

## Department of Planning and Budget 2003 Fiscal Impact Statement

**1. Bill Number** HB1774

**House of Origin**    ☐ Introduced    ☐ Substitute    ☒ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron** Hargrove

**3. Committee** General Laws

**4. Title** Department of Veterans Services.

**5. Summary/Purpose:** This proposal seeks to consolidate the Department of Veterans' Affairs, the Virginia Veterans Care Center Board of Trustees, the Board on Veterans' Affairs, and the Virginia Veterans Cemetery Board within a newly created Department of Veterans Services under the direction of a Commissioner of Veterans Services. In addition to the new state agency and its commissioner, the proposal also creates three new boards to assist the agency in providing services to Virginia's veterans and their Virginia-domiciled spouses, orphans, and dependents. These boards include: the Board of Veterans Services, a 17-member policy board; the Veterans Services Foundation, a fund-raising group; and the Joint Leadership Council of Veterans Service Organizations, a volunteer board responsible for studying issues affecting the delivery of services to veterans and their families. In addition, the proposal contains technical changes to conform the proposal and references in other sections of the Code of Virginia.

**6. Fiscal Impact is INDETERMINATE.** However, it is expected that the consolidation of these four entities will generate savings slightly greater than the costs of this proposal.

**7. Budget amendment necessary:** Yes. HB 1400 does not reflect the consolidation. Items 90 and 95 would need to be amended to reflect the consolidation.

**8. Fiscal implications:** Although the creation of the new Department of Veterans Services will result in certain additional expenses, it is expected that these expenses will be offset by efficiencies derived from the consolidation of the four affected entities. Among the additional expenses associated with this proposal are the costs of the salaries and fringe benefits for two new positions (the Commissioner of Veterans Services and a full-time coordinator for the Joint Leadership Council of Veterans Service Organizations) and the costs associated with meetings of the Board of Veterans Services and Veterans Services Foundation. In total, it is expected that these costs will equal \$188,250. It is also expected that these costs would be borne by the general fund.

Offsetting the costs of the proposal are savings to be generated from reengineering the manner in which groundskeeping and maintenance services are provided to the Virginia Veterans Care Center and the Virginia Veterans Cemetery, savings from reengineering the existing agencies' operations and service delivery methods, and savings generated by

improvements in these existing agencies' revenue collections. In addition, it is expected that the level of support provided by the Department of Veterans' Affairs and Virginia Veterans Care Center for board operations will continue to be used for the support of the new boards. In total, these four strategies are expected to generate savings of \$243,200. Table 1 shows the costs associated with this proposal and the savings to be generated from the consolidation of the existing agencies.

<b>Table 1: Comparison of Proposal Costs and Consolidation Savings</b>		
<b>Proposal Costs</b>	<b>Description</b>	<b>Amount</b>
Commissioner of Veterans Services	Salary (\$90,000) and fringe benefits.	\$103,500
Coordinator for Joint Leadership Council of Veterans Service Organizations	Salary (\$60,000) and fringe benefits.	\$69,000
Board of Veterans Services	Cost of five board meetings.	\$11,750
Veterans Services Foundation	Cost of five board meetings.	\$4,000
<b>Subtotal</b>		<b>\$188,250</b>
<b>Consolidation Savings</b>	<b>Description</b>	<b>Amount</b>
Reengineering of agencies and boards' operations and service delivery methods	Includes operating efficiencies, better use of technology, and improved revenue collections.	\$194,000
Reengineering of maintenance and grounds	Includes refining the mix of the in-house and outsourced maintenance and grounds work performed at all facilities.	\$42,000
Use of existing agencies' meeting support costs	Continues use of the existing amount expended by the Department of Veterans' Affairs and Virginia Veterans Care Center for support of board meetings.	\$7,200
<b>Subtotal</b>		<b>\$243,200</b>
<b>Remainder to be applied to additional claims agents</b>		<b>\$54,950</b>

It is expected that any savings in excess of the costs associated with consolidating the four existing entities will be used to hire additional claims support technicians. These claims support technicians are responsible for assisting Virginia's veterans and their Virginia domiciled spouses, orphans, and dependents in pursuing claims against the federal government for educational, disability compensation, and medical benefits provided by the federal Department of Veterans' Affairs.

**9. Specific agency or political subdivisions affected:** This proposal affects the Department of Veterans, the Virginia Veterans Care Center Board of Trustees, the Board on Veterans' Affairs, and the Virginia Veterans Cemetery Board.

**10. Technical amendment necessary:** No.

**11. Other comments:** In addition to the changes included in this proposal, the Governor also included among his amendments to the 2002 Appropriation Act a proposal altering the operating structure of the Virginia Veterans Care Center. This proposal, reconstituting the agency as an entirely state-run enterprise, should produce significant long-term savings for the agency, including reductions in the cost of medical malpractice, workers' compensation, general liability, performance bond, automobile insurance, and property insurance. In total, these savings from these reductions in the agency's insurance premium equal about \$2.5 million (NGF) and will be used to improve services to the center's 240 residents.

**Date:** 01/30/03/PXV

**Document:** H:\BOS-RO\2003 Session\Legislative Session\HB1774H1.Doc

cc: Secretary of Administration