10 Equipment – Replacement	24,900	42,000	78,756	36,756	87.5%
11 Equipment – Additional	10,994	4,500	12,915	8,415	187.0%
12 Grants, Subsidies, and Contributions	353,528	290,982	217,000	-73,982	-25.4%
13 Fixed Charges	47,532	80,542	68,103	-12,439	-15.4%
14 Land and Structures	35	0	4,680	4,680	N/A
Total Objects	\$ 22,088,002	\$ 23,957,596	\$ 24,603,594	\$ 645,998	2.7%
Funds					
01 General Fund	\$ 6,885,757	\$ 7,964,198	\$ 8,088,000	\$ 123,802	1.6%
03 Special Fund	528,951	985,481	836,735	-148,746	-15.1%
05 Federal Fund	14,673,294	15,007,917	15,678,859	670,942	4.5%
Total Funds	\$ 22,088,002	\$ 23,957,596	\$ 24,603,594	\$ 645,998	2.7%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

**Fiscal Summary
Department of Veterans Affairs**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
01 Service Program	\$ 1,193,833	\$ 1,202,594	\$ 1,383,218	\$ 180,624	15.0%
02 Cemetery Program	3,116,623	3,809,392	3,926,502	117,110	3.1%
03 Memorials and Monuments Program	457,234	410,160	473,275	63,115	15.4%
05 Veterans Home Program	16,138,430	17,192,312	17,558,069	365,757	2.1%
08 Executive Direction	1,046,214	1,145,692	1,059,285	-86,407	-7.5%
11 Outreach and Advocacy	135,668	197,446	203,245	5,799	2.9%
Total Expenditures	\$ 22,088,002	\$ 23,957,596	\$ 24,603,594	\$ 645,998	2.7%
General Fund	\$ 6,885,757	\$ 7,964,198	\$ 8,088,000	\$ 123,802	1.6%
Special Fund	528,951	985,481	836,735	-148,746	-15.1%
Federal Fund	14,673,294	15,007,917	15,678,859	670,942	4.5%
Total Appropriations	\$ 22,088,002	\$ 23,957,596	\$ 24,603,594	\$ 645,998	2.7%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.