

## **INITIAL STATEMENT OF REASONS**

**STATE OF CALIFORNIA  
CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS  
1227 O STREET, ROOM 105  
SACRAMENTO, CA 95814**

**AMENDMENT OF SECTIONS 452 AND 453 OF  
TITLE 12, DIVISION 2, CHAPTER 3, SUBCHAPTER 4  
REGARDING COUNTY SUBVENTION**

**INITIAL STATEMENT OF REASONS**

**INTRODUCTION**

The California Department of Veterans Affairs (CalVet), Veteran Services Division (VSD) is tasked with connecting veterans and their families throughout the state with the benefits and services earned through their sacrifice and service to our country. To perform this critical mission, the VSD provides advocacy, education, and service assistance to veterans and their families as they attempt to access their state and federal benefits.

With nearly 2 million veterans currently living in California, and an additional 30,000 returning each year, CalVet's efforts to accomplish goals requires coordination and collaboration with the network of veteran service providers on the federal, state, and local level. Fostering strong relationships with this state-wide system of care enables the VSD to act as a conduit for veterans, their families, and the services they have earned.

**PROBLEM STATEMENT AND PURPOSE**

CalVet and County Veterans Service Offices (CVSO) have a long standing partnership that provides veterans the ability to access their benefits and services in the counties where they reside. The State provides \$5.6 million in a County Subvention program annually to support CVSOs efforts to provide veterans and their families with benefits and services. CalVet is charged with the responsibility to oversee the distribution of the funding based on an incentivized formula developed by CalVet.

Although some basic requirements for counties and CVSOs are established in California Code of Regulations (CCR) Sections 450-455, the regulations do not address all aspects of a CVSO that should be required in order to receive state funding and the language is unclear and outdated. In relation to the allocations stated in the Section 453, the CVSOs were allocated \$3 million in ongoing additional funding starting in the Budget Act of 2015. The regulations must be updated to address the problem of the longevity and inflexibility of a specific amount stated in regulations. Also, CalVet is not able to require CVSOs to maintain a baseline level of knowledge regarding the claims they certify for county subvention funding, nor is CalVet able to require the CVSOs provide annual reports of outreach metrics and CVSO activities. CalVet must be able to hold CVSOs accountable for proper oversight of the claims and workload for

which the state provides county subvention funding. The proposed regulations establish requirements for baseline levels of knowledge and annual reporting of metrics and workload, as well as delete unnecessary and outdated language.

## **NECESSITY OF EACH ADOPTION**

The specific purpose for each proposed amendment or adoption is as follows:

**Section 452 (b)** – It is necessary to add the name of the document wherein the specific required forms are listed so the CVSO knows how to fulfill this requirement. Without this form name, there could be confusion as to how to submit workload activity appropriately to CalVet. It is necessary to delete the second sentence in this subsection because CalVet added (f) at the end of Section 452 in order to ensure that all requirements be met or could result in the possible reduction in the annual allocation. Keeping this sentence in its current location would be duplicative of what is in the proposed subsection 452(f).

**Section 452(c)(1)** – The original text was deleted from 452(e) and 452(e)(1) and summarized in 452(c)(1) because there are several requirements for CVSOs to maintain eligibility for the county subvention program and listing them all in one section avoids confusion about where the requirements are located. The two subsections were combined for clarity and to reduce unnecessary language and then moved with the subsection regarding the requirement for counties to provide the current year budget. It is necessary to have this subsection in order to require counties to maintain a minimum level of funding in order for the CVSO to receive county subvention funding. Without this subsection, a county could establish a CVSO with \$100, which is not enough to fund a functioning office with proper services for veterans, and expect to receive subvention funding up to 50% of their budgeted expenditures.

**Section 452 (c)(2) (delete)** – It is necessary to delete this subsection because CalVet does not have a need to acquire the prior fiscal year’s actual expenditures of the CVSOs by November 1 of each year.

**Section 452 (c)(2) (adopt)** - It is necessary to replace this subsection with one that requires the CVSOs to submit a Claim for Subvention funds each January 31. Section 453 explains the distribution of the funding and that CalVet will not distribute funding until the Claim for Subvention is received; however, the regulations for Section 452 must include this form as a requirement of the CVSO to submit to CalVet for clarification and one section where all CVSO requirements are located.

**Section 452 (c)(3)** – It is necessary to add this subsection because the Certificate of Compliance must be signed by the county and submitted to CalVet in order for CalVet to certify that the county is in compliance with the policies for the county subvention program. Without this document, CalVet would have no annual certification or statement from the county board of supervisors regarding adherence to policies and procedures for this program.

**Section 452 (d)** – It is necessary to amend this subsection to avoid any confusion in that CVSOs must meet all requirements in this subsection to maintain eligibility, which may also affect

whether they will receive payment of the full annual allocation of funds. This text is necessary in order to avoid any questions in regards to what “eligibility” means (are there any consequences to not being deemed eligible?) and to state very clearly that the CVSOS may not receive their full allocation of funding if they do not meet all requirements in these regulations.

**Section 452 (d)(1)** – This text was moved from 452(d) to 452(d)(1) because there are several requirements for CVSOS to maintain eligibility for the county subvention program and listing them all in one section avoids confusion about where the requirements are located. All of the requirements were moved to subsections under 452(d) for clarity and organization of all requirements. It is necessary to keep this subsection to require CVSOS to adhere to statutory requirements in order to receive county subvention funding.

**Section 452 (d)(2)** – It is necessary to add this subsection in order for CalVet to ensure that the CVSOS overseeing the claims and workload for the county has a baseline of knowledge regarding claims representation. Without this subsection, the CVSOS signing the forms for claiming subvention funding may have no knowledge of the requirements for claims. CalVet wants to ensure that the person signing off on the forms to claim the subvention funding is properly trained in order to oversee that claims are submitted properly and can therefore be held accountable for accuracy and quality.

**Section 452 (d)(3)** – It is necessary to add this subsection in order for CalVet to ensure that the veteran service representatives filing claims for the county has a baseline of knowledge regarding claims representation. Without this subsection, CalVet is not able to ascertain the specific level of knowledge and ability of the county employees filing claims that result in county subvention funding allocations.

**Section 452 (d)(4)** – It is necessary to add this subsection to require all CVSOS to adhere to the policies in the *California Department of Veterans Affairs Procedure Manual for Subvention and Medi-Cal Cost Avoidance* dated July 1, 2015, Edition 2. This procedures manual has been in existence since the start of the county subvention program, but adherence to the CalVet policies to receive county subvention has not always been successful. Without this subsection, CVSOS could argue that they do not need to follow the policies in the current year’s manual in order to receive their annual allocation of state funding. This procedures manual is critical in that it explains the certificates and forms required of each CVSOS that are critical to the integrity of the program, as well as describes the incentivized workload formula used each fiscal year to distribute the pro-rata funding.

**Section 452 (d)(5)** – It is necessary to add this subsection to require CVSOS to submit metrics on activities and outreach to CalVet. CalVet is required to submit a report to Legislature each year per M&VC Section 974, including the “number of veterans and their family members who have contacted or utilized the services of the county veterans service offices during the fiscal year.” The California State Auditor also conducted a follow up audit to Report 2009-108 in July 2015 (Report 2015-505), requiring CalVet to write regulations requiring CVSOS to report outreach metrics annually. Without this subsection, CVSOS are not technically required to submit this information to CalVet.

**Section 452 (e)** – This section was moved to section 452(c)(1) to better organize the requirements CVSOs must fulfill in order to be eligible to participate in the county subvention program as well as to receive payment of the full annual allocation of funds. It was necessary to move it to section 452(c)(1) for clarity; so that the requirements were not located in various subsections.

**Section 452 (f)** – This subsection was renumbered from (f) to (e). It is necessary to change the numbering of this section because previous subsections were added, and sections after it were deleted. This keeps M&VC Section 452 numbered correctly and chronologically.

**Section 453 (b)(1)(A)** – It is necessary to delete “of \$5,000” in this subsection because the allocation for administration has changed. The Budget Act of 2015 includes \$3 million more ongoing than prior years; thus the allocation for administration has been increased. The specific amount of the administration component was removed in order to avoid having to change the regulations each year there is a change in distribution of the funding. The allocations will be reported and communicated annually in the *California Department of Veterans Affairs Procedure Manual for Subvention and Medi-Cal Cost Avoidance*.

**Section 453 (b)(1)(B)** - It is necessary to delete unnecessary language stating the effective date of the subsection from 1995. It is also necessary to change “CVSO component” to “training component” to clarify that the allocation is specifically for sanctioned trainings. Without this, the language would be unclear as to what a “CVSO component” is. It is also necessary to delete “administrative” before training sessions, because that word could be potentially misconstrued as meetings other than specifically for training. \$2,500 was removed because with the additional ongoing \$3 million in funding starting this fiscal year, the allocation for training has been increased to up to \$12,000 per county. The specific amount of the training component was removed in order to avoid having to change the regulations each year there is a change in distribution of the funding. The allocations will be reported and communicated annually in the *California Department of Veterans Affairs Procedure Manual for Subvention and Medi-Cal Cost Avoidance* dated July 1, 2015, Edition 2.

**Section 453 (b)(1)(D)** – It is necessary to remove the effective date of January 1, 1995 because it is unnecessary language.

**Section 453 (b)(2)** – It is necessary to delete this subsection because it is repetitive of most of what is stated in what is now numbered 453(3). This deletion removes unnecessary language and increases clarity in not repeating what is in another section, in slightly different words.

**Section 453 (b)(3)** – It is necessary to renumber this subsection from 453(b)(3) to 453(b)(2) because the previous subsection, 453(b)(2), was deleted.

**Section 453 (b)(4)** – It is necessary to renumber this subsection from 453(b)(3) to 453(b)(4) because the previous subsection 453(b)(2) was deleted. It is also necessary to add one sentence regarding payments not exceeding 50 percent of the county’s expenditure or 50 percent of the annual allocation, whichever is less, because 453(b)(2) stated much of the same language as this subsection except for that sentence. 453(b)(2) was deleted, and the one sentence was added here.

That sentence is necessary in order to limit the amount of county subvention funds allocated to counties based on the county's annual operational budget. The limitation is required to ensure that the county provides sufficient funding for the CVSOS and does not solely rely on the state to provide operational funding.

**TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS**

CalVet used the Military and Veterans Code, 12 CCR Subchapter 4, County Subvention, and the *California Department of Veterans Affairs Procedure Manual for Subvention and Medi-Cal Cost Avoidance* dated July 1, 2015, Edition 2.

**REASONABLE ALTERNATIVES TO THE REGULATION AND THE AGENCY'S REASONS FOR REJECTING THOSE ALTERNATIVES**

CalVet has determined that no reasonable alternative has been identified or brought to its attention.

**REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS.**

CalVet has not identified any alternatives that would lessen any adverse impact on small business.

**EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS.**

The requirements placed on CVSOSs to comply with the regulations regarding county subvention funding does not affect businesses in California.

## **ECONOMIC IMPACT ASSESSMENT**

*(Government Code Section 11346.3(b))*

The proposed regulation is relative to requirements for CVSOs to receive county subvention funding. In accordance with Government Code Section 11346.3(b), CalVet has made the following assessments regarding the proposed regulation:

### **CREATION OR ELIMINATION OF JOBS WITHIN THE STATE OF CALIFORNIA**

The proposed regulation is designed to provide requirements for CVSOs to receive county subvention funding. No jobs within the State of California will be eliminated by this proposed regulation because this regulation serves only to provide for proper oversight of the distribution of state funding to counties. The workload of CalVet may be impacted to some degree as a result of complying with this regulation, but the extent of the impact as a result of the regulatory action is absorbable by existing CalVet staff at the current rate.

### **CREATION OF NEW OR ELIMINATION OF EXISTING BUSINESSES WITHIN THE STATE OF CALIFORNIA**

The proposed regulation is designed to provide requirements for CVSOs to receive county subvention funding and not intended to impact any existing private businesses. It is estimated that no businesses within the State of California will be created or eliminated as a result of this proposed regulation because it serves only to provide for the proper oversight of the distribution of the county subvention program.

### **EXPANSION OF BUSINESSES WITHIN THE STATE OF CALIFORNIA**

The proposed regulation is designed to provide requirements for CVSOs to receive county subvention funding and not intended to impact any private businesses. It is estimated that no businesses within the State of California will be expanded as a result of this proposed regulation because it serves only to provide for the proper oversight of the distribution of the county subvention program.

### **BENEFITS OF THE REGULATION TO THE HEALTH AND WELFARE OF CALIFORNIA RESIDENTS, WORKERS SAFETY, AND THE STATE'S ENVIRONMENT**

By providing the proper regulations to require CVSOs to adhere to CalVet policies and procedures for receiving county subvention funding, the State of California and its residents will benefit from CVSOs in their communities providing high-quality services to veterans and their families.