



California Department of Veterans Affairs:

Although It Has Begun to Increase Its Outreach Efforts and to Coordinate With Other Entities, It Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program Is Not Designed to Address the Housing Needs of Some Veterans

October 2009 Report 2009-108



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Elaine M. Howle
State Auditor
Doug Cordiner
Chief Deputy

CALIFORNIA STATE AUDITOR

Bureau of State Audits

555 Capitol Mall, Suite 300

Sacramento, CA 95814

916.445.0255

916.327.0019 fax

www.bsa.ca.gov

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The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the State Auditor's Office presents its audit report concerning the Department of Veterans Affairs' (department) efforts to address the needs of California veterans.

The report concludes that the department provides few direct services outside of its veterans homes and CalVet Home Loan program (CalVet program). Although the department's Veterans Services division (Veterans Services) assists veterans and their dependents to obtain benefits, the department offers only minimal direct assistance to address other issues veterans face, such as homelessness and mental illness. Rather, the department relies on other entities including local and federal agencies to provide such services. The department has recently shifted its attention from focusing primarily on the veterans homes, deciding that it should take a more active role in increasing awareness among veterans about available services and benefits. However, the department's lack of coordination with County Veterans Service Officer programs (CVSOs) that help veterans apply for benefits may hinder its ability to increase veterans' participation in federal disability compensation and pension benefits. In addition, Veterans Services is in the process of developing collaborative relationships with other state entities that serve veterans, but many of these efforts are in the preliminary stages of development.

Furthermore, the department's strategic plan covering fiscal years 2007-08 through 2011-12 is incomplete. It has not formally assessed veterans' needs or included key stakeholders such as CVSOs in its strategic planning process, and it has not effectively measured its progress toward meeting the goals and objectives that it identified in its plan. Finally, the number of veterans participating in the CalVet program declined in the past three years for various reasons, including uncompetitive interest rates, economic recession, and a federal law that until recently limited the funding available to some veterans. In addition, we determined that this program is generally not designed to address the needs of homeless veterans or veterans in need of multifamily or transitional housing and that state law would need to be changed or clarified for the department to address such needs.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Summary

Results in Brief

California is home to more than 2 million veterans, representing 9 percent of the total U.S. veteran population. The mission of the California Department of Veterans Affairs (department) is to serve these veterans and their families by providing rehabilitative, residential, and medical care services to the State's aged or disabled veterans; providing veterans with direct low-cost loans to acquire farms and homes; and providing veterans and their families with aid and assistance in presenting their claims for federal, state, and local veterans' benefits. The department organizes its efforts to serve veterans into three divisions: the Veterans Homes division, the CalVet Home Loan program (CalVet program), and the Veterans Services division (Veterans Services). Veterans Services administers all programs and activities not directly related to the department's veterans homes or its CalVet program.

Despite its accomplishments in running the veterans homes and helping more than 417,000 veterans to purchase farms and homes through the CalVet program, the department offers only minimal direct assistance to address other issues veterans face, such as homelessness and mental illness. Rather, the department relies on other entities, such as the U.S. Department of Veterans Affairs (federal VA), local County Veterans Service Officer programs (CVSOs) representing 56 counties statewide, and nonprofit organizations to provide such services.

According to department officials, Veterans Services is responsible for collaborating with the different agencies that provide services to veterans. However, it receives minimal funding for its operations—approximately 2 percent of the department's total budget—most of which is allocated to support a portion of the CVSOs' operations, as required by the State's budget act. With its remaining funding, Veterans Services does not administer formal programs that provide direct services to homeless veterans or those with mental health needs, but instead allocates limited funding for local activities that, in part, aim to increase veterans' awareness of benefits available for those with such needs. For instance, it provided \$41,000 in fiscal year 2008–09 to support Stand-Downs, one- to three-day events that provide services such as food, shelter, and clothing to homeless veterans. The department also provided \$270,000 of its Proposition 63 (Mental Health Services Act) funding to five of the CVSOs in fiscal year 2008–09 for the purpose of providing mental health information to veterans and referring them for services. However, the department does not have adequate

Audit Highlights . . .

Our review of the California Department of Veterans Affairs' (department) efforts to address the needs of California's veterans revealed the following:

- » *The department sees its role as providing few direct services to address issues California's veterans face, such as homelessness and mental illness. Instead, it relies on other entities to provide such services and its Veterans Services division (Veterans Services) is responsible for collaborating with these different entities.*
- » *The department has only recently shifted its attention from its primary focus on veterans homes, deciding that Veterans Services should take a more active role in informing veterans about available benefits and coordinating with other entities.*
- » *One of the department's primary goals for Veterans Services is to increase veterans' participation in federal disability compensation and pension benefits (C&P benefits). However, its ability to meet this goal is hampered by various barriers, including veterans' lack of awareness of the benefits, the complexity of the claims process, and delays at the federal level in processing these claims.*
- » *Both Veterans Services and the County Veterans Service Officer programs (CVSOs) assist veterans to obtain C&P benefits. However, better coordination with the CVSOs and the use of additional data may enhance Veterans Services' ability to increase veterans' participation in these benefits.*

continued on next page . . .

» *The department did not formally assess veterans' needs or include key stakeholders such as the CVSOs in its strategic planning process, nor did it effectively measure its progress toward meeting the goals and objectives identified in its strategic plan.*

» *As of March 2009 the CalVet Home Loan program served 12,500 veterans. However, the program is generally not designed to serve homeless veterans or veterans in need of multifamily or transitional housing.*

assurance that the funds are being expended for this purpose, because it lacks formal agreements with the CVSOs that identify the allowable uses of the funds.

The department has only recently shifted its attention from focusing primarily on the veterans homes, deciding that Veterans Services should take a more active role in increasing awareness among veterans about available services and benefits. To increase such awareness, Veterans Services is implementing various activities to further its outreach efforts, such as gathering veterans' contact information, updating its outreach materials, and better coordinating with organizations that provide services to veterans, although many of these efforts only began in 2008. The delay in undertaking these activities has likely reduced the number of veterans that apply for and receive benefits. Veterans Services is also in the process of developing collaborative relationships with other state entities that serve veterans, but many of these efforts are in the preliminary stages of development and lack formal agreements, thus limiting Veterans Services' ability to hold the entities accountable for delivering agreed-upon services.

With its new focus, the department has made increasing veterans' participation in federal disability compensation and pension benefits (C&P benefits) Veterans Services' primary goal. However, Veterans Services' ability to meet this goal is hampered by various barriers related to veterans' participation in C&P benefits, including that veterans may not be aware that they are entitled to them. For veterans who are aware of and apply for C&P benefits, filing a claim is a complicated process. For instance, the application consists of numerous pages and requires veterans to submit various documents, which, according to the deputy secretary of Veterans Services, can range from tens to hundreds of additional pages. Also, according to stakeholders, the complexity of the application has contributed to a delay in the federal VA's processing of veterans' claims for these benefits, in part because it takes longer for the federal VA to process incomplete claims.

To assist veterans in navigating the complicated claims process, both Veterans Services and the CVSOs help veterans and their families pursue and receive the benefits and services to which they are entitled, including C&P benefits. According to department officials, the CVSOs are an integral component of the department's efforts to interact with veterans and their families. However, Veterans Services' limited coordination with the CVSOs, due in part to the fact that the CVSOs are under the direct control of their respective county's board of supervisors, may hinder its ability to increase the number of veterans receiving C&P benefits. For instance, none of the officers of the CVSOs that we interviewed specifically shared Veterans Services' goal of increasing veterans'

participation in C&P benefits. Further, although it has the authority to do so, the department does not require the CVSOs to provide Veterans Services with information about the number of claims filed for C&P benefits or a description of their outreach activities. Without this information, Veterans Services is limited in its ability to identify potential gaps in service and areas where it could better coordinate with the CVSOs.

Additionally, Veterans Services may be able to better target its activities to cooperatively assist those CVSOs with the greatest potential for improving participation in C&P benefits. For instance, in 2009, the deputy secretary of Veterans Services sponsored a project to create the Statewide Administration Information Management system (SAIM system), which may allow Veterans Services to obtain more veterans' contact information and to assess the quality and quantity of veterans' claims filed by CVSOs. Although these efforts are still in the early stages, to the extent that Veterans Services is successful in implementing this system, it may be able to target its outreach and coordination efforts to work with the CVSOs in counties with the greatest potential to increase veteran participation in C&P benefits. Department officials also indicated that the SAIM system would enable it to audit CVSO workload reports and verify the appropriateness of college fee waivers, two functions it is not currently performing as required by state law.

The continuing need to effectively coordinate with the CVSOs highlights the importance of effective planning. However, we found that the department's strategic planning process needs improvement. For instance, according to the department's secretary for administration, the department did not formally assess veterans' needs and concerns as part of its strategic planning process. Further, contrary to the California Department of Finance's guidelines for agencies developing strategic plans, the department has not formally involved the CVSOs in its strategic planning process. In fact, half of the officers of the CVSOs we interviewed were unaware that the department had a strategic plan. Without establishing a formal process to identify the key needs of veterans and involve key stakeholders in its strategic planning process, the department lacks assurance that it is effectively identifying, prioritizing, and serving these needs.

In addition, the department's strategic plan covering fiscal years 2007–08 through 2011–12 is incomplete. For example, its strategic plan does not specify the activities it will undertake to address the needs and concerns that it has identified for the veteran community. Further, although the strategic plan includes five department goals covering multiple objectives that the plan states relate to the successful delivery of programs and

services to California's veterans and their families, these goals and objectives make no mention of major challenges facing the veteran community, such as homelessness and the needs of newer veterans. Also, the department has not followed key monitoring procedures suggested by the strategic plan, such as conducting quarterly progress assessments and publishing annual reports on performance measures, thus limiting its ability to effectively measure its progress toward meeting its goals and objectives.

The department concurs with several of the inadequacies we identified in its plan and, during the course of our review, posted a new, high-level plan to its Web site. Department officials stated that the department is still working to develop the specific measurable objectives for the plan, which it anticipates completing in early November 2009. In its continuing efforts to improve its strategic planning process, the department asserted that it plans to address our recommendations as it updates its plan in 2010.

Finally, the number of veterans participating in the CalVet program has decreased by 14 percent since June 2006, with 12,500 veterans participating in the program as of March 31, 2009. The Joint Legislative Audit Committee asked us to determine whether the CalVet program specifically benefits homeless veterans or veterans in need of multifamily or transitional housing. However, we determined that the program is generally not designed for these purposes and that state law would need to be changed or clarified for the department to address such needs. For instance, state law makes it impractical for the CalVet program to issue loans for multifamily housing, such as duplexes, triplexes, and fourplexes, because it generally does not allow veterans to rent out the unoccupied units. Further, state law provides little opportunity for the program to serve homeless veterans or veterans in need of transitional housing. For instance, although the law allows the CalVet program to lease its repossessed properties to private or nonprofit organizations for the purpose of serving these veterans, doing so is impractical. In particular, the cost of administering leases of its repossessed properties would likely be transferred to veterans, increasing the cost of obtaining farm and home loans. Additionally, the homes in the CalVet program's portfolio are designed for one family, which limits their usefulness for serving homeless veterans or veterans in need of transitional housing.

Recommendations

To ensure that Mental Health Services Act funding is used for appropriate purposes, the department should, before awarding additional funds, enter into formal agreements with the respective CVSOs specifying the allowable uses of these funds.

To expand its ability to inform veterans about the benefits and services available to them, the department should do the following:

- Ensure that Veterans Services continues its efforts to gather veterans' contact information.
- Update its Web site to ensure that it contains current, accurate, and useful information for veterans' reference.

To increase its coordination efforts with other entities that serve veterans, the department should do the following:

- Ensure that Veterans Services implements a more systematic process for identifying and prioritizing the entities with which it collaborates.
- Enter into formal agreements with the state entities Veterans Services collaborates with, to ensure that they are accountable for the agreed-upon services and that these services continue despite staff turnover, changes in agency priorities, or other factors that could erode these efforts.

To better ensure that it meets its goal of increasing the number of veterans applying for C&P benefits, the department should ensure that Veterans Services formally communicates this goal to the CVSOs and coordinates with them to reach some common goals related to serving veterans. Further, to ensure that it identifies where and how best to focus its outreach and coordination efforts to increase veterans' participation in C&P benefits, Veterans Services should do the following:

- Require CVSOs to submit information on the number of claims filed for C&P benefits in their offices.
- Require CVSOs to submit information about their outreach activities.
- Continue its efforts to develop the SAIM system.

To improve its strategic planning process, the department should do the following:

- Ensure that it properly identifies and prioritizes the needs of the veteran community by conducting a formal assessment of those needs, including soliciting input from the CVSOs.
- Develop measurable goals and objectives that are directly aligned with the needs of the veteran community, based on its formal assessment of veterans' needs.

If the Legislature believes that the department should play a larger role in funding multifamily housing for veterans, providing transitional housing to veterans, or addressing the housing needs of homeless veterans through the CalVet program, it should modify or clarify state law to authorize the department to provide such services.

Agency Comments

The department agreed with our recommendations and indicated that it is moving forward to implement them.

Introduction

Background

More veterans live in California than in any other state. As of September 2008, the U.S. Department of Veterans Affairs (federal VA) estimated that approximately 2.1 million veterans resided in the State, making up nearly 9 percent of the total estimated national veteran population. The mission of the California Department of Veterans Affairs (department) is to serve these veterans and their families by providing the following services:

- Rehabilitative, residential, and medical care and other services in a homelike environment at the California veterans homes for the State's aged or disabled veterans.
- Beneficial opportunities through direct low-cost loans to acquire farms and homes.
- Aid and assistance in presenting their claims for veterans' benefits under U.S. law.

The department accomplishes its mission through various activities generally administered by three divisions within the department—the Veterans Homes division (Veterans Homes), the CalVet Home Loan program (CalVet program), and the Veterans Services division (Veterans Services)—and by relying on a network of service providers—the federal VA, nonprofit entities, and counties—that offer support and assistance to the State's veterans.

Sources of Funding

The department receives funding from various sources and spends nearly all of its funds on the Veterans Homes and the CalVet program. As shown in Table 1 on the following page, which summarizes the department's funding sources and the corresponding projected expenditures for fiscal year 2008–09, the department is projected to spend \$405.2 million in fiscal year 2008–09. Of this amount, Veterans Homes is projected to spend nearly \$217 million, including \$42.6 million toward the construction of new veterans homes and renovation of existing homes, and the CalVet program is projected to spend \$181.3 million for its operations. Veterans Services, with the least funding, is projected to spend \$7.2 million, representing less than 2 percent of the department's total budget.

Table A.1 in Appendix A lists the department's funding sources and corresponding expenditures for the three divisions responsible for administering these funds during fiscal years 2003–04

through 2008–09. Also, Table A.2 in Appendix A lists the seven federal programs the department participated in during this same time period. Due to the State’s fiscal crisis, the department has eliminated nearly 134 positions across all of its divisions, but it has not yet estimated the cost savings associated with this action.

Table 1
California Department of Veterans Affairs’ Projected Expenditures by Funding Source and Administering Division
Fiscal Year 2008–09
(Dollars in Thousands)

DIVISION	PROJECTED EXPENDITURES BY FUNDING SOURCE					PERCENTAGE OF DEPARTMENT’S TOTAL EXPENDITURES
	FEDERAL TRUST FUND*	GENERAL FUND	REIMBURSEMENTS*	SPECIAL FUNDS†	CATEGORY TOTAL	
Veterans Homes Division (Veterans Homes)						
Operating expenditures	-	\$172,876	\$780	\$391	\$174,047	
Capital outlay	-	803		41,801	42,604	
Subtotals	-	\$173,679	\$780	\$42,192	\$216,651	53.5%
CalVet Home Loan Program (CalVet Program)						
Operating expenditures	-	-	-	181,299	181,299	
Capital outlay	-	-	-	-	-	
Subtotals	-	-	-	\$181,299	\$181,299	44.7%
Veterans Services Division (Veterans Services)						
Operating expenditures	\$172	4,719	1,151	1,192	7,234	
Capital outlay	-	-	-	-	-	
Subtotals‡	\$172	\$4,719	\$1,151	\$1,192	\$7,234	1.8%
Total Expenditures	\$172	\$178,398	\$1,931	\$224,683	\$405,184	100.0%

Sources: The Governor’s Budget for fiscal year 2009–10, the Department of Finance’s *California Manual of State Funds*, and interviews with personnel from the California Department of Veterans Affairs (department).

Note: These expenditure amounts are projected because the Governor’s Budget for fiscal year 2010–11, which will include the actual expenditure amounts for fiscal year 2008–09, will not be published until January 2010. Further, general administration costs, such as budgeting, accounting, and business services, are included in the expenditure amounts in the table.

* Prior to fiscal year 2008–09, funding information in the Governor’s Budget for Veterans Homes displayed reimbursements to the General Fund. Although not shown separately in the Governor’s Budget for fiscal year 2009–10, the department projects it will spend \$26 million from the Federal Trust Fund and \$29.7 million in reimbursements during fiscal year 2008–09.

† The Special Funds category includes various funds. For instance, for the CalVet program, this category includes the Veterans Farm and Home Building Fund of 1943, and for Veterans Homes, this category includes the Public Building Construction Fund. See Table A.1 in Appendix A for the identification and description of Special Funds.

‡ Veterans Services’ total expenditures in this table are \$14,000 more than the total presented in Table 2, in Chapter 1. This is because the Governor’s Budget for fiscal year 2009–10 is the source of the budget information presented in this table, while the fiscal year 2008–09 Final Budget Summary is the source of the information presented in Table 2. The difference between the two amounts is less than 1 percent.

Services and Activities Performed by the Department’s Three Divisions

A significant portion of the department’s mission is dedicated to its veterans homes, and in its strategic plan, covering fiscal years 2007–08 through 2011–12, the department has set a goal of

providing the best long-term care and enhanced quality of life for all veterans home residents. As of August 2009, about 1,500 veterans resided in the department's existing veterans homes, which are located in Yountville, Barstow, and Chula Vista. The department is also designing and constructing five new veterans homes: it anticipates opening veterans homes in Lancaster and Ventura in 2009, in west Los Angeles in 2010, and in Fresno and Redding in 2012. The veterans homes provide affordable health care for residents, are certified by the federal VA, and are licensed by the California Department of Health Care Services for acute, skilled nursing, and/or intermediate care. Two of the veterans homes are also certified by the California Department of Social Services for residential care for the elderly.

For admission to the homes, veterans must meet various requirements, such as having been honorably discharged or released from the armed forces and being over age 62 or disabled. Eligible veterans are admitted on a first-come, first-served basis; however, state regulations require the veterans homes to review requests for urgent priority admissions, and to give preference to veterans who demonstrate hardship or who are homeless. For instance, in the department's strategic plan covering fiscal years 2007–08 through 2011–12, the veterans home in Yountville set a goal of coordinating with local County Veterans Service Officer programs (CVSOs) and federal VA offices in Northern California to increase the number of applications received from marginalized and/or homeless veterans. However, the veterans homes' services are not specifically targeted to serve homeless veterans or those in need of multifamily or transitional housing.

In addition to operating its veterans homes, the department began making low-interest farm and home loans following the California Legislature's enactment of the Veterans Farm and Home Purchase Act of 1921.¹ Since its inception, the department asserts that the CalVet program has assisted more than 417,000 veterans in purchasing homes and farms throughout the State. These loans finance various types of property, including new and existing single-family homes, farms, condominiums, and mobile homes. Once a veteran qualifies for a CalVet loan and selects a property, the CalVet program purchases the property and sells it to the veteran, who pays back the purchase price with interest. The CalVet program also provides other types of loans, such as home improvement and construction loans.

¹ The CalVet program has subsequently been modified and is currently funded primarily by the Veterans' Farm and Home Building Fund of 1943, which was created by the Veterans' Farm and Home Building Act of 1943 and serves as a depository for bond proceeds used to fund veterans' home purchases.

Veterans Services administers all activities and programs not directly related to its veterans homes or the CalVet program. Further, Veterans Services claim representatives—located at its district offices in Oakland, Los Angeles, and San Diego, as well as at each of the veterans homes—develop and present claims for federal VA benefits on behalf of veterans and their families, review the federal VA’s decisions on veterans’ claims, and act as the veteran’s advocate at administrative hearings during the claims appeal process.

Service Delivery System for Veterans’ Benefits

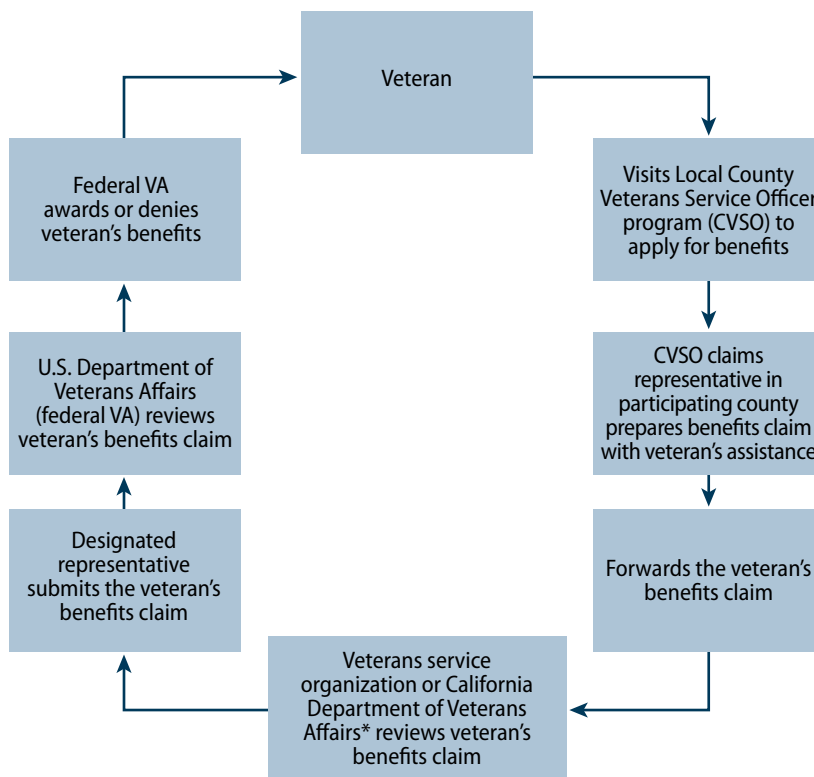
The department does not consider its role to include providing direct services that are already offered by other agencies; rather, the services the department provides to veterans exist within a larger service delivery system that it relies on Veterans Services to connect and coordinate with. This service delivery system consists of a variety of key players that provide direct services to veterans, including the federal VA, certain state agencies, veterans’ service organizations, and counties.

The federal VA offers a wide range of benefits to disabled veterans under three umbrella administrations: the Veterans Benefits Administration, the Veterans Health Administration, and the National Cemetery Administration. As detailed in Appendix B, these benefits include disability compensation and pension payments, vocational rehabilitation and employment, grants for specially adapted housing, and burial and memorial benefits. Several state agencies also provide benefits to veterans. For example, the Employment Development Department (EDD) employs specialists to help veterans maximize their opportunities for training and employment. County agencies also provide mental health services and assistance for homeless veterans. A range of nonprofit organizations, such as the American Legion and Disabled American Veterans, also provide benefits specifically to veterans, including employment assistance, aid for homeless veterans, and mental health services.

At the county level, the department relies on CVSOs, which represent 56 of the State’s 58 counties, to inform veterans about and assist them in applying for available benefits. The CVSOs are established at the discretion of each county’s board of supervisors. When a board of supervisors establishes a CVSO, the county is responsible for funding the majority of its operations, appointing the officer of the CVSO, and determining the level of staffing and facilities needed. As shown in Figure 1, CVSOs are typically the first point of contact for veterans in applying for benefits offered by

the federal VA.² The CVSOs play a key role in helping veterans and their families pursue and receive the benefits and services for which these individuals may qualify. The department sees the CVSOs as an integral component of its efforts to interact with veterans and their families.

Figure 1
A Typical Benefits Claim Process for a California Veteran



Source: The California Department of Veterans Affairs.

* Either of these entities can be the designated representative for the veteran. In the event the veteran disagrees with the federal VA's decision, the designated representative works with the veteran through the appeals process.

The claims process typically begins when the veteran calls or visits the CVSO to inquire about federal VA benefits. Based on its discussion with the veteran, the CVSO will initiate a claim for one or more specific benefits and then will generally forward it to the entity designated to represent the claimant in all matters before the federal VA (designated representative). In addition

² Although it is typical for veterans to file claims through the CVSOs, there are other methods through which veterans can file claims. These methods include filing claims directly with veterans service organizations (such as the American Legion), the department, or the federal VA.

to Veterans Services' claims representatives, these designated representatives may include individuals from several veterans service organizations recognized by the federal VA, such as the American Legion and Disabled American Veterans. The designated representative reviews the claim and forwards it to the federal VA for consideration. Upon receiving a claim, the federal VA has a specific duty to notify the veteran of any further information or evidence that is necessary and assist in obtaining any evidence needed to substantiate the claim—ensuring that the claim is “ready to rate.” Subsequently, the federal VA determines whether it will award or deny the benefit. If the federal VA denies a claim, the veteran may appeal to the federal VA regional office that made the decision or appeal the case all the way to the U.S. Court of Veterans Appeals.

Scope and Methodology

The Joint Legislative Audit Committee (audit committee) requested the Bureau of State Audits (bureau) to provide independently developed and verified information related to the department's efforts to effectively and efficiently address the needs of California's veterans. In addition to reviewing and evaluating the laws, rules, and regulations significant to the audit objectives, we were asked to do the following:

- Identify the sources of state and federal funding received by the department over the past five years to support its various responsibilities and determine the methods the department used to allocate those funds among its programs.
- Review and assess any instances in the last five years in which federal funds may have been available but were not used or were underused by the department and the reasons why.
- Review the goals and objectives in the department's current strategic plan, which at the time of our review was the strategic plan covering fiscal years 2007–08 through 2011–12, to determine whether they adequately address the needs and issues in the veteran community, such as mental health, job training, and housing. Examine the methods the department uses to measure its performance and the extent to which it is meeting its goals and objectives.
- Determine the methods the department currently uses to identify and serve veterans, including performing a review of its interactions and agreements with other state departments and agencies that serve veterans, such as the Military Department and the Labor and Workforce Development Agency.

- Identify the number of California veterans that received benefits from the CalVet program for the most recent year that statistics are available and, to the extent possible, determine whether this program specifically benefits homeless veterans or veterans in need of multifamily or transitional housing.
- Review the programs administered by Veterans Services and determine the extent to which the department assists with the administration of these programs. Determine whether Veterans Services operates a program for homeless veterans and identify the goals and objectives of, and functions provided by, the program if such a program exists.
- Identify the federal disability benefits that qualifying veterans can receive and, for the last five years, determine the number of California veterans who annually applied for and received federal disability compensation and pension benefits (C&P benefits).
- Identify any barriers veterans may face when applying for federal disability benefits, the services the department offers to help veterans overcome such barriers, and the methods used by the department to improve the State's participation rate.

To identify the sources of state and federal funding received by the department over the past five years, we reviewed the governor's budgets for fiscal years 2005–06 through 2009–10. Using this information, we identified the department's actual expenditures, by funding source, for the five-year period covering fiscal years 2003–04 through 2007–08, as well as its projected expenditures, by funding source, for fiscal year 2008–09. Additionally, we reviewed the department's audited financial statements covering fiscal years 2003–04 through 2007–08 for the Veterans Farm and Home Building Fund of 1943, the principal fund used to support the CalVet program. We also reviewed other relevant documentation, such as the *State of California Manual of State Funds*, published by the California Department of Finance (Finance). To determine the methods the department uses to allocate funds among its programs, we interviewed department accounting and budgeting personnel, reviewed supporting documentation relevant to identifying the department's funding allocations, and reviewed state law to identify limitations on the department's allocation of its funding.

To review and assess any instances in the last five years in which federal funds may have been available but were not used or were underused by the department, we obtained the *Catalog of Federal Domestic Assistance*, published by the U.S. General Services Administration. Using the catalog, we identified the federal programs designed to serve veterans, such as homeless veterans or

veterans in need of transitional housing, and employment services for veterans. We also interviewed department officials to discuss the department's potential use of the programs we identified, reviewed relevant laws that could affect the department's ability to participate in the federal programs, and obtained documentation relevant to the federal programs the department was participating in. Based on our review, we did not identify any federal programs that the department should have applied for that it was not already participating in or that it had not applied for in the past. However, we did identify one federal program—the federal VA's Homeless Grant and Per Diem Program—that provides services to homeless veterans, but the department is not currently legally authorized to apply for these funds. Additionally, we interviewed department accounting personnel and reviewed department accounting records to identify whether the department had underused any of the federal funds it received during federal fiscal years 2004 through 2008. We did not identify any instances during this period in which the department had underused federal funds.

To determine whether the goals and objectives in the department's strategic plan adequately address the needs and issues facing the veteran community, we reviewed the department's strategic plan covering fiscal years 2007–08 through 2011–12. To examine the methods the department uses to measure its performance, and to identify the extent to which it is meeting the goals and objectives in its strategic plan, we interviewed department officials and reviewed other available documentation indicating how the department monitors its progress. To evaluate the department's strategic plan, we used Finance's *Strategic Planning Guidelines*, which provide a framework to assist state agencies in developing their strategic plans and to define performance measures that emphasize meaningful results. We also reviewed the strategic plans of Veterans Services, which covered fiscal years 2004–05 through 2008–09 and fiscal years 2009–10 through 2013–14, to determine the extent to which its plans aligned with the department's strategic plan.

To obtain additional information necessary to evaluate the department's strategic planning process, we interviewed the officers of six CVSOs—in Butte, Contra Costa, Los Angeles, San Bernardino, San Diego, and Solano counties—to assess, among other things, their involvement in the development of and their familiarity with the department's strategic plan. We considered veteran population, geographic location, and the rates at which veterans were participating in C&P benefits as of September 30, 2007, as criteria for determining which counties to interview. Specifically, using a report generated by the National Association of State Directors of Veterans Affairs, we selected counties with varying veteran populations—three in southern California, two in central California, and one in northern California.

We also considered variability in the C&P benefits participation rate, which is defined as the ratio of veterans participating in C&P benefits to the number of veterans residing in each county.

To determine the methods the department currently uses to identify and serve veterans, we interviewed department officials and reviewed documentation demonstrating the department's efforts to obtain the contact information of veterans around the State. We also identified the services offered by the department, including those provided by the veterans homes, the CalVet program, and Veterans Services, by conducting interviews with department officials and, when available, reviewing relevant supporting documentation for the department's activities.

In conducting our work, we determined that the services provided at the veterans homes are not specifically focused on serving homeless veterans or those in need of multifamily or transitional housing. However, in performing our review we did identify that the TIDES Center, a nonprofit entity located in the San Francisco Bay Area, has opened a residential program on the premises of the Yountville veterans home, called the Pathway Home. This home is designed to address challenges such as stress disorders and other disabilities that affect combat veterans adjusting to civilian life after recent tours in Afghanistan and Iraq. Although staff at the Yountville veterans home may work with management of the Pathway Home in some capacity, because it is not state funded or operated, we did not include it in our review.

To evaluate the department's interactions and agreements with other state entities that provide services to veterans, we interviewed department officials and reviewed contracts, memoranda of understanding, and communications between the department and other state entities. We used this information to determine how the department identifies the services offered by other state entities, assesses which state entities it will work with, and formalizes its collaborations through formal agreements. In performing our review, we learned that a primary role of Veterans Services is to collaborate with the different entities that provide services to veterans; thus, we generally focused our review on this division's efforts to achieve this collaboration. The audit committee identified the Department of Alcohol and Drug Programs, the EDD, the Employment Training Panel, the Department of Housing and Community Development, the Labor and Workforce Development Agency, the Department of Mental Health, and the Military Department as examples of state entities that might serve veterans. We found that the department has collaborated with, or is making efforts to collaborate with, all of these state entities.

To identify the number of California veterans who receive benefits from the CalVet program, and to identify recent trends in veterans' participation, we analyzed loan data in the department's Mitas system covering the period from June 30, 2006 through March 31, 2009. To provide additional background information about the veterans participating in the CalVet program during this period, we obtained internal reports from the CalVet program, which were generated from the Mitas system, and summarized the types of loans and the wartime era during which the veterans with loans had served.

We also interviewed key personnel in the CalVet program and reviewed federal laws and state laws and regulations pertaining to the program to evaluate whether the program provides benefits to homeless veterans or veterans in need of multifamily or transitional housing. In reviewing these laws and regulations, our legal counsel determined that a state regulation currently prohibits access to CalVet program financing for some veterans who would otherwise be eligible for this financing under federal law. Specifically, Section 300.2 of Title 12 of the California Code of Regulations disqualifies veterans whose service ended after 1977 from receiving general obligation bond financing, while federal law has allowed these veterans to receive such financing since 2008. In addition, this regulation limits revenue bond financing to veterans who are first-time homebuyers, while federal law removed this restriction in 2006. We verified that the CalVet program is not following the outdated regulation and is therefore not unnecessarily restricting veterans' access to CalVet loans. The deputy secretary of the CalVet program acknowledged that the state regulation is out of date, and asserted that the department will update its regulations to reflect the changes in federal law.

To evaluate the department's involvement in programs administered by Veterans Services, we interviewed department officials and reviewed state law and descriptions of the products, services, and programs offered by Veterans Services as described in the department's strategic plan. To determine whether Veterans Services operates a program for homeless veterans, we interviewed department officials and reviewed other documentation.

To identify the federal disability benefits that qualifying veterans can receive, we reviewed the federal VA's 2009 report, *Federal Benefits for Veterans, Dependents, and Survivors*, and confirmed the accuracy of the information we compiled with personnel from the federal VA. To determine the number of California veterans who annually applied for and received C&P benefits during federal fiscal years 2004 through 2008, we reviewed the *Annual Benefits Report* published by the federal VA's Veterans Benefits Administration for these years and requested additional data from the federal VA.

We also compared California data on C&P benefits and CVSOS staffing to those of Texas and Florida, which also have large veteran populations.

To examine any barriers veterans may face when applying for federal disability benefits, we interviewed department officials and the officers of the CVSOSs in the same six counties we contacted for our research on the department's strategic planning process. We also reviewed testimony by officials representing the federal VA's Veterans Benefits Administration at the House Committee on Veterans Affairs hearings regarding the federal VA's activities related to processing veterans' claims for benefits.

In reviewing the services the department offers to help veterans overcome the barriers in applying for and receiving federal disability benefits, we focused our review on the claims process for C&P benefits. In doing so, we reviewed the department's strategic plan and its report to the Legislature in 2007, *Strategies to Improve California's Utilization of Veteran Benefits*, which included contributions from various stakeholders such as CVSOSs, veterans service organizations, and Finance. We focused our review on the outreach efforts of Veterans Services, as it is this division that is responsible for connecting and coordinating the various entities that provide services to veterans. We also interviewed department officials and reviewed other documentation, such as the duty statements of department personnel describing the services provided to veterans at the department's district offices in San Diego, Oakland, and Los Angeles. In our interviews with the officers of six CVSOSs, we also identified the general services that the CVSOSs provide to veterans to assist them during the claims process.

The U.S. Government Accountability Office (GAO) requires us to assess the reliability of computer-processed data that we use in our audit analyses. According to the GAO data reliability guidelines, data are reliable when they are accurate, meaning that they reflect the data from source documents; and complete, meaning that they contain all data elements and records necessary for the audit. We were able to determine that the department's Mitas system was sufficiently reliable for the purpose of determining the number of veterans participating in the CalVet program. However, we did not verify the reliability of internal reports the CalVet program provided to us that were generated using the Mitas system, which included the types of loans veterans held and the wartime eras during which they had served. We include information from these reports in Table 8 in Chapter 4 of this report. The purpose of this information is to provide additional background about the veterans

participating in the CalVet program, and the inclusion of this information does not change our overall conclusion regarding the number of veterans participating in the CalVet program.

Further, we did not verify the reliability of published reports and other information we obtained from the National Association of State Directors of Veterans Affairs or from the federal VA, including its Veterans Benefits Administration's *Annual Benefits Report* for federal fiscal years 2004 through 2008 and electronic worksheets that we received from its director of data and information services division. We also did not verify the reliability of age and income data that we obtained from the U.S. Census Bureau's 2007 American Community Survey on its Web site at www.census.gov. In some cases, the reports and electronic data we used were the only information available related to our audit objectives, and were necessary to ensure that we presented recent information, particularly the data we obtained from the federal VA related to veterans' participation in C&P benefits. In other cases, we used federal reports and data for informational purposes only, and our reliance on this information did not result in significant findings, conclusions, or recommendations.

Chapter 1

THE VETERANS SERVICES DIVISION PROVIDES MINIMAL DIRECT SERVICES TO VETERANS, AND IS JUST BEGINNING TO IMPROVE ITS OUTREACH ACTIVITIES AND COORDINATION WITH OTHER ENTITIES

Chapter Summary

Outside of the services provided by its veterans homes and CalVet Home Loan program (CalVet program), the California Department of Veterans Affairs (department) provides few direct, person-to-person services to meet the needs of California's 2.1 million veterans. Instead, its Veterans Services division (Veterans Services) is responsible for collaborating with other entities, such as the local County Veterans Service Officer programs (CVSOs) and other county, state, federal, and nonprofit entities, to provide such services. However, Veterans Services receives minimal funding and allocates the majority of it to support part of the operations of the CVSOs. Although Veterans Services does not administer formal programs that provide direct services to homeless veterans or those with mental health needs, two areas of particular concern raised in the request for our audit, it administers limited funding to support outreach efforts addressing these areas of need.

Recently, the department has shifted some attention from its primary focus on the veterans homes to Veterans Services, deciding that it should take a more aggressive role in increasing the veteran community's awareness of available services and benefits. However, this new emphasis on outreach is limited by Veterans Services' lack of contact information for veterans. Veterans Services is implementing various activities to further its outreach efforts, such as updating its outreach materials to obtain contact information from veterans and better coordinating with entities providing services to veterans. However, many of these efforts began only after 2008, and Veterans Services' inaction before that time has likely limited veterans' awareness of and access to available benefits. Further, many of Veterans Services' new collaborative relationships with other state entities that serve veterans are in the preliminary stages of development, and many lack formal agreements, limiting the department's ability to hold the agencies accountable for the efforts they agree to undertake.

The Department Relies on Veterans Services to Work With Other Entities to Assist Veterans in Obtaining Federal and State Benefits

The majority of services that are critical to veterans are offered by federal, county, and local nonprofit entities—not the department. Department officials explained that Veterans Services is responsible for collaborating with these entities. As described in the Introduction, the department provides long-term care through its veterans homes and offers loans to eligible veterans through its CalVet program. However, outside of these services, the department provides few direct services to California's 2.1 million veterans.

The department's deputy secretary for administration said that the department lacks both the authority and the resources to perform all tasks related to assisting veterans, such as operating a homeless veterans' program. Rather, the department sees its role as being able to integrate with other levels of government that do provide direct services to California's veterans. The deputy secretary for administration stated that in doing so, the department has tried not to duplicate the roles of other service providers, such as those at the federal or county level, but to work synergistically with them and attempt to fill any gaps in their services. He also explained that the department's priority in the past five years, as directed in part by the governor's office and legislative committees, has been on its veterans homes, including the construction of new homes and the rehabilitation of existing structures. However, as we describe later, the department has recently refocused its attention on Veterans Services and has determined that it should take a more aggressive role in identifying and engaging in outreach to veterans.

Receiving Minimal Funding, Veterans Services Provides Few Direct Services to Veterans, Including the Homeless or Mentally Ill

Other than providing claims and benefits representation to veterans at its three district offices and offering cemetery services, Veterans Services provides few direct, person-to-person services to veterans and receives very little funding to support California's homeless veterans or increase veterans' awareness of mental health services, two areas we were specifically asked to address in the request for this audit. Instead, Veterans Services collaborates with other entities that provide direct services to veterans. In fiscal year 2008–09, Veterans Services received approximately \$7 million, which is less than 2 percent of the department's \$405 million budget. More than half of this funding was allocated to support part of the operating costs of CVSOs representing 56 of California's 58 counties statewide. Table 2 shows Veterans Services' budget for fiscal year 2008–09, with amounts and descriptions of various allocations. As the table shows, more than \$4 million, or 59 percent,

Table 2
Allocations of the Veterans Services Division’s Budget
Fiscal Year 2008–09
(Dollars in Thousands)

ALLOCATION	AMOUNT	PERCENTAGE OF VETERANS SERVICES’ TOTAL BUDGET	IF APPLICABLE, AUTHORIZED POSITIONS ASSIGNED TO THE PROGRAM OR OPERATION	DESCRIPTION
Local Assistance:				
County Veterans Service Officer programs (CVSOs)	\$2,600	36%	-	General Fund monies allocated to local CVSOs representing 56 counties statewide. This represents a small portion of the CVSOs’ total funding; the majority of their funding comes from the respective counties.
Medi-Cal cost-avoidance reimbursements	838	11	-	Payments to CVSOs for Medi-Cal cost-avoidance activities. These efforts help secure benefits from the U.S. Department of Veterans Affairs’ (federal VA) Veterans Benefits Administration for Medi-Cal eligible veterans and their families, thereby reducing the State’s share of medical costs.
Veterans license plates	554	8	-	Payments to the CVSOs for their sale of specialized veterans’ license plates, which can include armed forces or veterans service organization logos.
Proposition 63 (Mental Health Services Act)	270	4	-	Payments to certain CVSOs through the Mental Health Services Act to develop community networks that will result in veteran referrals to the federal VA for services. Fiscal year 2008–09 was the first year in which CVSOs received funding for this purpose.
Total Local Assistance	\$4,262	59%		
State Operations:				
Veterans service district offices	\$1,239	17%	17.0	Funds used to staff and operate the Veterans Services division’s (Veterans Services) three district offices. The 17 full-time staff in these offices provide assistance to veterans and their dependents in applying for federal VA benefits, as well as assisting veterans whose claims have been denied by the federal VA.
Mental Health Services Act	226	3	2.0	Funding received through the Mental Health Services Act to develop community networks that will result in veteran referrals to the federal VA for services. Fiscal year 2008–09 was the first year in which the department received funding for this purpose.
Veterans cemeteries	543	7	5.0	Funding for the Northern California Veterans Cemetery in Shasta County. According to the cemetery’s administrator, 483 burials took place at the cemetery between June 2008 and May 2009, including the burials of 389 veterans and 94 dependents. Veterans Services is also assisting with the planning of a new veterans cemetery at Fort Ord, near Monterey.
Disabled Veterans Business Enterprise program	185	3	1.8	Funding from the Department of General Services to conduct an outreach program, which includes consulting and collaborating with representatives from various veterans service organizations, to increase the number of authorized disabled veterans business enterprises* in the State’s contracting pool. The Department of Veterans Affairs (department) is also tasked with providing information and assistance to state agencies and departments, as well as veterans organizations, regarding business opportunities and participation in the State’s acquisition process. As of May 2009, according to information provided by the department, there were 1,084 registered disabled veterans business enterprises in the State.
General administration	765	11	5.0	According to the deputy secretary of Veterans Services, the remaining funding is used by headquarters’ staff to provide support to CVSOs and to audit CVSOs’ claims data. It also funds the division’s activities on behalf of homeless veterans, including the employment of a part-time retired annuitant who performs some limited outreach and administers grants to support stand-downs around the State. He stated that this funding is also used to coordinate with other entities providing services to veterans and to perform general outreach to help inform veterans of their benefits, such as processing veterans’ discharge notices and sending letters to these veterans welcoming them to California.
Total State Operations	\$2,958	41%	100%	
Total Budget	\$7,220[†]	100%	30.8	

Sources: The fiscal year 2008–09 Final Budget Summary and additional documentation provided by Veterans Services.

* State law defines a Disabled Veterans Business Enterprise as a business certified by the Department of General Services that meets various requirements, including that it be at least 51 percent owned by one or more disabled veterans.

† Veterans Services’ total budget in this table is \$14,000 less than the total division budget presented in Table 1 in the Introduction. This is because the fiscal year 2009–10 Governor’s Budget is the source of the budget information presented in Table 1, while the fiscal year 2008–09 Final Budget Summary is the source of the information presented in this table. The total difference between the two amounts is less than 1 percent.

Veterans Services provides minimal services to California's homeless veteran population.

was allocated to the CVSOs. Veterans Services retained less than \$3 million to support all of its other functions, including supporting its 17 veteran claims representatives located at its three district offices in Los Angeles, Oakland, and San Diego. Veterans Services uses the remaining funding for other activities, such as maintaining the State's veterans cemetery, as described in Table 2.

Veterans Services provides minimal services to California's homeless veteran population, estimated by the U.S. Department of Veterans Affairs (federal VA) to exceed 26,000 as of January 2008. However, it does offer some funding to nonprofit organizations to help support Stand-Downs, one- to three-day events that provide services such as food, shelter, clothing, and health screenings to homeless veterans. Various nonprofit organizations and local, state, and federal entities collaborate to conduct these events. According to documentation provided by Veterans Services, it spent \$41,000 in fiscal year 2008-09 to support 19 Stand-Downs across the State. In addition, Veterans Services employs a part-time retired annuitant to process Stand-Down grant applications and invoices, to represent the department at Stand-Down events, and to develop and distribute communications and other outreach materials to the CVSOs, service providers, and other entities. The deputy secretary of Veterans Services stated that the department does not currently plan to increase or change the services it provides to homeless veterans, because no funding is available to do so. He also explained that the former secretary of the department did not make changing or increasing services for homeless veterans an area of emphasis in his guidance to Veterans Services.

Similarly, although it does not provide mental health services directly to veterans, the department has recently obtained funding through a formal agreement with the Department of Mental Health to fund outreach activities aimed at increasing veterans' awareness of available mental health services. Veterans Services administers this funding, and for fiscal year 2008-09 it received \$226,000 and \$270,000 in state operations and local assistance funding, respectively, through Proposition 63, the Mental Health Services Act. According to the deputy secretary of Veterans Services, the purpose of the funding is to develop a county-level service network dedicated to ensuring that veterans returning from combat with mental health needs are appropriately referred to the federal VA for services. Veterans Services used the state operations funding to create two outreach positions and to fund various outreach activities. It awarded the local assistance funding to five CVSOs to support their mental health outreach efforts.

Although we were not specifically requested to evaluate the department's internal controls over its use of Mental Health Services Act funding, as part of our review we found that

Veterans Services does not have sufficient controls in place to ensure that the CVSOs expend Mental Health Services Act funds in accordance with the department's agreement with the Department of Mental Health. Veterans Services made the awards based on the CVSOs' responses to its request for proposals, in which it notified them of the availability of the funds. However, it distributed the funds to the five CVSOs it selected without entering into formal contracts that specify how the funds should be used. Without formal contracts, Veterans Services is limited in its ability to ensure that the funds it provided to the CVSOs will be used for their intended purposes. The deputy secretary of Veterans Services stated that as of September 2009 he was in the process of developing contracts that CVSOs would be required to sign before receiving additional Mental Health Services Act funding. He stated that the contracts would require six-month updates on the use of the funds and include measurable goals set with the CVSOs' cooperation.

Veterans Services Must Improve Its Veterans' Contact Data but Is Beginning to Better Inform Veterans About Available Benefits

Under the department's direction, Veterans Services has recently taken a more active role in reaching out to veterans to inform them about benefits available to them. However, it has been hindered in this effort because the department lacks contact information for most veterans in the State. To improve its contact information, Veterans Services has recently begun using a reintegration form that asks veterans to list their contact information and identify the services they may be interested in pursuing. Veterans Services has also started to gather contact information from federal, state, and county entities to increase the department's ability to inform veterans about available benefits, and is working to improve the department's Web site. For example, in June 2009, Veterans Services added a new resource directory to the department's Web site and initiated an effort to increase the amount of information available to veterans on the Web site. However, despite these recent efforts, many of which began after the current deputy secretary of Veterans Services started in his position in July 2008, the department's prior lack of outreach may have contributed to veterans' lack of awareness of and failure to apply for available benefits.

Veterans Services Is Attempting to Gather Veterans' Contact Information to Further Its Outreach Activities

In late 2008 Veteran Services began increasing its efforts to obtain veterans' contact information. According to the deputy secretary of Veterans Services, the division cannot obtain all veterans' contact information from the federal VA because veterans do not register

Veterans Services is hindered in its ability to conduct outreach activities because it currently lacks contact information for the majority of California's veterans.

with the federal VA when they separate from the armed forces. The director of data and information services for the federal VA's Veterans Benefits Administration Office of Performance Analysis and Integrity confirmed that the federal VA does not track service members after they are discharged and keeps only basic service information if and when the veteran applies for a benefit.

Further, the deputy secretary of Veterans Services stated that although the CVSOs use a variety of different data systems to track veterans residing within their counties, they do not report this contact information to the department. The deputy secretary of Veterans Services explained that Veterans Services has been receiving notices from various discharge points around the State about service members discharged from military service in California. However, these notices have been received only since 2005, and although the notices include veterans' home addresses, the deputy secretary of Veterans Services explained that these addresses are often temporary.

In other efforts to improve its veterans' contact information, Veterans Services developed a reintegration form asking veterans for their contact information and their concerns and priorities as they relate to available benefits. Using this information, the department intends to engage in outreach for the Disabled Veterans Business Enterprise Program. According to the deputy secretary of Veterans Services, his staff records the e-mail addresses of any veterans who fill out this part of the form, and they send these veterans an information packet about the services in which they have expressed interest. He stated that as of April 2009, Veterans Services had collected 1,933 reintegration forms since it began distributing them in January 2009. Veterans Services has also begun to work with federal, state, and county entities to obtain veterans' contact information. The deputy secretary of Veterans Services stated that in February 2009 the federal VA provided the department with a partial list, including home addresses, of veterans who are receiving federal disability compensation and pension benefits. Through Veterans Services, the department is also partnering with the Employment Development Department (EDD) to enhance the Transition Assistance Program. This program provides employment and training information to members of the armed forces within 180 days of separation or retirement to ease their transition from military to civilian life. In an August 2009 letter, the deputy director of EDD's workforce services branch indicated that it would include the reintegration form as part of its resource guide provided to veterans at Transition Assistance Program trainings.

Veterans Services has begun to work with federal, state, and county entities to obtain veterans' contact information.

Further, in April 2009, the department's former secretary requested the assistance of the Department of Motor Vehicles (DMV) in identifying and reaching out to the State's veteran population, asking that veterans be provided the option of self-identifying as veterans on applications for drivers licenses and identification cards. Although this effort was to be overseen by the deputy secretary of Veterans Services, because of the DMV's fiscal deficit and other programming priorities, in June 2009 the DMV said that it could not incur costs for the computer programming necessary to modify its system to transmit the names and addresses of the applicants to the department. The DMV instead offered to distribute the department's brochures and posters in its field offices and create a link to the department's home page on the DMV's Web site. According to the deputy secretary of Veterans Services, the DMV plans to begin these activities by November 2009. The DMV also offered to collect and mail any completed documents to the department. As described in Chapter 2, Veterans Services is also working with the CVSOs to develop a system at the county level that, if implemented, will allow Veterans Services to access contact information about the veterans served by CVSOs.

Finally, in June 2009 the department contracted with a vendor to create an automated "veterans reintegration management system," which is a database Veterans Services will use to identify the veteran population in California, collect information regarding veterans' needs and concerns, and link veterans with available resources and benefits. According to the contract, which is managed by the deputy secretary of Veterans Services, the system will store data such as veterans' contact information, service-related information, and other information collected by Veterans Services from certificates of release or discharge notices, reintegration forms, web inquiries, and other sources. The contract states that this information will be shared with, among others, the federal VA for outreach regarding traumatic brain injury/post-traumatic stress disorder, the EDD for employment assistance, and Troops to College for education assistance.

In June 2009 the department contracted with a vendor to create a database Veterans Services will use to identify the veteran population in California.

Veterans Services Is Working to Provide Better Information to Veterans About Available Benefits

Veterans Services recently began improving its resources that veterans can access for information on available benefits and services. In early 2009 Veterans Services completed the department's *California Action Plan for Reintegration* resource manual for returning combat veterans. This manual includes information about issues veterans may encounter upon returning from combat, such as post-traumatic stress disorder, and provides

references to various available services, including those offered by federal, state, county, and nonprofit entities. According to the deputy secretary of Veterans Services, the department had intended to publish 5,000 of these manuals to send to all returning combat veterans as they were discharged. However, he indicated that the printing contract was canceled in July 2009 as a result of the State's budget crisis, but that he expects to have the printing completed by the end of 2009.

Veterans Services is also working to improve the information available to veterans on the department's Web site. For example, in June 2009, Veterans Services added its new *Veteran's Resource Book* (resource book) to the Web site. The resource book contains a directory of CVSOs, summarizes the services they provide, and presents other information on local services and on state and federal benefits available to veterans. The deputy secretary of Veterans Services stated that the department created the resource book because there was a need for a centralized source of information for veterans, listing the various services available to them.

The deputy secretary of Veterans Services acknowledged that there is still work to be done to improve the department's Web site.

However, the deputy secretary of Veterans Services acknowledged that there is still work to be done to improve the Web site, stating that there is currently no process for ensuring that it includes complete content, is up to date, and is professionally presented. For example, in reviewing the searchable resource directory on the department's Web site, which veterans can search for various benefits, we found that it did not include multiple entities that provide services to veterans, such as the Department of Alcohol and Drug Programs, Troops to Teachers, and the Employment Training Panel. According to the deputy secretary of communications and legislative affairs, the department is currently developing a Web portal that will present information about all state services available to veterans. He added that to ensure that this information remains current and accurate, the department is also in the process of hiring a content manager for the Web portal and the department's Web site.

Veterans Services' Delay in Undertaking Outreach Activities May Have Contributed to Veterans' Lack of Awareness of Available Benefits

Although Veterans Services has recently undertaken the previously described activities to better inform veterans about available benefits, its delay in undertaking many of these activities until late 2008 may have contributed to the low number of veterans applying for and receiving benefits in the State. As we describe further in Chapter 2, both personnel from the department and the officers of the CVSOs that we interviewed identified veterans' lack

of knowledge about available benefits as a key barrier preventing veterans from applying for benefits. However, according to the department's deputy secretary for administration, until 2008 the department's assumption was that the role of outreach was better performed by the CVSOs, and that it was unnecessary to duplicate those efforts at the state level. As a result, he stated that there had been no previous efforts to obtain veterans' contact information from the CVSOs, and that if the department wanted information passed on to veterans at the local level, it would ask the CVSOs to distribute it.

In addition, the deputy secretary for administration acknowledged that, aside from the semiannual reports the CVSOs submit to Veterans Services, which include the total number of claims filed by each CVSO, the department does not receive any formal reports from the CVSOs indicating the extent or success of their outreach activities, and the department does not otherwise monitor these activities. As a result, the department cannot determine whether the CVSOs have been effectively conducting outreach to individual veterans. As we discuss in Chapter 2, although it is authorized to do so, the department has missed the opportunity to obtain information regarding the CVSOs' outreach activities. Finally, the department's acting secretary noted that there are currently more benefits and resources available to veterans than ever before, and Veterans Services' central challenge is ensuring that veterans are aware of and taking advantage of these benefits. Any additional delays by Veterans Services to inform veterans about these benefits could further limit the number of veterans applying for and receiving the benefits to which they are entitled.

Veterans Services' Efforts to Collaborate With Other State Entities Are Largely in the Beginning Stages, and It Has Not Strategically Assessed Which Entities to Work With

According to the deputy secretary for administration, there has been a strategic shift in the role of Veterans Services over the last several years. He explained that prior to 2004, Veterans Services focused primarily on the few direct services it offered, and interactions with outside entities such as the CVSOs were strained at best. However, he stated that since then, the department has refocused Veterans Services to reach out to the 2.1 million veterans in the State to ensure that they are taking advantage of the benefits available to them. He explained that because Veterans Services has so few staff, it has recognized that it can achieve this goal only by working with a network of other agencies and service providers in the State. He further stated that he considers Veteran Services' primary role to include collaborating and coordinating with the different entities that provide services to veterans.

Until 2008 the department's assumption was that the role of outreach was better performed by the CVSOs, and that it was unnecessary to duplicate those efforts at the state level.

The department has only recently stepped up its efforts to collaborate with other state entities.

Although the department relies on Veterans Services to undertake these efforts, any formal agreements Veterans Services initiates or administers are entered into by the department and signed by department officials.

The department's deputy secretary of Veterans Services, hired by the department in July 2008, acknowledged that the department has only recently stepped up its efforts to collaborate with other state entities. Focusing on the department's collaboration efforts, excluding any collaborations undertaken by the individual veterans homes, department officials provided documentation to show that as of August 2009 the department had five formal agreements with four other state entities. As summarized in Table 3, the formal agreements cover a range of activities, including increasing the number of disabled veterans business enterprises that are certified by the Department of General Services, saving state funds by securing federal medical benefits for veterans, performing outreach to increase veterans' awareness of mental health care services, and assisting veterans of the California National Guard with their claims for federal benefits. Consistent with statements made by the deputy secretary of Veterans Services, three of the five agreements started in June 2007 or later.

In addition to its formal agreements, the department has made efforts to informally collaborate with nine other state entities. All but one of these efforts are overseen by Veterans Services and are in the early stages of development. As shown in Table 4 on page 30, prior to hiring the deputy secretary of Veterans Services in July 2008, the department had three informal collaborations with other state entities, two of which were related to providing educational opportunities to veterans. Since that time, the department has begun working to collaborate with six additional state entities. Three of these collaborations—with the California Labor and Workforce Development Agency, the California Department of Consumer Affairs, and the California Volunteers—were in the very early stages, with no explicit agreements, timelines, or plans in place, as of August 2009.

Veterans Services' recent efforts to work with other state entities highlights the need for it to develop a formal process to ensure that it is identifying agencies that can assist it to better serve veterans. According to the deputy secretary of Veterans Services, in selecting which state entities to approach, he and the department's executive team selected those that they knew offered services to veterans or believed could be helpful in fulfilling the department's goals. The deputy secretary of Veterans Services explained that there was no formal process for deciding which entities to approach and no lists indicating any established priorities.

Table 3
Formal Agreements Between the California Department of Veterans Affairs and Other State Entities as of August 2009

STATE ENTITY	DESCRIPTION OF AGREEMENT	TIME PERIOD COVERED
Department of General Services (General Services)	The California Department of Veterans Affairs' (department) Veterans Services division (Veterans Services) receives funding from General Services to perform various activities, including consulting and collaborating with veterans organizations to increase the number of authorized disabled veterans business enterprises in the State.*	Renewed annually
Department of Health Care Services (Health Care Services)	The department works with the local County Veterans Service Officer programs (CVSOs) and Health Care Services to assist veterans and their family members who are eligible for Medi-Cal benefits to secure federal medical benefits, which reduces the State's medical costs. These activities are also referred to as "Medi-Cal cost-avoidance."	Renewed annually
	The department has agreed to work with Health Care Services to operate a Public Assistance and Reporting Information System pilot program to identify veterans and their families who are receiving Medi-Cal benefits. Under this pilot program, Health Care Services agrees to focus its efforts on identifying veterans and their family members who are receiving Medi-Cal services in three counties, and to refer them to Veterans Services and the CVSOs for assistance in obtaining federal medical benefits.	January 2009 through June 2011 [†]
Department of Mental Health (Mental Health)	Mental Health provides Proposition 63 (Mental Health Services Act) funds to the department to assist in the development of a statewide mental health referral network for veterans. Through Veterans Services, the department provides some of the funding it receives from Mental Health to the CVSOs to develop a county-level service network dedicated to ensuring that veterans returning from combat with mental health needs are appropriately referred to the U.S. Department of Veterans Affairs for services.	July 2008 through June 2011
California National Guard and California Association of County Veterans Service Officers	The department, the California National Guard, and the California Association of County Veterans Service Officers agreed to make every effort to provide professional and seamless service delivery to returning California National Guard members. The department agreed to conduct various activities through Veterans Services, including providing claims service representatives to assist with claims for veterans' benefits when requested by the California National Guard and coordinating the development and distribution of veteran benefit information.	Beginning in June 2007; no end date [‡]

Sources: Documents obtained from, and interviews with, department personnel.

Note: This table presents the department's formal agreements with other state entities as of August 2009, and does not include any efforts or activities that individual veterans homes may have undertaken, or have in place, with other state entities.

* State law defines a Disabled Veterans Business Enterprise as a business certified by General Services that meets various requirements, including that it be at least 51 percent owned by one or more disabled veterans.

† Although this Memorandum of Understanding, which was signed by the deputy secretary of Veterans Services and the chief deputy director of Health Care Services, did not indicate the date the agreement commenced, it did state that the agreement would be in effect until June 30, 2011. According to the deputy secretary of Veterans Services, the agreement began in January 2009.

‡ Although the letter formalizing this agreement was signed by the department's secretary at that time, the adjutant general of the California National Guard and the president of the California Association of County Veterans Service Officers, the letter does not indicate the date the agreement was to commence. According to the deputy secretary of Veterans Services, the letter was signed in June 2007 and has no end date.

Unfortunately, because it did not engage in a formal approach to these efforts, Veterans Services may have missed key entities that it could work with to increase veterans' awareness of available benefits or enhance the services available to veterans. For example, a 1994 state law requires that state licensing boards consult with the department to ensure that the education, training, and experience that veterans obtain in the armed forces can be used to meet licensure requirements for regulated businesses, occupations, or professions. The department's current administration discovered this law in 2009 and, as noted in Table 4 on the following page, has only recently contacted the Department of Consumer Affairs to address this requirement.

Table 4
Informal Collaborations Between the California Department of Veterans Affairs and Other State Entities as of August 2009

STATE ENTITY	DESCRIPTION OF ACTIVITY	COLLABORATION INITIATED BEFORE JULY 1, 2008?*
Department of Alcohol and Drug Programs (ADP)	The Department of Veterans Affairs (department) is working with the ADP to obtain reimbursement funding from the U.S. Department of Veterans Affairs (federal VA) for various activities, including developing pilot programs to provide alcohol and drug treatment services to veterans in 26 counties who reside more than 60 miles from a federal VA hospital or a community-based outreach clinic, and distributing information to counties and other service providers about federal VA benefits and services to assist veterans who are seeking and/or receiving alcohol or drug treatment services. Also, the deputy secretary of the department's Veterans Services division (Veterans Services) stated that the ADP and the department are collaborating to establish veterans' courts to hear cases involving veterans.	No
State colleges and universities	According to the deputy secretary of Veterans Services, the department works with the California Community College, California State University, and University of California systems as part of the Troops to College initiative described below, and to perform outreach to veterans. The department has also worked with state colleges and universities to help ensure that veterans receive benefits available through the new federal GI Bill.	Yes†
Employment Development Department (EDD)	In August 2009 the EDD agreed to start distributing Veterans Services' reintegration forms in its Transition Assistance Program courses. The EDD provides these courses to ease veterans' transition from military to civilian life by informing them about available services and matching them with service providers of their choice.	No†
Department of Motor Vehicles (DMV)	In June 2009 the DMV agreed to distribute the department's posters and brochures at its field offices and stated that, if the department's brochures contained a space for veterans to request more information by providing their name and address, it would collect and mail these documents to the department. The DMV also agreed to create a link on its home page to the department's Web site. The deputy secretary of Veterans Services stated that the DMV plans to undertake these activities in November 2009.	No†
California's Troops to College program‡	Announced by the governor in March 2006, California's Troops to College program provides educational opportunities and assistance to veterans and active duty service members. According to the deputy secretary of Veterans Services, the division works with staff at Troops to College to perform outreach to veterans on state college and university campuses.	Yes
California Labor and Workforce Development Agency (Labor and Workforce Development)	According to the deputy secretary of Veterans Services, the department is working with Labor and Workforce Development as part of that agency's Troops to Health Care initiative. The initiative assists veterans with health care experience obtained in the armed services to rapidly obtain professional licenses and find employment. The deputy secretary explained that it initiated working with Labor and Workforce Development in July 2009. As of August 2009 the department had no specific plans, agreements, or timelines regarding the collaboration.	No†
California Department of Consumer Affairs (Consumer Affairs)	According to the deputy secretary of Veterans Services, the department contacted Consumer Affairs in August 2009 to ensure that veterans' skills and experience obtained in the armed services are appropriately accounted for in professional licensing rules and regulations. As of August 2009 the department had no explicit agreements, timelines, or plans regarding the collaboration.	No
California Volunteers	California Volunteers is a state office that manages programs and initiatives to increase the number of Californians involved with service and volunteering. According to the deputy secretary of Veterans Services, the department approached California Volunteers in July 2009 to coordinate volunteer opportunities, such as obtaining volunteers for assistance with driving veterans to medical appointments. As of August 2009, the department had no explicit agreements, timelines, or plans regarding the collaboration.	No
Department of Housing and Community Development (Housing and Community Development)§	According to the deputy secretary of the department's Communications and Legislation division, the department is exploring ways of working with Housing and Community Development to provide rental housing to needy veterans; however, he explained these discussions were in the very early, formative stages. As of August 2009 the department had no explicit agreements, timelines, or plans regarding the collaboration.	Yes

Sources: Interviews with department personnel and reviews of available documentation.

Note: This table presents the department's efforts to collaborate with other state entities and does not include any efforts or activities that individual veterans homes may have undertaken, or have in place, with other state entities as of August 2009.

* A response of "Yes" in this column indicates that the department asserted that the collaboration was initiated before it hired the current deputy secretary of Veterans Services in July 2008. A response of "No" indicates that, according to the department, the collaboration was initiated after the deputy secretary's hire date.

† According to department officials, the department has also collaborated with these entities in the past on prior activities.

‡ The Troops to College program is a partnership between representatives of many state entities, including the governor's office; state colleges and universities; all branches of the armed forces, including reserve and national guard components; and the secretaries of the following departments: California Department of Education, Labor and Workforce Development Agency, and the department.

§ This is the only effort listed in the table that is not overseen by Veterans Services.

Additionally, as Veterans Services builds upon its recent efforts to collaborate with state entities that provide services to veterans, formal agreements would better ensure the continuity of these efforts. Formal agreements place all parties on record stating what each agrees to do, and they allow all parties to more effectively enforce these expectations. Additionally, formal agreements would better ensure that the agreed-upon activities will continue despite staff turnover, changes in agency priorities, or other factors that could erode the collaborative efforts over time. The deputy secretary of Veterans Services stated that as the department clarifies the roles and expectations of each state entity, it will pursue formal agreements where appropriate.

Veterans Services Is Undertaking New Initiatives to Improve Coordination Among Service Providers Around the State

In addition to the department's efforts to collaborate with other state entities, as summarized in tables 3 and 4, Veterans Services has recently initiated or begun planning several different projects to improve its outreach to veterans. According to the deputy secretary of Veterans Services, no group or agency currently ensures that services offered by counties and other local agencies, such as veterans service organizations and nonprofits, are identified, are organized, and are collaborating effectively. In April 2009 the department contracted with a part-time consultant to facilitate the development of nine regional veterans services networks (regional networks). Specifically, the consultant is responsible for designing and developing regional partnerships between service providers, with an emphasis on mitigating the negative impacts of combat on veterans and the secondary effects experienced by their families. The deputy secretary of Veterans Services stated that this process will ensure that local resources are identified and are collaborating effectively. The consultant was also contracted to design, develop, and implement regional workshops and training seminars. According to the deputy secretary of Veterans Services, the general goal is to bring together service providers in each region and provide them with training in identifying and applying for available grants, which could enhance these organizations' ability to provide services to veterans.

However, it is too early to tell whether the regional networks will be successful. According to the deputy secretary of Veterans Services, as of August 2009, only two of the nine regional networks have met officially, and the plan for training was still in its early development phases. Further, the deputy secretary stated that, because the consultant is currently a half-time position, Veterans Services will be relying on volunteer coordinators in each region to manage the networks on a day-to-day basis. In June 2009

In April 2009 the department contracted with a part-time consultant to design regional partnerships between service providers.

The department is working to enhance its outreach efforts at the State's colleges and universities.

Veterans Services also applied for a \$500,000 federal grant that, according to the deputy secretary of Veterans Services, would have funded three additional positions to manage the regional networks. However, the application was denied, and without additional resources, Veterans Services' ability to effectively implement these efforts is questionable.

The department, in part through Veterans Services, is also working to enhance its outreach efforts at the State's colleges and universities. In April 2009 the department asked the governor's office to transfer authority of the Title 38 program from the California Department of Consumer Affairs to the department. This program certifies institutions of higher learning to the federal VA so that veterans can receive GI Bill and other educational benefits. Effective July 2009, the program, including its 10 staff, was transferred to the department. According to the deputy secretary of Veterans Services, the department will use the program's staff to perform outreach and advocate on behalf of veterans. He explained that an estimated 49,000 veterans are attending both public and private schools in California, and he believes that these efforts will provide a big boost to Veterans Services' outreach on campuses.

In addition, the department has been selected by the U.S. Department of Defense as a priority pilot site for the Yellow Ribbon Reintegration Program, a national combat veteran reintegration program intended to support service members and their families. Under this program, a Yellow Ribbon Program Specialist will be assigned to each participating state director of veterans affairs to develop a working coalition of national, regional, state, and other resources as required to meet the needs of service members and their families. The deputy secretary of Veterans Services stated that this will give the division one full-time staff member at little or no expense to the department. The department's participation in the program is expected to begin in October 2009.

Recommendations

To ensure that Mental Health Services Act funding is used for the purposes intended in its formal agreement with the Department of Mental Health, the department should, before awarding additional funds, enter into formal agreements with the respective CVSOs specifying the allowable uses of these funds.

The department should ensure that Veterans Services continues to pursue its various initiatives related to gathering veterans' contact information and increasing veterans' awareness of the benefits and

services available to them. Additionally, the department should pursue efforts to update its Web site to ensure that it contains current, accurate, and useful information for veterans' reference.

The department should ensure that, where appropriate, it enters into formal agreements with the state entities Veterans Services collaborates with to ensure that it and other entities are accountable for the agreed-upon services and that these services continue despite staff turnover, changes in agency priorities, or other factors that could erode these efforts.

To adequately identify the service providers and stakeholders that could assist Veterans Services in its efforts to increase veterans' awareness of available benefits, the department should ensure that Veterans Services implements a more systematic process for identifying and prioritizing the entities with which it collaborates.

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Chapter 2

ALTHOUGH VETERANS FACE BARRIERS IN APPLYING FOR COMPENSATION AND PENSION BENEFITS, THE CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS MAY BE ABLE TO INCREASE THEIR PARTICIPATION

Chapter Summary

California's veterans participate in federal disability compensation and pension benefits (C&P benefits) at rates that are significantly lower than those in other states with large veteran populations, and the California Department of Veterans Affairs (department) has made increasing veterans' participation in these benefits a primary goal for its Veterans Services division (Veterans Services). However, Veterans Services' ability to influence participation in these benefits is affected by various barriers veterans may face in applying for C&P benefits, such as the complexity of the claims process. Although the local County Veterans Service Officer programs (CVSOs) and Veterans Services can help veterans navigate the complicated claims process, Veterans Services' ability to increase participation in C&P benefits is somewhat limited by its reliance on the CVSOs, as they do not specifically share the same goal. A challenge Veterans Services faces is that a CVSO is not present in every county, and they exist solely under the control of their respective county's board of supervisors. Thus, to the extent that counties' boards of supervisors establish goals for CVSOs that differ from those of the department, Veterans Services is constrained in its efforts to increase participation in C&P benefits.

However, opportunities exist for Veterans Services to obtain additional information that could enhance its ability to increase veterans' participation in C&P benefits. For instance, it could require CVSOs to report the number of C&P claims filed in their offices as well as information on their outreach activities. Using this information, Veterans Services could identify potential gaps in service and areas where it could better focus its outreach efforts and coordination with the CVSOs. In addition, Veterans Services could use existing veterans' demographic information, including that from the U.S. Census Bureau, to identify counties that have large populations of veterans with disabilities that are not receiving C&P benefits. In particular, this information may allow Veterans Services to focus its limited resources on the areas with the highest potential for increasing veterans' participation in C&P benefits.

Finally, recognizing that it lacks an effective means to monitor the CVSOs' processing of claims for benefits and to collect veterans' contact information, Veterans Services recently initiated an effort

to create a system that will allow it to better track this information and fulfill its responsibility to audit CVS0 workload reports and verify the appropriateness of college fee waivers, which it currently is not performing as required by state law.

Veterans Services' Ability to Increase Participation in C&P Benefits Is Limited by Barriers in the Claims Process and Depends on Better Coordination With the CVS0s

Although the percentage of veterans in California who receive C&P benefits has recently increased, the State's participation rate is still lower than the national average and lags behind that of other states. California has the largest veteran population of any state; however, department officials asserted that other states with large veteran populations, such as Texas and Florida, have more staff at their CVS0s, which play a key role in helping veterans navigate the complicated claims process.

The department has made increasing veterans' access to C&P benefits a primary goal for Veterans Services. However, Veterans Services' ability to achieve this goal is affected by several barriers, including veterans' lack of awareness of available benefits, the complexity of the application process, and delays in the federal VA's processing of claims for C&P benefits. Further, although both the CVS0s and Veterans Services can assist veterans in applying for C&P benefits, the CVS0s play a key role in informing veterans about all available benefits and do not specifically share the same goal of increasing veterans' participation in these particular benefits. Instead, the officers of the six CVS0s that we interviewed tended to have more general goals, such as providing the best service to every veteran, and some had numeric goals related to processing other types of claims. To the extent that counties establish goals for their CVS0s that differ from those of the department, Veterans Services is further constrained in its efforts to increase participation in C&P benefits.

The Rate of Participation by California Veterans in C&P Benefits Has Increased but Remains Below the National Average

The rate at which California veterans participate in C&P benefits has increased from 10.52 percent in federal fiscal year 2004 to 12.86 percent in federal fiscal year 2008. The participation rate is calculated by dividing the number of veterans receiving federal disability compensation and disability pension benefits by the estimated veteran population. As we describe further in Appendix B, disability compensation is a monthly monetary benefit the U.S. Department of Veterans Affairs (federal VA) pays

to eligible veterans who are disabled due to an injury or illness that was incurred or aggravated during active military service. A disability pension is a monthly monetary benefit the federal VA pays to eligible veterans with low incomes who are permanently and totally disabled, or are age 65 or older, and have certain active military service. As shown in Table 5, the number of California veterans receiving C&P benefits increased from federal fiscal years 2004 through 2008. As of September 30, 2008, California had an estimated veteran population of roughly 2.1 million, of which about 267,000 received a total of approximately \$2.6 billion in C&P benefits, an annual average of about \$9,800 for each veteran receiving benefits.

Table 5
California Veterans' Participation in U.S. Department of Veterans Affairs' Disability Compensation and Pension Benefits
Federal Fiscal Years 2004 Through 2008

FEDERAL FISCAL YEAR	ESTIMATED VETERAN POPULATION	DISABILITY COMPENSATION AND PENSION BENEFIT (C&P BENEFITS) CLAIMS RECEIVED BY THE U.S. DEPARTMENT OF VETERANS AFFAIRS (FEDERAL VA)	VETERANS RECEIVING C&P BENEFITS	ESTIMATED C&P BENEFITS PAID TO VETERANS	VETERANS' RATE OF PARTICIPATION IN C&P BENEFITS
2004	2,310,968	58,263	243,097	\$1,899,522,530	10.52%
2005	2,257,130	56,860	247,760	2,137,836,347	10.98
2006*	2,203,727	55,349	251,547	2,282,215,728	11.41
2007*	2,203,727	59,927	259,447	2,454,772,368	11.77
2008	2,078,267	63,489	267,318	2,631,871,547	12.86

Sources: The federal VA's Veterans Benefits Administration's Annual Benefits Reports, federal fiscal years 2004 through 2008, and data provided by the Veterans Benefits Administration's Office of Performance and Integrity. Amounts presented are as of the end of each respective federal fiscal year, which runs from October 1 through September 30.

* The Veterans Benefits Administration reported the same estimated veteran population in its 2006 and 2007 Annual Benefits Reports.

However, California's participation rate of 12.86 percent trails behind the national average of 13.94 percent. California's rate is also significantly lower than that of other states with large veteran populations, such as Texas and Florida, which have participation rates of 16.73 percent and 14.88 percent, respectively. Department officials asserted that one factor contributing to this disparity is that both Texas and Florida have more CVSO staff relative to their veteran populations. Based on information we obtained from Veterans Services and confirmed on Texas's and Florida's Web sites, we determined that as of August 2009 there were 300 CVSO staff in Texas and 204 CVSO staff in Florida. Because Veterans Services did not have a listing of CVSO staff in California readily available, it asked the CVSOs to report the number of staff in their offices.

The officers of six CVSOs that we interviewed and the deputy secretary of Veterans Services agreed that a primary obstacle preventing the State's veterans from applying for C&P benefits is lack of awareness of these benefits.

Based on the information they provided, we determined that as of September 2009 there were 217 CVSO staff in California. Expressed as a ratio of CVSO staff to veterans in the respective states, Texas had one CVSO staff member for every 5,684 veterans, Florida had one CVSO staff member for every 8,407 veterans, and California had one CVSO staff member for every 9,577 veterans. Given California's relatively low participation rate in C&P benefits, it seems appropriate that the department has made increasing veterans' participation in these benefits a primary goal for Veterans Services.

Veterans Face Several Barriers in Applying for C&P Benefits

California veterans' low rate of participation in C&P benefits is likely influenced by several key barriers. Unfortunately, the officers of six CVSOs that we interviewed and the deputy secretary of Veterans Services agreed that a primary obstacle preventing the State's veterans from applying for C&P benefits is lack of awareness of these benefits. This lack of awareness is likely contributing to the State's low rate of participation in C&P benefits; some veterans who are eligible for C&P benefits may never apply for them.

For veterans who are aware of and do apply for C&P benefits, the complexity of the claims process is another key barrier to obtaining the benefits. According to the deputy secretary of Veterans Services, filing a claim for C&P benefits is a complicated process requiring knowledge and understanding of various qualification, application, and documentation requirements. Specifically, the application package for these benefits is 23 pages long, including seven pages of instructions and a 16-page, four-part application with an authorization and consent form for releasing information to the federal VA. In addition to the application, veterans submitting disability claims must provide several types of information, including medical records and evidence of disability. According to the deputy secretary of Veterans Services, depending on the nature of a veteran's medical history, this could include from tens to hundreds of additional pages. Veterans' lack of knowledge of certain qualifications and documentation requirements may lead them to submit incomplete claims, which can add to the time it takes for the federal VA to process their claims.

In addition, the officers of the CVSOs that we interviewed and the deputy secretary of Veterans Services identified the federal VA's delay in the processing of claims as another barrier that keeps veterans from receiving benefits in a timely manner, thus affecting veterans' participation in C&P benefits. The federal VA has also acknowledged the delay in its processing of claims. Specifically, in a statement to the House Committee on Veterans Affairs in

June 2009, the deputy undersecretary for benefits of the federal VA's Veterans Benefits Administration (deputy undersecretary for benefits), reported that as of the end of May 2009, the federal VA took an average of about 162 days to complete a rating decision to approve or deny benefits on a claim for C&P benefits. He explained further that as of this same time period, there were approximately 400,000 C&P claims awaiting a rating decision in the federal VA's rating-related inventory.³ According to the federal VA's Veterans Benefits Administration's *Monday Morning Workload Report*, as of July 2009, more than 32,000 of the claims pending a rating-related decision were for California veterans, and roughly 7,000 of these had been pending for more than 180 days. The federal VA's deputy undersecretary for benefits stated that one major challenge in improving service delivery of C&P benefits is the steady and sizeable workload increase. He explained that through May 2009, the federal VA had received 13.5 percent more rating-related claims compared to the same time period during the previous federal fiscal year.

The CVSOs and the deputy secretary of Veterans Services believe that a couple of factors contribute to the federal VA's claims inventory and delays in processing claims, including bureaucratic requirements and the centralization of its claims processing locations. They each explained that the bureaucratic requirements imposed on the federal VA potentially prevent some veterans from receiving their benefits in a timely manner. In a statement made in March 2007 before the Senate Committee on Veterans Affairs, the federal VA's deputy undersecretary for benefits at that time explained that the Veterans Claims Assistance Act of 2000 (claims assistance act) has significantly increased both the length of time and the specific requirements for claims development. In particular, he explained that the claims assistance act requires the federal VA to provide written notice to claimants explaining the evidence required to substantiate a claim and indicating which party—the federal VA or the claimant—is responsible for acquiring that evidence. According to the CVSOs' officers and the deputy secretary of Veterans Services, this written notice often confuses, rather than helps, the veterans. In fact, the officer of one CVSO stated that this written notice causes some veterans to give up in frustration with the system, or to submit information to the federal VA that has no bearing on their claims—further delaying the processing of claims.

The CVSOs and the deputy secretary of Veterans Services believe that a couple of factors contribute to the federal VA's claims inventory and delays in processing claims, including bureaucratic requirements and the centralization of its claims processing locations.

³ According to the federal VA's deputy undersecretary for benefits, the federal VA maintains a pending inventory of claims, which are bundled into two categories: rating workload and nonrating workload. He explained that the rating workload is composed of original and reopened claims for C&P benefits, while the nonrating workload includes adjustments on active compensation and pension awards. Rating workload claims are considered to be the core of the federal VA's claims processing activity because they represent veterans awaiting an entitlement decision for C&P benefits.

Although the department is aware that the claims process may pose various barriers to veterans applying for C&P benefits, it could not provide documentation demonstrating that it had communicated these concerns to the federal VA.

Additionally, centralization of the federal VA's claims processing is likely contributing to veterans' confusion. According to the officers of the CVSOs that we interviewed, in prior years veterans submitted all of their claims to the federal VA's regional offices in San Diego, Los Angeles, and Oakland. However, the officers of the CVSOs explained that now the federal VA's regional office in St. Paul, Minnesota is handling all pension claims, while other offices that are located outside of California handle other types of claims. Each officer stated that this centralization poses problems for veterans who are not familiar with the federal VA system, making it difficult for veterans to submit supporting documentation for their claims and follow up on the status of their claims with the appropriate federal VA regional office.

Although the department is aware that the claims process may pose various barriers to veterans applying for C&P benefits, it could not provide documentation demonstrating that it had communicated these concerns to the federal VA. Nevertheless, the former secretary of the department explained that the length of time it takes the federal VA to process claims is believed to be a problem experienced by veterans in all states, and that it was a subject at meetings held by the National Association of State Directors of Veterans Affairs (NASDVA). He stated that he and the other NASDVA members directly addressed this issue by meeting with the federal VA's deputy undersecretary for benefits, and that they pressed this issue very hard. He further stated that the federal VA consistently answered that it was experiencing unprecedented increases in claim submissions and was hiring and training more staff to address the increase in claims. Additionally, according to the deputy secretary for administration, Veterans Services has met informally with the federal VA's regional leadership at the CVSO training sessions, which are held three times a year, and informed them of the department's concerns regarding the claims process, including its complexity. He also stated that department staff periodically meet with federal VA staff at the VA's regional offices to communicate their concerns. To the extent that these barriers continue to exist, it is increasingly important for the department to continue to communicate its concerns regarding the claims process to ensure that veterans can receive their benefits in a more timely manner.

Both the CVSOs and Veterans Services Assist Veterans in Obtaining Benefits, but the CVSOs Play a Key Role in Informing Veterans of Available Benefits

As described in the Introduction, a typical benefits claim process for a veteran begins with the CVSO. Veterans Services' claims representatives can become involved later in the process. The

CVSOs assist veterans in applying for federal benefits by helping them navigate the complex claims process and by assisting them in completing their applications. For instance, according to the officer of the CVSO in Butte County, CVSO staff assist veterans in obtaining C&P benefits, in part by preparing and gathering medical records and other relevant documentation to support their claim. Additionally, he stated that CVSO staff maintain veterans' files and track veterans' claims after they have been sent to the federal VA for processing. Although Veterans Services' staff can also assist veterans in applying for federal VA benefits, the majority of the work performed by Veterans Services' 17 veteran claims representatives (claims representatives) generally takes place when the federal VA has denied some or all of the benefits associated with a veteran's claim. To get assistance in appealing the federal VA's denial of a claim, the veteran may designate the department or a veterans service organization as his or her representative. In cases in which a veteran's claim has been denied and the department is the veteran's designated representative, a claims representative will review the federal VA's decision. If the federal VA appears to have unfairly denied the veteran's claim, the claims representative will file an appeal to the federal VA and, in doing so, may collect additional documentation to support the veteran's claim, may prepare arguments to dispute the denial, and can act as the veteran's advocate at administrative hearings to attempt to have the federal VA reconsider its decision.

In its strategic plan, covering fiscal years 2007–08 through 2011–12, the department recognized that the CVSOs play a key role in ensuring that veterans and their families are aware of the benefits available to them. To increase such awareness, the CVSO officers we interviewed said they take part in various outreach activities. For instance, according to the CVSO officer in Los Angeles County, CVSO staff attend many events, including the county fair, sporting events, and events held by foundations and nonprofits, to inform veterans about available benefits. He said that CVSO staff also perform outreach at nursing homes and hospitals and work with other county agencies and nonprofits to ensure that these organizations know that they can refer veterans to the CVSO for assistance in obtaining benefits.

Similarly, the CVSO officer in San Diego County indicated that staff attend many events and activities for outreach purposes, including participating in the Transition Assistance Program classes—established to meet the needs of separating service members during their transition into civilian life by offering job search assistance and related services—and visiting nursing homes, military bases, college campuses, and medical centers, as well as attending events held by organizations that serve veterans. Moreover, the CVSO officer in San Bernardino County said that

The CVSOs play a key role in ensuring that veterans and their families are aware of the benefits available to them.

To best focus all of the CVSOs' varied outreach activities, it would seem important for Veterans Services and the CVSOs to share some common goals related to serving veterans.

the office participates in outreach activities and events to inform veterans of their entitlements and also participates in public service announcements, while the CVSO officer in Contra Costa County stated that the office periodically advertises on the county's community bulletin board and television network to reach out to veterans.

As part of its outreach effort, the CVSO officer in Solano County asserted that staff visit the Transition Assistance Program classes at Travis Air Force Base, participate in local workshops and seminars, and attend the National Guard's demobilization events. The CVSO officer in Butte County indicated that, among other activities, staff actively send out mailers to certain veterans in the community to inform them of the services it provides, and they maintain a working relationship with other veterans service organizations, which refer veterans to the CVSO for information and assistance. To best focus all of these varied outreach activities, it would seem important for Veterans Services and the CVSOs to share some common goals related to serving veterans. However, as described below, the activities they focus on vary.

Veterans Services and the CVSOs Do Not Specifically Share the Same Goal of Increasing Veterans' Participation in C&P Benefits

Recognizing that California veterans' rate of participation in C&P benefits is below the national average, the department has made increasing their participation in these benefits a primary goal for Veterans Services. Despite the CVSOs' outreach efforts, the officers of the CVSOs that we interviewed did not specifically identify increasing veterans' participation in C&P benefits as one of their primary goals, which may hinder Veterans Services' efforts to increase veterans' participation. In particular, the six officers of the CVSOs that we interviewed tended to have more general goals, such as reaching out to as many veterans and veterans' groups as possible and providing veterans with the best possible service.

Some CVSOs have numeric goals specific to processing claims for other types of benefits or for increasing overall productivity. For example, the CVSO in San Diego County has a specific goal of processing all veterans' claims to waive college fees for their dependents within 14 days—a goal that has been set by its county board of supervisors—but it does not have any other specific numeric goals. According to the officer of the CVSO in Los Angeles County, its general goal is to increase productivity by 2 percent every year, but it has no specific initiative or goal to increase veterans' participation in C&P benefits. Rather, he stated that the CVSO concentrates on publicizing all benefits available to veterans and helping veterans file claims for whatever benefit they need. In

another example, the CVSOS in San Bernardino County has two goals: providing the very best service to every veteran who walks into the office and promoting staff training and development.

As part of its efforts to coordinate with the CVSOSs, Veterans Services communicates the department's goals at conferences and sends e-mails to the CVSOSs about the department's commitment to be at or above the national average in terms of veterans' participation in C&P benefits, according to the deputy secretary of Veterans Services. Further, the deputy secretary for administration stated that the department informs the CVSOSs where each county stands in the number of veterans receiving C&P benefits by forwarding participation reports from the NASDVA. However, part of the challenge Veterans Services faces is that the presence of a CVSOS in each county is an optional function and the CVSOSs exist solely under the control of their respective county's board of supervisors. Thus, according to the deputy secretary of Veterans Services, the department would be overstepping its authority by setting goals for the CVSOSs relating to C&P benefits and outreach. As a result, to the extent that the counties' boards of supervisors establish goals for the CVSOSs that differ from the department's goals, the department may be limited in its ability to increase veterans' participation in C&P benefits.

Additional Information Could Enhance the Department's Ability to Increase Veterans' Participation in C&P Benefits

The department relies heavily on the CVSOSs to initiate and develop veterans' claims, including claims for C&P benefits, and to inform veterans about available benefits. However, the department has missed the opportunity to obtain key information from the CVSOSs that could help Veterans Services better assess the State's progress in increasing veterans' participation in C&P benefits. For instance, although it could do so, the department has not required the CVSOSs to report the number of claims they have filed for C&P benefits or to provide a description of their outreach activities. Without this information, Veterans Services is limited in its ability to assess the effectiveness of the CVSOSs' outreach activities and is hindered in its efforts to substantially influence the State's participation rate in C&P benefits. In addition, Veterans Services could use existing data, such as that available from the U.S. Census Bureau, to better focus its outreach efforts on counties that have large populations of veterans with disabilities who are not receiving C&P benefits.

Part of the challenge Veterans Services faces is that the presence of a CVSOS in each county is an optional function and the CVSOSs exist solely under the control of their respective county's board of supervisors.

The Information That Veterans Services Presently Uses to Assess Participation in C&P Benefits Is of Limited Value

The reports Veterans Services currently receives from the CVSOs are of limited value, as they do not contain key information that could assist Veterans Services in assessing the State's overall progress in increasing veterans' participation in C&P benefits. In connection with the \$2.6 million in annual funding that the department provides to the CVSOs, a state regulation requires the CVSOs to submit workload activity reports to the department within 30 days of reporting periods established by the department. In implementing this state regulation, the department has required the CVSOs to submit workload activity reports to Veterans Services that include the number of claims they filed that they believe have a reasonable chance of obtaining a monetary or medical benefit for veterans, their dependents, or their survivors. The department uses these data to allocate funding to the CVSOs. However, these workload activity reports do not separately identify the total number of claims filed for C&P benefits by each CVSO, and the department has not required the CVSOs to include this information in the reports.

The department has not required the CVSOs to report the number of claims they have filed for C&P benefits.

The deputy secretary of Veterans Services explained that, instead of obtaining information on the number of claims filed for C&P benefits at the CVSOs, the department relies on a report published by the NASDVA to monitor each county's rate of participation in C&P benefits. This report includes the number of veterans who are actually receiving benefits. However, because it does not also include data regarding the number of veterans who have applied for benefits, the NASDVA report is less useful to the department. Further, the NASDVA report that the department was using as of August 2009 was based on data from September 30, 2007, which was the most recent data available from the NASDVA at the time. Using data that are two years old limits Veterans Services' ability to track progress toward meeting its goal of increasing the State's rate of participation in C&P benefits. In contrast, had the department required the CVSOs to report the number of claims filed for C&P benefits in their most recent workload activity reports, which covered the period January 1, 2009, through June 30, 2009, Veterans Services would have had current data regarding this important measure.

Further limiting Veterans Services' ability to influence the State's rate of participation in C&P benefits is that it has minimal information on the effectiveness of the CVSOs' outreach activities, as it does not monitor or review these activities. As a result, it has minimal assurance that these efforts are sufficient to increase the State's participation in C&P benefits. However, Veterans Services may have an opportunity to assess the adequacy of the CVSOs'

outreach efforts as part of an annual report the department is required to submit to the Legislature. Specifically, state law requires the department to report annually on the CVSOs' activities and authorizes it to require the CVSOs to submit the information necessary to prepare this report. Veterans Services is responsible for compiling this report, and the department could require the CVSOs to submit information on their outreach activities. In part, Veterans Services could use this information to assess the adequacy of the CVSOs' outreach activities and determine where and how it could target its own outreach efforts in counties with greater need—such as those lacking resources to conduct adequate outreach. In doing so, Veterans Services could increase veterans' awareness of C&P benefits and potentially increase their participation in these benefits.

Using Other Available Data Could Help Veterans Services Concentrate Its Outreach and Coordination Efforts More Effectively

In addition to obtaining information on the quantity of claims filed for C&P benefits by each of the CVSOs, Veterans Services could make use of other available data to better focus its outreach efforts and coordination with CVSOs. For example, in Table 6 on the following page, we present demographic information for the veteran population residing in the counties served by the six CVSOs whose officers we interviewed. The table is based on data for 2007, which is the most recent data available at the county level, and includes data from the NASDVA and the U.S. Census Bureau that provide some of the key information Veterans Services could consider using to identify where and how it could target its efforts to increase participation in C&P benefits.

The table shows that, among the counties we reviewed, Los Angeles may have the greatest potential for increasing veterans' participation in C&P benefits. Specifically, veterans in this county have the lowest rate of participation in C&P benefits—almost 2 percentage points lower than the State's average of 11.77 percent as of September 2007—and the largest number of veterans not receiving C&P benefits. The table also shows that Los Angeles County has the greatest number of veterans with disabilities, which is an indicator of veterans' potential need for disability compensation benefits. Specifically, more than 32,000 veterans were receiving disability compensation benefits as of September 2007, while the U.S. Census Bureau data indicate that there were nearly 100,000 veterans with disabilities in the county during 2007. This analysis suggests that if Veterans Services were to focus its efforts toward increasing veterans' participation in disability compensation benefits in Los Angeles County, it could generate the highest value for its efforts. Similarly, Los Angeles County has the largest number of

Los Angeles County has the greatest number of veterans with disabilities, which is an indicator of veterans' potential need for disability compensation benefits.

Table 6
California Veterans' Participation in Federal Disability Compensation and Pension Benefits, and Related Statistics for Selected Counties

COUNTY	ESTIMATED VETERAN POPULATION	VETERANS RECEIVING DISABILITY COMPENSATION BENEFITS	VETERANS RECEIVING DISABILITY PENSION BENEFITS	PERCENTAGE OF VETERANS PARTICIPATING IN DISABILITY COMPENSATION AND PENSION BENEFITS (C&P BENEFITS)	VETERANS NOT RECEIVING C&P BENEFITS	VETERANS AGE 18 OR OLDER WITH A DISABILITY*	VETERANS AGE 65 OR OLDER WITH INCOMES BELOW THE POVERTY LEVEL†
Butte	19,905	2,500	242	13.78%	17,163	7,344	445
Contra Costa	67,129	6,254	443	9.98	60,432	15,275	1,132
Los Angeles	390,339	32,419	6,092	9.87	351,828	99,857	9,173
San Bernardino	123,736	13,402	1,350	11.92	108,984	30,287	2,221
San Diego	248,030	43,349	2,127	18.33	202,554	51,957	2,613
Solano	40,529	7,863	223	19.95	32,443	7,528	164
Statewide	2,203,727	236,112	23,335	11.77	1,944,280	530,305	36,630

Sources: The National Association of State Directors of Veterans Affairs (NASDVA), and the U.S. Census Bureau.

Note: The NASDVA data is as of September 30, 2007, and the U.S. Census Bureau data was collected January through December 2007 as part of its American community survey. Because the data from the U.S. Census Bureau are the most recent county-level data available for the characteristics included in the table, we used the NASDVA data as of September 30, 2007, for purposes of comparison.

* This column displays the estimated number of veterans age 18 or older with a disability as defined by the U.S. Census Bureau. However, the definition of a disability used by the U.S. Department of Veterans Affairs (federal VA) to determine eligibility for disability benefits is less conservative than the one used by the U.S. Census Bureau. Therefore, as in the case of Solano County, the numbers shown in the third column can exceed the numbers in this column.

† This column displays the estimated number of veterans age 65 or older, with no dependent children, reporting 12-month incomes for the previous year that fell below the poverty threshold of \$9,800 used by the U.S. Census Bureau. This amount is \$3,000 less than the \$12,800 income ceiling used by the federal VA to determine eligibility for pension benefits. Therefore, as in the case of Solano County, the numbers shown in the fourth column of the table can exceed the numbers in this column.

veterans 65 years of age or older whose incomes during 2007 were below the poverty level defined by the U.S. Census Bureau in that year, which is an indicator of veterans' potential need for pension benefits. Specifically, a comparison of the number of veterans receiving disability pension benefits in the county, 6,092, to the number who may qualify for these benefits, 9,173, shows that there is additional potential for Veterans Services to focus its outreach efforts on veterans in this county and increase participation in disability pension benefits.

Because of differences in the way the U.S. Census Bureau and the federal VA define disability and other criteria that must be met to qualify for disability benefits, we acknowledge that one cannot simply compare the number of veterans age 18 or older with a disability to the number of veterans receiving disability compensation benefits to determine the number who would be eligible for disability compensation. Similarly, the income threshold the U.S. Census Bureau uses to calculate the number of veterans age 65 or older whose incomes fall below the poverty level differs from the threshold the federal VA uses to determine eligibility

for disability pension benefits, and so the comparison is only approximate. Nevertheless, large disparities between the sets of data may suggest that additional outreach is warranted.

Performing a similar analysis of all California counties and including other data that Veterans Services could obtain from the CVSOs, such as the number of claims filed for C&P benefits, may allow Veterans Services to focus its limited resources on the areas with the highest potential for increasing veterans' participation in C&P benefits. As the department considers this approach, it should note that the U.S. Census Bureau released its American Community Survey information for 2008 at the end of September 2009. This survey could provide valuable information to Veterans Services in conducting an updated analysis similar to that shown in Table 6.

In the past, the department has considered allocating increases in the annual funding it provides the CVSOs toward those counties with the largest veteran populations and lowest participation in C&P benefits. However, department officials agreed that, even without an increase in funding, using other data as previously suggested could help it concentrate its limited resources on counties with the most potential to increase veterans' participation in C&P benefits. Moreover, it could be the case that some counties have naturally high veteran populations and low participation rates, particularly if the county tends to have a high concentration of veterans with higher incomes. Thus, including other demographic information in the analysis, such as that shown in Table 6, may help the department target its efforts more specifically to veterans in need of assistance. Additionally, to the extent that the department is successful in its efforts to create a system, described in the following section, that will allow Veterans Services to obtain information on the quantity and quality of claims for C&P benefits filed by CVSOs, it could also include this information in its analysis.

A New System May Improve the Collection and Review of CVSO Data, Including Information on Claims for C&P Benefits

In 2009, recognizing that it lacks an effective means to monitor the processing of claims by CVSOs and to collect information on veterans' demographics, Veterans Services initiated a joint effort with the CVSOs to create the Statewide Administration Information Management system (SAIM system). According to the deputy secretary of Veterans Services, the SAIM system will enhance the department's ability to track the number and quality of claims for C&P benefits processed by the CVSOs and submitted to the federal VA. Specifically, the SAIM system will allow department staff to review the claims to ensure that they include certain items, such as any attached documentation and medical records used to

Using other data could help Veterans Services concentrate its limited resources on counties with the most potential to increase veterans' participation in C&P benefits.

substantiate the claims. As described previously, well-substantiated claims receive quicker rating decisions in the federal VA claims processing system. According to the deputy secretary of Veterans Services, an additional benefit of the SAIM system is that the department will have access to counties' contact information for the veterans they serve, to use for outreach purposes.

The department is in the beginning stages of the process necessary to implement the SAIM system. Thus far, it has hired a consultant who conducted a feasibility study to determine the cost-effectiveness of creating such a system. In its report, the consultant proposes that the State consider reimbursing the counties for the costs they would incur to upgrade their data systems to a common application, which will allow the department to obtain consistent information and reports from the CVSOs. Moving forward with this recommendation, the department has developed a budget change proposal requesting funding for Veterans Services to cover the administrative costs of such a system. The proposal, according to the deputy secretary of Veterans Services, has been submitted to the Department of Finance for review.

Department officials indicated that the SAIM system would enable it to meet its legal requirements regarding auditing CVSO workload reports and verifying the appropriateness of college fee waivers.

Department officials also indicated that the SAIM system would enable it to meet its legal requirements regarding auditing CVSO workload reports and verifying the appropriateness of college fee waivers. Although the Joint Legislative Audit Committee did not specifically ask us to evaluate the department's auditing of CVSOs, when we inquired about the SAIM system we learned that the department is not auditing the CVSOs' workload reports as required by state law. As previously discussed, in connection with the \$2.6 million in annual funding that the department provides to the CVSOs, a state regulation requires the CVSOs to submit workload activity reports to the department. The department uses the data in these reports to allocate funding to the CVSOs; CVSOs that process more claims receive more funding. However, the department is not currently auditing these reports as required by law, and is therefore not ensuring that the funding it distributes to the CVSOs is consistent with their actual workloads. Department officials stated that the department is currently unable to audit these reports due to resource constraints and the amount of time that would be required to conduct audits at the CVSOs.

Additionally, because the department is not verifying the accuracy of the college fee waivers processed by the CVSOs as required by state law, the State may be waiving too many college fees. Under the College Fee Waiver program, veterans' dependents who meet the eligibility criteria may have their college tuition waived if they attend a California Community College, a California State University, or a University of California campus. According to the

deputy secretary of Veterans Services, in fiscal year 2007–08, the CVSOs processed 15,000 fee waiver applications, which resulted in the granting of \$42 million in fee waivers. Department officials acknowledged that the department did not verify the appropriateness of the fee waivers as required by state law, and recognized that this places the State at risk of waiving college fees erroneously.

Recommendations

To ensure that the federal VA is aware of the barriers veterans face in applying for C&P benefits, such as the complexity of the claims process, the department should continue its efforts, and formalize these efforts as necessary, to communicate these concerns to the federal VA.

To better coordinate efforts to increase the number of veterans applying for C&P benefits, Veterans Services should formally communicate its goals to the CVSOs and work with them to reach some common goals related to serving veterans.

To ensure that it has the information necessary to track progress in increasing veterans' participation in C&P benefits, and to identify where and how best to focus its outreach and coordination efforts, Veterans Services should require the CVSOs to submit information on the number of claims filed for C&P benefits and information on their outreach activities.

As Veterans Services expands its efforts to increase veterans' participation in C&P benefits, it should use veterans' demographic information, such as that available through the U.S. Census Bureau, and the information it plans to obtain from the CVSOs using its SAIM system, to focus its outreach and coordination efforts on those counties with the highest potential for increasing the State's rate of participation in C&P benefits.

Veterans Services should continue its efforts to pursue the SAIM system to enable it to monitor the quantity and quality of claims processed by the CVSOs, and ensure it meets legal requirements regarding auditing CVSO workload reports and verifying the appropriateness of college fee waivers. To the extent that Veterans Services is unsuccessful in implementing the SAIM system, the department will need to develop other avenues by which to meet its legal requirements.

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Chapter 3

THE CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS NEEDS TO IMPROVE ITS STRATEGIC PLANNING PROCESS AND BETTER TRACK ITS PROGRESS TOWARD MEETING ITS GOALS

Chapter Summary

Our examination of the California Department of Veterans Affairs' (department) strategic plan, covering fiscal years 2007–08 through 2011–12, and the process it used to develop this plan, revealed several weaknesses. For instance, according to the department's deputy secretary for administration, the department did not formally assess veterans' needs and concerns as part of its strategic planning process. Further, although the department stated that it partners with the local County Veterans Service Officer programs (CVSOs)—a key stakeholder—to ensure that veterans and their families are served and represented, it did not formally involve the CVSOs in its strategic planning process. State guidelines mention soliciting input from external stakeholders as a first step to successful strategic planning. However, half of the six CVSO officers that we interviewed were not familiar with the department's strategic plan.

Further, the department's strategic plan does not identify the specific activities it will undertake to address the needs and concerns of the veteran community. The strategic plan includes five department goals covering multiple objectives which, according to the plan, relate to successfully delivering programs and services to California's veterans and their families. However, these goals and objectives are not sufficiently measurable and include no mention of major challenges facing the veteran community that are identified in the strategic plan, such as homelessness and the need for services for newer veterans. Also, the department has not followed key monitoring procedures specified in its strategic plan, such as conducting quarterly progress assessments and publishing annual performance measure reports, thus limiting its ability to effectively measure its progress toward meeting its goals and objectives.

The department concurred with many of the inadequacies we identified in its existing strategic plan and, in late August 2009, it posted a new high-level plan to its Web site. The deputy secretary for administration stated that this version is only the first step in the department's new strategic planning effort. He stated that the department is still working on developing the specific measurable objectives for the plan, which it anticipates completing in early

November 2009. He also stated that the department wants to publish this new plan as soon as possible due to the cumbersome nature and complexity of its previous plan. Although we commend the department for acknowledging its strategic plan's inadequacies, in order to address these inadequacies, it will need to involve key stakeholders in the planning process, craft measurable goals, and design effective tools to measure its performance in meeting these goals. In its continuing efforts to improve its strategic plan, the department asserted that it plans to address our recommendations as it updates its plan in 2010.

The Department Did Not Adequately Assess Veterans' Needs in Preparing Its Strategic Plan

As part of its strategic planning process, the department missed two steps critical to ensuring that it provides services appropriate to meet veterans' needs. Specifically, it did not formally assess veterans' needs and concerns, and it did not formally involve the

CVSOs when developing the plan. According to its deputy secretary for administration, the department did not perform a structured, formal assessment of veterans' needs as part of its strategic planning process. Such an assessment might include a process, such as surveying veterans and organizations that serve veterans, for identifying key needs and prioritizing how the department will address the identified needs. Instead, the deputy secretary for administration explained that the department obtains information about the needs of veterans through a variety of interactions with the veteran community and veteran stakeholders, some of which are described in the text box. He indicated that the department believes its current methods are sufficient to get a good sense of the needs in the veteran community. Although these interactions may provide department officials with some information on the needs of veterans, a formal assessment to identify veterans' needs would minimize the risk that the department is overlooking, or that it is undertaking inappropriate efforts to address, the key needs of the veteran community.

Further, although the department stated that it partners with CVSOs to ensure that veterans and their families are served and represented, the deputy secretary for administration stated that the department did not formally survey

Methods the California Department of Veterans Affairs Asserts It Currently Uses to Obtain Information About the Needs of Veterans

- Hosting forums such as the semi-annual Secretary's Conference, the Disabled Veterans Business Enterprise Council quarterly, and the annual CalVet Women Veterans Conference.
- Staff participation in national forums such as the National Association of County Veterans Service Officers and the National Association of State Women Veterans.
- Membership on the U.S. Department of Veterans Affairs (federal VA) national committees such as the Advisory Committee on Women Veterans, and meeting with federal VA directors on a regular basis.
- Staff participation in conventions and other forums, such as Veterans Service Organization conventions, United Veterans Council meetings, veteran job fairs, and Stand-Downs, which are one to three day events that provide a variety of services to homeless veterans.
- Participation in efforts related to veterans with other agencies, such as the Employment Development Department, California State University, and the Department of Consumer Affairs.

Sources: Interviews with California Department of Veterans Affairs' officials.

the CVSOs or other stakeholders to identify and prioritize the needs of the veteran community as part of its strategic planning process. However, guidelines for strategic planning developed by the California Department of Finance (Finance)—which provide a framework to assist state agencies in developing their plans—say the first step in a successful strategic planning process includes soliciting input from external stakeholders. Formally involving the CVSOs in the strategic planning process would allow the department to more completely evaluate the needs of the veteran community, given the department’s reliance on the CVSOs to perform direct outreach to veterans. For instance, the department’s strategic plan states that CVSOs are an integral component in the State’s efforts to interface with individual veterans and their families. The plan further states that the CVSOs are on the front lines for the important mission of ensuring that veterans and their families are aware of the benefits available to them and apply for and receive them.

As Table 7 on the following page shows, only three of the six CVSO officers that we interviewed were familiar with the department’s strategic plan. The table also shows that none of those three were involved in the plan’s development and that the remaining three were not familiar with the plan at all. Of the three that responded to the question regarding whether the plan addressed veterans’ needs, only the CVSO officer in Solano County responded that it did address veterans’ needs. The CVSO officer in San Diego County expressed concern that the plan placed too much emphasis on the veterans homes, stating that the potential efforts of the Veterans Services division (Veterans Services) were not given sufficient attention. Similarly, the CVSO officer in Los Angeles County stated that although the plan primarily addressed veterans’ needs related to the CalVet Home Loan program and the veterans homes, more attention and resources were needed to expand the information on benefits and to address homelessness and unemployment among veterans.

The officers of the six CVSOs identified for us a range of needs and concerns in the veteran community, including some not listed in the department’s strategic plan. For instance, each of the officers listed veterans’ lack of awareness about available benefits, and three listed homelessness as a key concern. Other issues raised by the officers of the CVSOs included concerns about the access to health care and long-term care for veterans and their spouses, veterans’ difficulty in obtaining proof of medical conditions because local hospitals do not always recognize the U.S. Department of Veterans Affairs’ (federal VA) medical record release forms, veterans’ difficulties in accessing services and assistance because of transportation issues, and veterans’ needs for job placement and mental health services. Given this range of veterans’ concerns and challenges raised by

Only three of the six CVSO officers that we interviewed were familiar with the department’s strategic plan.

these critical stakeholders, the department would be prudent to involve the CVSOs in their strategic planning process to ensure that it fully considers and adequately addresses the needs of the veteran community.

Table 7
Summary of Responses by Selected County Veterans Service Officer Programs Regarding the California Department of Veterans Affairs’ Strategic Plan

QUESTION	COUNTY VETERANS SERVICE OFFICER PROGRAM (CVSO)					
	BUTTE	CONTRA COSTA	LOS ANGELES	SAN BERNARDINO	SAN DIEGO	SOLANO
Are you familiar with the California Department of Veterans Affairs’ (department) strategic plan covering fiscal years 2007–08 through 2011–12?	No	No	Yes—but was not involved in the planning process.	No—although it recognizes that the department has a plan, it is not familiar with the strategic plan. Further, as a stakeholder, it was not involved in the development of the department’s strategic plan.	Yes—but CVSOs did not directly contribute, and were not asked to contribute, to the department’s strategic plan.	Yes—but did not provide direct input on the development of the strategic plan.
If so, to what extent have you taken the department’s strategic plan into account in setting the CVSO’s goals?	NA	NA	Considers it in developing its own goals.	NA	Does not take it into account.	*
In your opinion, does the department’s strategic plan address veterans’ needs?	NA	NA	The department’s plan primarily addresses veterans needs related to the CalVet Home Loan Program and veterans homes. More attention and resources are needed to expand information on benefits and to address homelessness and unemployment.	NA	Expressed concern about the veterans homes being the primary focus of the department and the potential efforts of the Veterans Services division not being given as much attention as they could have been.	Yes

Sources: CVSOs’ responses to interviews conducted by the Bureau of State Audits.

NA = Not applicable based on response to initial question.

* The CVSO did not provide a response to this question.

The Department’s Strategic Plan Does Not Specify How Goals Will Be Met and Lacks Adequate Measures for Assessing Progress

Although the department has identified certain needs and concerns of the veteran community in its strategic plan, the plan’s goals and objectives do not sufficiently identify the steps the department will take to address these needs. Lacking this specific direction, the department cannot ensure that its activities are appropriately

focused on addressing these needs. Further, the department has not developed adequate departmentwide performance measures, nor has it followed key monitoring procedures to assess its progress in meeting its goals. These weaknesses hinder its ability to gauge its accomplishments and identify obstacles faced and lessons learned.

The Department's Strategic Plan Does Not Always Specify How Key Needs and Concerns of the Veteran Community Will Be Addressed

The department's strategic plan does not always specify the activities the department will undertake to address the needs and concerns of the veteran community. The plan describes 12 critical issues and challenges the department believes it faces (see the text box.) According to the deputy secretary for administration, these issues and challenges represent the department's priorities and include veterans' critical needs that the department identified and sought to address in its strategic planning process. He stated that the strategic plan is not intended to list all of the concerns in the veteran community. Instead, he indicated that the needs reflected in the plan are those the department has chosen to prioritize, given input that it obtained through interactions with stakeholders and constraints such as its limited resources. As the text box indicates, five of these issues and challenges relate to the veterans homes, but the department also identified homelessness among veterans and the need for services to meet the needs of newly returning combat veterans.

Despite its identification of homeless veterans' needs and the needs of newer veterans as critical issues and challenges facing the department, the goals and objectives expressed in the strategic plan, which relate to the successful delivery of programs and services to California's veterans and their families, do not include any mention of these needs. By not sufficiently aligning its goals and objectives with all of the needs it has identified, the department risks being unable to ensure that its activities sufficiently address them. Further, Finance's strategic planning guidelines indicate that goals and objectives are key components of strategic planning. They also state that goals represent the general ends toward which agencies direct their efforts, and that objectives should be measurable, time-based statements of intent, linked directly to these goals, that emphasize the results of agency

Twelve Critical Issues and Challenges Facing the California Department of Veterans Affairs as Identified in Its Strategic Plan

1. Five new veterans homes.
2. Veterans home grant program funding.
3. Five-year plan for the veterans home in Barstow.
4. Resources and staffing for new veterans homes.
5. Differentials for health care professionals.
6. Viability of the CalVet Home Loan Program.
7. Fort Ord, California State Veterans Cemetery.
8. Services for newer veterans.
9. Homelessness among veterans.
10. State funding.
11. Emergency preparedness and planning.
12. Women and minority veterans.

Source: California Department of Veterans Affairs' Strategic Plan, fiscal years 2007-08 through 2011-12.

The California Department of Veterans Affairs' Five Strategic Goals Related to the Successful Delivery of Programs and Services to California's Veterans and Their Families

1. Provide high-quality advocacy and services for all California veterans.
2. Provide the best long-term care and enhanced quality of life for all residents of the State's veterans homes.
3. Attract, develop, and retain qualified and caring California Department of Veterans Affairs' (department) staff and volunteers.
4. Maintain effective communication with all staff and stakeholders.
5. Use department resources wisely.

Source: Department's strategic plan, fiscal years 2007–08 through 2011–12.

actions at the end of a specific time. However, the department's five strategic goals (see the text box) and many of the 29 related objectives do not provide this level of guidance.

For instance, an objective the department identified to support its first goal of providing high-quality advocacy and services for all California veterans is to expand outreach to veterans and their families. However, the department did not specify how it defines success in expanding outreach, and did not include a timeline for completing this key objective, which inhibits its ability to assess its progress. Further, the objective also fails to specify that the department's outreach may involve an increased emphasis on reaching homeless veterans or veterans who are newly returned from combat and may be in need of mental health services. The acting secretary concurred that the goals and objectives in the plan are not sufficiently

measurable, making it difficult for the department to determine how successful it is in meeting them. Further, he acknowledged that the large number of goals and objectives in the plan make it difficult for the department to remain focused on critical areas. As we discuss later in this chapter, these are the two primary reasons that the department has chosen to develop a new strategic plan.

Veterans Services' Action Plans Designed to Meet the Strategic Plan's Goals Lack Specifics and Are Not Effective in Measuring Progress

In its strategic plan, the department specifies that its divisions will develop, track, and report detailed action plans and performance measures. According to the deputy secretary for administration, to operationalize its strategic plan, the department asked each division and support unit to develop action plans for meeting the strategic plan's goals and objectives. Because the strategic plan's objectives fail to mention how the department will address the needs of homeless veterans or of newer veterans, we expected that the action plans would clearly specify how the divisions' activities would meet these needs. However, the action plans we reviewed do not do so.

The July 2007 action plan for Veterans Services—the division responsible for conducting the department's outreach activities related to increasing veterans' awareness of available benefits—does not include specific reference to homelessness among veterans or the needs of newer veterans returning from Iraq and Afghanistan who may be in need of mental health services or health care

benefits. Although the action plan includes activities related to general outreach, such as providing training on state veterans' benefits to 500 stakeholders during fiscal year 2007–08, it does not identify the stakeholders or specify how these activities will address or resolve the key challenges and needs of the veteran community that the department identified in its strategic plan. Thus, although Veterans Services' outreach activities may benefit homeless veterans and veterans returning from combat, it has not made that clear in its action plan. As we discuss later in this chapter, Veterans Services has also developed its own strategic plan, independent of the department's strategic plan. We reviewed Veterans Services' strategic plan, updated in March 2009, and noted that although it identifies specific activities to address the health needs of newer veterans, it does not describe the specific activities it will take to address the needs of homeless veterans.

According to the deputy secretary for administration, the activities included in each division's annual action plan are, in fact, the performance measures called for by the department's strategic plan. These action plans, however, do not allow it to effectively gauge its progress in accomplishing its goals and objectives. The deputy secretary for administration indicated that there was no short list of critical activities in the action plans that were identified as the key performance measures for each division. According to Finance's strategic planning guidelines, to retain focus on only the most significant objectives in the plan, the agency should select only the most pertinent measures for each objective for which data can be collected. In contrast, the department has identified every activity in its 40-page set of action plans as a performance measure, reducing its ability to focus on those with the highest priority.

Further, the department's use of the activities included in the divisions' action plans as performance measures does not take into account all measures the department's administration uses to gauge a specific division's performance. According to the deputy secretary for administration, the department uses other performance measures to judge whether a division is performing an action that is not part of the strategic plan. He explained that such measures include audits, licensing surveys, internal reports, and management reviews. By not including these critical measures of performance in its strategic plan, the department may be limiting its ability to effectively measure progress toward meeting the goals and objectives expressed in the plan.

Although Veterans Services' outreach activities may benefit homeless veterans and veterans returning from combat, it has not made that clear in its action plan.

The department's failure to monitor its progress and remain actively engaged in its strategic planning process limits its ability to evaluate how effectively it is meeting the needs of veterans.

The Department Has Not Followed Key Monitoring Procedures Suggested by Its Strategic Plan to Assess Its Progress

The department has not followed key monitoring procedures called for by the strategic plan, such as conducting quarterly progress assessments and publishing annual performance measure reports. The strategic plan states that the department will assess its progress quarterly toward achieving predetermined goals and objectives and publish a performance measure report annually. Our review found that the department did not consistently perform these quarterly assessments, did not publish an annual performance report, and did not assess its progress toward meeting its strategic plan's goals and objectives. The department's failure to monitor its progress and remain actively engaged in its strategic planning process limits its ability to measure whether it is meeting its goals, to evaluate how effectively it is meeting the needs of veterans, to adjust its activities to changing circumstances, and to inform itself and stakeholders about its progress.

Although the department performed two progress assessments, in January and July of 2008, no further assessments were conducted. Further, the two assessments did not conform to departmental guidance. Specifically, the department expects each division or support unit to report quarterly on the status of strategies, including key performance indicators, achievements, timeliness, and issues or problems that may affect success. In addition, the department indicated that it would develop a matrix to allow each division or support unit to report this information to a central point of contact.

However, the department generally did not follow this monitoring process. According to the deputy secretary for administration, the progress assessments consisted of face-to-face meetings between division secretaries and the former department secretary. The deputy secretary for administration explained that the meetings included informal updates on each division's or key support unit's progress on the various activities in its action plan. However, the department could not provide documentation demonstrating that all divisions took part in the two quarterly update meetings that were ultimately held or that it used these meetings to evaluate departmentwide progress toward meeting the strategic plan's goals and objectives. The deputy secretary for administration confirmed that the department lacks a method for preparing these quarterly assessments and that the assessments were not centrally collected or summarized in a report. These lapses hinder the department's ability to track division or support unit progress and to ensure the consistency of information discussed at these meetings.

Further, the department did not publish an annual performance measure report as specified in its strategic plan. Documentation the department provided indicates that highlighted information from the quarterly progress assessments is to be folded into the annual performance measure report. Based on department documentation, the annual performance measure report is to include a description of its purpose, a summary of major accomplishments by division or support unit, information on how performance was measured and connected to goals and objectives, and a discussion of major challenges facing the department. According to the deputy secretary for administration, the department intended to publish the first performance measure report at the end of fiscal year 2007–08. However, he explained that the departure of the department’s strategic planning consultant in charge of the project stalled the writing effort. Nevertheless, other department representatives could have assumed the strategic planning consultant’s role given that tracking progress in meeting its strategic planning goals and objectives should be a priority of the department’s administration. The deputy secretary for administration explained that the department is focusing its efforts on revising the strategic plan rather than on producing a performance report for fiscal year 2008–09.

The Strategic Plan for Veterans Services Does Not Align With the Department’s Plan

The last planning weakness we identified is that Veterans Services’ strategic plan is not linked to the department’s plan. As we mentioned previously, in addition to participating in the department’s strategic planning process, Veterans Services has developed its own independent strategic plan. Although it developed action plans as part of the department’s overall strategic planning process, Veterans Services also continued to update its own strategic plan, which includes separate action plans. The most recent version of Veterans Services’ strategic plan covers fiscal years 2009–10 through 2013–14. According to the deputy secretary of Veterans Services, this plan is the one to which it holds itself accountable. He noted that Veterans Services develops specific items in its strategic plan independently, without the direct input of the department’s acting secretary or the executive team, although the executive team receives copies of Veterans Services’ strategic plan, is aware of its activities, and assists with its goals where appropriate. The existence of multiple, competing plans reduces the department’s ability to ensure that its divisions and support units are undertaking activities that contribute to the department’s overarching goals and objectives.

The existence of multiple, competing strategic plans reduces the department’s ability to ensure that its divisions and support units are undertaking activities that contribute to the department’s overarching goals and objectives.

Further, Veteran Services' strategic plan includes division-specific strategic goals and objectives that are distinct from the goals and objectives laid out in the departmentwide plan. For example, strategic goals in Veterans Services' plan include ranking number one in the United States in the percentage of veterans obtaining federal VA disability compensation and pension benefits, providing high-quality veteran claims representation, improving statewide participation in the Disabled Veterans Business Enterprise program, and becoming the national model for state veteran cemetery operations. Veterans Services' plan does not make it clear how these goals, or their associated objectives, relate to the goals and objectives in the department's strategic plan. In addition, Veterans Services' plan gives no indication of how its action plans correspond to the action plans developed as part of the departmentwide strategic planning process. Similarly, the department's strategic plan does not reference Veterans Services' plan or indicate how it should be evaluated in the context of the departmentwide plan. We question why Veterans Services needs a strategic plan that is independent of the departmentwide strategic plan, particularly since it appears reasonable that Veterans Services could measure its success by using the action plans it developed as part of the department's strategic planning process. Further, the lack of a strong linkage between the two strategic plans may hinder the department's ability to assess whether Veterans Services' activities are meeting the goals and objectives included in the department's strategic plan.

According to the department's deputy secretary for administration, Veterans Services developed its strategic plan in 2004, prior to the adoption of the department's strategic plan in 2007. Thus, he stated that the goals and objectives in Veterans Services' plan are different from and do not reference those in the department's strategic plan. However, Veterans Services last updated its strategic plan in March 2009, and we noted that the updated plan continues to lack linkage to the goals and objectives in the department's strategic plan. The deputy secretary for administration acknowledged that the presence of two competing strategic plans reduces the department's ability to ensure a coordinated approach in meeting its goals and objectives. As a result, he stated that the department intends to fold Veterans Services' strategic plan into its new strategic plan.

The Department Is Working on a New Strategic Plan

According to the department's acting secretary, the department is currently rewriting its strategic plan. He explained that it is doing so for two primary reasons. First, executive staff determined that the strategic plan covering fiscal years 2007–08 through 2011–12 had too many goals and objectives, which made it difficult for the department to remain focused on critical areas. Second, executive

staff decided that the goals and objectives in the plan were not sufficiently measurable, making it difficult for the department to determine how successfully it was meeting them. For these reasons, the acting secretary stated, the department's new strategic plan is reduced to its three most important goals, shown in the text box, with all division activities focusing on the various tasks necessary to achieve them. He stated that this approach would allow the department to regularly and clearly assess its progress toward meeting its goals. In addition, the deputy secretary for administration explained that the department recognized in early 2009 that using the 40 pages of action items in the divisions' action plans as performance measures, as described previously, was too unwieldy, providing another reason for the new direction in rewriting the strategic plan.

The department's acting secretary noted that a goal for the department's new strategic plan is to develop specific metrics that will allow the department to measure and report on its progress to the Legislature, the governor's office, and other stakeholders, and to hold itself accountable. The acting secretary further stated that the department is focusing on creating additional measurable outcomes to support the evaluation of its goals. These measurable outcomes include scorecards for each of the veterans homes, with specific measurements such as customer satisfaction survey data and statistics from facility surveys.

The department posted its high-level strategic plan to its Web site in August 2009. The deputy secretary for administration stated that this is only the first step in the department's new strategic planning efforts. He stated that the department is still working on the specific measurable objectives for the plan, which it anticipates completing in early November 2009, and also indicated that the department wants to publish this new plan as soon as possible due to the cumbersome nature and complexity of its previous strategic plan. In its continuing efforts to improve its strategic plan, the department plans to address our recommendations as it updates its plan in 2010.

Finally, the deputy secretary for administration acknowledged that the lack of a central staff position responsible for developing, tracking, and reporting on the department's strategic plan previously led to a lack of coordination in updating the plan. However, given the recent budget and position reductions, the deputy secretary for administration does not know whether

Three Goals in the California Department of Veterans Affairs' New Strategic Plan

1. **CalVet Home Loan Program**—Realize a profit every year, achieve an AAA bond rating from two of the rating agencies by 2014 for the CalVet program's general obligation bonds, and improve the current rating by at least one level by 2011.
2. **Veterans Homes Division**—Achieve a Center for Medicare and Medicaid Services five-star quality rating by 2014 for all of the veterans homes, and improve the current rating by at least one level by 2011.
3. **Veterans Services Division**—Take a leadership role in connecting veterans and their dependents to benefits available to them, and become the number one state in the U.S. in the percentage of veterans participating in the U.S. Department of Veterans Affairs compensation and pension benefit system.

Source: California Department of Veterans Affairs' strategic plan, fiscal years 2009–10 through 2013–14.

the department will be able to redirect a headquarters staff position to perform these duties, and he indicated that, at this time, his administrative assistant will be the primary coordinator for the department's new strategic plan.

It is notable that the department did not bring the CVSOs into the strategic planning process in developing its new strategic plan covering fiscal years 2009–10 through 2013–14. According to the deputy secretary for administration, this was because of the department's sense of urgency in releasing the plan and the time that involving the CVSOs would have required. He further stated that because the CVSOs were not formally brought into the process in the 2007 iteration of the plan, a new set of protocols for doing so would need to be developed. Nevertheless, because the department has not formally involved the CVSOs in developing its new strategic plan, we believe that the plan is likely to be less effective than it could be, for the reasons discussed earlier in this chapter. In addition, involving the CVSOs as critical stakeholders in developing a strategic plan could enhance the department's cooperative relationships with them, and they would likely take some ownership of the plan's goals and objectives if consulted about the needs of veterans in the counties they represent. Also, with input from the CVSOs, the plan might better consider and address the needs of veterans.

Recommendations

To ensure that it properly identifies and prioritizes the needs of the veteran community, the department should conduct a formal assessment of those needs, including soliciting input from the CVSOs.

To ensure that its strategic plan identifies how the department will address the needs and concerns of veterans, the department should develop measurable goals and objectives, as well as specific division action plans that directly align with the needs of the veteran community that it identifies in the plan.

To ensure that it effectively measures progress toward meeting key goals and objectives, the department should follow the provisions in its strategic plan requiring it to establish performance measures, conduct and document quarterly progress meetings, and publish an annual performance measure report.

To ensure coordination in its efforts to achieve key goals and objectives, the department should eliminate Veterans Services' strategic plan or ensure that the plan is in alignment with the department's strategic plan.

Chapter 4

THE CALVET HOME LOAN PROGRAM IS BENEFITING FEWER VETERANS AND IS NOT CURRENTLY DESIGNED TO ADDRESS THE HOUSING NEEDS OF SOME VETERANS

Chapter Summary

The number of veterans participating in the CalVet Home Loan program (CalVet program) declined from June 30, 2006 through March 31, 2009 for various reasons, including uncompetitive interest rates, economic recession, and a federal law that limited the funding available to some veterans. However, the deputy secretary of the CalVet program anticipates a substantial increase in veterans obtaining loans through the program in the future. He explained that the program is working to lower the interest rates on future loans, and he anticipates that more veterans will apply for CalVet program loans as economic conditions improve in the State. The number of veterans eligible for loans has also increased due to a change in federal law. In June 2008 the U.S. Congress removed a federal requirement that had restricted the program's ability to use general obligation bonds to finance loans to veterans who served after 1977. Depending on economic conditions, the impact of this change may increase veterans' demand for CalVet loans.

As discussed in the Scope and Methodology, the Joint Legislative Audit Committee (audit committee) asked us to determine whether the CalVet program specifically benefits homeless veterans or veterans in need of multifamily or transitional housing. We determined that the program is generally not designed for these purposes, and multiple changes in state law would be needed for the CalVet program to address these veterans' needs. State law makes it impractical for the CalVet program to issue loans for multifamily housing, such as duplexes, triplexes, and fourplexes, because it generally does not allow veterans to rent out the unoccupied units. For this reason, the CalVet program does not provide financing to veterans for these types of housing.

Further, state law provides little opportunity for the program to serve homeless veterans or veterans in need of transitional housing. Although state law allows the CalVet program to rent out properties that it has repossessed, potentially allowing the program to use these properties to house homeless veterans, several constraints limit the program's ability to use these properties for this purpose. For instance, according to the deputy secretary of the CalVet program, most homes in its portfolio are not suitable for more than one family, as they generally have only two or three bedrooms. Finally, state law would need to be clarified to authorize the

department to use CalVet program funds to address veterans' needs for transitional housing, and the department would need additional authority under state law to participate in a federal program that provides funding for this purpose.

Factors Contributing to the Decline in Veterans Participating in the CalVet Home Loan Program Since June 30, 2006

- The CalVet Home Loan program's (CalVet program) interest rates have recently become less competitive than those offered by private lending institutions, which discourages veterans from applying for CalVet program loans, and encourages veterans with existing CalVet program loans to refinance their loans outside of the CalVet program.
- The economic recession has contributed to a decline in the number of veterans applying for new loans.
- Fewer Vietnam-era veterans have loans, because the loans have reached the end of their 30-year terms.
- Prior to June 2008, federal law restricted the CalVet program's ability to provide loans to veterans serving after 1977. Because this restriction reduced the number of post-1977 veterans qualifying for new loans, it limited the CalVet program's ability to issue new loans, resulting in an overall decline in participation.

Source: Deputy Secretary of the CalVet program.

Despite Recent Declines, Veterans' Participation in the CalVet Program May Increase in the Future

Although the number of veterans participating in the CalVet program has declined each year since June 30, 2006, the deputy secretary of the program expects more veterans to participate in the future. As shown in Table 8 on page 66, the number of veterans with CalVet program loans decreased from about 14,600 as of June 30, 2006, to approximately 12,500 as of March 31, 2009. According to the deputy secretary of the CalVet program, the decline can be attributed to the four main factors listed in the text box.

In particular, the CalVet program's interest rates have become less competitive than those offered by other lending institutions; however, the deputy secretary of the CalVet program believes opportunities exist to lower these interest rates in the future and increase participation in the program. Nationally, market interest rates generally declined during 2006 through 2008, and information compiled by the CalVet program shows that during the period between July 2006 and November 2008, the CalVet program

offered interest rates that were lower than the average interest rates offered by the Federal Home Loan Mortgage Corporation.⁴ However, beginning in December 2008, the interest rates offered by the CalVet program became less competitive, providing an economic incentive for veterans to obtain new loans, or to refinance their existing loans, outside of the program. In spite of this, the deputy secretary of the CalVet program anticipates that veterans' participation in the program will substantially increase in the future because the department is attempting to decrease the interest rates it offers on loans by becoming an approved lender with the Federal Housing Administration. He explained that as an approved lender, the CalVet program will be able to work with the Government National Mortgage Association (Ginnie Mae) to guarantee

⁴ The Federal Home Loan Mortgage Corporation is a shareholder-owned company created by the U.S. Congress in 1970 to stabilize the nation's mortgage markets and expand opportunities for homeownership and affordable rental housing.

CalVet program loans, and that in working with Ginnie Mae, the department may attract more veterans to the program by offering lower interest rates on its loans.

Additionally, veterans' participation in the CalVet program has likely been negatively affected by the economic recession, while the types of loans in the program's portfolio have increasingly been for more affordable housing, such as mobile homes and condominiums. According to the U.S. Department of Housing and Urban Development's *U.S. Housing Market Conditions* report, as of March 2009 existing home sales had declined nationally every year since 2005. Paralleling this trend, as shown in Table 8 on the following page, the number of veterans with CalVet program loans decreased by more than 2,000 from June 30, 2006 through March 31, 2009. During this same time period, CalVet loans for condominiums and mobile homes combined increased by approximately 400, while loans for single-family homes—which represented 77 percent of the CalVet program's loan portfolio as of March 31, 2009—declined by nearly 2,000. The increase in loans for condominiums and mobile homes, according to the deputy secretary of the CalVet program, potentially reflects an increase in veterans' demand for these housing alternatives, given that they generally cost less than single-family homes. The deputy secretary believes that as the State's economic condition improves, more veterans will apply for CalVet program loans.

Another factor contributing to the decreasing number of veterans participating in the CalVet program, according to the deputy secretary for the CalVet program, is that fewer veterans who served during the Vietnam era still have loans, because the loans have reached the end of their 30-year terms. Although Table 8 reflects that most of the veterans participating in the CalVet program served during the Vietnam era, the number of loans for this group declined by roughly 2,700 from June 30, 2006 through March 31, 2009, decreasing from 74 percent to 65 percent of the total loans. Participation in the program by veterans who served during the Korean War and World War II eras also decreased, while the number of loans held by Gulf War veterans, which includes veterans from Iraq and Afghanistan, increased by nearly 700.

Finally, the decreasing number of veterans participating in the CalVet program may also be attributable in part to a federal restriction, which the U.S. Congress recently removed, that limited the program's ability to issue loans to veterans serving after 1977. As described in Appendix C, the two primary sources of funding for the CalVet program are general obligation bonds and revenue bonds, which finance the loans the CalVet program issues to veterans. In June 2008 the U.S. Congress removed a federal requirement in place since 1984 that restricted the program's ability

Veterans' participation in the CalVet program has likely been negatively affected by the economic recession, while the types of loans in the program's portfolio have increasingly been for more affordable housing, such as mobile homes and condominiums.

to use general obligation bonds to provide loans to veterans serving after 1977. With this restriction no longer in effect, more funding sources are available for loans to veterans who have served more recently, such as in the wars in Iraq and Afghanistan.

Table 8
Veterans' Participation in the CalVet Home Loan Program, Showing Type of Loan and Wartime Era

	AS OF JUNE 30, 2006	AS OF JUNE 30, 2007	AS OF JUNE 30, 2008	AS OF MARCH 31, 2009				
Number of Veterans With Loans	14,605	13,441	12,895	12,518				
Change From Previous Year								
Number	-	(1,164)	(546)	(377)				
Percentage	-	(8.0)%	(4.1)%	(2.9)%				
	NUMBER OF LOANS	PERCENTAGE OF TOTAL LOANS	NUMBER OF LOANS	PERCENTAGE OF TOTAL LOANS	NUMBER OF LOANS	PERCENTAGE OF TOTAL LOANS	NUMBER OF LOANS	PERCENTAGE OF TOTAL LOANS
Type of Loan								
Single Family Home	11,859	79%	10,499	76%	10,386	78%	9,920	77%
Condominium	575	4	528	4	569	4	603	5
Mobile Home	922	6	1,105	8	1,262	9	1,319	10
Other*	1,640	11	1,693	12	1,082	8	1,058	8
Totals	14,996	100%	13,825	100%	13,299	100%	12,900	100%
War Time Era								
Gulf War†	2,052	14	2,168	16	2,498	19	2,733	21
Vietnam	11,080	74	9,875	71	9,011	68	8,362	65
Korea	800	5	689	5	625	5	580	5
WWII	406	3	342	2	308	2	283	2
Other‡	658	4	751	5	857	6	942	7
Totals	14,996	100%	13,825	100%	13,299	100%	12,900	100%

Sources: Bureau of State Audits' analysis of the Mitas system maintained by the California Department of Veterans Affairs (department), and internal reports provided by the CalVet Home Loan program (CalVet program).

* Includes loans for home improvement, rehabilitation, construction, and farms. Farm loans made up less than 1 percent of the CalVet program loan portfolio for all years displayed.

† According to the department, veterans of the Gulf War era include recent veterans from the wars in Iraq and Afghanistan.

‡ Includes veterans who served during peacetime, and veterans who received campaign or expeditionary medals for their participation in a military action or military event.

The State's CalVet Program Would Need to Be Redesigned to Fund Multifamily Housing or to Better Serve Homeless Veterans

As discussed in the Scope and Methodology, the audit committee asked us to determine whether the CalVet program specifically benefits homeless veterans or veterans in need of multifamily or transitional housing—terms that are defined in the text box. We determined that the program is generally not designed for these

purposes. For instance, restrictions in state law generally have the effect of prohibiting veterans from renting out the unoccupied units, making it impractical for the CalVet program to issue loans for multifamily housing, such as duplexes, triplexes, and fourplexes. Further, although state law allows the CalVet program to rent out properties that it has repossessed—potentially allowing the program to use these properties to house homeless veterans—the program does not issue loans for properties containing more than one living unit. Because any properties that the CalVet program may repossess would contain no more than one living unit, the viability of allowing public or private organizations to use CalVet properties to serve homeless veterans would be limited. Moreover, the deputy secretary of the CalVet program believes that leasing repossessed properties is not a viable option because of the cost of operating such a program. Finally, state law would need to be clarified to authorize the CalVet program to finance transitional housing for veterans, and the CalVet program would also need additional legal authority to address homeless veterans' needs or to apply for a federal grant for these purposes.

Definitions of Selected Terms

Homeless veteran: A veteran who either lacks a fixed and regular nighttime residence or has a primary nighttime residence that is a supervised public or private shelter designed to provide temporary living accommodations, or is residing in a public or private place that was not designed to provide temporary living accommodations or to be used as a regular sleeping accommodation for human beings.

Multifamily housing: A residential structure that has been divided into two or more legally created independent living quarters.

Transitional housing: Buildings configured as temporary rental housing units whose tenants may receive services or training to assist them in living independently.

Sources: California Health and Safety Code and California Government Code.

Issuing Loans for Multifamily Housing Is Not Practical Under Current State Law

Federal law allows the CalVet program to use bond funds issued after 1986 to finance loans to veterans for housing with up to four separate living units, and both federal and state law allow veterans to purchase such properties using CalVet funds if they occupy one of the units as their principal residence. However, current state law makes it impractical for veterans to purchase properties with more than one unit, because it effectively prohibits veterans from renting out the unoccupied units. Specifically, state law provides that properties financed with CalVet funds are not intended to become investment, rental, or business properties, although state law does authorize the CalVet program to give written consent to a veteran who wishes to lease property purchased with CalVet program financing under some conditions. Because of these restrictions, the CalVet program does not issue loans on properties with more than one unit, according to the department's manager of the escrow and post-closing unit.

Using Repossessed Properties to Address the Needs of Homeless Veterans May Not Be Viable

Although state law allows the CalVet program to lease out its repossessed properties and give priority for these leases to public or private organizations serving homeless veterans, the CalVet program has limited ability to lease out these properties. According to the deputy secretary of the CalVet program, without additional funding, the law does not present a viable economic solution to serve homeless veterans or veterans in need of transitional housing. The deputy secretary listed several reasons why the California Department of Veterans Affairs (department) sells rather than leases out its repossessed properties, the main reason being the higher costs associated with leasing out the properties. In particular, according to the deputy secretary, leasing properties to individuals, as well as to public or nonprofit organizations, would likely require the CalVet program to hire local property managers or commit CalVet program staff and resources to oversee and track leased properties and pay for repairs to the leased units. Such expenses would drain resources from the program's main objective of providing home loans to veterans. Further, the deputy secretary explained that lease payments would typically be less than mortgage payments on the same property, resulting in additional costs to cover payments on the bonds used to finance these properties. Currently, the program is generally self-sustaining and is supported by proceeds from the sale of bonds and loan repayments from veterans. However, according to the deputy secretary, the CalVet program would need additional state support from sources such as the General Fund to be able to lease out its repossessed properties to individuals or public or private organizations.

The types of housing in the CalVet program's portfolio and the fluctuations in the number of repossessed properties limit the program's ability to address homeless veterans' needs.

The types of housing in the CalVet program's portfolio and the fluctuations in the number of repossessed properties also limit the program's ability to address homeless veterans' needs by leasing its repossessed properties. According to the deputy secretary, most CalVet program properties are not suitable for more than one family because they generally have only two or three bedrooms. As previously discussed, the CalVet program's loan portfolio consists primarily of single-family homes, mobile homes, and condominiums, and the program does not issue loans for properties containing more than one living unit. Further, the CalVet program can lease its repossessed properties to organizations serving homeless veterans only if the properties are zoned for that use. Thus, because most properties that the CalVet program might repossess contain no more than one living unit and may have zoning restrictions on their use, the viability of allowing public or private organizations to use CalVet program properties to serve homeless veterans would be limited.

Further, the ability of the department to lease repossessed properties for the purpose of serving homeless veterans is affected by the housing market and the resulting number of repossessed properties in the CalVet program's portfolio at any point in time. This number has fluctuated widely over the years. For example, in fiscal year 2003-04, the department had 21 such properties, but it had only three and two in fiscal years 2004-05 and 2005-06, respectively. Most recently the number of repossessed properties has increased to 28 and 69 in fiscal years 2007-08 and 2008-09, respectively. In light of these fluctuations, the department is limited in its ability to use these properties for the purpose of serving homeless veterans.

State Law Would Need to Be Clarified to Authorize the Department to Address Veterans' Need for Transitional Housing

A state law, effective January 2009, authorizes the department to apply to the California Debt Allocation Committee for permission to issue private activity bonds for qualified residential rental projects (residential projects). According to a legislative committee analysis, the legislation that enacted this law sought to address the need for transitional and permanent housing for veterans and their families by identifying a source of funding the department could use to fund affordable multifamily housing. However, according to the deputy secretary of the CalVet program, the law does not authorize the department to use the money derived from the sale of private activity bonds to fund residential projects, and legislation would need to be passed explicitly permitting the CalVet program to make loans for these projects. Our legal counsel agrees that state law would need to be clarified for the department to construct or make loans for these projects. Also, according to our legal counsel, the law would need to be further clarified if the Legislature's desire was to limit residency in these projects to veterans, because it does not authorize the department to impose this limitation.

The Department Would Need Additional Legal Authority to Address Homeless Veterans' Needs Through a Federal Grant

Although the federal government makes funding available to provide services to homeless veterans through the U.S. Department of Veterans Affairs' (federal VA) Homeless Grant and Per Diem program (grant and per diem program), according to our legal counsel, state law does not currently provide the department with sufficient authority to participate in the program. The grant and per diem program provides two levels of funding: a grant component and a per diem component. The grant component provides 65 percent of the costs of constructing, renovating, or

acquiring a building for use as a service center or transitional housing for homeless veterans, and may also be used to purchase equipment such as vans for transporting veterans to locations where services are provided or to perform outreach activities. Recipients must obtain the matching share of 35 percent from other sources. The per diem component provides payments to recipients of grants for services rendered to homeless veterans, and can be used to pay for operational costs, including salaries. According to our legal counsel, state law would need to be changed to authorize the department to apply for program funding and to provide funding for the 35 percent required match.

According to the department's deputy secretary for administration, even if the department had the authority to apply for the grant and per diem program, he has concerns about applying because the department does not wish to compete with nonprofits or other local organizations in California receiving these funds. According to the federal VA, during federal fiscal year 2008, it provided approximately \$16 million in grant and per diem program funds to 28 nonprofit organizations in California, operating approximately 2,200 beds throughout the State.

However, according to the federal VA administrative officer of the grant and per diem program, there is no cap on awards for a particular state; rather, all applicants are competing with one another nationwide. Thus, it is feasible that the department's participation in the grant and per diem program would not result in less funding to other organizations in the State that are receiving these funds. Also, in applying for the grant component of the grant and per diem program, the department would not be competing with California organizations that have already used program funds to construct their facilities.

Recommendations

In order to attract more veterans to the CalVet program, the department should continue working with the Federal Housing Administration and the Ginnie Mae to lower its interest rates on loans.

If the Legislature believes that the department should play a larger role in funding multifamily housing for veterans, providing transitional housing for veterans, and addressing the housing needs of homeless veterans, it would need to modify or clarify state law to authorize the department to provide such services.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of the report.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: October 27, 2009

Staff: Laura G. Boll, Project Manager
David J. Edwards, MPPA
Lisa Ayrapetyan
Sean R. Gill, MPP
Julien Kreuze
Tram Truong

Legal Counsel: Scott A. Baxter, JD

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

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Appendix A

THE CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS' FUNDING SOURCES AND EXPENDITURES, FISCAL YEARS 2003-04 THROUGH 2008-09

Table A.1 beginning on page 75 shows the California Department of Veterans Affairs' (department) funding sources and corresponding expenditures, by the division within the department responsible for administering these funds for fiscal years 2003-04 through 2008-09. As the table shows, over this six-year period, the department has spent \$1.2 billion, or 55 percent, of its funding on its Veterans Homes division (Veterans Homes) and \$892 million, or 43 percent, of its funding on the CalVet Home Loan Program (CalVet program). Just \$46 million, or 2 percent of its expenditures, has gone to the Veterans Services division (Veterans Services). The department does not have discretion over the allocation of funds across its divisions. For example, funds from certain sources, such as federal and special funds, are designated for specific purposes and cannot be reallocated from one purpose to another. Additionally, it cannot reallocate General Fund monies without submitting a budget change proposal to the Department of Finance and the Legislature for their approval through the Budget Act.

The Veterans Homes received its funding from a number of different sources, including the General Fund, reimbursements, the Federal Trust Fund, and three special funds. Representing the largest support to the division over the six-year period depicted in Table A.1, Veterans Homes received about \$542 million, or 47 percent, of its total funding from the General Fund. It also received \$311 million in federal funding during this period, including funds provided through four programs: federal VA Burial Allowance, grants for Veterans State Domiciliary, Nursing Home, and Hospital Care. Table A.2 on page 78 lists these federal programs, as well as the other federal programs the department participated in during the period covering fiscal years 2003-04 through 2008-09; describes the purposes of each; and indicates the division that oversees each program.

Returning to Table A.1, capital outlay for state home construction costs of \$200 million for projects at the Yountville Home and veterans homes in Southern California makes up a significant portion of the federal funding for Veterans Homes. Reimbursements from sources such as Medicare and resident veterans' rental payments represent the third largest source of funding for Veterans Homes, amounting to \$135 million, or 12 percent, for this same time period.

Lastly, Veterans Homes received \$166 million through three special funds—the Public Building Construction Fund, which finances the acquisition of sites and the construction costs of public buildings, such as veterans homes; the Veterans Home Fund, which covers a portion of those construction costs; and the Veterans Quality of Life Fund, which provides the veterans homes with funds for entertainment and other activities designed to boost morale among the resident veterans. The absence of federal funding and decrease in reimbursements for fiscal year 2008–09 for Veterans Homes resulted from a recent change in how the department’s budget office accounts for these expenditures, as described in the footnote in Table A.1.

The CalVet program is funded primarily by the Veterans’ Farm and Home Building Fund of 1943, which was created by the Veterans’ Farm and Home Building Act of 1943 and serves as a depository for bond proceeds used to fund veterans’ home purchases. The CalVet program issues general obligation and revenue bonds to finance the program, as described further in Appendix C. To fund its administrative costs, the CalVet program receives various fees on the loans that it issues, such as loan origination fees. The CalVet program uses interest paid by veterans to support interest payments on its outstanding bonds. As shown in Table A.1, during fiscal years 2003–04 through 2008–09, approximately \$786 million, or 88 percent of the program’s expenditures, was used to fund loans, while \$92 million, or 10 percent of the program’s expenditures, was used to cover its loan servicing costs. The CalVet program spent the remaining funds on property acquisition and activities related to farm and home loans to National Guard members.

Veterans Services receives its funding from a variety of sources, with most of its funding coming from the General Fund. As shown in Table A.1, during fiscal years 2003–04 through 2008–09, Veterans Services received more than \$26 million, or 58 percent, of its funding from the General Fund. In addition, Veterans Services received a total of \$9.2 million in federal funds, and used the majority of these funds to construct the Northern California Veterans Cemetery during fiscal years 2004–05 and 2005–06. As the table shows, Veterans Services uses five categories to distinguish its expenditures: claims representation, county subvention, cemetery operations, Veterans Memorials Fund, and capital outlay. According to the accounting administrator, claims representation includes the division’s administrative costs at its headquarters in Sacramento and its three district offices in Los Angeles, Oakland, and San Diego. County subvention includes payments to local County Veterans Service Officer programs, and cemetery operations include all costs associated with operations of the Northern California Veterans Cemetery. Finally, expenditures from the Veterans Memorials Fund help defray the costs of data

entry and system management for the State’s Veteran’s Registry, which contains basic information such as name, rank, and branch of service for California veterans who have served since statehood was established in 1850.

Table A.1
California Department of Veterans Affairs’ Expenditures by Funding Source and Administering Division
Fiscal Years 2003–04 Through 2008–09
(Dollars in Thousands)

EXPENDITURES BY ADMINISTERING DIVISION	TOTALS						PERCENTAGES OF TOTAL EXPENSES			
	FEDERAL TRUST FUND		GENERAL FUND		REIMBURSEMENTS	SPECIAL FUNDS		CATEGORY TOTAL		
Veterans Homes Division										
Headquarters	-		\$65,128		\$2,196		\$1,476	\$68,800	6.0%	
Yountville	\$72,719		296,719		91,809		94	461,341	40.0	
Barstow	9,553		77,359		8,045		-	94,957	8.2	
Chula Vista	28,692		99,763		32,584		-	161,039	14.0	
Los Angeles and Ventura	-		-		-		-	-	-	
Redding	-		-		-		-	-	-	
Fresno	-		-		-		-	-	-	
Capital outlay	200,190		2,694		-		164,528	367,412	31.9	
Subtotals by Total and Percent	\$311,154	27%	\$541,663	47%	\$134,634	12%	\$166,098	14%	\$1,153,549	55.1%
CalVet Home Loan Program										
Property acquisition	-		-		-		13,992	13,992	1.6	
Loan service	-		-		-		92,059	92,059	10.3	
Loan funding	-		-		-		786,222	786,222	88.1	
Farm and home loans to National Guard	-		-		-		137	137	0.0	
Subtotals by Total and Percent							\$892,410	100%	\$892,410	42.7%
Veterans Services Division										
Claims representation	-		9,517		1,189		395	11,101	24.2	
County subvention	-		14,850		5,028		3,426	23,304	50.8	
Cemetery operations	410		2,065		30		100	2,605	5.7	
Veterans Memorials Fund	-		-		-		31	31	0.1	
Capital outlay	8,822		-		-		-	8,822	19.2	
Subtotals by Total and Percent	\$9,232	20%	\$26,432	58%	\$6,247	14%	\$3,952	9%	\$45,863	2.2%
Totals	\$320,386		\$568,095		\$140,881		\$1,062,460		\$2,091,822	100.0%
Percentages of Total Expenditures	15.3%		27.2%		6.7%		50.8%		100.0%	-

continued on next page...

EXPENDITURES BY ADMINISTERING DIVISION	2003-04 EXPENDITURES BY FUNDING SOURCE					2004-05 EXPENDITURES BY FUNDING SOURCE					2005-06 EXPENDITURES BY FUNDING SOURCE				
	FEDERAL TRUST FUND	GENERAL FUND	REIMBURSEMENTS	SPECIAL FUNDS*	CATEGORY TOTAL	FEDERAL TRUST FUND†	GENERAL FUND	REIMBURSEMENTS	SPECIAL FUNDS*	CATEGORY TOTAL	FEDERAL TRUST FUND	GENERAL FUND	REIMBURSEMENTS	SPECIAL FUNDS*	CATEGORY TOTAL
Veterans Homes Division															
Headquarters	-	\$987	\$168	\$132 ●	\$1,287	-	\$3,833	\$447	\$176 ●	\$4,456	-	\$3,848	\$157	\$176 ●	\$4,181
Yountville	\$13,526	38,267	17,807	-	69,600	\$13,455	38,203	17,872	-	69,530	\$14,907	38,646	17,872	-	71,425
Barstow	1,733	12,273	1,346	-	15,352	1,664	9,637	1,265	-	12,566	1,733	9,389	1,477	-	12,599
Chula Vista	5,968	12,335	5,187	-	23,490	5,099	13,148	5,031	-	23,278	5,435	11,081	8,160	-	24,676
Los Angeles and Ventura	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fresno	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	412	-	4,691 ●	5,103	6,057	-	-	5,815 ●	11,872	4,935	856	-	8,921 ●■	14,712
Subtotals	\$21,227	\$64,274	\$24,508	\$4,823	\$114,832	\$26,275	\$64,821	\$24,615	\$5,991	\$121,702	\$27,010	\$63,820	\$27,666	\$9,097	\$127,593
CalVet Home Loan Program															
Property acquisition	-	-	-	5,475 ●	5,475	-	-	-	1,324 ●	1,324	-	-	-	1,590 ●	1,590
Loan service	-	-	-	5,092 ●	5,092	-	-	-	18,851 ●	18,851	-	-	-	18,185 ●	18,185
Loan funding	-	-	-	171,193 ●	171,193	-	-	-	159,346 ●	159,346	-	-	-	84,251 ●	84,251
Farm and home loans to National Guard	-	-	-	43 ○	43	-	-	-	28 ○	28	-	-	-	26 ○	26
Subtotals				\$181,803	\$181,803				\$179,549	\$179,549				\$104,052	\$104,052
Veterans Services Division															
Claims representation	-	1,423	-	25 ●	1,448	-	816	-	21 ●	837	-	1,816	303	25 ●	2,144
County subvention	-	2,350	838	470 ●	3,658	-	2,350	838	470 ●	3,658	-	2,350	838	554 ●	3,742
Cemetery operations	-	-	-	-	-	-	815	-	-	815	64	154	6	-	224
Veterans Memorials Fund	-	-	-	4 ●	4	-	-	-	1 ●	1	-	-	-	-	-
Capital outlay	-	-	-	-	-	3,800	0	0	0	3,800	5,022	-	-	-	5,022
Subtotals	-	\$3,773	\$838	\$499	\$5,110	\$3,800	\$3,981	\$838	\$492	\$9,111	\$5,086	\$4,320	\$1,147	\$579	\$11,132
Total Expenditures	\$21,227	\$68,047	\$25,346	\$187,125	\$301,745	\$30,075	\$68,802	\$25,453	\$186,032	\$310,362	\$32,096	\$68,140	\$28,813	\$113,728	\$242,777
Percentages of Total Expenditures	7.0%	22.6%	8.4%	62.0%	100.0%	9.7%	22.2%	8.2%	59.9%	100.0%	13.2%	28.1%	11.9%	46.8%	100.0%

Table continued →

Sources: The Governor's Budgets for fiscal years 2005-06 through 2009-10, the Department of Finance's *State of California Manual of State Funds*, California Military and Veterans Code, and interviews with personnel from the California Department of Veterans Affairs (department).

Note: The expenditure amounts presented for fiscal year 2008-09 are projected; the fiscal year 2010-11 Governor's Budget, which will include the actual expenditure amounts for fiscal year 2008-09, will not be published until January 2010. Further, general administration costs, such as budgeting, accounting, and business services, are included in the expenditure amounts presented above for all fiscal years.

* Special Funds include the following funds:

- = Veterans Home Fund
- = Veterans Farm and Home Building Fund of 1943
- = California National Guard Members' Farm and Home Building Fund of 1978
- = Veterans Service Office Fund
- ◎ = California Veterans Memorial Registry Fund
- = Public Building Construction Fund
- = Veterans' Quality of Life Fund
- = Northern California Veterans Cemetery Perpetual Maintenance Fund
- = Mental Health Services Fund
- = California Mexican American Veterans' Memorial Beautification and Enhancement Account

† Prior to fiscal year 2008-09, funding information in the Governor's Budget for the Veterans Homes division displayed reimbursements to the General Fund as shown in the columns for the other fiscal years in this table. Although not shown separately in the Governor's Budget for fiscal year 2009-10, the department projects it will expend \$26 million from the Federal Trust Fund and \$29.7 million in reimbursements during fiscal year 2008-09.

2006-07 EXPENDITURES BY FUNDING SOURCE					2007-08 EXPENDITURES BY FUNDING SOURCE					2008-09 PROJECTED EXPENDITURES BY FUNDING SOURCE				
FEDERAL TRUST FUND	GENERAL FUND	REIMBURSEMENTS	SPECIAL FUNDS*	CATEGORY TOTAL	FEDERAL TRUST FUND	GENERAL FUND	REIMBURSEMENTS	SPECIAL FUNDS*	CATEGORY TOTAL	FEDERAL TRUST FUND†	GENERAL FUND	REIMBURSEMENTS†	SPECIAL FUNDS*	CATEGORY TOTAL
-	\$8,733	\$358	\$220 ●	\$9,311	-	\$26,707	\$286	\$381 ●□	\$27,374	-	\$21,020	\$780	\$391 ●□	\$22,191
\$15,258	43,753	18,837	94 ●	77,942	\$15,573	47,352	19,421	-	82,346	-	90,498	-	-	90,498
2,155	11,165	1,677	-	14,997	2,268	12,460	2,280	-	17,008	-	22,435	-	-	22,435
5,892	13,430	6,961	-	26,283	6,298	17,776	7,245	-	31,319	-	31,993	-	-	31,993
-	-	-	-	-	-	539	-	-	539	-	6,930	-	-	6,930
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113,500	500	-	83,859 ●■	197,859	75,698	123	-	19,441 ●■	95,262	-	803	-	41,801 ●■	42,604
\$136,805	\$77,581	\$27,833	\$84,173	\$326,392	\$99,837	\$104,957	\$29,232	\$19,822	\$253,848	-	\$173,679	\$780	\$42,192	\$216,651
-	-	-	1,585 ○	1,585	-	-	-	1,777 ○	1,777	-	-	-	2,241 ○	2,241
-	-	-	15,229 ○	15,229	-	-	-	15,028 ○	15,028	-	-	-	19,674 ○	19,674
-	-	-	104,890 ○	104,890	-	-	-	107,196 ○	107,196	-	-	-	159,346 ○	159,346
-	-	-	- ○	-	-	-	-	2 ○	2	-	-	-	38 ○	38
			\$121,704	\$121,704				\$124,003	\$124,003	-	-	-	\$181,299	\$181,299
-	1,613	277	46 ◎	1,936	-	2,012	304	-	2,316	-	1,837	305	278 ◎□	2,420
-	2,600	838	554 ◎	3,992	-	2,600	838	554 ◎	3,992	-	2,600	838	824 ◎□	4,262
65	540	8	-	613	109	274	8	25 □	416	\$172	282	8	75 □	537
-	-	-	10 ◎	10	-	-	-	1 ◎	1	-	-	-	15 ◎□	15
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
\$65	\$4,753	\$1,123	\$610	\$6,551	\$109	\$4,886	\$1,150	\$580	\$6,725	\$172	\$4,719	\$1,151	\$1,192	\$7,234
\$136,870	\$82,334	\$28,956	\$206,487	\$454,647	\$99,946	\$109,843	\$30,382	\$144,405	\$384,576	\$172	\$178,398	\$1,931	\$224,683	\$405,184
30.1%	18.1%	6.4%	45.4%	100.0%	26.0%	28.6%	7.9%	37.5%	100.0%	0.0%	44.0%	0.5%	55.5%	100.0%

Table A.2

Summary of Federal Programs the California Department of Veterans Affairs Participated in During the Period From Fiscal Years 2003–04 Through 2008–09

FEDERAL CATALOG NUMBER AND PROGRAM NAME	PROGRAM DESCRIPTION	DIVISION THAT ADMINISTERS THE PROGRAM
64.005 Grants to States for Construction of State Home Facilities	Provides 65 percent of the cost to acquire or construct state veteran home facilities that provide domiciliary, nursing home, or hospital care.	Veterans Homes Division (Veterans Homes)
64.014 Veterans State Domiciliary Care	Provides a daily allowance of \$33.01 (or half of the cost of care, whichever is less) for each veteran provided domiciliary care on an ambulatory self-care basis.	Veterans Homes
64.015 Veterans State Nursing Home Care	Provides a daily allowance of \$71.42 (or half of the cost of care, whichever is less) for each veteran provided nursing home care.	Veterans Homes
64.016 Veterans State Hospital Care	Provides a daily allowance of \$71.42 (or half of the cost of care, whichever is less) for each veteran provided hospital care.	Veterans Homes
64.101 Burial Expenses Allowance for Veterans	Provides an allowance of up to \$300 toward the burial expenses for certain veterans or an allowance of up to \$2,000 if the death is the result of a service-connected disability. Also, in certain cases, the program covers the cost of transporting the veteran's remains to the burial site.	Veterans Homes and Veterans Services Division (Veterans Services)
64.114 Veterans Housing-Guaranteed and Insured Loans	Provides the U.S. Department of Veterans Affairs' (federal VA) guarantee on home loans made to eligible applicants for various purposes, including the purchase of a new home or improvement of an existing home.	CalVet Home Loan Program
64.203 State Cemetery Grants	Provides full or partial financial assistance in construction, expansion, or improvement of state-operated veteran cemeteries.	Veterans Services

Sources: The U.S. General Services Administration's *2008 Catalog of Federal Domestic Assistance*, financial records provided by the California Department of Veterans Affairs (department), and interviews with department personnel.

Note: In addition to participating in the federal programs listed in the table, the department has a contract with the federal VA, San Francisco Medical Center for the sharing of pharmaceutical services. Under the contract, the federal VA reimburses the department for certain pharmaceutical costs it incurs at its veterans homes. Because this program is not identified with a federal catalog number, we do not include it in the table.

Appendix B

FEDERAL DISABILITY BENEFITS AVAILABLE TO QUALIFYING VETERANS

Veterans of the U.S. armed forces may be eligible for a broad range of programs and services provided by the U.S. Department of Veterans Affairs (federal VA). As shown in Table B beginning on page 80, the federal VA provides specific benefits to qualifying veterans with disabilities under each of its three umbrella administrations: the Veterans Health Administration, the Veterans Benefits Administration, and the National Cemetery Administration. Eligibility for most federal VA benefits is based upon discharge from active military service under other than dishonorable conditions; however, certain disability benefit programs require veterans to meet additional eligibility criteria such as income, wartime service, and type of disability, including service-connected and nonservice-connected disabilities.

Under its Veterans Health Administration, the federal VA operates the nation's largest integrated health care system, with more than 1,400 sites of care, including hospitals, community clinics, community living centers, domiciliaries, readjustment counseling centers, and various other facilities. As Table B shows, benefits available to veterans with disabilities under this administration include prosthetic and sensory aids, home improvement and structural alterations, mental health care treatment, outpatient dental treatment, and nursing home care. Further, Table B shows that the Veterans Benefits Administration offers an array of benefits and services to eligible veterans. Finally, the benefits offered by the National Cemetery Administration include burial and memorial benefits for eligible veterans, such as reimbursement of burial expenses, and burial and plot allowances.

As described in Table B, one of the benefits offered by the Veterans Benefits Administration is disability compensation—a monetary benefit the federal VA pays to qualifying veterans with a service-connected disability due to an injury or illness that was incurred or aggravated during active military service. According to the federal VA's 2009 report, *Federal Benefits for Veterans, Dependents, and Survivors*, depending on the veteran's disability rating, monthly compensation payments may range from \$123 to \$2,673. Veterans with disability ratings of at least 30 percent are eligible for additional allowances, depending on the disability rating and the number of qualified dependents.

Similarly, a disability pension is a monetary benefit the federal VA pays to wartime veterans with low incomes who are age 65 or older or permanently and totally disabled as a result of a

nonservice-connected disability. In either case, the veteran's annual income must not exceed the limit set by the federal VA, and the amount of disability pension payments varies depending on the veteran's total family income and other factors, such as family situation and caretaking needs. For example, in its 2009 report, the federal VA stated that the maximum annual disability pension amount for a veteran with one dependent would be \$15,493. If a veteran and his or her dependent had a combined income of \$12,493, the annual federal VA pension amount would be \$3,000, paid in monthly installments. Finally, a disability pension is mutually exclusive of disability compensation, meaning a veteran cannot receive disability pension benefits and disability compensation benefits at the same time.

Table B
The Federal Disability Benefits Offered by the U.S. Department of Veterans Affairs' Three Umbrella Administrations

BENEFIT	DESCRIPTION
Veterans Health Administration	
Prosthetic and sensory aids	Veterans receiving care from the U.S. Department of Veterans Affairs (federal VA) for any condition may receive federal VA prosthetic appliances, equipment and services, such as home respiratory therapy, artificial limbs, orthopedic braces and therapeutic shoes, wheelchairs, powered mobility, crutches, canes, walkers, and other durable medical equipment and supplies.
Home improvement and structural alterations	The federal VA provides up to \$4,100 for service-connected veterans and up to \$1,200 for nonservice-connected veterans to make home improvements necessary for the continuation of treatment or for disability access to the home and essential lavatory and sanitary facilities.
Mental health care treatment	Veterans eligible for federal VA medical care may apply for general mental health treatment including specialty services, such as Post-Traumatic Stress Disorder and substance abuse treatment.
Outpatient dental treatment	The federal VA outpatient dental treatment includes the full spectrum of diagnostic, surgical, restorative, and preventive procedures.
Nursing home care	The federal VA provides nursing home services to veterans through three national programs: the federal VA owned and operated Community Living Centers, state veterans homes owned and operated by the states, and the contract community nursing home program.
Veterans Benefits Administration	
Disability compensation	A monetary benefit paid to veterans with a service-connected disability as a result of an injury or illness that was incurred or aggravated during active military service. Veterans with certain severe disabilities may be eligible for additional special monthly compensation.
Vocational rehabilitation and employment program	Assists veterans who have service-connected disabilities to obtain and maintain suitable employment. Independent living services are also available for severely disabled veterans who are not currently ready to seek employment.
Specially adapted housing grants	Certain veterans and servicemembers with service-connected disabilities may be entitled to a Specially Adapted Housing grant from the federal VA to help build a new specially adapted house, to adapt a house they already own, or buy a home and modify it to meet their disability-related requirements.
Adapting an automobile	Veterans and servicemembers may be eligible for a one-time payment of not more than \$11,000 toward the purchase of an automobile or other conveyance if they have service-connected loss or permanent loss or use of one or both hands or feet, permanent impairment of vision of both eyes to a certain degree, or ankylosis (immobility) of one or both knees or one or both hips.
Clothing allowance	Any veteran who has a service-connected disability for which he or she uses prosthetic or orthopedic appliances may receive an annual clothing allowance. This allowance also is available to any veteran whose service-connected skin condition requires prescribed medication that irreparably damages outer garments.

BENEFIT	DESCRIPTION
Aid and attendance for housebound veterans	A veteran who is in need of the regular aid and attendance of another person, or who is permanently housebound, may be entitled to additional disability compensation or pension payments. A veteran evaluated at 30 percent or more disabled is entitled to receive an additional payment for a spouse who is in need of the aid and attendance of another person.
Disability pension	Veterans with low incomes who are permanently and totally disabled, or are age 65 and older, may be eligible for monetary support if they have 90 days or more of active military service, at least one day of which was during a period of war. Payments are made to bring the veteran's total income, including other retirement or Social Security income, to a level set by Congress. Unreimbursed medical expenses may reduce countable income for federal VA purposes. Qualifying veterans can receive disability pension under three categories: Protected Pension, Medal of Honor Pension, and Improved Disability Pension. Under Protected Pension, beneficiaries who were receiving a federal VA pension on December 31, 1978, and do not wish to elect the Improved Disability Pension, will continue to receive the pension rate received on that date. This rate generally continues as long as the beneficiary's income remains within established limits, or net worth does not bar payment, and the beneficiary does not lose any dependents. Medal of Honor recipients can receive a monthly pension of \$1,194, an amount set by Congress. Under the Improved Disability Pension, payments are reduced by the amount of countable income of the veteran, spouse, and dependent children.
Servicemembers' Group Life Insurance (SGLI) disability extension	Servicemembers who are totally disabled at the time of separation are eligible for free SGLI Disability Extension of up to two years. Those covered under the SGLI Disability Extension are automatically converted to Veterans Group Life Insurance (VGLI) at the end of their extension period. VGLI is convertible at any time to a permanent plan policy with any participating commercial insurance company.
Service-disabled veterans' insurance	A veteran who was discharged under other than dishonorable conditions and who has a service-connected disability but is otherwise in good health may apply to the federal VA for up to \$10,000 in life insurance coverage under the Service-Disabled Veterans' Insurance program. Veterans who are totally disabled may apply for a waiver of premiums and additional supplemental coverage of up to \$20,000.
Veterans' mortgage life insurance	Veterans' Mortgage Life Insurance is available to severely disabled veterans who have been approved for a Specially Adapted Housing Grant. Maximum coverage is \$90,000, and is only payable to the mortgage company.
National Cemetery Administration	
Reimbursement of burial expenses	The federal VA will pay a burial allowance up to \$2,000 if the veteran's death is service-connected. In such cases, the person who bore the veteran's burial expenses may claim reimbursement from the federal VA. In some cases, the federal VA will pay the cost of transporting the remains of a service-connected veteran to the nearest national cemetery with available gravesites.
Burial allowance	The federal VA will pay a \$300 burial and funeral allowance for veterans who, at time of death, were entitled to receive pension or compensation or would have been entitled if they were not receiving military retirement pay.
Plot allowance	The federal VA will pay a \$300 plot allowance when a veteran is buried in a cemetery not under U.S. government jurisdiction if: the veteran was discharged from active duty because of a disability incurred or aggravated in the line of duty; the veteran was receiving compensation or pension or would have been if the veteran was not receiving military retired pay; or the veteran died in a federal VA facility.

Sources: The federal VA's 2009 report, *Federal Benefits for Veterans, Dependents, and Survivors* and interviews with personnel from the federal VA's Veterans Benefits Administration Office of Policy and Program Management.

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Appendix C

FINANCIAL INFORMATION FOR THE CALVET HOME LOAN PROGRAM, FISCAL YEARS 2003–04 THROUGH 2007–08

The CalVet Home Loan program (CalVet program) is funded primarily by the Veterans Farm and Home Building Fund of 1943, created by the Veterans' Farm and Home Purchase Act of 1943, which serves as a depository for bond proceeds that are used to fund veterans' home purchases. According to its audited financial statements, the primary sources of funding for the CalVet program are proceeds from the sale of general obligation and revenue bonds and loan repayments. Although repayments from veterans with existing loans are used to pay off both general obligation and revenue bonds, the State's General Fund would provide backup support for the general obligation bonds in the event the loan repayments fell short. In contrast, the General Fund does not provide support to repay revenue bonds.

Table C on the following page shows audited financial statement information for the Veterans Farm and Home Building Fund of 1943, the principal fund used to support the CalVet program, for fiscal years 2003–04 through 2007–08, the most recent year for which such information is available. The balance sheet summary in Table C shows that as of June 30, 2008, veterans owed the CalVet program nearly \$1.7 billion for repayment of their loans, shown as "receivables under contracts of purchase." At the end of this same fiscal year, the CalVet program's liability, or the amount that it was obligated to pay on its bonds, was just over \$2 billion, consisting mainly of \$1.3 billion in general obligation bonds and more than \$700 million in revenue bonds. For context, although the CalVet program's liabilities were \$2 billion as of June 30, 2008, its obligation to pay this amount is spread over multiple years. For example, the California Department of Veterans Affairs was obligated to pay \$97 million by the end of the following year, and the remaining debt of roughly \$1.9 billion was owed in future years. The program's liabilities also include commercial paper. Commercial paper consists of short-term unsecured loans with a maturity date of up to 270 days. All liabilities are shown net of discounts, premiums, and unamortized costs. Discounts are the amounts below face value at which the bonds were issued; premiums are the amounts in excess of face value at which the bonds were issued.

Further, Table C shows proceeds from sales of bonds by fiscal year, which includes the amount of funds the CalVet program received as a result of bond sales. In fiscal year 2007–08, the CalVet program received more than \$191 million from bond proceeds. The table also shows the amounts the CalVet program paid to retire or redeem bonds. The CalVet program retires its bonds when they

mature or redeems bonds before they mature. During fiscal year 2007–08, the CalVet program paid nearly \$148 million to retire and redeem bonds.

Table C
Summary Financial Information for the CalVet Home Loan Program as of June 30 of
Fiscal Years 2003–04 Through 2007–08
(In Thousands)

		FISCAL YEAR				
		2003–04	2004–05	2005–06	2006–07	2007–08
Total Receivables Under Contracts of Purchase—Net		\$1,527,950	\$1,477,228	\$1,503,803	\$1,521,426	\$1,664,508
Balance sheet summary	Liabilities					
	General Obligation bonds	1,433,190	1,356,315	1,279,590	1,319,470	1,324,595
	Revenue bonds	617,445	569,075	543,360	673,235	717,010
	Commercial paper	0	0	56,050	16,000	10,500
	Less discounts, premiums, and unamortized bond origination costs and redemption premiums	(11,081)	(11,614)	(10,522)	(15,987)	(17,013)
Total Liabilities		\$2,039,554	\$1,913,776	\$1,868,478	\$1,992,718	\$2,035,092
Cash-flow summary	Total Proceeds From Sales of Bonds	\$124,635	\$162,600	\$56,050	\$735,235	\$191,200
	Retirement of Bonds					
	Maturities of bonds payable	(74,490)	(79,285)	(79,660)	(123,555)	(75,195)
	Early redemption of bonds payable	(483,380)	(208,560)	(22,780)	(481,975)	(72,605)
Total Retirement of Bonds		\$(557,870)	\$(287,845)	\$(102,440)	\$(605,530)	\$(147,800)

Sources: Independent audited financial statements by Deloitte & Touche LLP of the Veterans Farm and Home Building Fund of 1943 for fiscal years 2003–04 through 2007–08.

(Agency response provided as text only.)

Department of Veterans Affairs
Office of the Secretary
Post Office Box 942895
Sacramento, California 94295-0001

October 5, 2009

Elaine M. Howle, State Auditor*
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

The California Department of Veterans Affairs has reviewed your draft audit report, *California Department of Veterans Affairs: Although It Has Begun To Increase Its Outreach Efforts and to Coordinate With Others, It Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program Is Not Designed to Address The Housing Needs of Some Veterans* (Report 2009-108). We found the report to be accurate and thorough. We take no issues with your findings or recommendations and we are moving forward to implement the same. We do note that some of your findings correlate to the findings the Department addressed in our 2007 report to the Legislature titled *Strategies to Improve California's Utilization of Veteran Benefits*. Both reports will be valuable guidance to improve the effectiveness of our operations within the constraints of the resources we are provided. ①

I would like to commend your staff for their professionalism and willingness to clearly understand the extremely complex and cumbersome topic of veteran benefits. Your team's efforts have resulted in recommendations that will improve our strategic planning process in order to better serve California's veterans.

Sincerely,

(Signed by: Roger Brautigan)

ROGER BRAUTIGAN
Acting Secretary

* California State Auditor's comment appears on page 87.

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Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

To provide clarity and perspective, we are commenting on the California Department of Veterans Affairs' (department) response to our audit report. The number below corresponds with the number we placed in the margin of the department's response.

We acknowledge on page 17 of our report that the department provided its report to the Legislature in 2007. However, on page 26 of our report, we conclude that the department's Veterans Services division has only recently undertaken activities to better inform veterans about available benefits, and its delay in undertaking many of these activities until late 2008 may have contributed to the low number of veterans applying for and receiving benefits in the State. Thus, although the department may continue to benefit from the guidance in its 2007 report, it is important that the department act in a timely manner to address our recommendations.

①

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press