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Fiscal Note

2017-2018 Legislative Session

HF1109 - 0 - "Montevideo and Bemidji Vet Homes Funding"

Chief Author: **Tim Miller**
 Committee: **State Government Finance**
 Date Completed:
 Agency: **Veterans Affairs Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-

Executive Budget Officer's Comment

EBO Signature: Date:
 Phone: Email:

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

HF 1109 appropriates \$6,000,000 from bond proceeds to the Commissioner of Administration to design, construct, furnish, and equip a veteran's home in Montevideo. It also appropriates \$10,000,000 from bond proceeds to the Commissioner of Administration to design, construct, furnish, and equip a veteran's home in Bemidji. The bill restricts the availability of the appropriation until the Commissioner of Management and Budget determines that sufficient funding to complete the projects have been committed from non-state sources.

The bill further authorizes the Commissioner of Veterans Affairs to apply for federal grant funding through the federal application process for up to 140 beds for veterans and their spouses in Montevideo and Bemidji.

The bill mandates that the state provides the necessary operating costs for both veterans homes above and beyond any revenue or federal funding authorized for the care of the Minnesota veteran residents.

The bill authorizes the Commissioner of Administration to accept contributions of land or money from private individuals, local governments, veteran service organizations, and other non-state sources for the purpose of providing matching funding when soliciting federal funding for the development of the homes.

Lastly, the bill mandates the Commissioner of Minnesota Management and Budget to sell and issue bonds of the state in the amount of \$16,000,000 to pay for the state share of the projects.

Assumptions

The proposed bill does not specify how many beds are to be allocated to Bemidji or Montevideo, however MDVA assumes there would be 70 beds at each location. MDVA would have to submit an application for each of the requested homes to comply with Federal VA rule 38 CFR 59.

The Federal Department of Veterans Affairs (VA) fiscal year Priority Lists provides a ranking and funding process for awarding state veteran home construction grants. VA matches 65 percent the project cost, with states funding the remaining 35 percent (see 38 CFR Part 59).

VA grants support safety projects, new construction and renovation in State Veterans Homes. To be eligible for the VA priority list, initial grant applications are due by April 15th with project budget and certification of state matching funds due by August 1st. VA approves the project application and creates preliminary ranking of all state projects based on project type, application date, type of renovation and the need for Veteran beds within the state. **Safety and security projects are ranked above all others.**

The VA priority list is reviewed by appropriate offices and signed by the VA Secretary. Once the priority list is signed, projects are offered funding in the order of the list. States then must complete the remaining grant checklist submittals, including project drawings and contractor bids. Once the project application is complete, the VA Secretary enters into a written agreement with the state and authorizes a VA grant award for the project, this can take several years or longer. As

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the state project progresses, VA provides reimbursement for the project and verifies project completion.

38 CFR 59.50(g) (3) states: "A State has a limited need for nursing home and domiciliary beds if the State has an unmet need of 999 or fewer nursing home and domiciliary beds." Minnesota's unmet need -beds available to reach the VA approved allocation of 1,058 beds - falls into this 'limited need' category.

Limited need for nursing home and domiciliary beds priority group as per 38 CFR 59.50(a) (vii) states: "Priority group 1-subpriority 7. An application for construction or acquisition of a nursing home or domiciliary from a state that has a limited need for the beds that the state, in that application, proposes to establish."

CRF 38 Section 59.40(a) allocates the state of Minnesota 1058 total beds. Additionally it states "a state may not request a grant for a project to construct or acquire a new state home facility, to increase the number of beds available at a state home facility, or to replace beds at a state home facility if the project would increase the total number of state home nursing home and domiciliary beds in that state beyond the maximum number designated for that state." This bill asks for two veterans homes with a total of 140 beds which is within the number of authorized beds for the state.

MDVA estimates the total cost to build both homes would be \$90,000,000, the State would be responsible for 35% of this cost, which is \$31,500,000 the VA would cover the other 65% or \$58,500,000. The bill assumes a \$6,000,000 bond proceed for the Montevideo Veterans Home which would require an additional \$9,750,000 in non-state contributions to cover the cost of construction. The bill also assumes a \$10,000,000 bond proceed for the Bemidji Veterans Home which would require an additional \$5,750,000 in non-state contributions to cover the cost of construction. The projected start date of these projects would occur in Fiscal Year 2021.

Expenditure and/or Revenue Formula

Montevideo	
70 Bed Facility	FY22
Salary	\$8,200,000
Non-Salary	\$1,800,000
Total	\$10,000,000

Bemidji	
70 Bed Facility	FY22
Salary	\$8,200,000
Non-Salary	\$1,800,000
Total	\$10,000,000

Long-Term Fiscal Considerations

Montevideo Home the estimated cost to operate 70 beds in FY2022 (built in FY2021) include, salary cost of \$8,200,000 and non-salary cost of \$1,800,000 for a total of \$10,000,000, which includes an approximate 4% increase in salary costs

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and approximately 2% increase in non-salary costs annually. The total FTE's for this home would be 109. A General Fund appropriation of \$5,200,000 would be needed for operation of this Home. Revenues from residents would make up the remaining revenue to cover the cost of operations.

Bemidji Home the estimated cost to operate 70 beds in FY2022 (built in FY2021) include, salary cost of \$8,200,000 and non-salary cost of \$1,800,000 for a total of \$10,000,000, which includes an approximate 4% increase in salary costs and approximately 2% increase in non-salary costs annually. The total FTE's for this home would be 109. A General Fund appropriation of \$5,200,000 would be needed for operation of this Home. Revenues from residents would make up the remaining revenue to cover the cost of operations.

Local Fiscal Impact

Unknown

References/Sources

38 CFR 59

Agency Contact:

Agency Fiscal Note Coordinator Signature:

Date:

Phone:

Email: