

D55P00
Department of Veterans Affairs

Operating Budget Data

(\$ in Thousands)

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$7,825	\$7,825	\$6,743	-\$1,082	-13.8%
Adjusted General Fund	\$7,825	\$7,825	\$6,743	-\$1,082	-13.8%
Special Fund	766	874	788	-85	-9.8%
Adjusted Special Fund	\$766	\$874	\$788	-\$85	-9.8%
Federal Fund	13,171	13,197	14,551	1,354	10.3%
Adjusted Federal Fund	\$13,171	\$13,197	\$14,551	\$1,354	10.3%
Adjusted Grand Total	\$21,762	\$21,896	\$22,082	\$187	0.9%

- The budget for the Maryland Department of Veterans Affairs (MDVA) increases \$0.2 million, or 0.9%, primarily due to a \$1.4 million increase in federal funds.
- General funds decline \$1.1 million in the Governor's allowance.

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

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Personnel Data

	<u>FY 11 Actual</u>	<u>FY 12 Working</u>	<u>FY 13 Allowance</u>	<u>FY 12-13 Change</u>
Regular Positions	74.00	76.00	76.00	0.00
Contractual FTEs	<u>4.38</u>	<u>2.38</u>	<u>2.69</u>	<u>0.31</u>
Total Personnel	78.38	78.38	78.69	0.31

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.66	3.50%
Positions and Percentage Vacant as of 12/31/11	5.00	6.58%

- An added 0.31 contractual full-time equivalent position will staff the Garrison Forest Cemetery on weekends and holidays.
- The agency’s current vacancy rate is 6.6%, or 5.0 regular positions, though it is budgeted to have 2.7 positions vacant throughout the year.

Analysis in Brief

Major Trends

Service Program: MDVA's service program provides information, guidance, and assistance to veterans, their dependents, and survivors in applying for and obtaining federal, State, and local benefits granted by law. The number of benefits claims filed grew between fiscal 2007 and 2010, and is expected to remain at this elevated level after the Veterans' Benefits Act of 2010 increased benefits for veterans.

Cemetery Program: MDVA operates five veterans cemeteries throughout the State, including the nation's third busiest, Garrison Forest Veterans Cemetery. The total number of burial sites grew to 79,706 in fiscal 2011, yet the number of complaints received from family members and the public continued to decline. The agency is required to maintain the burial areas and surrounding lawns as a national shrine according to National Cemetery Administration standards.

Outreach: The Outreach and Advocacy Program is tasked with actively finding veterans, their dependents, and survivors to inform them of benefits granted to them by law. Since its creation in fiscal 2009, the number of statewide briefings and partnering organizations has grown significantly.

Charlotte Hall Veterans Home Population Increases: The Charlotte Hall Veterans Home (CHVH) is the State-operated long-term healthcare facility located in St. Mary's County. The home currently has 462 beds for assisted living and skilled nursing care for Maryland veterans and their spouses. After the occupancy rate for skilled nursing grew to 91.7% in fiscal 2011, 16 beds were converted from assisted living to nursing care. An occupancy rate of 88.4% is projected for skilled nursing in fiscal 2012 while that for assisted living grows to 92.3%. **The agency should comment on occupancy rates at CHVH and how it is handling the growing nursing care population.**

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, their families, dependents, and survivors. The department also manages five 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:

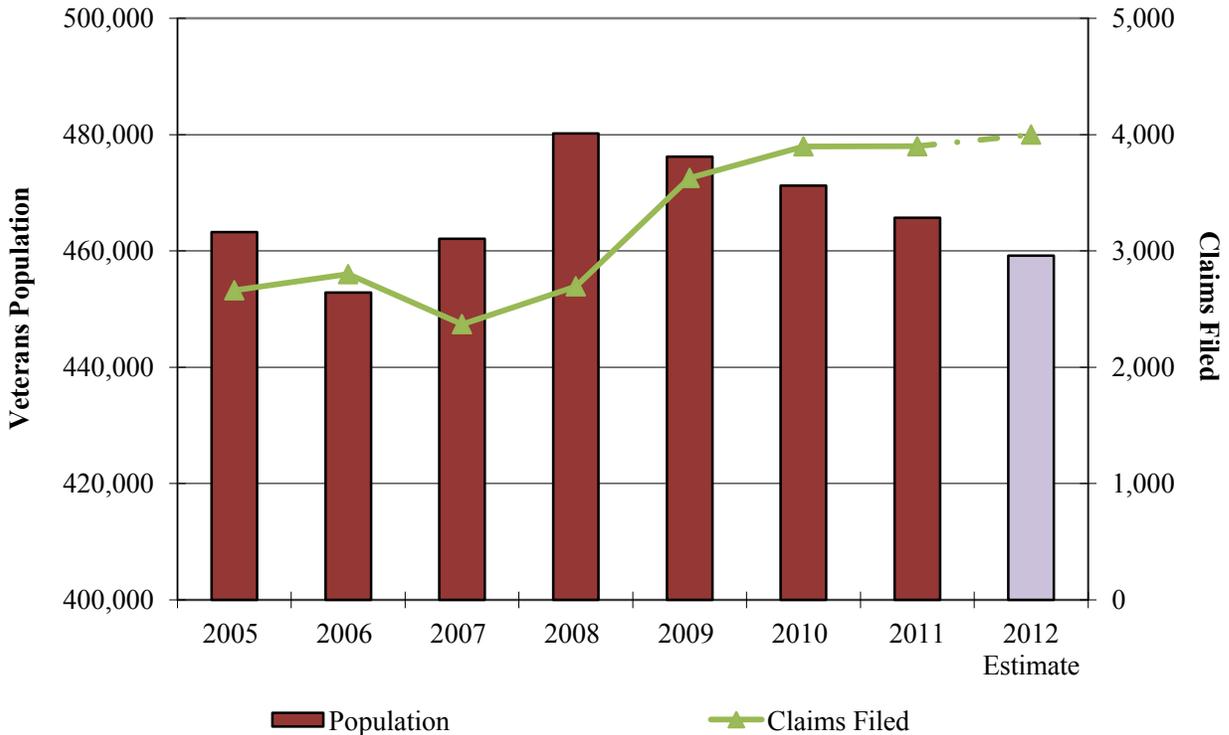
- aid veterans in the preparation of claims for benefits to which they are entitled, such as service-connected disability compensation, educational assistance, home loans, death benefits, and medical care;
- operate and maintain the five veterans' cemeteries to provide internment for eligible Maryland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

Performance Analysis: Managing for Results

Service Program

MDVA's Service Program provides information, guidance, and assistance to veterans, their dependents, and 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**, the number of veterans in the State grew to 480,218 in fiscal 2008 due to the return of veterans serving in Operation Enduring Freedom and Operation Iraqi Freedom. Since fiscal 2008, Maryland's veteran population has declined steadily, to 465,727 in fiscal 2011. MDVA projects that this downward trend will continue in coming years.

Exhibit 1
Maryland Veteran Population and Claims Filed
Fiscal 2005-2012



Source: Governor’s Budget Books, Fiscal 2009-2013

Although the total veteran population has declined between fiscal 2008 and 2011, the number of claims filed by Maryland veterans increased. MDVA attributes this to the opening of new service offices and additional staff. The Service Program operates nine full-time service offices throughout the State at which veterans may inquire about their benefits and file claims for what is granted to them by State or federal law.

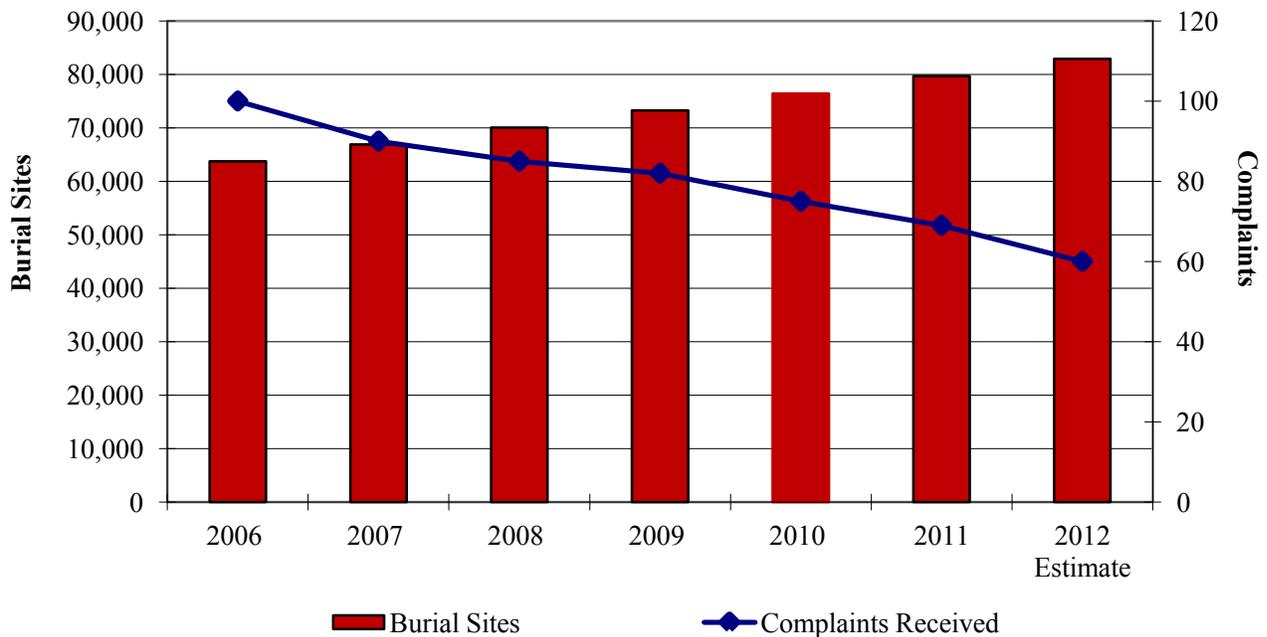
The number of claims filed through the Service Program grew between fiscal 2007 and 2010 before leveling off in fiscal 2011 at 3,900. The Veterans’ Benefits Act of 2010 increased benefits for veterans and accounts for the sustained rate of claims through fiscal 2012.

Cemetery Program

MDVA continues to operate and maintain five veterans' cemeteries throughout the State to provide interment services to eligible veterans and their dependents. The five cemeteries include Cheltenham Veterans Cemetery, Crownsville Veterans Cemetery, Eastern Shore Veterans Cemetery, Garrison Forest Veterans Cemetery, and Rocky Gap Veterans Cemetery. Garrison Forest Veterans Cemetery is the third busiest veterans' cemetery in the nation according to the National Cemetery Administration (NCA).

Exhibit 2 shows performance data relating to MDVA's Cemetery Program. The total number of burial sites in all five veterans' cemeteries grew to 79,706 in fiscal 2011. MDVA expects this trend to continue and capital projects are underway to accommodate the growing number.

Exhibit 2
Burial Sites and Complaints at Maryland's Veterans' Cemeteries
Fiscal 2006-2012



Source: Governor's Budget Books, Fiscal 2009-2013

Maintenance of the burial sites and the services offered to families during the interment process are a high priority to MDVA. Each cemetery must be maintained as a national shrine according to NCA standards. Thus, one of the MDVA Cemetery Program goals is to maintain burial

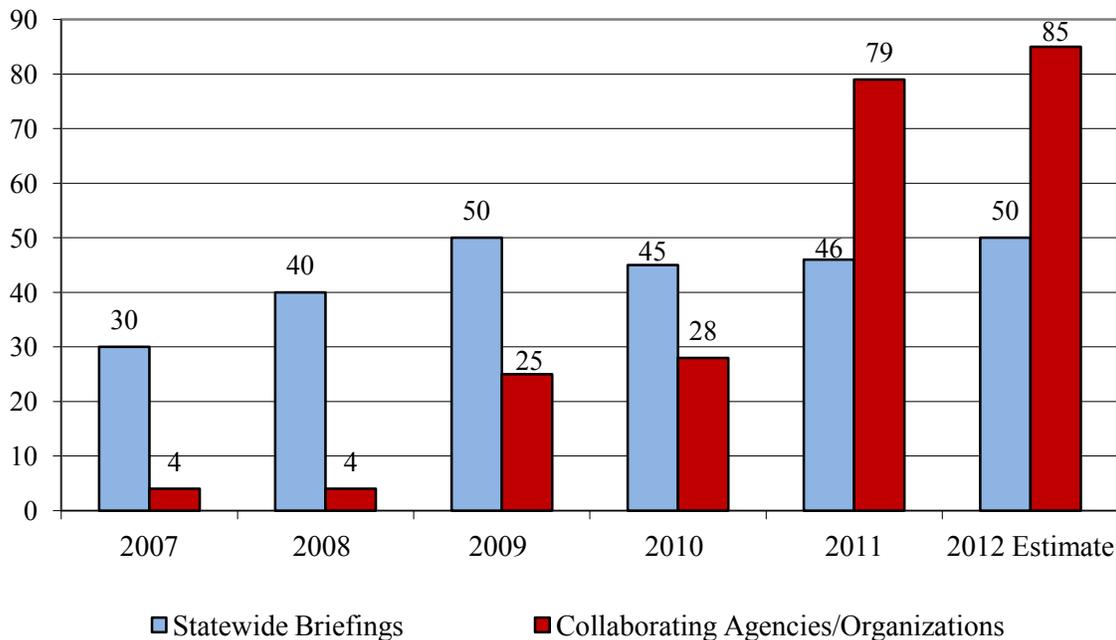
areas, surrounding lawn areas, buildings, and roads that fulfill the expectations of family members and the veterans’ community. As Exhibit 2 shows, the number of complaints has declined steadily between fiscal 2006 and 2011, even as the total number of sites has increased. MDVA expects this trend to continue in fiscal 2012.

Outreach

The Outreach and Advocacy (OAA) Program was officially created in fiscal 2009 and is tasked with actively finding veterans, their dependents, and survivors to inform them of benefits granted to them by law. MDVA also uses the findings of the OAA Program to inform State and federal governments so that veterans’ needs may be properly addressed.

MDVA is tasked with providing direct marketing to veterans through newsletters and pamphlets, processing requests submitted through the MDVA website, conducting statewide information briefings, and working with other agencies throughout the State. **Exhibit 3** shows the number of statewide briefings held by the agency and the number of outside organizations that MDVA partners with to reach veterans.

Exhibit 3
Outreach and Advocacy
Fiscal 2007-2012



Source: Maryland Department of Veterans Affairs

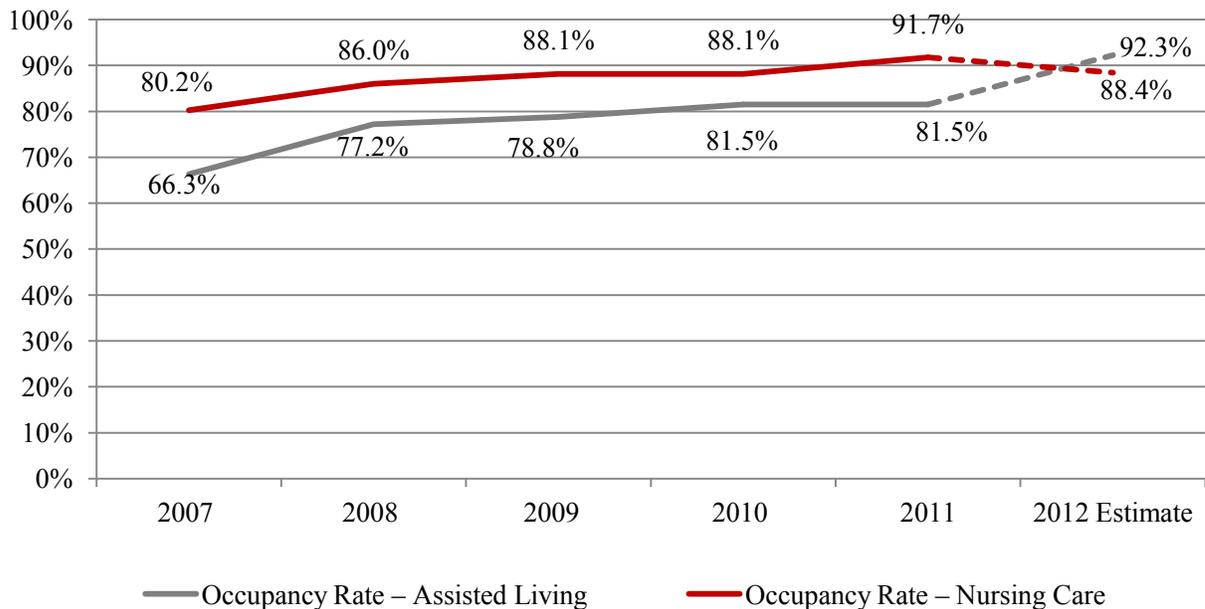
The greater the number of organizations that the agency develops relationships with, the easier it is to distribute materials and conduct briefings, as the partnering organizations usually provide the venue from which MDVA can present. In fiscal 2011, MDVA conducted 46 statewide briefings and collaborated with 79 organizations. The number of collaborating organizations has grown significantly since fiscal 2008 when the OAA Program was established. Some of the organizations that MDVA works with include the American Legion, Disabled American Veterans, Veterans of Foreign Wars, and the Maryland Department of Health and Mental Hygiene.

Charlotte Hall Veterans Home Population Increases

CHVH, opened in 1985, is a State-operated long-term healthcare 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 462 beds designed for assisted living and skilled nursing long-term care for Maryland veterans and eligible spouses who are unable to take care of themselves due to age or disability. The home provides support and services required for 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.

Exhibit 4 shows the occupancy rate for CHVH for its assisted living unit and its skilled nursing care unit. CHVH is nearing capacity in the nursing care unit and has steadily increased the population of assisted living residents. To accommodate the increase in the number of nursing care residents, 42 assisted living beds were converted to nursing care beds in fiscal 2009 leaving 184 beds for assisted living and 278 beds for skilled nursing. CHVH plans to convert an additional 16 beds from assisted living to nursing care in fiscal 2012, which accounts for the change seen between fiscal 2011 and 2012 in Exhibit 4. **The agency should comment on occupancy rates at CHVH and how it is handling the growing nursing care population.**

**Exhibit 4
Occupancy Rates at Charlotte Hall Veterans Home
Fiscal 2007-2012**



Source: Governor’s Budget Books, Fiscal 2010-2013

Proposed Budget

Exhibit 5 shows that the Governor’s allowance grows \$186,514, or 0.9%, compared to fiscal 2012. A \$1.4 million increase in federal funds is offset by \$1.1 million and \$0.1 million declines in general and special funds, respectively. Under personnel expenses, the largest increase is from employee retirement programs, which grows \$70,752. Funding for the \$750 employee bonus in fiscal 2012 does not continue in fiscal 2013, and the budget declines \$58,911 as a result. The agency’s turnover rate increases from 1.6 to 2.7% reducing the budget by an additional \$55,170.

Other significant changes outside of CHVH include funding for the State’s new personnel system, which is allocated centrally by the Department of Budget and Management based on an agency’s number of employees and expected use of the system. MDVA’s share of expense is \$34,564. There is also a \$50,000 shift of funds in the Maryland Veterans Trust Fund from the Executive Direction program to CHVH as the result of legislation to ensure that money donated by the public to support the home is not spent elsewhere in the MDVA budget.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2012 Working Appropriation	\$7,825	\$874	\$13,197	\$21,896
2013 Allowance	<u>6,743</u>	<u>788</u>	<u>14,551</u>	<u>22,082</u>
Amount Change	-\$1,082	-\$85	\$1,354	\$187
Percent Change	-13.8%	-9.8%	10.3%	0.9%
 Contingent Reductions	 \$0	 \$0	 \$0	 \$0
Adjusted Change	-\$1,082	-\$85	\$1,354	\$187
Adjusted Percent Change	-13.8%	-9.8%	10.3%	0.9%

Where It Goes:

Personnel Expenses

Employee retirement	\$71
Regular salaries	29
Workers' compensation premium assessment	7
Other fringe benefit adjustments	2
Employee and retiree health insurance.....	-2
Turnover	-55
One-time fiscal 2012 \$750 bonus	-59

Charlotte Hall Veterans Home

Building/road repairs and maintenance.....	366
U.S. Department of Veterans Affairs records database.....	315
Equipment	96
Grant solicitation from U.S. Department of Veterans Affairs	21
Marketing	21
Medical equipment.....	20
Technical assistance for home's information technology system	19
Travel expenses for employee training	9
Medical care expenses now covered by contractor	-253
Change in home population resulting in reduced management fees	-447

Where It Goes:

Executive Direction

Costs associated with development of new personnel system	35
Insurance costs	9
Travel expenses	4
Reduced printing costs	-5
Reallocation from Maryland Veterans Trust Fund to Veterans Home budget.....	-50

Other Changes

Maintaining Baltimore City War Memorial.....	17
Contractual employee salaries.....	9
Outreach programs	8
Travel expenses for employee training	-5
Other.....	5

Total **\$187**

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

Charlotte Hall Veterans Home

The biggest changes in the MDVA budget occur within CHVH. Funding to help address a backlog in facility maintenance projects totals \$366,561 in fiscal 2013. The agency points out that the total backlog is valued at over \$24.5 million, however. CHVH’s facilities master plan identifies many facilities renewal needs and other projects to meet Americans with Disabilities Act compliance.

An increase of \$315,000 reflects costs to support a new U.S. Department of Veterans Affairs electronic medical records database, which became operational in December 2011. The expenses relate to server fees, network support, and hardware and are paid with federal funds. That is partly offset by a \$252,500 decline for medical costs that were previously shown in the home’s budget but are now being covered by the contractor.

The biggest decline relates to a change in the home’s resident population, a reduction of \$446,887. The contract with the CHVH’s medical services provider calls for a monthly management fee based on the home’s population. As the home’s population rises, the additional revenue generated calls for a lower monthly management fee. The fiscal 2013 allowance assumes a resident population above 425, crossing a threshold to lower management fee payments.

A resident population of 425 equates to an occupancy rate of 92.0%. According to the agency’s Managing for Results submission, CHVH will have an average occupancy rate of 89.8% throughout fiscal 2012. To achieve the savings assumed in the Governor’s allowance, the home’s occupancy rate will have to exceed 92.0% by July 1, 2012, and stay above that rate for the rest of the fiscal year. **MDVA should comment on whether CHVH will be able to grow its population above 425 as assumed in the Governor’s allowance.**

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets 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 2011					
Legislative Appropriation	\$7,470	\$872	\$9,346	\$0	\$17,688
Deficiency Appropriation	642	0	2,500	0	3,142
Budget Amendments	0	0	1,750	0	1,750
Reversions and Cancellations	-288	-106	-425	0	-819
Actual Expenditures	\$7,825	\$766	\$13,171	\$0	\$21,762
Fiscal 2012					
Legislative Appropriation	\$7,769	\$871	\$13,196	\$0	\$21,837
Budget Amendments	56	2	1	0	59
Working Appropriation	\$7,825	\$874	\$13,197	\$0	\$21,896

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

Fiscal 2011

A deficiency appropriation of \$642,438 in general funds was made to reflect changes to the contract for managing CHVH, which was renegotiated midyear. MDVA also received a \$2,500,000 federal fund deficiency appropriation for per diems at CHVH.

Cancellations and reversions totaled \$818,940 at the close of the fiscal year. All general funds reverted to the general fund. The federal funds (\$425,430) and special funds (\$105,840) represented unrealized revenue and were all cancelled.

Fiscal 2012

MDVA received a budget amendment for \$55,683 in general funds, \$2,421 in special funds, and \$807 in federal funds for the one-time \$750 bonus provided to employees.

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

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	74.00	76.00	76.00	0.00	0%
02 Contractual	4.38	2.38	2.69	0.31	13.0%
Total Positions	78.38	78.38	78.69	0.31	0.4%
Objects					
01 Salaries and Wages	\$ 3,789,550	\$ 4,410,953	\$ 4,403,799	-\$ 7,154	-0.2%
02 Technical and Spec. Fees	124,026	81,123	89,831	8,708	10.7%
03 Communication	48,317	67,978	71,649	3,671	5.4%
04 Travel	36,392	29,518	45,226	15,708	53.2%
06 Fuel and Utilities	548,998	552,919	549,182	-3,737	-0.7%
07 Motor Vehicles	159,443	110,944	115,989	5,045	4.5%
08 Contractual Services	16,490,601	15,554,553	15,466,158	-88,395	-0.6%
09 Supplies and Materials	272,812	171,293	330,393	159,100	92.9%
10 Equipment – Replacement	35,824	57,073	154,573	97,500	170.8%
11 Equipment – Additional	15,240	255,000	275,500	20,500	8.0%
12 Grants, Subsidies, and Contributions	185,670	290,000	256,500	-33,500	-11.6%
13 Fixed Charges	54,993	52,763	61,831	9,068	17.2%
14 Land and Structures	0	261,522	261,522	0	0%
Total Objects	\$ 21,761,866	\$ 21,895,639	\$ 22,082,153	\$ 186,514	0.9%
Funds					
01 General Fund	\$ 7,824,923	\$ 7,824,660	\$ 6,742,554	-\$ 1,082,106	-13.8%
03 Special Fund	765,998	873,854	788,484	-85,370	-9.8%
05 Federal Fund	13,170,945	13,197,125	14,551,115	1,353,990	10.3%
Total Funds	\$ 21,761,866	\$ 21,895,639	\$ 22,082,153	\$ 186,514	0.9%

Note: The fiscal 2012 appropriation does not include deficiencies.

**Fiscal Summary
Department of Veterans Affairs**

<u>Program/Unit</u>	<u>FY 11 Actual</u>	<u>FY 12 Wrk Approp</u>	<u>FY 13 Allowance</u>	<u>Change</u>	<u>FY 12 - FY 13 % Change</u>
01 Service Program	\$ 935,315	\$ 1,121,426	\$ 1,094,536	-\$ 26,890	-2.4%
02 Cemetery Program	4,869,742	3,688,947	3,690,232	1,285	0%
03 Memorials and Monuments Program	444,301	340,389	369,550	29,161	8.6%
05 Veterans Home Program	14,529,776	15,463,262	15,698,960	235,698	1.5%
08 Executive Direction	873,826	1,099,135	1,038,591	-60,544	-5.5%
11 Outreach and Advocacy	108,906	182,480	190,284	7,804	4.3%
Total Expenditures	\$ 21,761,866	\$ 21,895,639	\$ 22,082,153	\$ 186,514	0.9%
General Fund	\$ 7,824,923	\$ 7,824,660	\$ 6,742,554	-\$ 1,082,106	-13.8%
Special Fund	765,998	873,854	788,484	-85,370	-9.8%
Federal Fund	13,170,945	13,197,125	14,551,115	1,353,990	10.3%
Total Appropriations	\$ 21,761,866	\$ 21,895,639	\$ 22,082,153	\$ 186,514	0.9%

Note: The fiscal 2012 appropriation does not include deficiencies.