

D55P00
Department of Veterans Affairs

Operating Budget Data

	(\$ in Thousands)				
	<u>FY 2002</u> <u>Actual</u>	<u>FY 2003</u> <u>Approp</u>	<u>FY 2004</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04</u> <u>% Change</u>
General Funds	\$7,224	\$6,588	\$9,389	\$2,801	42.5%
FY 2003 Cost Containment	0	-223	0	223	
Contingent & Back of Bill Reductions	0	-3	-11	-8	
Adjusted General Funds	7,224	6,362	9,378	3,016	47.4%
Special Funds	482	2,873	207	-2,665	-92.8%
Federal Funds	4,612	7,127	6,722	-405	-5.7%
Adjusted Grand Total	\$12,319	\$16,362	\$16,307	-\$54	-0.3%

- Personnel expenditures decrease in the fiscal 2004 allowance by \$264,000.
- The fiscal 2004 allowance provides a \$158,000 increase for grounds maintenance at the five State veterans' cemeteries.
- The fiscal 2004 allowance provides a \$79,700 increase for cost of care at the Charlotte Hall Veterans Home.

Personnel Data

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>
Regular Positions	73.00	70.00	65.00	(5.00)
Contractual FTEs	<u>1.92</u>	<u>1.92</u>	<u>1.92</u>	<u>0.00</u>
Total Personnel	74.92	71.92	66.92	(5.00)

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	2.28	3.50%
Positions Vacant as of 12/31/02	6.50	9.29%

- The fiscal 2004 allowance deletes five regular positions.

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

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Analysis in Brief

Major Trends

Quality Issues at Cemeteries: There continue to be upkeep concerns at the State veterans' cemeteries.

Charlotte Hall Is Providing Quality Care: In a variety of quality of life measures, the Charlotte Hall Veterans Home compares favorably to statewide averages for all assisted care facilities.

Issues

New Wing at Charlotte Hall: The new wing of the Charlotte Hall Veterans Home experienced a series of problems that has delayed its opening. However, the wing has recently passed its first federal inspection.

Community Veterans Outreach Program: The department has started a new outreach program to contact State veterans about Department of Veterans Affairs services.

Maximus Retained to Identify Revenue Generating Options: In fiscal 2003 the Department of Budget and Management (DBM), Office of Policy Analysis negotiated with the Maximus Group to submit a proposal to conduct a study on how the department may be able to generate revenues.

Recommended Actions

	<u>Funds</u>
1. Reduce general funds for cemetery grounds maintenance.	\$ 55,000
2. Add language making part of the general fund appropriation contingent upon the new wing at Charlotte Hall Veterans Home becoming operational.	
Total Reductions	\$ 55,000

D55P00
Department of Veterans' Affairs

Operating Budget Analysis

Program Description

The Department of Veterans Affairs (DVA) provides a variety of administrative and support services to the State's veterans, their families, dependants, and survivors. The department also manages five veterans' cemeteries, maintains three veterans' war memorials in cooperation with local jurisdictions, and operates and manages the Charlotte Hall Veterans Home. The Military Monuments and Memorials Commission was transferred to the Department of Veterans Affairs in fiscal 2001.

The department's goals are as follows:

- Aid veterans in the preparation of claims for benefits to which they are entitled such as educational assistance, death benefits, and medical care.
- Operate and maintain the five veterans' cemeteries.
- Provide upkeep and maintenance for Maryland's war memorials.
- Provide and operate the State veterans' home at Charlotte Hall.

Performance Analysis: Managing for Results

Aid Veterans in Obtaining Benefits

The department reports in its Managing for Results (MFR) that it has been successful in filing all veterans' claims within 30 days; however, over 30% of initial claims are rejected for benefits. **DVA needs to be prepared to explain why this is happening.**

Cemetery Program

The State's five veterans' cemeteries are located in Cheltenham, Crownsville, Hurlock, Owings Mills, and Rocky Gap. Even though the estimated number eligible for internment has remained relatively stable over the past few years, the number of internments provided has been decreasing. **Exhibit 1** shows the department is anticipating significant quality issues with respect to the cemeteries' upkeep in fiscal 2003 and 2004. **The department should be prepared to explain this trend.**

Exhibit 1

Quality Measures for State Veterans' Cemeteries

<u>Measure</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004 Est.</u>
Number of burial sites assessed	47,905	51,107	54,442	57,546
% of assessments rated as unacceptable	0%	0%	25%	25%
% of unacceptable ratings due to turf problems	0%	0%	50%	50%
% of unacceptable ratings due to headstone problems	0%	0%	50%	50%

Source: Governor's Budget Books

War Memorial Program

The department maintains a World War II memorial, a Korean War memorial, and a Vietnam memorial. The department has recently implemented a satisfaction survey program, but no meaningful data are yet available.

State Veterans' Home

The department runs the State's one veterans' home located in Charlotte Hall. As of January 2003, there were 72 assisted care and 187 comprehensive care residents at the home; the home's total capacity is 378 beds (100 assisted care and 278 comprehensive care). The MFR report for the veterans' home program not only provides data for its operation but also averages for all assisted care facilities in the State making the MFR more useful as a management tool. Given that the demographics for assisted living facilities of the general population tend to be quite different from a veterans' home, some differences in quality of life measures are expected. As **Exhibit 2** shows Charlotte Hall compares reasonably well to the State averages for these measures.

Exhibit 2

Charlotte Hall vs. State Averages for Selected Quality of Life Measures

<u>Measure</u>	<u>2003 State Average</u>	<u>2003 Charlotte Hall</u>	<u>2004 (Est.) Charlotte Hall</u>
Prevalence of bedfast residents	5.8%	8.2%	7.0%
Prevalence of falls	11.1%	13.9%	12.9%
Prevalence of bed sores	10.0%	14.7%	12.7%
Prevalence of physical restraints	8.4%	8.0%	8.0%

Source: Governor's Budget Books

Fiscal 2003 Actions

Impact of Cost Containment

The Department of Veterans Affairs took \$222,827 in cost containment actions in fiscal 2003.

Charlotte Hall

The majority of the department's cost containment actions (\$200,000) was taken from the cost of care contract in the veterans home program. The dollar size of the cost of care contract is based on the number of veterans currently under care, and while the number fluctuates frequently, the number of residents (259) at Charlotte Hall in fiscal 2003 is lower than originally estimated (330). Thus funds were available for cost containment.

Memorial and Monuments Program

The remaining \$22,827 in cost containment was taken in the form of reduced grants in the Memorials and Monuments program. This program provides financial assistance in the form of grants to jurisdictions for the upkeep and maintenance of Maryland's war memorials. This reduction amounted to about 5% of the program's fiscal 2003 working appropriation.

Transit Subsidy

In addition to the unique actions the department took, fiscal 2003 cost containment also reflects the reversion of appropriations to support free transit ridership for State employees (\$3,000), contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003.

Governor's Proposed Budget

The fiscal 2004 allowance has a less than a 1% reduction from the fiscal 2003 working appropriation. **Exhibit 3** below presents the details of the fiscal 2004 allowance.

Exhibit 3

**Governor's Proposed Budget
Department of Veterans Affairs
(\$ in Thousands)**

	<u>FY 2002 Actual</u>	<u>FY 2003 Approp</u>	<u>FY 2004 Allowance</u>	<u>FY 03 - 04 Change</u>	<u>FY 03 - 04 % Change</u>
General Funds	\$7,224	\$6,588	\$9,389	\$2,801	42.5%
FY 2003 Cost Containment	0	-223	0	223	
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Where It Goes:

Personnel Expenses

Turnover adjustments.....	\$111
Employee and retiree health insurance.....	32
Reduction in regular salaries and related benefits resulting from the abolishment of 5 positions	-173

D55P00 - Department of Veterans Affairs

Where It Goes:

Decrease in workers' compensation per Department of Budget and Management's allocation of Injured Workers' Insurance Fund assessment	-120
Reduction from elimination of two positions in previous agency cost containment action	-72
Deferred compensation.....	-11
Other fringe benefit adjustments.....	4

Other Changes

Cemetery Program

Increase in federal fund portion of grounds maintenance	299
Increase in cost of liners contract.....	63
Decrease in general funds portion of grounds maintenance at 5 State veterans' cemeteries ..	-150

Charlotte Hall Veteran's Home

Increase in cost of care over revised fiscal 2003 working appropriation – general funds	3,334
Decrease in special fund portion of cost of care contract	-2,600
Decrease in federal fund portion of cost of care contract	-654
Decrease in cost of medical equipment.....	-33
Decrease in special payments payroll due to the abolishment of a facility maintenance position.....	-31

Other Changes

Cancellation of IT contract.....	-50
Miscellaneous changes	-3

Total **-\$54**

Note: Numbers may not sum to total due to rounding

Personnel

The personnel expenses in the fiscal 2004 allowance decrease by \$229,000 from the fiscal 2003 working appropriation. The largest portion of the reduction is the elimination of 5 positions which is detailed in **Exhibit 4**.

Exhibit 4

Deleted Positions in Fiscal 2004 Allowance

<u>Position</u>	<u>Program</u>	<u>Base Salary</u>	<u>Fund</u>
Office Secretary III	Veterans Service	\$25,286	GF
Administrative Aide	Veterans Service	26,985	GF
Personnel Specialist	Veterans Service	26,958	GF
Veterans Cemetery Super.	Cemetery Program	28,749	GF
Building Services Worker	Cemetery Program	17,309	GF

Source: Department of Veteran's Affairs

The department should be prepared to explain how the elimination of these positions will affect its operations.

Another large component of the personnel decrease is a \$120,000 decrease in workers' compensation. This decrease is due to the Department of Budget and Management's schedule for assessing premiums for the Injured Workers' Insurance Fund.

There is a \$72,000 decrease in the fiscal 2004 allowance resulting from cost containment actions the agency took in December 2002. DVA eliminated two positions and allocated the funds to cost containment in fiscal 2003. In the fiscal 2004 allowance, the funding for these positions is eliminated.

Cemeteries Program

The fiscal 2004 allowance includes a \$299,000 increase in federal funds. Even after the fiscal 2004 allowance reduces the general funds for cemetery upkeep, the total funding for grounds maintenance increases by \$149,000. Since the MFR report shows this to be a potential problem area in fiscal 2003 and 2004, this increase may be very useful. **DVA should be prepared to discuss how it will use the funding increase to address the problem areas as reported in the MFR.**

Charlotte Hall

There is a net increase for the veterans home program of \$79,700; however, there is a \$3.13 million general fund increase and \$2.6 million in special funds and \$634,000 federal funds offsetting decreases.

In June 2002 DVA contracted with a new care provider for the Charlotte Hall Veterans Home. The previous provider had declared bankruptcy, and its service had been determined to be less than adequate for quite some time. In the fiscal 2003 budget, DVA requested \$9 million in anticipation of a higher cost contract. However, the contract cost for the new care provider was \$11.6 million, 65% more than the previous provider and 29% more than DVA had anticipated. The extra \$2.6 million was made available due to a provision in the 2002 Budget Reconciliation and Financing Act which authorized a transfer from the Dedicated Purposes Fund to DVA. This \$2.6 million is absorbed into the fiscal 2004 general fund increase.

The federal fund decrease is census driven. Charlotte Hall has 71 fewer residents than estimated for fiscal 2003, and thus the federal funds decreased accordingly. However, there is a \$534,000 increase in general funds in the fiscal 2004 allowance. This is due to the anticipation of the opening and operating of the new wing.

Issues

1. New Wing at Charlotte Hall

Construction and technical problems have delayed the opening of Charlotte Hall's new wing for over four years. **Exhibit 5** presents a few of the design problems that had to be corrected in the new wing before it was ready for use.

Exhibit 5

Design Flaws with New Wing As of 12/31/02

- The new facility has no kitchen, making it necessary to cart food from the old kitchen on the other side of building.
 - Not every floor has a nurses' station.
 - Some floors have inadequate restroom facilities.
 - The common room is not handicap-accessible.
 - Shower facilities in rooms offer minimal privacy and are not wheelchair-ready.
-

The process of correcting these problems was poorly coordinated and involved several long delays when the Department of General Services and the Department of Veterans Affairs could not reach agreement regarding the appropriate course of action. In another instance the contractor who installed the nurse call station reported that he could not get the station to work nor could the problem be identified. The contractor asked to be let out of the contract. As of August 2002, over \$200,000 in general funds had been expended for utilities, security services, and other routine operational items and the wing had yet to be occupied. However, there are signs of progress. On January 17, 2003, the new wing passed the initial U.S. Department of Veterans Affairs inspection. There is another more extensive inspection scheduled for February 2003, but the new wing is nearing the time when it may be put into service.

The department should be prepared to update the committees on the timeline for opening the new wing and what remains to be done to make it fully functional. Furthermore, DVA needs to assure the committees that management review and oversight processes have been put in place so that future projects will not experience similar problems.

2. Community Veterans Outreach Program

The community veterans' outreach is a program initiated by the Director of Veterans Service Benefit program as an effort to reach out to the greater veterans' community through veterans' organizations and local governments. This is a direct attempt to make contact with Maryland veterans and inform them of the department's services.

The program began in fiscal 2002, and this is the first year reliable data have been available. Results of this program are evident in certain MFR measures DVA provides, as **Exhibit 6** shows.

Exhibit 6

Measured Affects of Outreach Program (\$ in Millions)

<u>Measure</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>	<u>Est. Fiscal 2004</u>
% of clients contacted	12.8%	14.6%	15.0%	15.5%
\$ value of new benefit claims	\$5.3	\$14.6	\$10.0	\$10.2

Source: Governor's Budget Books

The outreach program is also an ideal vehicle for soliciting veterans' input on how to improve the department's delivery of services. This kind of direct contact and feedback can be an excellent management tool, and DVA should be prepared to explain how it will maximize the potential of this program.

3. Maximus Retained to Identify Revenue Generating Options

In fiscal 2003 DBM negotiated with the Maximus Group to submit a bid for a study on how the department may be able to generate revenues. The Board of Public Works approved a modified version of the contract. **The department should be prepared to comment on the nature of the Maximus contract, and the timeline for its completion, and the potential for additional revenues.**

Recommended Actions

- | | <u>Amount
Reduction</u> |
|--|------------------------------------|
| 1. Reduce general funds for grounds maintenance. This reduction still allows a 24% increase over the fiscal 2003 working appropriation and leaves the funding level 38% above its three-year historical average. | \$ 55,000 GF |

2. Add the following language:

. provided that \$534,000 of this appropriation is contingent upon the new wing of the Charlotte Hall Veteran's Home opening by October 1, 2003.

Explanation: The new wing at Charlotte Hall is scheduled to open before the start of fiscal 2004, however it is four years past due and still must pass an extensive inspection by the federal Veteran's Administration. The fiscal 2004 allowance assumes that the wing will open and be fully operational for the entire fiscal year, this language withholds the funding until the wing is operational.

Information Request	Authors	Due Date
Letter confirming the new wing is operational	Department of Veterans Affairs	As soon as the wing is opened.

Total General Fund Reductions	\$ 55,000
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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 2002					
Legislative Appropriation	\$6,941	\$667	\$7,043	\$0	\$14,651
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	515	-10	0	0	505
Reversions and Cancellations	-232	-174	-2,430	0	-2,836
Actual Expenditures	\$7,224	\$482	\$4,612	\$0	\$12,319
Fiscal 2003					
Legislative Appropriation	\$6,588	\$2,873	\$7,127	\$0	\$16,588
Reversions and Cancellations	0	0	0	0	0
Cost Containment	-223	0	0	0	- 223
Contingent and Back of the Bill Reductions	-3	0	0	0	- 3
Working Appropriation	\$6,362	\$2,873	\$7,127	\$0	\$16,362

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

D55P00 - Department of Veterans Affairs

D55P00 - Department of Veterans Affairs

Appendix 2

Object/Fund Difference Report
Department of Veterans Affairs

Object/Fund	FY02		FY03		FY04	FY03 - FY04		Percent Change
	Actual	Working Appropriation	Working Appropriation	Allowance		Amount Change	Amount Change	
Positions								
01 Regular	73.00	70.00	65.00			(5.00)		(7.1%)
02 Contractual	1.92	1.92	1.92			0		0%
Total Positions	74.92	71.92	66.92			(5.00)		(7.0%)
Objects								
01 Salaries and Wages	\$ 2,791,338	\$ 3,040,209	\$ 2,771,963			(\$ 268,246)		(8.8%)
02 Technical & Spec Fees	60,338	55,764	54,610			(1,154)		(2.1%)
03 Communication	47,523	70,882	72,714			1,832		2.6%
04 Travel	28,730	23,727	31,356			7,629		32.2%
06 Fuel & Utilities	281,941	274,670	246,217			(28,453)		(10.4%)
07 Motor Vehicles	303,982	80,158	75,933			(4,225)		(5.3%)
08 Contractual Services	8,380,042	12,590,195	12,678,163			87,968		0.7%
09 Supplies & Materials	178,878	151,509	160,444			8,935		5.9%
10 Equip - Replacement	35,643	74,912	11,600			(63,312)		(84.5%)
11 Equip - Additional	11,689	6,000	6,000			0		0%
12 Grants,Subsidies,Contr	185,409	197,468	198,088			620		0.3%
13 Fixed Charges	12,774	9,203	11,279			2,076		22.6%
14 Land & Structures	440	13,000	0			(13,000)		(100.0%)
Total Objects	\$ 12,318,727	\$ 16,587,697	\$ 16,318,367			(\$ 269,330)		(1.6%)
Funds								
01 General Fund	\$ 7,223,983	\$ 6,588,302	\$ 9,388,947			\$ 2,800,645		42.5%
03 Special Fund	482,465	2,872,792	207,435			(2,665,357)		(92.8%)
05 Federal Fund	4,612,279	7,126,603	6,721,985			(404,618)		(5.7%)
Total Funds	\$ 12,318,727	\$ 16,587,697	\$ 16,318,367			(\$ 269,330)		(1.6%)

Notes: 1. Full-time and contractual positions and salaries are reflected for operating budget programs only.
2. Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary
Department of Veterans Affairs

<u>Unit/Program</u>	<u>FY02 Actual</u>	<u>FY03</u>		<u>FY03 Working Appropriation</u>	<u>FY02 - FY03 % Change</u>		<u>FY04 Allowance</u>	<u>FY03 - FY04 % Change</u>	
		<u>Legislative Appropriation</u>	<u>Working Appropriation</u>						
01 Service Program	\$ 1,146,100	\$ 1,252,061	\$ 1,252,061	\$ 1,252,061	9.2%		\$ 1,023,060	(18.3%)	
02 Cemetery Program	2,590,121	2,469,509	2,469,509	2,469,509	(4.7%)		2,649,532	7.3%	
03 Memorials and Monuments Program	357,368	427,246	427,246	427,246	19.6%		438,567	2.6%	
05 Veterans Home Program	8,225,138	9,813,881	12,438,881	12,438,881	51.2%		12,207,208	(1.9%)	
Total Expenditures	\$ 12,318,727	\$ 13,962,697	\$ 16,587,697	\$ 16,587,697	34.7%		\$ 16,318,367	(1.6%)	
General Fund	\$ 7,223,983	\$ 6,588,302	\$ 6,588,302	\$ 6,588,302	(8.8%)		\$ 9,388,947	42.5%	
Special Fund	482,465	247,792	2,872,792	2,872,792	495.4%		207,435	(92.8%)	
Federal Fund	4,612,279	7,126,603	7,126,603	7,126,603	54.5%		6,721,985	(5.7%)	
Total Appropriations	\$ 12,318,727	\$ 13,962,697	\$ 16,587,697	\$ 16,587,697	34.7%		\$ 16,318,367	(1.6%)	

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.