

**Joint Legislative Budget Committee - Fiscal Year 2000 and 2001 Budget - Analysis and Recommendations**

DEPT: Arizona Veterans' Service Commission  
 PROG: Veterans' Services and Administration

JLBC: Jeff Gossrow  
 House: Blewster

OSPB: Bob Chapko  
 Senate: Hamilton

DESCRIPTION	FY 1998	FY 1999	FY 2000		FY 2001	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
<b>OPERATING BUDGET</b>						
<i>Full Time Equivalent Positions</i>	41.0	41.0	47.0	45.0	48.0	45.0
Personal Services	889,800	1,047,800	1,353,600	1,281,200	1,377,500	1,281,200
Employee Related Expenditures	222,200	257,800	312,600	297,300	329,100	306,600
All Other Operating Expenditures:						
Professional and Outside Services	41,500	0	0	0	0	0
Travel - In State	38,900	37,500	50,900	37,500	53,300	37,500
Travel - Out of State	3,700	3,200	3,200	3,200	3,200	3,200
Other Operating Expenditures	243,300	201,800	211,500	195,600	212,000	195,600
Equipment	12,300	0	179,300	151,500	84,700	91,700
<b>OPERATING SUBTOTAL</b>	<b>1,451,700</b>	<b>1,548,100</b>	<b>2,111,100</b>	<b>1,966,300</b>	<b>2,059,800</b>	<b>1,915,800</b>
<b>SPECIAL LINE ITEMS</b>						
Veterans' Organization Contracts	40,000	40,000	40,000	40,000	40,000	40,000
<b>PROGRAM TOTAL</b>	<b>1,491,700</b>	<b>1,588,100</b>	<b>2,151,100</b>	<b>2,006,300</b>	<b>2,099,800</b>	<b>1,955,800</b>
<b>BY FUND SOURCE</b>						
General Fund	964,100	1,021,100	1,745,900	1,606,200	1,668,600	1,529,700
State Veterans Conservatorship Fund	527,600	567,000	405,200	400,100	431,200	426,100
Federal Funds	141,100	149,500	160,200	160,200	161,300	161,300
<b>TOTAL - ALL SOURCES</b>	<b>1,632,800</b>	<b>1,737,600</b>	<b>2,311,300</b>	<b>2,166,500</b>	<b>2,261,100</b>	<b>2,117,100</b>

**Program Description** — *The division assists veterans, their dependents and/or survivors in developing and filing claims for federal entitlements from the U.S. Department of Veterans Affairs in areas of disability, pension, insurance and burial. The division also acts as guardian for incapacitated veterans or family members which involves assuming responsibility for financial obligations and the physical well being of the veteran or family member.*

Change in Funding Summary	FY 1999 to FY 2000 JLBC		FY 2000 JLBC to FY 2001 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$585,100	57.3%	\$(76,500)	(4.7)%
Other Appropriated Funds	(166,900)	(29.4)%	26,000	6.5%
Total Appropriated Funds	\$418,200	27.4%	\$(50,500)	(2.5)%

**Recommended Changes from Prior Year**

		<u>FY 2000</u>	<u>FY 2001</u>
Standard Changes			
Pay Annualization	GF	\$ 13,800	\$ -0-
	OF	13,400	-0-
ERE Rates	GF	(900)	4,900
	OF	(2,000)	4,400
Risk Management	GF	(5,300)	-0-
	OF	(3,900)	-0-
Rent	GF	800	-0-
	OF	100	-0-

**Fiduciary Improvements**    GF    400,500    (21,600)  
    OF    (174,500)    21,600

The JLBC recommends a FY 2000 increase of \$400,500 in General Fund monies and 4 FTE Positions above the original FY 1999 appropriation to address deficiencies in the commission's Fiduciary Division. The JLBC recommends a decrease of \$(174,500) from the Veterans' Conservatorship Fund. The recommended amount for FY 2000 will annualize the cost of additional staff, new computer systems and other costs, which were added in FY 1999. The JLBC recommends a FY 1999 supplemental appropriation of \$517,100 to begin these changes, which are described below.

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The Fiduciary Division is responsible for providing “conservatorship” services, or managing the personal assets and financial affairs of veterans. The division also provides “guardianship” services to incapacitated veterans.

### *Auditor General/Task Force Review*

In October 1998, the Governor appointed a special task force to address fiscal and management problems in the division. The Governor’s decision to intervene followed the commission’s September 1998 announcement that declining revenues in the State Veterans’ Conservatorship Fund would result in an operating deficit in FY 1999. The fiscal problems of the division stem from the Maricopa County Superior Court’s decision in March 1998 to discontinue referring new clients to the commission. The court’s decision was based, in part, on the findings of an Auditor General procedural review released in February 1998, which detailed extensive problems in the Fiduciary Division. Specifically, the division did not satisfy its legal obligations to administer and protect the assets of those veterans or their dependents who the court deemed unable to handle their own affairs. The division also failed to maintain accurate and complete listings of the assets entrusted to its care, or to record and justify its disposal of those assets.

One result of the court’s decision to stop referring clients to the commission has been a steep decrease in revenue to the State Veterans’ Conservatorship Fund. Revenues for the fund are generated by assessing a 5% fee on current clients’ income. Based on the Fiduciary Division’s current caseload, the fund’s revenues will fall 30% below what was appropriated in FY 1999. However, the division’s financial problems are also the result of an annual operating deficit that dates to FY 1996. FY 1996 was the last year in which the State Veterans’ Conservatorship Fund’s annual revenues exceeded the annual costs of the program. During the past 4 fiscal years, the division has used a surplus from FY 1995 to cover the deficit between the annual revenues in the State Veterans’ Conservatorship Fund and the annual costs of the program.

### *FY 1999 Supplemental*

The JLBC recommends a FY 1999 supplemental of \$517,100 from the General Fund to address the Fiduciary Division’s fiscal and management problems. The JLBC recommends that the non-lapsing General Fund subsidy appropriated for the operation of the Veterans’ Home in FY 1998, which resides in the Arizona Department of Administration’s (ADOA) budget, be used to pay for the supplemental. The amount remaining from the original \$1,000,000 appropriated to ADOA is \$600,000. The Veterans’ Home, as noted in the following pages, has achieved substantial progress in addressing its financial problems, so the \$600,000 is available for other purposes within the agency.

The recommended amount of \$517,100 includes 4 FTE Positions and \$109,800 to address accounting and computer issues, and \$37,600 to raise the salaries of the commission’s Director and the state Fiduciary. The Fiduciary position will become non-exempt, based on the recommendations of the Governor’s task force. The recommended amount also includes \$110,300 to fund an extensive upgrade of the commission’s software, which is used to track all monies placed in trust with the agency. The platform for the commission’s current software has been in use since 1986 and has become antiquated. The upgrade of the software to the new platform will help in meeting statutory and court mandates, and will also improve the agency’s efficiency in processing cases.

In addition, the supplemental includes \$184,400 to replace lost revenues in the State Veterans’ Conservatorship Fund that were not collected due to declining caseloads. The reforms being implemented in the Fiduciary Division should lead to the lifting of the Maricopa County Superior Court’s moratorium on referring new clients to the Veterans’ Service Commission for fiduciary services. This will lead to an increase in the State Veterans’ Conservatorship Fund’s revenues in FY 2000.

Finally, the recommended supplemental amount includes \$75,000 in contingency funding for any unexpected costs that could surface while the Fiduciary’s accounting systems are being reconciled. The Executive concurs with the FY 1999 supplemental.

### *FY 2000*

For FY 2000, the JLBC recommends an increase of \$400,500 General Fund above the original FY 1999 appropriation. This equates to a decrease of \$(116,600) from the FY 1999 recommended supplemental. The amount decreases from FY 1999 to FY 2000 due to the elimination of one-time costs. The \$400,500 includes \$201,900 for the 4 new FTE Positions and the Fiduciary salary increases begun in FY 1999. The FY 2000 costs of the salary increase for the commission’s Director is not included in a separate policy issue. Instead, the JLBC addresses this as a separate issue below. (*See “Director’s Pay Increase” below.*) Of the \$201,900, \$145,500 continues the amount added in the FY 1999 supplemental and \$56,400 annualizes these costs for full-year funding in FY 2000.

The \$400,500 recommended for FY 2000 also includes \$37,000 for the continuing costs associated with overhauling the Fiduciary’s computer systems. This represents a decrease of \$(73,300) from the FY 1999 supplemental amount of \$110,300 for computer hardware and software.

The recommended amount also includes \$161,600 to replace lost revenues that will not be deposited in the State



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grades for Veterans' Service Officers. As these issues do not relate to the commission's Fiduciary office, where the agency's staffing problems are most acute, the JLBC does not recommend this increase.

### FY 1999 Supplemental Appropriation

The JLBC recommends a FY 1999 supplemental appropriation of \$517,100 from the General Fund to address deficiencies in the Fiduciary Division. This supplemental will be funded by redirecting an existing General Fund appropriation for the Veterans' Service Commission, at no net cost to the General Fund. (*See Fiduciary Improvements policy issue for further detail.*)

### Motor Pool Rates

The Executive recommends a FY 2000 increase of \$6,300 for a state Motor Pool rate increase. The JLBC addresses this issue in the Arizona Department of Administration (DOA) budget, rather than in individual agency budgets. For additional information, please refer to the ADOA General Service Cost Center.

Performance Measures	FY 1997	FY 1998	FY 1999	FY 2000
	Actual	Actual	Estimate	Estimate
Establish customer service programs for each division, requesting feedback from the clients being served	1	1	4	4
Resolution of questions posed by public officials and the general public in 4 workdays by FY 2001	N/A	9.0	6.0	4.0
Increase VA claims filed 22% by end of FY 2000	14,688	16,157	17,126	17,983
Reduce number of decedent cases managed by the Fiduciary Division	N/A	N/A	247	50
Increase guardian reports filed prior to appointment anniversary date	N/A	75%	93%	95%

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