

DEPARTMENT OF VETERANS AFFAIRS

Items 238 and 239 from the General Fund and the
Veterans Farm and Home Building Fund

Budget page 1268

Requested 1970-71 -----	\$856,872
Estimated 1969-70 -----	900,238
Actual 1968-69 -----	885,967
Requested decrease \$43,366 (4.8 percent)	
Total recommended reduction -----	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. We recommend that the department print and mail its loan statements on an annual basis for an annual savings of \$66,420 to the Veterans Farm and Home Building Fund.

GENERAL PROGRAM STATEMENT

The principal objective of the department is to contribute to the general welfare, economic well-being and rehabilitation of the veteran by assisting him to obtain those benefits authorized by state and federal legislation and assisting his dependents in obtaining those benefits provided by state and federal laws because of the death or disability of the veteran.

Departmental programs include the Veterans Home, administration, veterans services, and farm and home purchases. The functions of each are discussed briefly below.

ADMINISTRATION

A seven-man board appointed by the Governor determines policy for all operations of the department.

The objectives of the Division of Administration are to carry out the policies determined by the Veterans Board, coordinate all programs of the department, and provide fiscal and personnel management and general supervision of all activities. The department is requesting \$201,734 for its administrative program, a decrease of \$2,366 from the fiscal year 1969-70. The entire administration cost has been prorated to the other four programs.

FARM AND HOME PURCHASE

The principal objective of this program is to finance the purchase of homes and farms by eligible California veterans at low interest rates on a self-supporting basis and without cost to the General Fund. Because of high interest rates during the past year, the department has been unable to sell any of its \$200 million bond authorization. As a result, the department has been unable to grant Cal-Vet loans since April 1969. However, it has continued to accept and process loan applications and to commit itself to grant loans whenever funds are available. Applicants are advised to secure interim financing which will be retired when funds for lending become available. It is estimated that the entire \$200 million will be committed by mid-1970 which will have been processed by staff funded in the current fiscal year.

Department of Veterans Affairs—Continued

A measure will appear on the ballot in June 1970 which, if adopted, will eliminate the present constitutional interest ceiling at which all general obligation bonds may be sold. If this measure is unsuccessful, another proposal will appear on the November ballot which will propose to raise the limit only for veterans bonds. If the June measure is adopted, the department should receive some funds for loans early in 1971, but if it is unsuccessful it is unlikely there would be funds available during fiscal year 1970-71 regardless of the outcome of the measure on the November ballot.

The department during the past year has completed its realignment of geographic areas of service within the state and has closed six offices located in Santa Rosa, Oakland, Modesto, Bakersfield, Inglewood and San Francisco, thus abolishing 21 field positions. It also completed conversion of its loan accounting from a tab card to a computerized system which permitted a reduction of 12.5 positions. The 1970-71 Budget proposes a total of 165.2 positions, a reduction of 33.5 positions from the currently authorized level of 198.7.

The department is proposing \$2,579,870 for support of its Farm and Home Purchase program; \$38,745 in administrative costs is reflected in the Budget Act while the remaining \$2,541,125 is financed through a continuing appropriation from the Veterans Farm and Home Building Fund.

The proposed amount includes \$111,000 in postage from the continuing appropriation. The department for a number of years has mailed monthly statements to holders of farm and home loans. There are approximately 123,000 statements mailed monthly at a total annual cost of \$88,560. We are unable to find any justification for a monthly billing and recommend that the department print and mail annually sufficient statements for the entire year. Most mortgage companies, credit unions, etc., operate on this basis. The statements are on computer cards and could easily be adapted to this change. The cost of mailing 12 cards is approximately 18 cents per package. The annual cost for mailing the loan statements to 123,000 individuals would total \$22,140.

We recommend that the department print and mail its loan statements on an annual basis for an annual savings of \$66,420 to the Veterans Farm and Home Building Fund.

**EDUCATIONAL ASSISTANCE FOR CALIFORNIA VETERANS
AND THEIR DEPENDENTS**

The purpose of this program is to assist qualified veterans and their dependents in meeting their occupational, educational or professional goals. Applications are reviewed to determine the eligibility of the veteran or dependent as provided by law. Applicants are checked to determine need for training and their ability to successfully pursue the educational courses proposed. Educational plans are reviewed to insure that the selected plans are financially sound and that sufficient funds are available in the budget. Applicants whose federal benefits have not been exhausted are not accepted. Periodic review of students'

Department of Veterans Affairs—Continued

grades is made to determine progress and only those maintaining satisfactory grades are continued in the program.

The department proposes a support budget of \$202,817 to administer the program, \$200,207 from the General Fund and \$2,610 from the Veterans Farm and Home Building Fund. This is an increase of \$1,180 over the current support level.

VETERANS CLAIMS AND RIGHTS

The principal objectives of this program are to (1) assist veterans and their dependents in the preparation of claims for benefits to which they may be entitled under federal, state or local laws, (2) assist veterans in establishing veteran eligibility status for Cal-Vet farm and home loans, (3) verify eligibility of veterans and widows for veterans' preference on state civil service examinations, and (4) distribute state support funds to county veteran service offices and to provide technical assistance to them.

The department proposes a total of \$479,418 for support of this program. The request is \$47,361 less than the 1969-70 appropriation with the reduction attributed to the elimination of the field service element.

Department of Veterans Affairs

EDUCATIONAL ASSISTANCE

Item 240 from the General Fund

Budget page 1273

Requested 1970-71	\$2,378,325
Estimated 1969-70	2,378,325
Actual 1968-69	2,353,325
Requested increase none.	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The objective of this program is to provide educational assistance to the eligible dependents of deceased or totally disabled veterans. Section 896.1, Division 4, of the Military and Veterans Code prohibits state contributions to a dependent of a veteran during the time he is entitled to receive federal educational benefits under Chapter 35, Title 38, of the United States Code or similar assistance from any other government source. The state program to provide educational assistance to veterans was terminated as of June 30, 1965, by the Legislature's decision not to appropriate funds for this purpose. Federal law terminates this assistance 10 years after the veteran has completed his service duty. Legislation was passed at the 1967 session to permit the eligible veterans of the Vietnam conflict and their dependents to obtain educational assistance from the state after federal benefits have terminated. These veterans and dependents have not yet applied for such assistance from the state.

Department of Veterans Affairs—Continued

The maximum allowance for living expenses is \$50 per month for students of postgraduate, collegiate, junior college, business or trade school rank. For students in high school, the amount cannot exceed \$20 per month. The amount for tuition and fees for postgraduate, college or professional rank cannot exceed \$1,600 per school year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

Department of Veterans Affairs**VETERANS' HOME**

Item 241 from the General Fund

Budget page 1275

Requested 1970-71	-----	\$5,176,878
Estimated 1969-70	-----	4,989,731
Actual 1968-69	-----	5,034,405
Requested increase \$187,141 (3.6 percent)		
Total recommended reduction	-----	\$1,200,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

We recommend that the state adopt regulations similar to the federal V.A. regulations with regard to charges and that the appropriation for the home be reduced by \$1.2 million, the difference between expenditures and appropriation to be offset by reimbursements from the members.

We recommend that the Legislature direct that the educational program at the home be abolished and that any future request for augmentation be forestalled.

GENERAL PROGRAM STATEMENT

The Veterans' Home located at Napa, California, has been operated by the State of California since it was deeded to the state in 1897. The three major objectives of the home are to provide (1) a facility for disabled "California" war veterans where they can be housed and receive medical care, (2) medical-surgical care for those who have more serious disabilities and (3) a rehabilitation program for members in domiciliaries and hospitals. The average population was 1,468 for the fiscal year 1968-69, is estimated at 1,350 for 1969-70 and 1,250 for 1970-71.

The needs of the members have changed considerably over the years. Originally the facility was primarily a home for the homeless veteran but it is now fundamentally a medical institution. Present residents all have impaired health or a degree of disability. This condition has caused a decrease in domiciliary care and an increase in the need for hospital care. We are advised that there is a waiting list of disabled veterans who have applied for admission directly to the hospital.

Department of Veterans Affairs—Continued

The trend away from the use of the Veterans' Home as a place of retirement and care for the aging veteran to its present use as a medical facility has been evident for some time. The current budget reveals the result of that trend in projecting only 500 domiciliary residents for 1970 compared to over 1,000 in 1963.

The changing concept has also resulted in rising costs per patient at the Home since hospital care is considerably more expensive than domiciliary care. We believe that the rising costs per patient makes it appropriate for the state to consider charging the patient for part of the cost of his care. The Department of Veterans Affairs informs us that very few members have dependents and many have sufficient income to pay at least part of the cost of their care. The average income of members is \$170 per month. This policy is consistent with that followed by the state relative to the operation of state mental hospitals and by the federal Veterans Administration.

Under federal V.A. regulations any veteran in a federal institution who receives the type of care provided by the state at the Veterans Home must pay all but \$30 of his income toward his care. Many veterans receive pensions which are intended to be used to provide them a decent level of subsistence. Therefore, since the government is providing the subsistence, the veteran should contribute the money intended for such care. We believe that the federal regulations are reasonable and fair to the veteran and recommend that the state adopt similar regulations with regard to the Veterans Home.

The state, if it were to adopt the V.A. policy, could realize as much as \$2,100,000 per year. This is based on an average income of \$170 per month with a population of 1,250. The average amount realized per individual would be \$140 per month. It is unlikely, however, that the projected population level would be realized if a charge is initiated at the home because many veterans, particularly those with the larger incomes, would probably seek care elsewhere.

We have no accurate basis upon which to estimate the precise effect of charges upon the population level. Approximately 65 percent of the population is in the hospital or nursing care annexes and 35 percent in the domiciliary. We do not believe that establishment of charges will greatly reduce the population level in the hospital or nursing care annexes and therefore assume that at least 65 percent of the present population would be contributing toward their care. If this were the case, the home would receive approximately \$1,365,000. However, since we are unable to determine the precise effect, we believe a conservative estimate would be \$1.2 million.

We therefore recommend that the state adopt regulations similar to the federal V.A. regulations with regard to charges and that the appropriation for the home be reduced by \$1.2 million with the difference between the expenditures and appropriation to be offset by reimbursements from the members. A more accurate future reduction can be calculated once the effect of a system of charges upon the population level is determined.

Department of Veterans Affairs—Continued
 Educational Program for Young Veterans

In September 1969, 21 young veterans were admitted to the Veterans Home domiciliary with the understanding that they would be retained as residents for a period not to exceed two years during which time they would pursue an academic or vocational course at Napa Junior College. (However the director may, at his discretion, extend the period of eligibility, presumably for an indefinite period.) Under the original plan, only veterans who were disabled could qualify for this program. However, the response by disabled veterans was so negligible that of 21 veterans finally accepted, 4 had no federally recognized disability.

The program began in the 1969 fall semester with the 21 students, but by the end of the semester the number had dwindled to 11 students. The department estimates it will have a total of 46 students for the spring semester, 54 students less than the anticipated enrollment. It is unable to determine the exact number of students who will be domiciled at the Home during fiscal year 1970-71, but the Home anticipates that if the program is continued the number could reach "several hundred." We believe, based upon the response to date, that these estimates are totally unrealistic and that the number will remain small. The department has not requested an appropriation for this program since it does not know whether, or to what degree, the program will be continued in fiscal year 1970-71, but will request a budget augmentation as soon as the future course of the program is determined.

If the department's estimates of several hundred students should prove correct, the cost would be significant. Table 1 projects the cost to the state for the designated number of students for a nine-month school year.

Table 1
 Projected State Costs For Domiciled Student Veterans

<i>Number of students</i>	<i>Cost per day</i>	<i>Cost per school year</i>
100	\$200	\$54,600
150	300	81,900
200	400	109,200
250	500	136,500
300	600	163,800
350	700	191,100
400	800	218,400

We cannot recommend the program as outlined by the department for two reasons: (1) It is a deviation from the present state policy, and (2) it is apparent that the program is not needed by eligible veterans. Under present policy, the state does not provide educational assistance for veterans unless and until federal benefits are exhausted. We believe this is a good policy because such benefits are primarily a federal responsibility. Under the department's proposed program, eligible veterans (who need not have a federally recognized disability) may receive federal benefits which are provided for living and educational expenses but are not required to use these benefits for the purpose intended because the state provides food and shelter at no charge. The federal Veterans Administration has objected to the state program