

Department of Veterans' Services

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	497.3	760.3	760.3 ^{1/}
Personal Services	1,314,300	1,155,600	1,155,600
Employee Related Expenditures	470,000	458,600	458,600
Professional and Outside Services	6,400	5,500	5,500
Travel - In State	22,000	22,000	22,000
Travel - Out of State	10,600	10,700	10,700
Other Operating Expenditures	363,500	679,700	679,700
Equipment	18,900	75,800	75,800
OPERATING SUBTOTAL	2,205,700	2,407,900	2,407,900
SPECIAL LINE ITEMS			
Arizona State Veterans' Cemeteries	788,000	962,900	962,900
Arizona State Veterans' Homes	34,335,600	39,887,100	46,102,900
Veterans' Benefit Counseling	2,628,900	2,934,300	2,934,300
Veterans' Support Services	52,800 ^{2/}	1,228,400	1,228,400 ^{3/}
Veterans' Trauma Treatment Services	0	450,000	450,000 ^{4/}
AGENCY TOTAL	40,011,000	47,870,600	54,086,400 ^{5/}
FUND SOURCES			
General Fund	5,675,400	7,983,500	7,983,500
<u>Other Appropriated Funds</u>			
State Homes for Veterans Trust Fund	34,335,600	39,887,100	46,102,900
SUBTOTAL - Other Appropriated Funds	34,335,600	39,887,100	46,102,900
SUBTOTAL - Appropriated Funds	40,011,000	47,870,600	54,086,400
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	3,601,200	3,460,800	3,460,800
Federal Funds	4,258,700	30,205,500	30,205,500
TOTAL - ALL SOURCES	47,870,900	81,536,900	87,752,700

AGENCY DESCRIPTION — The agency supervises and operates 2 skilled nursing homes for Arizona veterans in Phoenix and Tucson, assists veterans in developing and filing claims for federal entitlements, and operates 3 veterans' memorial cemeteries in Sierra Vista, Marana, and Flagstaff.

FOOTNOTES

- 1/ Includes 69.5 GF and 644 OF FTE Positions funded from Special Line Items in FY 2022.
- 2/ Represents expenditures for the veterans' support services line item for FY 2020 and excludes \$1,149,800 in administrative adjustments to be spent in FY 2021.
- 3/ The amount appropriated for veterans' support services ~~suicide prevention~~ line item shall be distributed to a nonprofit veterans' services organization that provides SUPPORT services related to reducing suicides among this state's military and veteran population. The department may spend up to \$78,600 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization. Before the expenditure of the monies, the department shall submit an expenditure report for review by the joint legislative budget committee that includes the status of non-state matching grant monies. (General Appropriation Act footnote)
- 4/ Monies appropriated for the veterans' trauma treatment services line item shall be used to provide grants to contractors as defined in section 36-2901, Arizona Revised Statutes, that provide trauma treatment services training to any of the following health professionals licensed pursuant to title 32, Arizona Revised Statutes: 1. Physicians. 2. Registered nurse practitioners. 3. Physician assistants. 4. Psychologists. 5. Behavioral health professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner or behavioral health professional licensed pursuant to title 32, Arizona Revised Statutes, for independent practice. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$2,407,900 and 46.8 FTE Positions from the General Fund in FY 2022 for the operating budget. These amounts are unchanged from FY 2021.

Arizona State Veterans' Cemeteries

The Baseline includes \$962,900 and 12.5 FTE Positions from the General Fund in FY 2022 for the Arizona State Veterans' Cemeteries. These amounts are unchanged from FY 2021.

Monies in this line item are used to partially offset the operating and maintenance costs for the 3 veteran cemeteries in Sierra Vista, Marana, and Bellmont. The department also receives interment fees from the federal government, which are deposited into the non-appropriated Arizona State Veterans' Cemetery Trust Fund.

Arizona State Veterans' Homes

The Baseline includes \$46,102,900 and 644 FTE Positions from the State Homes for Veterans' Trust Fund in FY 2022 for the Arizona State Veterans' Homes. FY 2022 adjustments are as follows:

Operating Costs for New Veterans' Homes

The Baseline includes an increase of \$6,215,800 from the State Homes for Veterans' Trust Fund in FY 2022 to further annualize the operating costs for new veterans' homes in Flagstaff and Yuma. The FY 2021 budget included \$3,397,300 of funding for the homes' start-up costs. Between the FY 2021 appropriation and the FY 2022 request, the total FY 2022 operating costs of the 2 homes would be \$9,600,000.

Construction for the two 80-bed facilities began in June 2019. As of December 2020, the Flagstaff and Yuma homes are expected to open in June 2021. The department estimates the final annualized operating cost of the 2 new homes will be \$22,750,000 in FY 2023 and beyond. Of this amount, the department anticipates using \$11,200,000 for the Yuma home and \$11,575,000 for the Flagstaff home. Operating cost estimates for the new homes are based on current homes' costs as well as anticipated occupancy levels. (*Please see the [FY 2020 Appropriations Report](#) for more history on the construction of the Yuma and Flagstaff homes.*)

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes. Monies in this line item are from fees and reimbursements received from

residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.

Besides Flagstaff and Yuma, ADVS operates the Phoenix Veterans' Home, a 200-bed facility currently serving 166 individuals. The Tucson Veterans' Home currently serves 120 individuals and has a 120-bed capacity.

Veterans' Benefit Counseling

The Baseline includes \$2,934,300 and 57 FTE Positions from the General Fund in FY 2022 for Veterans' Benefit Counseling. These amounts are unchanged from FY 2021.

The monies in this line item are used to assist Arizona veterans with questions about benefit eligibility, completion and filing of U.S. Department of Veterans' Affairs claims, and in obtaining earned benefits.

Veterans' Support Services

The Baseline includes \$1,228,400 from the General Fund in FY 2022 for Veterans' Support Services. These amounts are unchanged from FY 2021. In prior years, this line item was named Veterans' Suicide Prevention. The relabeling of this line item reflects the broader range of services that its funding supports.

Funding for this line item shall be distributed to a nonprofit veterans' services organization that provides support services, including suicide prevention, to Arizona's military and veteran population. The department may spend up to \$78,600 of this appropriation to hire a program specialist to liaise between the department and the selected nonprofit organization. The program currently includes a 24/7 hotline, career navigation services, and resource mapping.

The FY 2021 General Appropriation Act required the department to provide an expenditure plan to the JLBC which was favorably reviewed at the December 2020 JLBC meeting. The FY 2022 Baseline changes this review requirement to a reporting requirement.

Veterans' Trauma Treatment Services

The Baseline includes \$450,000 from the General Fund in FY 2022 for Veterans' Trauma Treatment Services. This amount is unchanged from FY 2021.

Monies appropriated for this line item shall be used to provide grants to contractors as defined in A.R.S. § 36-2901, that provide trauma treatment services training to any of the following health professionals licensed

pursuant to Title 32, Arizona Revised Statutes: Physicians, Registered Nurse Practitioners, Physician Assistants, Psychologists, and Behavioral Health Professionals who are either licensed for individual practice or supervised by a psychologist, registered nurse practitioner, or behavioral health professional licensed pursuant to Title 32, Arizona Revised Statutes, for independent practice.

Other Issues

Hyperbaric Oxygen Therapy Fund Deposit

Laws 2018, Chapter 98 created the Hyperbaric Oxygen Therapy Fund and made an initial deposit of \$25,000 from the General Fund.

Monies in the Hyperbaric Oxygen Therapy Fund are non-appropriated and non-lapsing. The bill requires an advisory committee to provide financial assistance from the fund to veterans for hyperbaric oxygen therapy. The Department of Veterans' Services may seek reimbursement to the fund if the therapy is fully or partially covered by private insurance.

As of June 30, 2020, the department had not spent any of the appropriation. The department is in the process of recruiting volunteers to sit on the advisory committee. Laws 2018, Chapter 98 advanced appropriated \$25,000

from the Hyperbaric Oxygen Therapy for Military Veterans Fund to the General Fund in FY 2023.

Auditor General Report

In July 2020, the Auditor General published a Department of Veterans' Services performance audit that included recommendations for improvements to the Military Family Relief Fund. A.R.S. § 41-608.04 created the Post 9/11 Military Family Relief Advisory Committee to establish criteria for the use of monies in the post-9/11 veterans' subaccount and review applications.

As part of the sunset review process pursuant to A.R.S. § 41-2951, the Auditor General identified that the Committee used several eligibility criteria that exceed what is set forth in statute. For example, statute required that the service member have been deployed, while eligibility criteria required deployment to a combat zone. The audit recommended that the department only use eligibility criteria established in statute.

Additionally, the Auditor General concluded that the Department of Veterans' Services lacked proper internal controls to properly safeguard monies in the Military Family Relief Fund. The Department of Veterans' Services agrees with the findings and is working to revise statutory language and implement internal controls.

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
Arizona State Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)		Non-Appropriated
Source of Revenue: Monies, grants, gifts, and contributions from any public or private source.		
Purpose of Fund: To manage and maintain 3 Arizona veterans' cemeteries located in Sierra Vista, Marana, and Flagstaff.		
Funds Expended	765,300	530,000
Year-End Fund Balance	1,918,400	2,290,700
Federal Funds (VSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: U.S. Department of Veterans' Affairs and Department of Defense Grants.		
Purpose of Fund: To supervise and qualify educational and training programs which receive Federal Government Issued (GI) Bill monies, provide assistance for military personnel transitioning to a career as a public school teacher, and to construct veterans' homes facilities in Yuma and Flagstaff.		
Funds Expended	4,258,700	30,205,500
Year-End Fund Balance	9,022,900	5,622,500
Hyperbaric Oxygen Therapy for Military Veterans Fund (VSA3219/A.R.S. § 41-610.01)		Non-Appropriated
Source of Revenue: Donations, grants and bequests.		
Purpose of Fund: To provide financial assistance to veterans for hyperbaric oxygen therapy.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)		Non-Appropriated
Source of Revenue: Donations, bequests, or other contributions from public or private sources. This fund is established through December 31, 2026; any funds remaining unencumbered as of that date are transferred to the Veterans' Donation Fund.		
Purpose of Fund: To provide financial assistance to family members of veterans who became deceased, wounded or injured, or became seriously ill and been deployed from an Arizona military base, claimed this state as the service member's home of record, or were a member of the Arizona National Guard at the time of deployment. Laws 2018, Chapter 258 established the Pre-9/11 and Post-9/11 subaccounts of the fund to provide assistance based on member's service dates.		
Funds Expended	1,037,400	1,039,300
Year-End Fund Balance	6,726,500	6,902,200
State Homes for Veterans Trust Fund (VSA2355/A.R.S. § 41-608.01)		Appropriated
Source of Revenue: Charges for services, fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.		
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.		
Funds Expended	34,335,600	39,887,100
Year-End Fund Balance	24,953,300	23,722,100
Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	1,700	2,000
Year-End Fund Balance	7,200	9,000
Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)		Non-Appropriated
Source of Revenue: Donations from private individuals, corporations and organizations. Donations are made by designating a portion of one's tax refund, purchasing a license plate, or other means. Sales from the Veterans, Freedom, Gold Star, Flying Cross, Women Veteran, and Military Scholarship license plates go into this fund. Of the \$25 license plate fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Veterans' Donation Fund.		
Purpose of Fund: To benefit veterans within the state of Arizona. Separate subaccounts of this fund are used for 1) the construction and maintenance of the Enduring Freedom Memorial, 2) grants to benefit women veterans in Arizona including providing shelter to homeless women veterans and 3) higher education scholarships for veterans and their dependents.		
Funds Expended	1,796,800	1,882,500
Year-End Fund Balance	4,683,200	5,688,700
Veterans' Income Tax Settlement Fund (VSA1601/Laws 2016, Chapter 125)		Non-Appropriated
Source of Revenue: Appropriation of \$2,000,000 from the General Fund. Expenditure amounts are not displayed to avoid double counting.		
Purpose of Fund: To be distributed to Native American Veterans for state Individual Income Tax incorrectly withheld from military pay. DOR and the Department of Veterans' Services may use up to 5% of the \$2,000,000 transfer for administrative costs. Monies in the fund revert to the General Fund on June 30, 2021.		
Funds Expended	0	7,000
Year-End Fund Balance	89,600	77,700