



**STATE OF NORTH CAROLINA**  
**OFFICE OF STATE BUDGET AND MANAGEMENT**

**PAT MCCRORY**  
GOVERNOR

**ART POPE**  
STATE BUDGET DIRECTOR

January 22, 2014

**MEMORANDUM**

**TO:** Senator Phil Berger, President Pro-Tempore of the Senate  
Representative Thom Tillis, Speaker of the House of Representatives

**FROM:** Art Pope *Art Pope*  
State Budget Director

**SUBJECT:** Budget Deviation, State Veterans Nursing Homes – Department of Administration

In accordance with N.C. General Statute Chapter 165 Article 8, the Division of Veterans Affairs within the Department of Administration is authorized to establish and operate veterans' homes for aged and infirm veterans who reside in North Carolina. N.C. General Statute 165-48-49 provides statutory authority to establish the NC Veterans Home Trust Fund as a repository of funds received by the Veterans Affairs Commission or the Division of Veterans Affairs and for the use of these funds for the care and support of veterans who have been admitted to a State veterans' home.

The Veterans Affairs Commission has approved the use of \$8 million from the Veterans Home Trust Fund for the purpose of operating the Veterans Nursing Home Program. The Department has submitted a budget revision to transfer \$8 million from the Veterans Home Trust Fund to the Veterans Home operational fund which supports the four State Veterans Homes, including two recently opened facilities in Kinston and Black Mountain. The Department cites the increase of patients as well as the need to purchase additional equipment and supplies not covered through the capital budget allotment for these new facilities as prompting the need for the budget increase. This funding will equip the facilities and provide medical services to residents by the third party vendor that operates the homes.

The Department has the authority to expend the receipts for this purpose under N.C. General Statutes 165-48-49. However, the amount requested for transfer from the Veterans Home Trust Fund to the Veterans Homes operational fund exceeds the 3% deviation threshold by \$4,673,936. Therefore, OSBM is submitting this request for legislative consultation in accordance with N.C. General Statute 143C-6-4(b)(3).

*(b1) Prior consultation with Governmental Operations is required when the overexpenditure would cause a department's total requirements for a fund to exceed the department's certified budget for a fiscal year for that fund by more than three percent (3%) prior to authorizing the overexpenditures.*

<b>DEPARTMENT:</b>	<u>Dept. of Administration</u>
<b>FISCAL YEAR:</b>	<u>2013-14</u>
<b>Date:</b>	<u>1/21/2014</u>
<b>Budget Revision #:</b>	<u>12-0071</u>

Budget Code	Certified Requirements	3% Deviation Threshold	Amount of the Overexpenditure Request	Amount the Request Exceeds the Deviation Threshold
14100	\$ 110,868,795	\$ 3,326,064	\$ 8,000,000	\$ 4,673,936
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -
Fund Type Total	\$ 110,868,795	\$ 3,326,064	\$ 8,000,000.00	\$ 4,673,936

**JUSTIFICATION FOR REQUEST:**

Request for additional funds to be transferred from the Trust Fund to the General Fund for operational costs incurred by the two new State Veteran's Homes. These homes were scheduled to open during fiscal year 2012-2013; however, only one was operable beginning October 2012 (Black Mountain). The facility in Kinston opened in September 2013. The budget for these homes was not increased during the construction phase to offset operational costs nor during an expansion budget or the establishment of the 2013-2015 biennium budget. The majority of the operational costs is to provide medical services to these facilities, i.e. third party vendor payments which comprise 90% of this funds budget.

Third party payments are based on total occupancy, therefore, increase number of patients increase cost.

The two new facilities have a total of 200 beds which increases the total patient occupancy for all four facilities to 449.

Additional funds will be utilized to operate the two new facilities to include the medical services mentioned above as well as other operational expenses. This budget covers all expenses incurred by the four current facilities with the exception of the third parties administrator position. Each facility houses one administrator.

With the addition of the new facilities and increase of patients, costs will continue to increase. These additional funds are necessary to cover these additional costs, i.e. replacement cost of equipment, furniture and supplies not purchased under the capital budget.

**Instructions: REQUEST TO DEViate UNDER G.S. 143C-6-4**

**1. Department**

Department of Administration

**2. Fiscal Year**

FY 2013-2014

**3. Date**

1/21/2014

**4. Budget Revision #**

#12-0071

**5. Budget Code**

Transfer from budget code 64106 to budget code 14100, Fund 1771

**6. Certified Requirements**

\$110,868,795

**7. 3% Deviation Threshold**

\$3,326,064

**8. Amount of the Overexpenditure Request**

\$8,000,000

**9. Amount Over Deviation Threshold**

\$4,673,936

**10. Submit the completed form to your Budget Analyst in the Office of State Budget and Management for consultation with the Joint Legislative Commission on Governmental Operations.**

**Article 8.**  
**State Veterans Home.**

**§ 165-45. Short Title.**

This Article may be referred to as the "State Veterans Home Act". (1995, c. 346, s. 1.)

**§ 165-46. Establishment.**

The State of North Carolina shall construct, maintain, and operate veterans homes for the aged and infirm veterans resident in this State under the administrative authority and control of the Division of Veterans Affairs of the Department of Administration. There is vested in such Division any and all powers and authority that may be necessary to enable it to establish and operate the homes and to issue rules necessary to operate the homes in compliance with applicable State and federal statutes and regulations. (1995, c. 346, s. 1.)

**§ 165-47. Exemption from certificate of need.**

Any state veterans home established by the Division of Veterans Affairs shall be exempt from the certificate of need requirements as set out in Article 9 of Chapter 131E, or as may be hereinafter enacted. (1995, c. 346, s. 1.)

**§ 165-48. North Carolina Veterans Home Trust Fund.**

(a) Establishment. - A trust fund shall be established in the State treasury, for the Division of Veterans Affairs, to be known as the North Carolina Veterans Home Trust Fund.

(b) Composition. - The trust fund shall consist of all funds and monies received by the Veterans Affairs Commission or the Division of Veterans Affairs from the United States, any federal agency or institution, and any other source, whether as a grant, appropriation, gift, contribution, devise, or individual reimbursement, for the care and support of veterans who have been admitted to a State veterans home.

(c) Use of Fund. - The trust fund created in subsection (a) of this section shall be used by the Division of Veterans Affairs:

- (1) To pay for the care of veterans in said State veterans homes;
- (2) To pay the general operating expenses of the State veterans homes, including the payment of salaries and wages of officials and employees of said homes; and
- (3) To remodel, repair, construct, modernize, or add improvements to buildings and facilities at the homes.

(d) Miscellaneous. - The following provisions apply to the trust fund created in subsection (a) of this section:

- (1) All funds deposited and all income earned on the investment or reinvestment of such funds shall be credited to the trust fund.
- (2) Any monies remaining in the trust fund at the end of each fiscal year shall remain on deposit in the State treasury to the credit of the North Carolina Veterans Home Trust Fund.
- (3) Nothing contained herein shall prohibit the establishment and utilization of special agency accounts by the Division of Veterans Affairs, as may be approved by the Veterans Affairs Commission, for the receipt and disbursement of personal funds of the State veterans homes' residents or for receipt and disbursement of charitable contributions for use by and for residents. (1995, c. 346, s. 1; 2011-284, s. 127.)

**§ 165-49. Funding.**

(a) The Division of Veterans Affairs of the Department of Administration may apply for and receive federal aid and assistance from the United States Department of Veterans Affairs or any other agency of the United States Government authorized to pay federal aid to states for the construction and acquisition of veterans homes under Title 38, United States Code, section 8131 et seq., or for the care or support of disabled veterans in State veterans homes under Title 38, United States Code, section 1741 et seq., or from any other federal law for said purposes.

(b) The Division of Veterans Affairs may receive from any source any gift, contribution, devise, or individual reimbursement, the receipt of which does not exclude any other source of revenue.

(c) All funds received by the Division shall be deposited in the North Carolina Veterans Home Trust Fund, except for any funds deposited into special agency accounts established pursuant to G.S. 165-48(d)(3). The Veterans Affairs Commission shall authorize the expenditure of all funds from the North Carolina Veterans Home Trust Fund. The Veterans Affairs Commission may delegate authority to the Assistant Secretary of Veterans Affairs for the expenditure of funds from the North Carolina Veterans Home Trust Fund for operations of the State Veterans Nursing Homes. (1995, c. 346, s. 1; 2001-117, s. 1; 2011-284, s. 128.)

#### **§ 165-50. Contracted operation of homes.**

The Veterans Affairs Commission may contract with persons or other nongovernmental entities to operate each State veterans home. Contracts for the procurement of services to manage, administer, and operate any State veterans home shall be awarded on a competitive basis through the solicitation of proposals and through the procedures established by statute and the Division of Purchase and Contract. A contract may be awarded to the vendor whose proposal is most advantageous to the State, taking into consideration cost, program suitability, management plan, excellence of program design, key personnel, corporate or company resources, financial condition of the vendor, experience and past performance, and any other qualities deemed necessary by the Veterans Affairs Commission and set out in the solicitation for proposals. Any contract awarded under this section shall not exceed five years in length. The Veterans Affairs Commission is not required to select or recommend the vendor offering the lowest cost proposal but shall select or recommend the vendor who, in the opinion of the Commission, offers the proposal most advantageous to the veterans and the State of North Carolina. (1995, c. 346, s. 1.)

#### **§ 165-51. Program staff.**

The Division shall appoint and fix the salary of an Administrative Officer for the State veterans home program. The Administrative Officer shall be an honorably discharged veteran who has served in active military service in the Armed Forces of the United States for other than training purposes. The Administrative Officer shall direct the establishment of the State veterans home program, coordinate the master planning, land acquisition, and construction of all State veterans homes under the procedures of the Office of State Construction, and oversee the ongoing operation of said veterans homes. The Division may hire any required additional administrative staff to help with administrative and operational responsibilities at each established State veterans home. (1995, c. 346, s. 1; 2001-117, s. 2; 2011-183, s. 125.)

#### **§ 165-52. Admission and dismissal authority.**

The Veterans Affairs Commission shall have authority to determine administrative standards for admission and dismissal, as well as the medical conditions, of all persons admitted to and dismissed from any State veterans home, and to issue any necessary rules, subject to the requirements set out in G.S. 165-53. (1995, c. 346, s. 1.)