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Oversight Hearing of the Assembly Veterans Affairs Committee

California Department of Veterans Affairs:
Update on Major Programs

Tuesday, January 22, 2019

3:00 p.m.

State Capitol, Room 126

- I. Introduction and Welcome**
- II. California Department of Veterans Affairs: State of the Department**
Dr. Vito Imbasciani MD, *Secretary, California Department of Veterans Affairs*
- III. Public Comment**

Assembly Committee on Veterans Affairs

Oversight Hearing:

California Department of Veterans Affairs: State of the Department

Background Information

General CalVet Overview

CALVET provides services to California Veterans and their dependents, and to eligible members of the California National Guard. The principle activities of CalVet include:

- Operating veterans' homes 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 to qualifying veterans using proceeds from the sale of general obligation and revenue bonds; and
- Subventions to county veterans service officers, 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 Department of Housing and Community Development, and CalHFA are partners in a new program to provide multifamily housing for homeless and low-income veterans.
- CSAAVE (The California State Approving Authority for Veteran Education) oversees the certification of educational programs that are eligible for the federal GI Bill Education Benefits, including the Montgomery GI Bill and the Post 9-11 GI Bill.

CalVet Strategic Goals 2018-20:

- Provide the highest quality of CalVet-sponsored care and services to veterans and their families.
- Enhance operational effectiveness to maximize service to California veterans.
- Invest in our workforce to enhance services to veterans over the long term.
- Provide excellent customer service to our veterans, colleagues, and partners.

Veterans Homes of California (VHC)

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.

CalVet currently operates Veterans Homes in the following cities:

- Yountville (established in 1884 and is the largest geriatric facility in the United States.)
- Barstow
- Chula Vista
- Lancaster
- Ventura
- Redding
- Fresno
- West Los Angeles (on the grounds of the U.S.D.V.A. Greater Los Angeles Medical Center.)

The homes cost the state, net to the General Fund, \$191 million dollars. VHC operations are funded by the General Fund, but CalVet receives revenue for VHC from several sources, including member fees, federal per diem, Medicare and Medi-Cal reimbursements. The chart below describes the VHC budget for 2016-17, excluding VHC administration costs in Sacramento:

2016-17 Revenue Estimate

General Fund Expenditure	\$315 Million
Federal Per Diem (Revenue)	\$71 Million
Member Fees (Revenue)	\$25 Million
Medicare (Revenue)	\$9 Million
Medi-Cal (Revenue)	\$11 Million
Other (Revenue)	0.445 Million
GF Expenditure Minus Revenues	\$199 Million

*Data Source: January 17, 2017 LAO Report

The chart indicates the capacity, number of residents and number of staff projected for Fiscal Year 2014-15.

Facility	Beds (Capacity)	2015-16 Budgeted Beds	Projected Staff, 2014-15 *
Yountville	1,184	1021	853.6
Barstow	400	220	200.9
Chula Vista	400	305	334.6
West Los Angeles*	396	366	449.0
Lancaster	60	60	99.0
Ventura	60	60	99.0
Redding	150	150	263.7
Fresno	300	268	330.0
Totals	2,950	2450	2,629.8

**The three homes in the Los Angeles area – West Los Angeles, Lancaster and Ventura – have been budgeted as one entity and individual staff breakdowns are not provided; the number of staff presented in this table for the three entities are combined staff total for all three.*

Homes Audits. 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 MWR expenditures and oversight concerns at the Yountville home.

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

	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.

Subvention to County Veteran Service Officers (CVSO)

County Veterans Service Officers (CVSOs), located in 56 of the state's 58 counties, are often the main point of contact for California veterans seeking various 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 supervisory boards and are funded by their respective counties. CalVet may, by statute, distribute additional funds to CVSOs up to 50% of their collective estimated annual budget (\$11,000,000). 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, which has been sustained in subsequent years.

The increase in funding created a significant boost in the CVSOs' 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 benefits from 15.7% in 2011 to 18.9% in 2013—surpassing the national average in 2013 of 18.5%. (*Source: Veteran Benefits Administration Annual Benefits Reports and USDVA Geographic Distribution of VA Expenditures*).

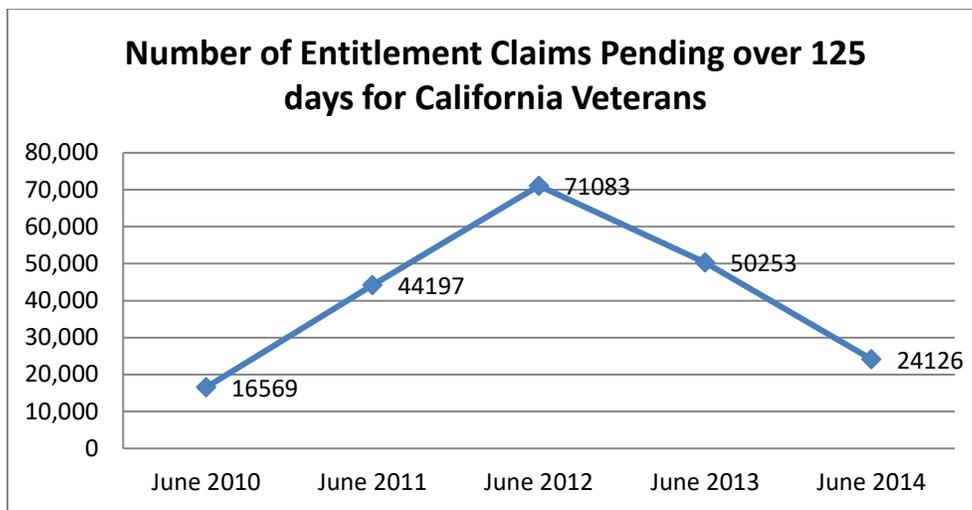
Per Military and Veterans Code 972.1, CalVet has the authority to determine how to distribute the subvention funds to the counties. Most of the funding is distributed based on workload reports submitted by CVSOs.

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.

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. By November 27, 2014, the Strike Teams in the District Offices had already reviewed more than 38,480 claims since September 2013, with 31 out of 36 positions filled. 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.



Source: USDVA Monday Morning Reports

Veterans Housing and Homelessness Prevention Program

The Veterans Housing and Homelessness Prevention (VHHP) program is making \$75 million available to communities throughout California in its third round of Notice of Funding Availability (NOFA) application cycle. 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 \$600 million in General Obligations 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, \$310.2 million has been awarded to 75 developments through four NOFA application cycles.

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.

Little Hoover Commission
Study Description: Transforming the Yountville Veterans Home
Report #240, September 2017

In its March 2017 report, *A New Approach to California's Veterans Homes*, the Commission called for greater self-sufficiency in the state's veterans homes program and less reliance on the General Fund to free up resources to serve more California veterans, particularly those incapable of caring for their own health.

As part of that review, the Commission heard significant testimony and public comment about both the critical infrastructure challenges plaguing the historic 615-acre Yountville veterans home campus and also learned of opportunities that could allow the expansive campus to flourish. The Commission visited the Yountville Veterans Home twice, in November 2015 and again in October 2016 when it also held an advisory meeting attended by many home residents as well as officials from the California Department of Veteran Affairs (CalVet), infrastructure financing experts and community advocates.

The Commission learned that unlike California's other veterans homes, the Yountville veterans home campus, in addition to care provided to residents, offers a range of amenities including a resident-operated television station, a theater, baseball stadium and golf course. The campus includes two reservoirs, one of which provides water for the Town of Yountville and is surrounded by several hundred acres of wildlife. However, the residential buildings of the campus predate current planning and design requirements for seniors and require significant construction to meet current standards. Deferred maintenance and critical infrastructure issues pose safety risks for residents and cost the state hundreds of thousands of dollars in unexpected repairs. Following its November 2015 visit, the Commission sent a letter to the Governor and the Legislature urging immediate action to address the critical maintenance and infrastructure issues at the Yountville home.

In considering recommendations for its March 2017 report, however, the Commission thought additional information was needed before it could articulate a path for the Yountville home. To complete its review, the Commission followed-up with a hearing in June specifically to explore opportunities for the future use of the Yountville veterans home campus.

Little Hoover Commission
Study Description: A New Approach to California's Veterans Homes
Report #237, March 2017

For this study, the Commission reviewed the California Department of Veteran Affairs (CalVet) and its operation of the California Veterans' Homes program. The Commission intended to direct its focus on the quality of care provided in the state's eight veterans homes, as well as the stability and design of the system's funding structure. The Commission also was interested in better understanding the department's process for managing and maintaining the homes and planning for the needs of the next generation of veterans. As part of its review, the Commission explored successful veterans home programs in other states to identify potential best practices that might be relevant in California.

The Commission initiated this review to follow-up on previous recommendations about how California serves its veterans. In its 2013 report, *An Agenda for Veterans: The State's Turn to Serve*, the Commission called on policymakers to improve outreach to the state's nearly two million veterans and assist the federal government in reducing an unreasonably excessive backlog in processing claims. In October 2015, the Commission held a hearing to assess the progress the California Department of Veteran Affairs has made in implementing recommendations in its 2013 report. In addition, the hearing provided the Commission an opportunity to review the veterans home and home loan programs, and follow up on leadership deficiencies identified in a [July 13, 2015, request](#) to the Commission from Assemblymember Jacqui Irwin, Chair of the Assembly Committee on Veterans Affairs.

Following the October hearing, a site visit to the Yountville Veterans Home was scheduled in November 2015. During both the hearing and site visit, the Commission learned of critical infrastructure repairs requiring immediate attention. The Commission could not stand by as its study process proceeded without drawing attention to the urgent maintenance and infrastructure issues at the Yountville home. The Commission sent a December 8, 2015, letter to the Governor and the Legislature urging immediate action.

The Commission continued its study process with a closer examination of the homes division and the state's veterans homes program. The Commission aimed to better understand how these programs currently serve veterans as they age, as well as consider how this care model will serve future generations of California veterans.