**Senate Committee on Veterans Affairs**

**Assembly Committee on Veterans Affairs**

**Joint Informational Hearing:**

**California Department of Veterans Affairs Policy Priorities for Year 2017**

**Background Information**

**Overview**

The CA Department of Veterans Affairs (CalVet) provides services to California Veterans and their dependents, and also to eligible members of the California National Guard. The principle activities of CalVet include:

* Operating the Veterans Homes of California (VHC), an eight-campus system with homes located in Yountville, Barstow, Chula Vista, Fresno, Redding, and Greater Los Angeles, Lancaster, and Ventura County with several levels of medical rehabilitation services, as well as residential services;
* Providing home and farm loans through the CalVet Farm and Home Purchase Program to qualifying Veterans using proceeds from the sale of general obligation and revenue bonds; and
* Providing subventions to county veterans service officers (CVSOs), direct educational assistance to qualifying dependents, and assisting eligible Veterans and their dependents to obtain federal and state benefits by providing claims representation and assistance in filing claims with the Federal VA.
* With the passage of Proposition 41 in 2014, CalVet, the CA Department of Housing and Community Development, and CalHFA partner in a new program to provide multifamily housing for homeless and low-income Veterans.
* The California State Approving Authority for Veteran Education (CSAAVE) oversees the certification of secondary education institutions and programs eligible for the federal GI Bill Education benefits, including the Montgomery GI Bill and the Post 9-11 GI Bill.

**CalVet Strategic Goals\* (per current CalVet Strategic Plan – FY 2013/14 – 2015/16)**

* Increase the accessibility and utilization of benefits and services through advocacy and education.
* Provide the highest quality of CalVet-sponsored care and services to Veterans and their families.
* Make CalVet an employer of choice by investing in the development of our employees.
* Provide premier long-term care with fiscal efficiencies

\*Per current CalVet Strategic Plan – FY 2013/14 – 2015/16

**Department-Level: 3-Year Positions and Expenditures \***

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| --- | --- | --- |
|  | **Positions** | **Expenditures\*\*** |
|  | **2015-16** | **2016-17** | **2017-18** | **2015-16** | **2016-17** | **2017-18** |
| **Farm & Home Loans** | 103.8 | 94.1 | 94.1 | $56,861 | $64,028 | $63,999 |
| **Veterans Claims/Rights** | 75.3 | 69.0 | 69.0 | 17,139 | 19,584 | 17,716 |
| **Care: Sick & Disabled** | 2,291.7 | 2,286.9 | 2,834.9 | 313,681 | 383,021 | 365,872 |
| **Veterans Memorials** |  |  |  | 222 | 1 | 1 |
| **Administration** | 201.4 | 198.1 | 198.1 | 30,384 | 41,737 | 33,642 |
| **TOTALS** | **2,672.2** | **3,188.1** | **3,196.1** | **$387,903** | **$466,634** | **$447,588** |
| **\*Per 2017-18 Governor’s Budget (Jan. 10, 2017)****\*\*Dollars in Thousands** |

**Veterans Homes of California**

The VHC are long-term residential care facilities that provide California's aged or disabled Veterans with rehabilitative, residential, medical, and support services in a home-like environment. Spouses of Veterans also are eligible for home membership. Approximately 80 percent of CalVet’s budget expenditures (excluding capital outlay) are spent on operating veterans homes, which are budgeted to house about 2,534 Veterans in the current fiscal year.

Currently, CalVet operates eight home campuses, which provide varying levels of care:

* The Veterans Home of California, Barstow (400 beds) offers skilled nursing, intermediate, and domiciliary care.
* The Veterans Home of California, Chula Vista (400 beds) offers skilled nursing, residential care for the elderly, and domiciliary care.
* The Veterans Home of California, Fresno (300 beds) offers skilled nursing, including memory care, and residential care for the elderly.
* The Veterans Home of California, Greater Los Angeles and Ventura County includes three main campuses: West Los Angeles (WLA) (396 beds), Lancaster (60 beds), and Ventura (60 beds). All three offer residential care for the elderly. The WLA campus also offers skilled nursing care, including memory care, and domiciliary care in the form of a transitional housing program.
* The Veterans Home of California, Redding (150) offers skilled nursing, including memory care, and residential care.
* The Veterans Home of California, Yountville (1,184 beds) is the largest veterans home in the United States. It offers all four levels of care: skilled nursing, intermediate, residential care for the elderly, and domiciliary care. The skilled nursing also includes a memory care facility with a supervised environment.

VHC operations are funded by the General Fund, but CalVet receives revenue for VHC from several sources, including member fees, federal per diem, and Medicare and Medi-Cal reimbursements.

An audit was completed of the home programs with the results released in May, 2013. The audit is a comprehensive look at the program model and its implementation. A whistleblower audit was released in 2011 concerning the lack of controls and inappropriate expenditure of local Morale, Welfare, and Recreation (MWR) at the Yountville home. Senate Bill 543 (Wolk, Ch. 424, Stats. 2016) enacted control measures to address audit concerns.

**Subvention to County Veteran Service Officers**

County veterans service officers, found in 56 of the state's 58 counties, usually are the main point of contact for California Veterans seeking most forms of government assistance. CVSOs assist Veterans in completing applications for federal benefits, such as disability and compensation benefits. CVSO's are created and controlled by county boards of supervisors and often receive a majority of their funding from counties, although CalVet has traditionally contributed $2.6 million in state General Fund annually for CVSO's work with Veterans seeking various benefits. Funding was increased in the 2013 budget for an additional $3 million dollars, increasing the funding to $5.6 million. Subsequent budgets have sustained this increase.

The increase in funding created a significant boost in the CVSO’s and CalVet’s ability to connect Veterans in their communities with the expansion of outreach activities, thereby linking more Veterans with their community-based system of care and local service providers. The funds allowed for the deployment of 32.5 additional professional veterans service representatives and 30 support staff to connect Veterans with their compensation and pension benefits available through the U.S. Department of Veterans Affairs (USDVA), resulting in an increase of federal dollars drawn down to the state this year and for years to come.

This increase is shown in the surge in participation rates of Veterans in California receiving USDVA Compensation and Pension (C&P) benefits from 15.7% in 2011 to 18.9% in 2013 to 21.8% in 2016.—surpassing the national average in 2013 of 20.8%. *(Source: 2017 Annual Report, California Association of County Veterans Service Officers)*

Per Military and Veterans Code 972.1, CalVet has the authority to determine how to distribute the subvention funds to the counties. Most of the funding is distributed based on workload reports submitted by CVSOs.

A key CVSO activity is helping Veterans apply for federal disability compensation and pension benefits. These benefits are monthly payments to Veterans, and CalVet has made it a top goal to improve the number of California Veterans who receive these benefits. This is a goal for an obvious reason: more federal dollars flowing into the state is a clear boost to Veterans and the state's economy. One estimate by the U.S. Department of Veterans Administration suggests California Veterans may be forgoing as much as $1 billion in benefits they are entitled to.

Approximately 15 percent of California Veterans receive federal compensation and pension benefits, averaging $1,929 per month per Veteran. While the percentage of California Veterans receiving these benefits has improved in recent years, the state still lags behind other states with large veteran populations like Texas and Florida. The national average is approximately $2,104 per Veteran.

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| --- | --- | --- | --- | --- |
|  | **Veteran Population** | **C&P****Beneficiaries** | **C&P****Utilization Rates** | **C&P****Dollars** |
| **California** | 1,802,446 | 392,381 | 21.8% | $6,552,100,000 |
| **Florida** | 1,558,141 | 347,635 | 22.3 | 5,626,995,000 |
| **Texas** | 1,675,262 | 415,248 | 24.8 | 7,447,453,600 |
| **Nationwide** | 21,680,534 | 4,512,369 | 20.8 | 75,787,356,200 |

The 2013 budget contained $3 million for a "strike force" concept to place state employees in the USDVA Regional Offices to assist in reducing the disability claims backlog. As of November 27, 2014, the Strike Teams in the District Offices reviewed over 38,480 claims since September 2013, with 31 out of 36 positions filled; $35M in lump sum payments (retroactive payments based on the time the claim has been at the USDVA) and monthly award payments totaling $4.4M have been awarded. Annualized, that means California Veterans will be receiving over $53M every year for the rest of their lives. The award amounts are based on only those which have been reviewed by the Strike Teams and Adjudicated/Rated by the USDVA by November 27, 2014; consider that only a small percentage of the 38,480 claims reviewed have been rated.

The Strike Teams have not only significantly contributed to reducing the claims backlog, but the CalVet/USDVA teams have also developed a proven method of expediting emergency claims through our strike teams. In late August, the Tulare County Veterans Service Office submitted a fully developed claim to the CalVet Oakland District Office for a Veteran with terminal illness. The CalVet Strike Team uploaded the claim immediately and submitted it to the Oakland Regional Office team, who was able to review and forward it to be rated in one step. This resulted in a same-day rating decision and promulgation for the Veteran.

**California State Approving Authority for Secondary Education**

The California State Approving Agency for Veterans Education (CSAAVE) is a subsidiary of CalVet, which operates under the authority of the USDVA. CSAAVE is responsible for the oversight and approval of California institutions offering education programs, apprenticeship and on-the-job training, and license and certification exams.

Institutions that elect to participate in federal GI Bill education and training must comply with the Code of Federal Regulations, as well as all federal, state and local laws. CSAAVE is tasked with ensuring that your earned benefits are protected. The CSAAVE mission is to protect the GI Bill by preventing waste, fraud and abuse of GI Bill money, by promoting quality education through evaluating and monitoring education and training programs offered in California. CSAAVE is also charged with making sure that GI Bill benefits remain available to you and all future Veterans.

The primary function of CSAAVE is to review, evaluate, and approve quality educational and training programs for Veteran's benefits.  Under the provisions of Chapters 30, 32, 33, and 35 of Title 38, United States Code, Chapter 1606 of Title 10, United States Code, and Chapter 1607 of Title 10, United State Code CSAAVE approves programs offered by the following types of schools and training establishments:

* Colleges and Universities
* Vocational Schools
* Business Schools
* Professional Schools
* Licensing and Certification Tests (If required for occupational certification or licensure.)
* Apprenticeships
* On-the-Job Training (OJT)
* Flight Schools

Educational training programs must lead to a degree or vocational objective, in order to qualify for approval.  Programs solely for the purpose of upward mobility, continuing education or courses such as bartending, personal development, avocational or recreational in character are specifically prohibited from approval by law. CSAAVE approval is required for each program or course of education into which a school wishes to enroll Veterans and other eligible persons.  If a school operates a branch or extension facility, sites must be approved separately.

CSAAVE does not approve the following education or training programs:

* Vocational Rehabilitation (Approved directly by the USDVA)
* Unaccredited institutions or programs not approved or exempt by the Bureau for Private Postsecondary Education

**Cal-Vet Farm and Home Loan Program**

* The Cal-Vet Loan Program was established through the Farm and Home Purchase Act of 1921.
* Program authority is through the Military and Veterans Code of the State of California.
* Oversight by the California Veterans Board, which is appointed by the Governor and has an advisory role.
* Cal-Vet has provided the benefit of home ownership to Veterans in recognition of their personal sacrifice to State and Country, at no cost to California taxpayers for the past 93 years.

Cal-Vet has assisted over 420,000 Veterans to purchase farms and homes since its inception.

Farm and Home Loan Volume History

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| --- | --- | --- | --- |
|  | **No. of Loans Funded** | **Dollar Value** | **Average Loan****Amount** |
| **2015-16** | 592 | $ 181,556,846 | $306,683.86 |
| **2014‐15** | 185 | $   136,781,892 | $282,024.52 |
| **2013‐14** | 284 | $      71,523,612 | $251,843.70 |
| **2012‐13** | 69 | $        8,700,543 | $126,094.83 |
| **2011‐12** | 87 | $      11,329,222 | $130,220.94 |
| **2010‐11** | 176 | $      21,588,775 | $122,663.49 |
| **2009‐10** | 236 | $      35,305,526 | $149,599.69 |
| **2008‐09** | 801 | $ 192,774,862 | $240,667.74 |

The program experienced a drop in utilization since 2000 when the total loan count was nearly 35,000. In addition to the recession, a major reason for this decline is that up until 2008 the best loan program the department offered was only available to Vietnam-era Veterans.  However the federal law was changed in 2008 to open the loan program to all Veterans no matter the era of service.  In addition, due to artificial pressure from the Federal Reserve keeping private-sector interest rates low, the CalVet loans were not competitive during the “great recession,” but due to recent changes in the Fed policy, CalVet interest rates now are at or below market rates for 30–year fixed rate loans and they are starting to move back up. Another factor is that restrictions on the use of the bonds which capitalize the program prohibit refinancing.

**Veterans Housing and Homelessness Prevention Program**

In December 2016, the Veterans Housing and Homelessness Prevention (VHHP) program made $75 million available to communities throughout California in its third round of Notice of Funding Availability (NOFA) application cycle. Approximately $65 million is available for the development of Affordable Multifamily Rental Housing containing permanent Supportive Housing units, Transitional Housing units or Affordable Housing units. The remaining $10 million in Round III funding is dedicated exclusively to Transitional Housing and Emergency Shelters.

Awards will be made to qualifying developers and nonprofit entities to construct, acquire, rehabilitate, or preserve affordable multifamily housing for Veterans and their families.

As part of the funding, and in accordance with Chapter 44, Statutes of 2016, $10 million is reserved for the construction or rehabilitation of transitional housing or shelter facilities that provide services to homeless Veterans. Funds will be awarded to programs or counties that demonstrate need, focus on long-term solutions, include mental health and addiction treatment services, and have proven long-term effectiveness.

In 2014, California voters approved Propositon 41, which made available $600 million in general obligation bonds to build housing for homeless Veterans. The California Department of Housing and Community Development, the CalVet, and the California Housing Finance Agency were tasked with jointly managing and developing the guidelines for how the funds would be expended.

The objective of the VHHP is to develop housing for our Veterans at risk of homelessness or experiencing temporary or chronic homelessness. To date, $176 million has been awarded to 45 developments through the first two NOFA application cycles. When complete, these developments will provide more than 1,500 housing units for Veterans, including 900 plus units for homeless Veterans.

Additional funds will be released annually until all of the $600 million is exhausted, with an objective of addressing the housing needs of low-income Veterans and reducing Veteran homelessness in California. Geographic distributions intend to focus on areas with the largest concentrations of Veterans in need.