

The background of the cover is a photograph of the interior of the Texas State Capitol dome. The image shows a grand, circular rotunda with multiple levels of galleries. The architecture is classical, featuring white columns, ornate balustrades, and arched doorways. Several framed portraits of men are mounted on the walls. The lighting is bright and even, highlighting the intricate details of the dome's interior.

# SUNSET ADVISORY COMMISSION

STAFF REPORT WITH FINAL RESULTS

*Texas Military Department*

2018–2019  
86TH LEGISLATURE

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# **TEXAS MILITARY DEPARTMENT**

**SUNSET STAFF REPORT WITH FINAL RESULTS**

**2018-2019**

**86TH LEGISLATURE**

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## ***HOW TO READ SUNSET REPORTS***

Each Sunset report is issued *three times*, at each of the three key phases of the Sunset process, to compile all recommendations and actions into one, up-to-date document. Only the most recent version is posted to the website. (**The version in bold is the version you are reading.**)

### 1. SUNSET STAFF EVALUATION PHASE

Sunset staff performs extensive research and analysis to evaluate the need for, performance of, and improvements to the agency under review.

**FIRST VERSION:** The *Sunset Staff Report* identifies problem areas and makes specific recommendations for positive change, either to the laws governing an agency or in the form of management directives to agency leadership.

### 2. SUNSET COMMISSION DELIBERATION PHASE

The Sunset Commission conducts a public hearing to take testimony on the staff report and the agency overall. Later, the commission meets again to vote on which changes to recommend to the full Legislature.

**SECOND VERSION:** The *Sunset Staff Report with Commission Decisions*, issued after the decision meeting, documents the Sunset Commission's decisions on the original staff recommendations and any new issues raised during the hearing, forming the basis of the Sunset bills.

### 3. LEGISLATIVE ACTION PHASE

The full Legislature considers bills containing the Sunset Commission's recommendations on each agency and makes final determinations.

**THIRD VERSION:** **The *Sunset Staff Report with Final Results*, published after the end of the legislative session, documents the ultimate outcome of the Sunset process for each agency, including the actions taken by the Legislature on each Sunset recommendation and any new provisions added to the Sunset bill.**

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# FINAL RESULTS





# FINAL RESULTS

## *House Bill 1326*

### Summary

As the state agency that oversees the training and readiness of the state's military forces, the Texas Military Department (TMD) plays a vital role in responding to international military deployments and to both state and national disasters. The Sunset Commission focused on the internal management and operations of the department as the state agency that supports its outward-facing public service mission. As a result, House Bill 1326 continues TMD for 12 years and clarifies statute to better integrate state administration into TMD's leadership structure and ensure broader oversight across all of the department's diverse state support operations, programs, and functions. Other Sunset Commission management actions provide a course correction for several department programs using significant state funding, including the Texas State Guard, the Texas Challenge Academy for at-risk youth, and the state-funded tuition assistance program for guard members.

The following material summarizes results of the Sunset review of TMD, including management actions directed to the agency that do not require legislative action.

### ISSUE 1 — *Continue and Governance*

**Recommendation 1.1, Modified** — Continue the Texas Military Department for 12 years and ensure the adjutant general will continue operations of Texas military forces even if the department is abolished, by removing language expiring a subchapter of Government Code Chapter 437.

**Recommendation 1.2, Adopted** — Clarify the adjutant general's responsibility over all aspects of the department and strengthen internal oversight of state administration.

**Recommendation 1.3, Adopted** — Direct the adjutant general to improve supervision and support of the department's state employees. (Management action – nonstatutory)

**Recommendation 1.4, Adopted** — Direct the department to review and update its administrative rules. (Management action – nonstatutory)

### ISSUE 2 — *Purchasing*

**Recommendation 2.1, Adopted** — Direct the department to improve planning and implementation of purchasing policy changes, including scheduling policy updates based on risk and ensuring all staff involved in purchasing have information needed to carry out their duties. (Management action – nonstatutory)

**Recommendation 2.2, Adopted** — Direct the department to track and report performance of all phases of the purchasing process. (Management action – nonstatutory)

**Recommendation 2.3, Adopted** — Direct the department to develop a process for programs to share information about timelines and needs to prioritize purchasing workload across the department. (Management action – nonstatutory)

### ISSUE 3 — *Texas State Guard*

**Recommendation 3.1, Adopted** — Direct TMD to evaluate State Guard missions and establish strategies to support the program and protect the state’s interest. (Management action – nonstatutory)

**Recommendation 3.2, Adopted** — Direct the department to provide State Guard members with access to the department’s ombudsman for voicing general program concerns. (Management action – nonstatutory)

### ISSUE 4 — *Challenge Academy*

**Recommendation 4.1, Adopted** — Direct the department to identify specific options for relocating the Sheffield campus no later than January 1, 2019, with a goal to preserve federal funding and other Challenge program benefits for Texas’ at-risk youth. (Management action – nonstatutory)

**Recommendation 4.2, Adopted** — Direct the department to close the Texas Challenge program’s Sheffield campus in March 2020, regardless of whether relocation is feasible. (Management action – nonstatutory)

### ISSUE 5 — *State Tuition Assistance*

**Recommendation 5.1, Adopted** — Direct the department to establish updated goals to target the use of limited state tuition benefits and collect information needed to measure performance. (Management action – nonstatutory)

**Recommendation 5.2, Adopted** — Direct the department to update informational materials and training to ensure recruiters and potential applicants receive accurate information about state tuition benefits. (Management action – nonstatutory)

### Provisions Added by the Legislature

No provisions were added by the Legislature.

### Fiscal Implication Summary

Overall, the Sunset Commission’s recommendations on TMD, including those enacted in House Bill 1326, will not have a fiscal impact to the state and can be achieved with existing agency resources.

———— **SUNSET COMMISSION DECISIONS**  
**SEPTEMBER 2018**



# SUNSET COMMISSION DECISIONS

## Summary

The following material summarizes the Sunset Commission's decisions on the staff recommendations for the Texas Military Department (TMD).

As the state agency that oversees the training and readiness of the state's military forces, the Texas Military Department plays a vital role in responding to international military deployments and to both state and national disasters. The Sunset review focused on the internal management and operations of the department as the state agency that supports its outward-facing public service mission. The commission found the department struggles somewhat to safeguard state administrative interests and policy concerns, given its perpetual need to shift attention to military and emergency matters. TMD's complex relationship between myriad state and federal players means it must have solid institutional structures in place to ensure consistent attention to state requirements.

The commission recommends clarifying statute to better integrate state administration into TMD's leadership structure, to ensure broader oversight across all of the department's diverse state programs and functions. The commission also recommends the department better support effective and efficient purchasing across its decentralized programs by adopting improved tools for collecting data and sharing information. Other recommendations provide a course correction for several department programs using significant state funding and needing new strategic direction to succeed and mitigate potential risks to the state, including the Texas State Guard, the Texas Challenge Academy for at-risk youth, and the state-funded tuition assistance program for guard members. The commission also recommends continuing the department for 12 years.

## ISSUE 1

*Texas Continues to Need the Military Department, but With a Better Focus on State Affairs Among Its Many Federal Priorities.*

**Recommendation 1.1, Adopted** — Continue the Texas Military Department for 12 years.

**Recommendation 1.2, Adopted** — Clarify the adjutant general's responsibility over all aspects of the department and strengthen internal oversight of state administration.

**Recommendation 1.3, Adopted** — Direct the adjutant general to improve supervision and support of the department's state employees. (Management action – nonstatutory)

**Recommendation 1.4, Adopted** — Direct the department to review and update its administrative rules. (Management action – nonstatutory)

## ISSUE 2

### *The Department Lacks Key Management Tools Needed to Resolve Persistent Purchasing Problems.*

**Recommendation 2.1, Adopted** — Direct the department to improve planning and implementation of purchasing policy changes, including scheduling policy updates based on risk and ensuring all staff involved in purchasing have information needed to carry out their duties. (Management action – nonstatutory)

**Recommendation 2.2, Adopted** — Direct the department to track and report performance of all phases of the purchasing process. (Management action – nonstatutory)

**Recommendation 2.3, Adopted** — Direct the department to develop a process for programs to share information about timelines and needs to prioritize purchasing workload across the department. (Management action – nonstatutory)

## ISSUE 3

### *The State Guard Needs Better Support and Strategic Direction From the Department.*

**Recommendation 3.1, Adopted** — Direct TMD to evaluate State Guard missions and establish strategies to support the program and protect the state’s interest. (Management action – nonstatutory)

**Recommendation 3.2, Adopted** — Direct the department to provide State Guard members with access to the department’s ombudsman for voicing general program concerns. (Management action – nonstatutory)

## ISSUE 4

### *The Challenge Academy’s Sheffield Campus Is an Unsustainable Location That Does Not Best Serve At-Risk Youth or the State.*

**Recommendation 4.1, Adopted** — Direct the department to identify specific options for relocating the Sheffield campus no later than January 1, 2019, with a goal to preserve federal funding and other Challenge program benefits for Texas’ at-risk youth. (Management action – nonstatutory)

**Recommendation 4.2, Adopted** — Direct the department to close the Texas Challenge program’s Sheffield campus in March 2020, regardless of whether relocation is feasible. (Management action – nonstatutory)

## ISSUE 5

### *The Department Does Not Effectively Target State Tuition Assistance to Maximize Impact of Limited Funds.*

**Recommendation 5.1, Adopted** — Direct the department to establish updated goals to target the use of limited state tuition benefits and collect information needed to measure performance. (Management action – nonstatutory)

**Recommendation 5.2, Adopted** — Direct the department to update informational materials and training to ensure recruiters and potential applicants receive accurate information about state tuition benefits. (Management action – nonstatutory)

### **Fiscal Implication Summary**

Overall, the Sunset Commission's recommendations would not have a fiscal impact to the state and can be achieved with existing agency resources. Relocation of the Sheffield Challenge Academy campus to a new location as recommended in Issue 4 will likely have substantial costs involved, including the purchase or lease of new property and potential renovations. However, the ultimate fiscal impact will depend on the specific facility identified and coordination with federal agencies, and so cannot be estimated at this time. Closing the Sheffield campus without relocation would result in an annual savings of about \$950,000 in state funds and an annual loss of about \$2.25 million in federal funds received by the program.





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**SUMMARY OF SUNSET  
STAFF RECOMMENDATIONS**



# SUMMARY

As the state agency that oversees the training and readiness of the state's military forces, the Texas Military Department (TMD) plays a vital role in responding to international military deployments and to both state and national emergencies. For example, in the final days of this review, Texas National Guard forces were the first deployed to the United States–Mexico border in response to a presidential order. This report, however, does not concern TMD's capabilities as a military, emergency response, or civil support force. Instead, in keeping with the purpose of the Sunset process, Sunset staff focused efforts on the internal management and operations of the department that support its outward-facing public service mission. As Sunset staff tells each agency at the beginning of a review, Sunset reports are designed to highlight the areas of an agency that do not excel and that need attention. Therefore, this report does not dwell on the numerous ways in which the department and the men and women who serve in the state's military forces have contributed a critical role to the safety and well-being of Texas, the nation, and even the world at large. Texans have recently witnessed the effectiveness of the Texas Army and Air National Guards, and many were introduced to the professionalism of the Texas State Guard, during the September 2017 response to Hurricane Harvey. Though this report does not discuss the acts of valor performed by members of the National and State Guards, they are many and each deserving of public praise.

The Sunset process is at its best when it shines light on rarely-examined and oft-forgotten areas of an agency's internal operations. During the review of TMD, Sunset staff found the department struggles somewhat to safeguard state administrative interests and policy concerns, given its perpetual need to shift attention to military and emergency matters. TMD's complex relationship between myriad state and federal players means it must have solid institutional structures in place to ensure consistent attention to state requirements. While TMD has a state officer set up in statute as the "executive director" over state administration, that position appears set apart from the rest of the department, obscuring the adjutant general's ultimate responsibility over state administrative matters and preventing the executive director from effectively overseeing all state-funded programs. Sunset staff recommends clarifying statute regarding responsibility for state affairs to allow TMD to continue integrating state administration into a more unified agency structure and to ensure broader oversight across all of the department's state programs and functions. Relatedly, the review identified significant discord among staff involved in state purchasing across the department's many decentralized programs, and recommends better tools for collecting data and sharing information so that purchases will happen more effectively and efficiently. Other recommendations aim to provide a

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*The Texas Military Department struggles to safeguard state administration, given its perpetual attention shift to military and emergency matters.*

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course correction for several department programs using significant state funding that need new strategic direction to better succeed and mitigate potential risks to the state, including the Texas State Guard, the Texas Challenge Academy for at-risk youth, and the state-funded tuition assistance program for guard members. Sunset staff also recommends continuing the department for 12 years. The following material summarizes the Sunset staff recommendations on the Texas Military Department.

## Issues and Recommendations

### *Issue 1*

#### **Texas Continues to Need the Military Department, but With a Better Focus on State Affairs Among its Many Federal Priorities.**

Texas continues to benefit from TMD's objective to train, maintain, and deploy Texas' 23,200 National and State Guard members. Federal law requires each state to maintain National Guard forces led by an adjutant general. The department effectively leverages its state appropriations to bring in substantial federal funds to support its operations, and National and State Guard members perform valuable military and domestic response missions across Texas and the globe. However, the department does not provide sufficient attention and oversight to its state administration functions and state employees. The department would benefit from stronger institutional structures to ensure state requirements are not lost beneath more pressing and variable federal and military concerns.

#### **Key Recommendations**

- Continue the Texas Military Department for 12 years.
- Clarify the adjutant general's responsibility over all aspects of the department and strengthen internal oversight of state administration.
- Direct the adjutant general to improve supervision and support of the department's state employees.

### *Issue 2*

#### **The Department Lacks Key Management Tools Needed to Resolve Persistent Purchasing Problems.**

To support its numerous state and federal military missions, TMD purchases a variety of goods and services through a decentralized organizational approach that requires a high degree of coordination between its central administration and program staff. In fiscal year 2017, the department spent about 46 percent of its \$101.1 million operating budget on purchasing. In response to recent state legislation and audit findings, TMD has tried to reform the purchasing process and clarify staff responsibilities. However, these reforms have been hampered by discord and distrust between central administration and programs. To move forward productively, TMD needs to develop standard tools to monitor the overall purchasing pipeline, better train and establish lines of communication between dispersed staff, and improve performance analysis to objectively pinpoint the causes of delays. Incorporating best practices will help the department fulfill its charge to support its state and military missions while following state purchasing rules and mitigating risks.

### **Key Recommendations**

- Direct the department to improve planning and implementation of purchasing policy changes, including scheduling policy updates based on risk and ensuring all staff involved in purchasing have information needed to carry out their duties.
- Direct the department to track and report performance of all phases of the purchasing process.
- Direct the department to develop a process for programs to share information about timelines and needs to prioritize purchasing workload across the department.

## ***Issue 3***

### **The State Guard Needs Better Support and Strategic Direction From the Department.**

The Texas State Guard performs missions within state lines under the direction of the governor as the state defense force, or state militia. Unlike National Guard members, Texas' 1,900 State Guard members volunteer without a service commitment or expectation of much in the way of pay or benefits. Despite clear support for the mission of the State Guard, the department's overall lack of attention to basic State Guard member needs has led to poor morale and declining membership. The absence of strategic direction and active management by TMD has left the State Guard unable to consistently prepare for and provide mission capabilities, placed undue burdens on individual members, and created risks for the state. In light of recent federal policy changes and the governor's call to increase the State Guard membership, the department has a unique opportunity to strategically reassess the State Guard's function and relationship with the National Guard, as well as TMD's support of State Guard missions going forward.

### **Key Recommendations**

- Direct TMD to evaluate State Guard missions and establish strategies to support the program and protect the state's interest.
- Direct the department to provide State Guard members with access to the department's ombudsman for voicing general program concerns.

## ***Issue 4***

### **The Challenge Academy's Sheffield Campus Is an Unsustainable Location That Does Not Best Serve At-Risk Youth or the State.**

TMD operates two campuses of the National Guard's Challenge Academy, a residential dropout prevention program for at-risk youth, financed with \$5.1 million federal funds and \$1.7 state funds per year. Students between 16 and 18 years old take academic classes, learn life skills, and participate in community service events and daily physical activity in quasi-military settings. Despite the positive educational and behavioral outcomes for the students who complete the program, the Challenge Academy campus in Sheffield is extremely isolated and difficult to manage and support in far West Texas. The campus experiences perpetual and critical staffing shortages and has not met its graduation rate target for three consecutive years. Difficulties recruiting and retaining staff and students have undermined the success of the campus and increased potential liabilities to the state by making the campus expensive and inefficient to operate safely. Closing and relocating the Sheffield campus to another location would

minimize these risks to the state, foster higher graduation rates, and improve the recruitment and retention of students and staff.

### **Key Recommendations**

- Direct the department to identify specific options for relocating the Sheffield campus no later than January 1, 2019, with a goal to preserve federal funding and other Challenge program benefits for Texas' at-risk youth.
- Direct the department to close the Texas Challenge program's Sheffield campus in March 2020, regardless of whether relocation is feasible.

## ***Issue 5***

### **The Military Department Does Not Effectively Target State Tuition Assistance to Maximize Impact of Limited Funds.**

The Legislature appropriates \$1.5 million in state funds per year to TMD to provide tuition assistance to members of the Texas Military Forces pursuing higher education degrees at Texas universities. The department uses the program as a recruitment and retention benefit, filling the gaps in tuition assistance for guard members who are not eligible for state or federal veterans' tuition assistance. However, the department does not strategically target the tuition awards it provides and does not effectively measure the impact of the program or how the program contributes to the overall mission of the department. TMD does not promote the program effectively to all members of the National Guard and State Guard, resulting in very low percentages of members applying or receiving tuition awards each semester. With tuition costs rising at Texas universities over time, award recipients get less and less money per award. Given the program's decreasing impact and the limited awareness of the program within the National and State Guards, the department should proactively make better use of the state funding it receives for providing tuition assistance.

### **Key Recommendations**

- Direct the department to establish updated goals to target the use of limited state tuition benefits and collect information needed to measure performance.
- Direct the department to update informational materials and training to ensure recruiters and potential applicants receive accurate information about state tuition benefits.

## **Fiscal Implication Summary**

Overall, the recommendations in this report would not have a fiscal impact to the state and can be achieved with existing agency resources. Relocation of the Sheffield Challenge Academy campus to a new location as recommended in Issue 4 will likely have substantial costs involved, including the purchase or lease of new property and potential renovations. However, the ultimate fiscal impact cannot be estimated at this time. Costs to the state will depend on the specific facility identified by department leadership and timely, effective coordination with federal agencies to maximize potential use of federal funds to support campus relocation. Closing the Sheffield campus without relocation would result in an annual savings of about \$950,000 in state funds and an annual loss of about \$2.25 million in federal funds received by the program.

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**AGENCY AT A GLANCE**  
**APRIL 2018**





# AGENCY AT A GLANCE

The Texas Military Department (TMD) comprises both the Texas Military Forces — the Texas Army National Guard, the Texas Air National Guard, and the Texas State Guard — and the state agency that provides civilian administrative support to those forces. Organized citizen militias date back to the earliest stages of the state's, and nation's, founding. In 1903, federal legislation formalized all state militia forces into the National Guard and provided funding to maintain these forces at federal standards, standing ready to assist federal missions at the call of the president when needed. The Legislature formally established the Adjutant General's Department in 1905 to lead the Texas Military Forces and reorganized and renamed it the Texas Military Department in 2013.

Today, in cooperation with the National Guard Bureau, an arm of the Department of Defense, and other entities, TMD provides military forces ready to support local, state, and federal missions domestically and overseas when needed. To fulfill this role, TMD performs the following key functions:

- Trains, equips, and maintains readiness of Air National Guard, Army National Guard, and State Guard units to provide military and military-support operations
- Supports state and local entities with trained personnel and equipment for use in responding to natural and man-made disasters
- Supports ongoing state and local programs, including border security, counterdrug, and public health missions
- Acquires and maintains Army National Guard facilities throughout the state, such as armories and training sites<sup>1</sup>

## Key Facts

- **Adjutant General.** The governor is the commander-in-chief of the state's military forces. With the advice and consent of the Senate, the governor appoints the adjutant general to a two-year term to serve as both commanding general over the Texas Military Forces and policymaking and administrative head of TMD. With the adjutant general's recommendation, the governor also appoints two deputy adjutants general for the Air and Army National Guards and a commander for the Texas State Guard.<sup>2</sup> TMD has no rulemaking or policy body, with all state administrative rules adopted by either the adjutant general or the governor. One statutory committee advises the adjutant general on the department's use and disposition of real property throughout the state.<sup>3</sup>
- **Texas Military Forces.** TMD recruits, trains, and equips National Guard and State Guard service members organized into various units disbursed throughout the state. National Guard members live and work across Texas and in neighboring states, as shown in Appendix A. At the end of fiscal year 2017, the Texas Military Forces consisted of approximately 23,200 members. The textbox on the following page, *Service Requirements*, provides enlistment details.

Texas Army National Guard. The Army National Guard is the largest component, with about 18,160 members at the end of fiscal year 2017. Army National Guard units fulfill various military tasks including infantry, combat aviation, command and control, special operations, engineering, intelligence, medical care, and transportation.

### **Service Requirements**

#### **Army and Air National Guard**

- 8-year contractual service commitment
- Basic training plus one weekend a month and two additional weeks per year
- Can be called for state or federal missions

#### **State Guard**

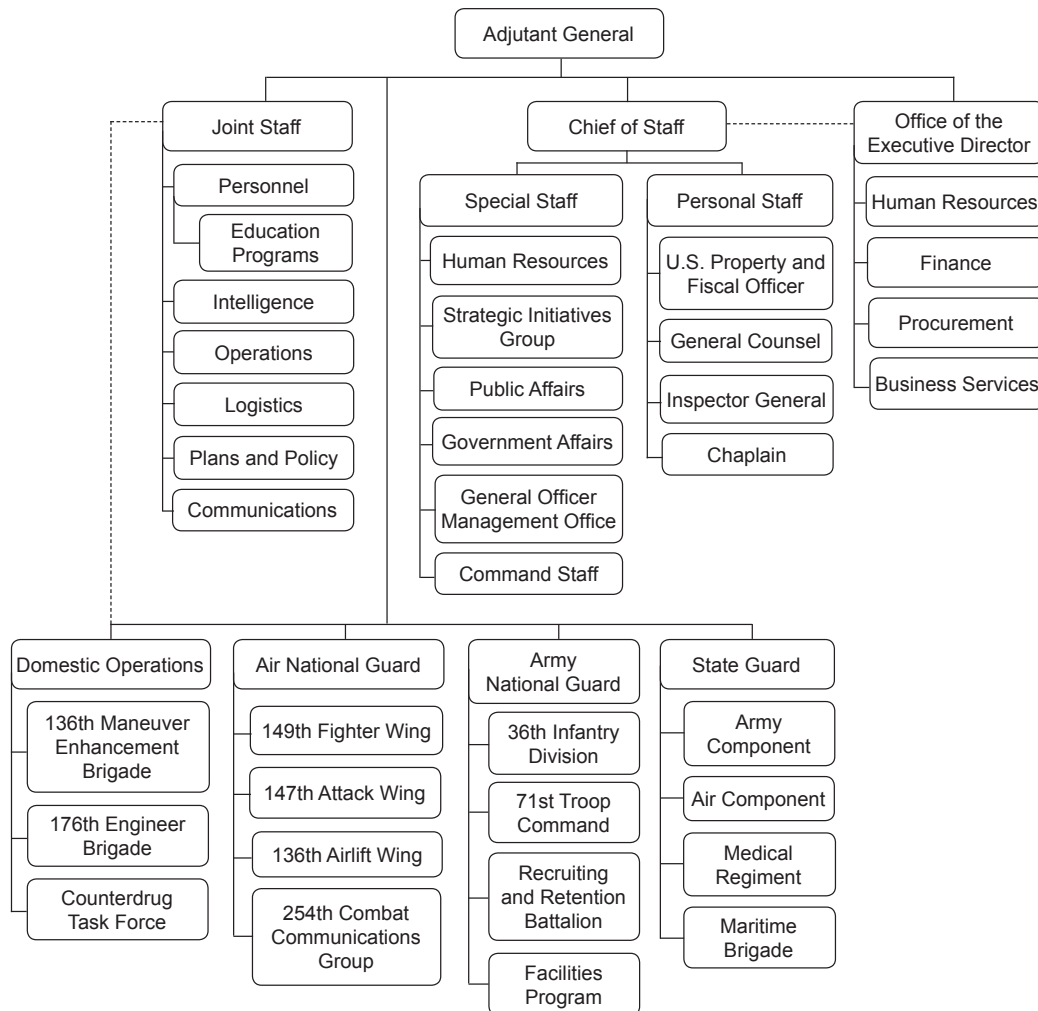
- No service commitment
- Basic training plus one day a month and four additional days per year
- Can only be called for state missions

Texas Air National Guard. The Air National Guard consists of three wings: a fighter wing, an airlift wing to provide air transportation, and an attack wing composed of unmanned aerial vehicles. In addition, the Air National Guard has a combat communications group and other units to support various air operations. At the end of fiscal year 2017, the Texas Air National Guard had approximately 3,170 airmen.

Texas State Guard. The State Guard is a state military force of about 1,890 volunteer members that act solely under the governor's authority and cannot be deployed outside of Texas. The State Guard is organized into military units to better integrate and support the National Guard's in-state operations. The State Guard has ground, air, medical, and maritime components to respond to disasters throughout the state and provide support to local and state entities.

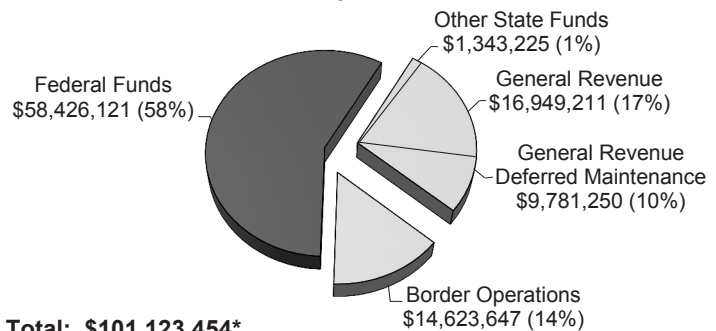
- **Organization.** As depicted in the *Texas Military Department Organizational Chart* on the following page, the department's organizational structure consists of both military and traditional agency divisions. As military commander, the adjutant general oversees Army, Air, and State Guard components focused on maintaining ready forces. In addition, the adjutant general has a joint staff that coordinates operations using forces from the three components and advises on common functions such as readiness, planning, and logistics. TMD must maintain duplicate federal and state offices for many administrative functions such as human resources, finance, and payroll. TMD divides these traditional agency functions between federal administrative offices under the adjutant general's chief of staff and a state executive director specifically named in state law.<sup>4</sup>
- **Staff.** Approximately 4,850 employees support TMD's day-to-day military and administrative tasks, a complicated mix of federal and state employees with different funding sources and chains of command. About 20 percent of the staff are located at Camp Mabry, the department's headquarters in Austin, with the rest spread across the state in various armories and programs. The Department of Defense directly provides 4,300 of these staff as regular federal employees. TMD employs the remaining 550 staff classified as state employees. Of these state employees, the state fully funds about 70, with the Department of Defense fully or partially reimbursing the remainder. A comparison of the department's state employee composition to the percentage of minorities in the statewide civilian workforce for the past three fiscal years is included in Appendix B.
- **Funding.** In fiscal year 2017, TMD's funding totaled approximately \$101.1 million, including more than \$28.1 million in direct state appropriations and \$14.6 million from border security contracts with the Department of Public Safety. In addition, cooperative agreements between TMD and the National Guard Bureau govern federal reimbursements to the state for military-related programs. In fiscal year 2017, the

### Texas Military Department Organizational Chart



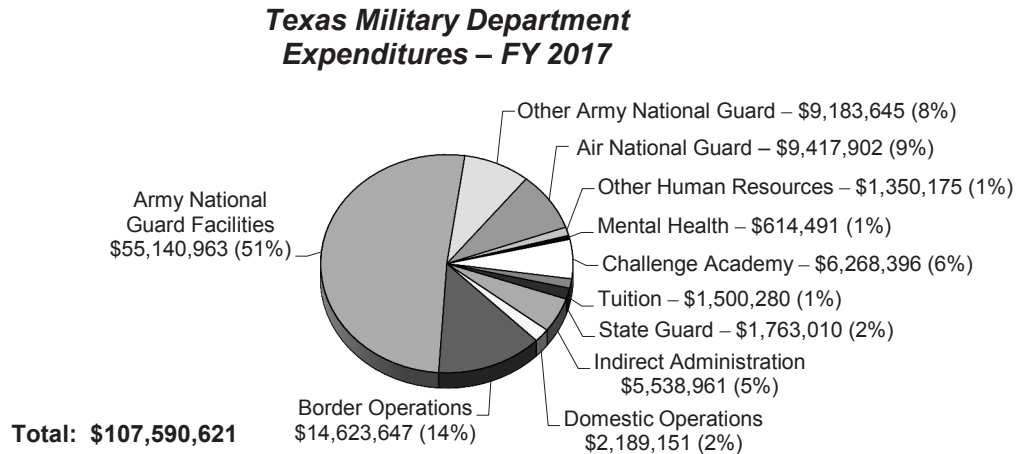
department received about \$58.4 million in federal funds, including more than \$40 million in facility maintenance and renovation funding. The pie chart, *Texas Military Department Method of Finance*, shows a breakdown of these funding sources. These figures do not include Hurricane Harvey response funds the department began receiving at the end of the fiscal year. Texas and the department additionally benefitted from more than \$490 million in federal funds spent directly by the Department of Defense on National Guard activities in the state in fiscal year 2017.

### Texas Military Department Method of Finance FY 2017



\* These totals include unexpended balances carried over from previous fiscal years.

The pie chart, *Texas Military Department Expenditures*, depicts TMD's expenditures for fiscal year 2017 by program.<sup>5</sup> In fiscal year 2017, TMD spent about half of its \$107 million in expenditures on construction and maintenance projects at its various facilities. Appendix C shows TMD's use of state-certified historically underutilized businesses to obtain goods and services from fiscal years 2015 to 2017.



## Major Activities

- Ready forces for federal military deployments.** The Texas National Guard provides numerous military mission capabilities for the U.S. Army and Air Force to defend the nation. Thousands of Texas National Guard soldiers and airmen have deployed overseas in Europe, Asia, the Middle East, and the Americas. These deployments have ranged from partnership development and training to service in ground combat operations in the greater Middle East. For example, the Texas Army National Guard recently provided the headquarters for U.S. operations within southern Afghanistan.
- Domestic emergency response and support.** The Texas Military Forces also perform unique tasks to augment civilian first responders during natural and man-made disasters. One of TMD's Army National Guard brigades serves as an on-call domestic response force that can mobilize rapid-response units for certain disaster relief tasks and command additional forces from the National and State Guards. The Texas National Guard also has one of the nation's ten Homeland Response Forces that can activate within 12 hours and has special response abilities for weapons of mass destruction.<sup>6</sup> Since 2010, the Texas Military Forces have responded to 88 state disasters and other domestic missions, such as wildfires, floods, and hurricanes. In August 2017, the governor mobilized the entire Texas National Guard and State Guard to respond to Hurricane Harvey, the largest call-up in Texas' history.
- Ongoing state operations support.** Texas' military forces have multiple ongoing missions within the state to support local and state entities with a variety of programs. For example, National and State Guard personnel currently man observation posts, maintain cameras, and analyze border activity in support of the Department of Public Safety's border security mission. In addition, the department maintains a federally funded task force to support law enforcement's efforts to curb drug trafficking throughout the state. Finally, State Guard medical professionals participate in annual public health programs along the border and help disperse rabies vaccinations to wildlife in rural areas in support of the Texas Department of State Health Services.

- **Facilities management.** In 2007, TMD absorbed the responsibilities of the Texas Military Facilities Commission.<sup>7</sup> TMD now manages nearly six million square feet of Army National Guard facilities across the state at 124 armories, maintenance facilities, readiness centers, aviation support facilities, and joint training sites, depicted in Appendix D. These locations include 1,850 state-owned and 1,303 federally owned buildings and other structures. The level of federal funding for a facility's maintenance, renovation, or construction varies from 50 to 100 percent based on the specific mission supported at the facility. TMD is in the midst of a multiyear special deferred maintenance program called the State of Texas Armory Revitalization for extensive renovations at 28 locations. These projects have a total estimated cost of \$126 million through fiscal year 2021. Among its various facilities, TMD maintains the Texas Military Forces Museum and several lodging options for veterans and guard members at Camp Mabry.
- **Guard member assistance.** Only National Guard personnel who meet federal service requirements as a result of overseas active duty missions qualify for the full range of veteran benefits the active duty military enjoys. The National Guard Bureau and the state attempt to meet a portion of the unmet needs by providing targeted services to guard members and their families, including state-funded tuition assistance, legal and financial services, and counseling for mental health, marital, financial, and other issues. The state made 354 tuition assistance awards totaling \$700,000 for the spring 2017 semester. In addition, 3,208 guard members received behavioral health counseling services in fiscal year 2017. Overall, State Guard members' access to these programs is extremely limited.
- **Education programs.** TMD operates two education programs benefitting the state's youth. The Challenge Academy is a 22-week residential education program operated at two campuses in Sheffield and Eagle Lake and funded 75 percent by the National Guard Bureau. The program helps high school students at risk of dropping out learn life skills, earn or recover high school credits, and attain high school equivalency or a high school diploma. Issue 4 describes the Challenge program in more detail. TMD also runs a 100 percent federally funded educational program to promote interest in science and technology among Texas elementary school students.

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<sup>1</sup> The United States Air Force maintains and manages Air National Guard facilities.

<sup>2</sup> All citations to Texas statutes are as they appear on <http://www.statutes.legis.texas.gov/>. Sections 437.002, 437.003 and 437.052, Texas Government Code.

<sup>3</sup> Section 437.151, Texas Government Code.

<sup>4</sup> Section 437.101, Texas Government Code.

<sup>5</sup> Expenditure totals may differ from appropriated amounts depending on TMD's receipt of reimbursement funds from the National Guard Bureau.

<sup>6</sup> "Homeland Response Force (HRF)," National Guard, accessed March 22, 2018, [http://www.nationalguard.mil/Portals/31/Resources/Fact%20Sheets/Homeland%20Response%20Force%20Fact%20Sheet%20\(Dec.%202017\).pdf](http://www.nationalguard.mil/Portals/31/Resources/Fact%20Sheets/Homeland%20Response%20Force%20Fact%20Sheet%20(Dec.%202017).pdf).

<sup>7</sup> Chapter 1335 (S.B. 1724), Acts of the 80th Texas Legislature, Regular Session, 2007.



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**ISSUES**





# ISSUE 1

## *Texas Continues to Need the Military Department, but With a Better Focus on State Affairs Among Its Many Federal Priorities.*

### Background

Since 1903, the federal government has funded states to equip and train National Guard forces. As shown in the textbox, *Texas Military Forces Strength*, the Texas Military Department (TMD) maintained more than 23,200 personnel in its military forces at the end of fiscal year 2017. National Guard members stand ready to assist in both the national defense at the call of the president and domestic emergencies at the call of the governor. In addition, the Texas State Guard exclusively supports the needs of the state and cannot be called into federal service. Most guard members hold full-time civilian jobs, living in the communities they serve and reporting for training and duty only when called. This volunteer citizen-soldier paradigm is a foundation of the department's organizational culture and identity.

#### ***Texas Military Forces Strength – FY 2017***

Army National Guard .....	18,157
Air National Guard .....	3,171
State Guard .....	1,886
<b><i>Total Strength.....</i></b>	<b><i>23,214</i></b>

Under authority delegated by the governor, the adjutant general leads the day-to-day operations of the department, both commanding the state's military forces and overseeing the federal and state civilian administrative support of those forces. As shown in the organizational chart on page 7 of the *Agency at a Glance*, the adjutant general leads a complex organization, including military units, a joint command, and traditional agency administrative divisions. Generally, state law considers the whole of TMD a regular state agency for most purposes. Texas statute also names an "executive director" within TMD as the civilian officer responsible for state administration, such as state payroll, state purchasing, and state human resources.<sup>1</sup> These functions impact almost all of TMD's operations as many routine purchases supporting military operations use state funds, as does payroll for state active duty missions — a recently monumental task during Hurricane Harvey. The executive director oversees 45 state employees carrying out these state support functions, as well as coordinates with the 505 other state employees and approximately 4,300 federal personnel working in other programs and reporting through different chains of command. Despite the implications of the title, the executive director reports to the adjutant general, who ultimately maintains responsibility for all department activities and decisions. Overall, the executive director generally functions as the voice for state administrative concerns within the department's larger military organization.

A cooperative agreement with the National Guard Bureau governs the flow of federal support to TMD for personnel and programs and requires TMD to follow all state purchasing and other laws when using those funds. TMD received more than \$58 million in federal funds during fiscal year 2017 to support its operations, not including another \$490 million for federal personnel, federal purchases, and military equipment that flowed directly to Texas from the Department of Defense. In that year, TMD also received about \$28.1 million of direct state appropriations and \$14.6 million in border security contracts with the Department of Public Safety.

## Findings

### The state continues to need the Texas Military Department to support the nation's military force and respond to domestic emergencies.

- Federal-state cooperation and requirements.** By federal law, all states and territories must maintain National Guard forces led by an adjutant general. As a state agency, the department's role is necessary to comply with federal requirements and maximize Texas' share of available federal funding for National Guard activities. TMD regularly leverages its state appropriation to receive substantial amounts of federal funding in the form of cost-shares and other funding mechanisms. For example, TMD maintains 124 armories, air wings, and other facilities scattered across Texas. In fiscal year 2017, TMD received more than \$40 million in federal funds for facilities maintenance and renovation to match the state's investment of \$14 million.
- National defense.** The Texas Military Forces play an outsized role in supporting the state and nation. Texas maintains the largest National Guard force in the country. The National Guard Bureau frequently looks to Texas' recruiting strength to keep up overall National Guard numbers when other states cannot reach their recruitment targets. In the past decade, Texas National Guard units have deployed hundreds of times across the globe, including for operations in Iraq, Afghanistan, Kuwait, Bosnia, Egypt, and South Korea. Texas maintains a variety of combat capabilities that include infantry brigades, combat aviation, air transportation, military intelligence, artillery, fire support, medical, and engineering, as well as a number of combat support functions.
- Domestic operations and emergency response.** The Texas Military Forces are a key component of the state's disaster planning and response. The Texas Army and Air National Guard forces serve at the command of the governor when not called into national service and often support other ongoing civil support missions, such as flying planes for the Department of State Health Services' rabies eradication program or supporting the Department of Public Safety's border security mission. In addition to National Guard units, members of the Texas State Guard provide skilled services at low cost to the state, acting as a "force multiplier" for the National Guard. Appendix E shows the variety of responses in which TMD has assisted since 2003 — including 34 tropical storms, 43 floods, 55 fires, 24 winter weather missions, and 102 civil support and law enforcement missions.

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*TMD leveraged \$14 million of state funds to receive \$40 million in federal facility funds in FY 2017.*

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*Since 2003, TMD has responded to 34 tropical storms, 43 floods, and 55 fires.*

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Though TMD regularly plays a central role in state emergencies and other missions, it predominantly does so in a supporting position under the request and control of local or state civilian authorities such as counties who must request the department's assistance through the Texas Department of Emergency Management. TMD trains and organizes its domestic response forces into "mission ready packages," smaller units of

personnel and equipment specifically designed to respond to various types of natural disasters and emergencies. These units range from search and rescue teams to mobile communication networks to emergency shelter teams, and can be scaled up or down to address the severity of the disaster. The department recently displayed its domestic response capabilities with its largest mobilization in history, summarized in the textbox, *Hurricane Harvey Response*.

#### ***Hurricane Harvey Response***

- Deployed 17,415 service members
- Performed more than 16,000 ground and air rescues
- Evacuated more than 18,000 people and 1,200 animals
- Helped shelter more than 26,000 people

### **The department does not provide sufficient attention and oversight to state programs and employees, creating chronic problems and low morale.**

While federal requirements and concerns over military preparedness will necessarily always be a high priority for the department, TMD must also promote state interests in keeping with its dual responsibilities and mission. TMD's funding structure and mission naturally leads to a disproportionate focus on federal, military, and emergency matters, but TMD is also a state agency that must follow state policies, laws, and procedures. Several independent audits and internal assessments by TMD have found poor compliance with state rules, including financial processes and tracking state property.<sup>2</sup> The textbox, *TMD Sunset Report Issues*, reflects a common theme found throughout this report — areas of risk to state-funded programs or state requirements that create potential costs to the state, such as underused assets and increased liabilities.

#### ***TMD Sunset Report Issues***

- Issue 2 – Poor management of state purchasing functions
- Issue 3 – Lacking support and strategic direction of Texas State Guard
- Issue 4 – Problematic Challenge Academy campus housing at-risk youth
- Issue 5 – Ineffective use of state-funded tuition program

Overall, Sunset staff concluded these problems stem from a general lack of institutional focus and structures in place to ensure the safeguarding of state resources and responsibilities within the department's federally-focused military organization, as highlighted below.

- **Unclear role and authority of the executive director.** Statute charges TMD's executive director with "the daily administration of the department and the operational compliance with the cooperative agreements between the department and the National Guard Bureau."<sup>3</sup> This awkward structure separating and assigning state administrative duties and some state employees to the executive director distances the adjutant general and the military programs from responsibility to ensure the department complies with state laws and priorities. The adjutant general is ultimately responsible for ensuring all programs comply with state requirements. Signaling the executive director as leading a separate state administrative office (essentially an agency within the larger agency) risks diluting the adjutant general's responsibility for and visibility into state matters.

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*The adjutant general is ultimately responsible for ensuring all programs comply with state requirements.*

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*The executive director does not have clear authority to enforce state policies across all TMD programs.*

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The title “executive director” is also misleading, as the position cannot actually direct the department’s entire response to state interests. Rather, the executive director currently oversees some 45 state employees tasked with state financial, purchasing, human resources, and other administrative operations, much like a chief administrative officer of a state agency instead of a typical executive director. The executive director does not currently have clear authority or direction to enforce state policies across all TMD programs, including those programs that have significant state appropriations, such as the facilities program, the State Guard, the tuition assistance program, and the Texas Challenge Academy.

Lack of clarity and consistency surrounding TMD’s enforcement of state requirements has led to low morale in state administrative staff observed throughout the Sunset review. When administrative staff under the executive director attempt to require compliance with state policies, program staff reporting through different chains of command often resist, citing military missions and federal regulations. The tensions caused by this friction between programs and administrative staff has contributed to higher than average state administrative staff turnover at TMD in recent years. TMD’s turnover rate for state employees has consistently ranked among the highest of all state agencies, with a five-year average of about 20 percent.<sup>4</sup> In a 2016 employee engagement survey, 16 percent of state administrative staff expressed a desire to leave TMD within the next year, compared to only six percent of all TMD state employees, most of which work in other TMD programs. The highest turnover within state government typically occurs in positions of much higher stress, such as aides in state hospitals or correctional officers in criminal justice institutions. High turnover within stable, administrative positions is more unusual and cause for concern.

- **Lacking supervision of state employees.** Although many of TMD’s state employees often perform functions that relate to state programs or funding, many of these employees report to supervisors who are 100 percent federal employees and whose training, pay, and career advancement are governed by federal and military demands. Neither the executive director nor any other state employee has direct oversight of the performance of these state employees and their state-related tasks. Even where functions cross programs, such as payroll or purchasing, central administrative staff supervising state responsibilities under the executive director have no way to provide performance evaluation feedback on state employees located within other programs; nor do those program employees have a way to provide performance feedback on central administrative staff’s support of their missions.

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*The executive director does not have direct oversight of state employees working in federal programs.*

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In addition, TMD’s operations are scattered across armories, airfields, and training centers throughout the state, further weakening supervision of state employees. As points designed for monthly drill, annual trainings, and mustering for deployment, most facilities do not maintain a large permanent staff and do not have staff dedicated to each TMD program.

State employees at these locations often report to a supervisor elsewhere, sometimes hundreds of miles away. Sunset staff heard from civilian personnel at several TMD installations that their supervisors had never visited them, some despite many years of employment at TMD.

- **Outdated state administrative rules.** TMD has not reviewed and updated its administrative rules since 2011, despite being statutorily required every four years.<sup>5</sup> For example, state contract law underwent significant changes in 2015 with the passage of Senate Bill 20 by the 84th Legislature.<sup>6</sup> A majority of TMD's state administrative rules focus on contract procedures, but have not been updated to address any changes made by S.B. 20 and other legislation. Overall, efforts to update state administrative policies and procedures at TMD tend to stall as attention shifts to other federal and military priorities.

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*Updates to TMD's state administrative rules tend to stall as attention shifts to federal and military priorities.*

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### **TMD's advisory council and statutory reporting requirements remain necessary.**

- **Real Property Advisory Council.** The Sunset Act directs the Sunset Commission to evaluate the need for an agency's advisory committees.<sup>7</sup> TMD's statute creates a single advisory body to the department, the Real Property Advisory Council.<sup>8</sup> The council meets twice each year and advises TMD on facility and construction planning, bond authority, and disposal or sale of TMD property. The adjutant general appoints five public members to the council who have experience in architecture and engineering, construction, or other areas related to real property. In addition, the deputy adjutants general for the Army and Air National Guard and TMD's executive director serve on the council. Sunset staff found the council continues to serve a needed advisory role, especially as the only official avenue for public input at the department.
- **Reporting requirements.** The Sunset Act also establishes a process for state agencies to provide information to the Sunset Commission about reporting requirements imposed on them by law and requires the commission, in conducting reviews of state agencies, to consider if each reporting requirement needs to be continued or abolished.<sup>9</sup> The Sunset Commission has interpreted these provisions as applying to reports that are specific to the agency and not general reporting requirements that extend well beyond the scope of the agency under review. Reports required by rider to the General Appropriations Act are not included under a presumption that the appropriations committees have vetted these requirements each biennium. Reporting requirements with deadlines or that have expiration dates are also not included, nor are routine notifications or notices, or posting requirements. The department has three statutory reporting requirements, as reflected in the chart on the following page, *Texas Military Department Reporting Requirements*, which Sunset staff found to be useful and should be continued.



### **Texas Military Department Reporting Requirements**

<b>Report</b>	<b>Legal Authority</b>	<b>Description</b>	<b>Recipient</b>	<b>Sunset Evaluation</b>
1. Biennial Report	Section 437.107, Texas Government Code	Account of all arms, ammunition, and other military property; number, condition, and organization of Texas military forces; suggestions important to military interests; description of all missions in progress; department plans to obtain and maintain future missions.	Governor	Continue
2. Use of Military Property	Section 437.154, Texas Government Code	Evaluation of the military use of any real property under the management and control of the department — on request of the General Land Office.	Governor, Lieutenant Governor, Speaker of the House, Legislative Budget Board, General Land Office	Continue
3. Annual Financial Report	Section 437.107, Texas Government Code	Account of all funds received and disbursed by the department during the preceding fiscal year.	Governor, Lieutenant Governor, Speaker of the House	Continue

### **The department should continue to implement state cybersecurity requirements and industry best practices.**

The 85th Legislature tasked the Sunset Commission with assessing cybersecurity practices for agencies under review.<sup>10</sup> The assessment of TMD's cybersecurity practices focused on identifying whether the department complied with state requirements and industry cybersecurity best practices for its state information systems. Sunset staff did not perform technical assessments or testing due to lack of technical expertise, but worked closely with the Department of Information Resources to gather a thorough understanding of the department's state technical infrastructure. Sunset staff found no issues relating to TMD's state cybersecurity practices that require action by the Sunset Commission or the Legislature, and communicated the results of this assessment directly to the department.

## **Recommendations**

### **Change in Statute**

#### **1.1 Continue the Texas Military Department for 12 years.**

Both federal law and an essential state need require continuation of the Texas Military Department for 12 years. The recommendation would also continue the Real Property Advisory Council and all statutory reporting requirements. This recommendation would ensure that Texas has ready and capable military forces to support state and federal missions and contribute to the national defense.

## **1.2 Clarify the adjutant general's responsibility over all aspects of the department and strengthen internal oversight of state administration.**

This recommendation would clarify in law the adjutant general's authority and responsibility over all day-to-day administration of the department, including compliance with applicable state laws and rules and oversight of state employees. To better incorporate state administration into the organization of the department, the recommendation would remove the current title "executive director" from statute and instead require the adjutant general to appoint a high-level director of state administration as part of the executive leadership of the department. As a management action, the adjutant general would be directed to formally title the position to place it at a high level within the department and establish military protocol for the position commensurate with similar military positions. To elevate the department's attention to state matters, statute would also direct the adjutant general to adopt a policy outlining the position's responsibilities to advocate for state administrative interests across all department programs, such as evaluating procedures for oversight of state employees and mitigating state administrative or other compliance risks. This general advocacy role would be in addition to the position's current requirements to directly manage certain state employees, enter into contracts, and oversee the daily administration of the department. These changes would ensure the department's enabling statute encourages a unified organizational approach to safeguarding state administrative interests within the department's unique military structure.

### ***Management Action***

## **1.3 Direct the adjutant general to improve supervision and support of the department's state employees.**

This recommendation would direct the adjutant general, in consultation with the state administration position as renamed in Recommendation 1.2, to improve support and accountability of state employees reporting through various chains of command across the department. For example, the director of state administration should identify standards by which state employees should be assessed as part of their employee evaluation within each program and should be notified when any state employees perform below these standards. The adjutant general should also create opportunities for all TMD employees engaged in state-related activities to provide feedback across programs on the performance of state employees. For example, state administrative staff in charge of ensuring purchases meet state rules and guidelines should have the opportunity to provide feedback on program staff involved in purchases, and vice versa. Finally, the adjutant general should establish policies setting out the minimum expectations of all supervisors of remote state employees to perform regular site visits and ensure other direct contact with personnel. These changes would help TMD create institutional structures that help ensure everyday state employee needs and interests do not get lost beneath more pressing and variable federal and military concerns.

## **1.4 Direct the department to review and update its administrative rules.**

This recommendation would direct the department to conduct a review of its administrative rules and make updates by September 1, 2019, to ensure the agency's operations align with current state law. Specifically, the department should ensure its rules relating to contract procedures conform to any relevant changes arising from the 2015 passage of Senate Bill 20 and related legislation. Updated rules would allow the department to clarify procedures or responsibilities that affect the agency as a whole and better ensure quality administrative systems.

## Fiscal Implication

These recommendations would have no direct fiscal impact to the state. Continuing the Texas Military Department's current operations would require roughly \$101 million in funding per year, including approximately \$28.1 million in direct appropriations of state funds. Clarifying administrative roles and duties of department leadership and following current state contracting processes would ensure better use of state and federal funds.

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<sup>1</sup> All citations to Texas statutes are as they appear on <http://www.statutes.legis.texas.gov/>. Section 437.101, Texas Government Code.

<sup>2</sup> State Auditor's Office, *Financial Processes at the Military Department*, Report No. 18-010, accessed March 26, 2018, <http://www.sao.texas.gov/SAOReports/ReportNumber?id=18-010>.

<sup>3</sup> Section 437.101, Texas Government Code.

<sup>4</sup> State Auditor's Office, *Classified Employee Turnover for Fiscal Year 2017*, Report No. 18-703, accessed March 26, 2018, <http://www.sao.texas.gov/SAOReports/ReportNumber?id=18-703>.

<sup>5</sup> Section 2001.039, Texas Government Code.

<sup>6</sup> Chapter 326 (S.B. 20), Acts of the 84th Texas Legislature, Regular Session, 2015.

<sup>7</sup> Section 325.013, Texas Government Code.

<sup>8</sup> Section 437.151, Texas Government Code.

<sup>9</sup> Section 325.012(a)(4), Texas Government Code.

<sup>10</sup> Section 325.011(14), Texas Government Code; Chapter 683 (H.B. 8), Acts of the 85th Texas Legislature, Regular Session, 2017.



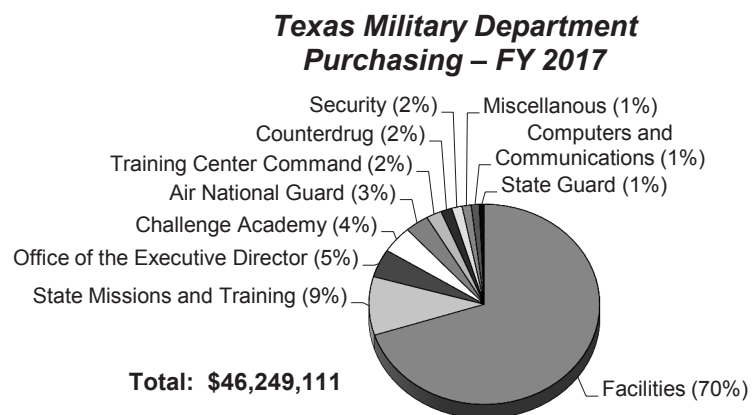
## ISSUE 2

### *The Department Lacks Key Management Tools Needed to Resolve Persistent Purchasing Problems.*

#### Background

To keep the Texas Military Forces ready for a wide range of state and federal missions, the Texas Military Department (TMD) routinely makes extensive purchases of goods and services. TMD divides its operations into various programs that range in scale and complexity, from military facility maintenance and renovation to youth education and state emergency missions. TMD's purchases range from basic office supplies and food to complex technical equipment, with the majority of expenditures for facility construction and maintenance projects. In fiscal year 2017, the department expended about 46 percent of its total \$101.1 million operating budget on purchasing. The pie chart, *Texas Military Department Purchasing*, depicts the breakout of purchasing by program in more detail.

State law, federal regulations, and the department's cooperative agreement with the National Guard Bureau generally require TMD to follow standard procedures for Texas state agencies for most purchases of goods and services.<sup>1</sup> TMD has some special purchasing powers when supporting disaster declarations and for the acquisition and maintenance of military property and equipment.<sup>2</sup> The National Guard Bureau reimburses TMD 50, 75, or 100 percent of the costs for goods and services depending on the program. In addition, the General Appropriations Act authorizes TMD to spend against a \$15 million line of credit from general revenue to help manage its cash flow while awaiting federal reimbursements.<sup>3</sup>



TMD's organizational approach to purchasing is decentralized and requires a high degree of coordination between program staff, many dispersed throughout the state, and TMD's headquarters in Austin. State law creates the position of "executive director" within TMD, who centrally oversees state functions such as purchasing.<sup>4</sup> However, purchasers in each program report through their separate chains of command. The purchasing process involves a complex sequence through which program staff identify a need, send a requisition to program purchasers, who then pass it on to central purchasing staff under the executive director, who finally initiate the procurement or issue the purchase order. Program staff are then primarily responsible for monitoring receipt of goods and services, while central office ultimately pays all invoices. Like many other state agencies, TMD recently began using the Centralized Accounting and Payroll Personnel System (CAPPS) in fiscal year 2017.

The Sunset review occurred at a time of upheaval for the department's purchasing function. In recent years, TMD received several significant internal and state audit findings about its procurement and financial processes. The textbox on the following page, *Recent Audit Findings*, highlights some of these audits.<sup>5</sup> The

### **Recent Audit Findings**

- The State Auditor’s Office (SAO) found that TMD “had significant weaknesses in its contracting processes and lacked key controls to ensure that it consistently performed required activities related to contract planning, procurement, and formation.”
- TMD could not produce a comprehensive list of contracts during both internal audit and SAO investigations.
- Internal audit found that operational programs and financial personnel did not meet to review financial statements before sending to the governor’s office, risking inaccurate reporting.
- Internal audit found that TMD does not post all contracts on its website as required under state law.

central purchasing office under the executive director has also experienced substantial turnover while it attempts to respond to these findings and new contracting legislation such as Senate Bill 20 from 2015.<sup>6</sup> In evaluating TMD’s purchasing processes, Sunset staff focused on the department’s overall approach to monitoring its high volume of purchases through various decentralized programs, relying on best practices from various sources, such as the State of Texas Contract Management Guide, and identified by Sunset staff through numerous reviews of agencies with purchasing functions.<sup>7</sup>

## **Findings**

### **The department’s purchasing process suffers from significant organizational dysfunction, harming mission support.**

In its decentralized structure, the department depends on close cooperation between central office and program staff to support TMD’s diverse statewide operations and fulfill the state’s responsibilities under its federal cooperative agreements. However, the Sunset review revealed a constant sense of discord and distrust among staff with purchasing duties, with real impacts to morale and efficient purchasing overall. As one Sunset survey respondent stated, “frictions are so disabling in some cases that actual business practices in certain areas come to a halt.” The discord stems in part from central office’s recent, required changes such as transitioning to CAPPs, writing or updating manuals and policies, and responding to audit findings with a much stronger look at purchases to ensure compliance with state rules. However, rapid changes to ensure compliance with changing state laws and high turnover among central

office staff have left some program staff seeing their operational performance being sacrificed for unclear bureaucratic reasons. At the same time, resistance from program staff to implementing policy changes hinder central staff’s ability to meet state requirements and mitigate overall risks to the state.

Slowed purchasing can leave the department lacking goods and services important to its missions or facilities lacking needed repairs. The textbox, *Examples of Poor Purchasing Support*, provides examples of problems reported during the Sunset review attributed to both central and program staff. A related problem — delayed payments — violates state prompt payment laws, creates unnecessary

### **Examples of Poor Purchasing Support**

- Buying different items than requested without consulting the program
- Program leadership refusing to process purchase requests because they were not entered by a particular purchasing staff person
- Procurements in remote areas sometimes receiving no or unsatisfactory bids that TMD must re-bid, causing further delays
- Changing procurement methods in the middle of a procurement for unclear reasons
- Late payments damaging vendor relationships and creating unnecessary interest charges

interest charges, and jeopardizes programs' access to and relationship with vendors. TMD staff indicate that a variety of vendors, from rural contractors to large retail franchises, no longer do business with TMD because of past issues with late payment of invoices. This loss of vendors is especially a risk for department operations occurring in remote areas with limited vendors, as described in Issue 4 relating to the Challenge Academy in West Texas.

**The department's management lacks critical performance information needed to monitor state purchasing and fix delays and bottlenecks.**

State agencies typically develop a strong centralized purchasing function to control and monitor the entire purchasing process, regularly assess performance of internal processes, and make needed improvements. If an agency chooses a more decentralized approach to purchasing, performance monitoring is even more important to ensure consistency and promote accountability among all parties. TMD's unique mission and the volume of purchases across its diverse programs support the department's decision to decentralize and assign certain phases of the purchasing process to program staff. In a decentralized model, program purchasing staff work with — though not for — central office, giving program staff a bigger role in overseeing the needs of the program and monitoring their own purchases. Central office's role in this model is promoting standardized procedures to protect the state's interest, training, and conducting quality control. However, the department has not developed several important tools needed to systematically monitor the performance of the entire process.

- **No overall process tracking or data analysis.** Purchasing at TMD happens through a sequence of siloes rather than an integrated team, creating many potential opportunities for inefficiency. TMD does not analyze available data to assess the health of its procurement process and identify problems or bottlenecks from a system-wide view. TMD's failure to evaluate procurement as an overall function is surprising given the persistent internal and external criticisms about it. Despite complaints regarding delays and backlogs, neither programs nor central purchasing staff had clear, common data to identify problems or, more importantly, their causes — such as whether delays in a purchase happened due to program staff or central staff issues. TMD staff had difficulty producing a single, comprehensive record of all purchasing activity, such as a list of contracts, despite repeated audit findings on this topic.

With the implementation of CAPPs, the department now has comprehensive data of purchasing activity showing each step of a purchase request. Even without this new system, TMD could have been tracking and reporting its performance. Previously, TMD's system recorded two dates: the date a requisition began from the program and the date central purchasing issued a purchase order. Simply using these end points can broadly identify purchasing trends. For example, Sunset staff used this data to produce the

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*Performance monitoring helps ensure consistency and promote accountability.*

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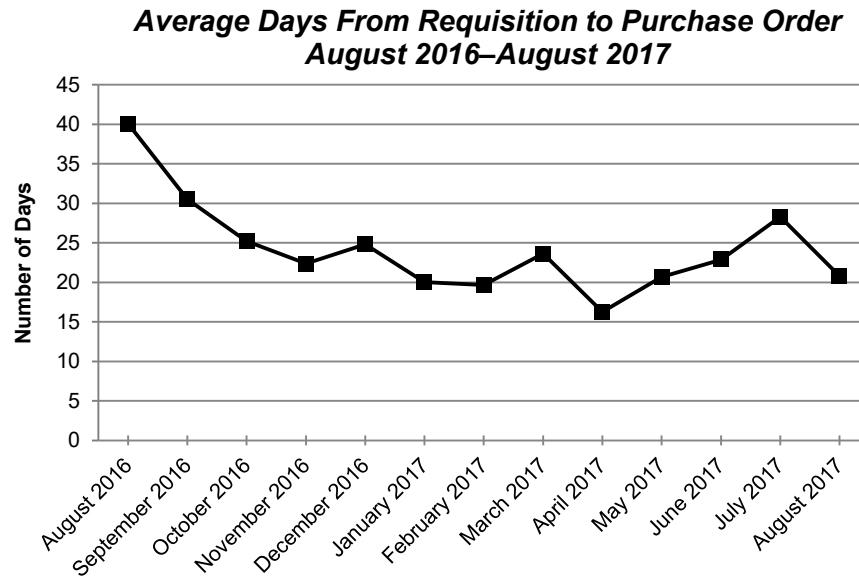


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*The department does not analyze available data to identify causes of purchasing delays.*

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chart, *Average Days from Requisition to Purchase Order*. The chart shows that while overall purchasing timelines decreased during fiscal year 2017, TMD also had multiple months where average processing times increased. Such spikes should spark investigation into whether all parties are following TMD procedures and pinpoint specific causes of delays.




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*The department does not set goals for purchasing performance.*

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- **No performance targets.** CAPPS now provides TMD with better data about the dates a requisition enters and exits various stages within TMD’s entire procurement process. However, the department does not have targets or goal timelines for these stage gates against which to establish real or desired performance. TMD’s workflow report also does not include basic information, such as the dollar amount for requested items — information necessary to understand why some purchases take longer to go through required approvals or bidding.
- **Missing vendor feedback.** TMD’s purchasing function is missing key inputs from participants to identify problems within its procurement process. Despite payment delays or other poor interactions TMD can have with vendors, TMD does not have a common way to receive and track vendor complaints and more quickly respond to issues raised.

**Unclear roles and inadequate training prevent sharing of knowledge and information needed to deliver the right goods and services at the right time.**

Agencies with a decentralized purchasing process need to consistently communicate policies to promote common understanding and expectations, and carefully manage changes to procedures to ensure the process functions smoothly. This communication begins with clearly established roles and responsibilities so that all participants in the purchasing process understand and do not overstep their assignments. In addition, purchasing staff need to

have sufficient knowledge of the ultimate purpose of purchases to fulfill their roles and missions with clear, efficient communication channels to resolve questions.<sup>8</sup> However, both central purchasing and program staff at TMD lack predictable policies and knowledge needed to effectively fulfill their duties in TMD's decentralized purchasing environment.

- **State of policy flux.** The central purchasing office's recent, well-intentioned reforms have not always been well executed or received, disrupting the purchasing pipeline more than necessary and causing discord between central office and program staff. At times, central purchasing announced changes to processes with little lead time or training for program staff. Significant improvements to a function such as procurement must be made on a planned basis, with clear information on how and why processes are changing, as well as providing effective training of users. Without these standard practices, risk increases as staff involved must continue to buy goods and services while adhering to a moving target of standards and responsibilities.
- **Gaps in subject matter expertise.** Currently, TMD staff involved in purchasing do not have sufficient experience and subject matter knowledge to best fulfill their assigned roles. Central purchasing staff have experienced high turnover, with new staff not as familiar with TMD's unique needs. Program staff consistently pointed to a lack of knowledge about TMD's complex military missions and federal funding sources requiring careful cash flow management as a driver of friction with central purchasing. The facilities program identified lack of construction knowledge as particularly impeding the execution of their contracts, which are the majority of TMD's purchasing expenditures. While the department's decentralized process means program staff have the primary responsibility to maintain their program's subject matter expertise, ensuring central purchasing staff is familiar with the department's unique missions would improve understanding and communication between central staff and programs.
- **Lack of purchasing training.** Program staff with purchasing duties do not consistently have the knowledge and current training about the state purchasing rules and procedures they need to follow, exacerbating delays in the overall process. Currently, the department's only certified purchasers are located in just two areas: eight staff at central purchasing and five at the facilities program. Central purchasing staff conduct training on state procurement rules and processes when they can fit it in among their various other responsibilities, though trainings have not kept pace with all the recent process changes. While state rules require significant training for certain purchasing staff, basic purchasing training is widely available to state employees at low cost. A course in basic purchasing from the comptroller's office costs \$75 while more rigorous training on purchasing and contract development is \$375, with 12 hours of continuing education every three years.<sup>9</sup> Statute also authorizes a state agency to develop substitute or supplementary training for its purchasers as needed.<sup>10</sup>

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*Policy changes should come with clear information, training, and lead time.*

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*Programs and central purchasing staff need more shared knowledge to do their jobs effectively.*

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### **The department does not effectively prioritize purchasing workload according to needs and risk.**

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*The current prioritization process encourages programs to jockey for position rather than articulate organizational needs.*

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In a decentralized purchasing process, the central office with the official authority to sign purchase orders, manage procurements, and pay invoices needs clear procedures to manage incoming requisitions from diverse programs and locations, evaluate needs and risk, and prioritize its workflow. TMD's current prioritization process is effectively meaningless and does not actually help central office manage its workflow in line with organizational goals and priorities. Programs prioritize requisitions according to their own inconsistent standards, which is not useful for central purchasing to make choices between competing program priorities if necessary. In recent reports, programs labeled all requisitions either medium or high priority, suggesting that programs are using prioritization to jockey for position rather than articulate their needs compared to TMD's overall organizational goals.

Other than a simple ranking process, central office also lacks a way to systemically gather other key information from programs that could help better plan and balance its day-to-day purchasing workload. For example, the facilities program has a persistent maintenance backlog at many of the state's armories. This group must have certain contracts developed and approved to take advantage of last-minute availability of federal funds to close this gap. Other purchases may be relatively low priority but have a definitive need-by date, such as equipment required for a scheduled training.

## **Recommendations**

### ***Management Action***

#### **2.1 Direct the department to improve planning and implementation of purchasing policy changes, including scheduling policy updates based on risk and ensuring all staff involved in purchasing have information needed to carry out their duties.**

To reduce the knowledge and information imbalances contributing to purchasing delays and internal confusion, this recommendation would direct TMD to take the following actions by March 1, 2019. These changes would help the department make needed improvements without disrupting the purchasing pipeline more than necessary, and ensure staff have the information and skills needed to collaborate across diverse programs to achieve purchasing and mission goals.

- Implement a risk-based approach to changing purchasing rules and processes to triage changes based on need for impact on current practice. This approach must include a cross-check with federal requirements where they apply.
- Schedule specific dates throughout the year for releasing non-emergency policy updates and set effective dates that allow programs time to understand and adapt accordingly.
- Provide additional training for policy changes, potentially through webinars and other online approaches.
- Provide basic purchaser course training for program staff assigned to requisition goods and services, with the option for more advanced training if programs justify the need.

- Develop a mechanism for programs to identify key subject matter knowledge necessary for central purchasing staff to possess, such as construction knowledge, and identify ways to provide this knowledge by professional development, internal training, or staffing decisions.

## **2.2 Direct the department to track and report performance of all phases of the purchasing process.**

This recommendation would direct TMD to better measure the health and performance of its entire purchasing process. Having common information, clear goals, and reporting procedures would allow the department to evaluate the performance of participants in the purchasing process, identify causes of delays or other problems, and improve timelines, accuracy, and communication. Ultimately, the goal is for TMD to effectively obtain the goods and services needed to keep the Texas Military Forces ready. To enable this goal, TMD should make the following improvements no later than March 1, 2019:

- Capture and analyze available data in its purchasing systems to regularly monitor the overall health of the entire purchasing pipeline and identify positive and negative trends and bottlenecks.
- Develop target timeframes for each of the various stages of its purchasing process, which must include stages within programs and at central purchasing, so purchasing staff and management have clear benchmarks to evaluate performance.
- Evaluate requisitions that exceed these timelines, flag concerns, and report this information regularly to central office, program management, and the adjutant general.
- Develop a department-wide process for vendors to submit and track complaints to identify trends or common causes of complaints about the purchasing process.

## **2.3 Direct the department to develop a process for programs to share information about timelines and needs to prioritize purchasing workload across the department.**

This recommendation would direct TMD to adopt a consistent way for agency programs to share important information with central office to better prioritize requisitions and workflow through the purchasing pipeline. The department should provide clear guidance for programs to use when prioritizing their requisitions and enforce consistency and meaning on the chosen labels. TMD should also develop a procedure for programs to convey special considerations to central purchasing when prioritizing requisitions. For example, programs and central office should have a common understanding of unique needs at remote facilities, issues with retaining a limited vendor pool for specialized products or services, or other program constraints such as federal cash flow issues or funding deadlines. TMD should make these improvements by March 1, 2019. Providing a way for programs to formally relay particular needs and concerns would allow TMD to make better decisions about its workload overall and ensure it is using its state personnel strategically.

## **Fiscal Implication**

These recommendations are designed to improve operational efficiency within the department's significant purchasing function, but would not have an immediate or direct fiscal impact to the state. TMD already has access to the information and data it needs to better track and report purchasing performance throughout the department. The department can also develop procedures to improve information

and knowledge flows between various programs within existing resources. Costs to provide additional purchasing training will depend on the number of personnel and level of training obtained. However, within the multi-million dollar purchasing program such training can be accomplished within existing resources.

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<sup>1</sup> National Guard Bureau, *National Guard Regulation 5-1: National Guard Grants and Cooperative Agreements* (Arlington, VA: National Guard Bureau, 2010), 10, [http://www.ngbpd.c.ngb.army.mil/pubs/5/ngr5\\_1.pdf](http://www.ngbpd.c.ngb.army.mil/pubs/5/ngr5_1.pdf); 32 CFR Section 33.36.

<sup>2</sup> All citations to Texas statutes are as they appear on <http://www.statutes.legis.texas.gov>. Section 437.054(a), Texas Government Code.

<sup>3</sup> Rider 11, Pages V-43–V-44, Article V (H.B. 1), Acts of the 85th Legislature, Regular Session, 2017 (the General Appropriations Act). TMD must repay these GR funds by November 30th in the subsequent fiscal year.

<sup>4</sup> Section 437.101, Texas Government Code.

<sup>5</sup> State Auditor's Office, *Financial Processes at the Military Department*, Report No. 18-010, 1–2, accessed March 26, 2018, <http://www.sao.texas.gov/reports/main/18-010.pdf>.

<sup>6</sup> Chapter 326 (S.B. 20), Acts of the 84th Texas Legislature, Regular Session, 2015.

<sup>7</sup> Texas Comptroller of Public Accounts, *State of Texas Contract Management Guide* (September 1, 2016).

<sup>8</sup> *Ibid.*, page 39.

<sup>9</sup> "CPA CTP Training Registration," Texas Comptroller of Public Accounts, accessed March 6, 2018, <https://cmlbreg.cpa.state.tx.us/reg/index.cfm>; "Purchasing and Contract Development Training and Certification," Texas Comptroller of Public Accounts, accessed March 7, 2018, <https://comptroller.texas.gov/purchasing/training/purchasing-personnel/>.

<sup>10</sup> Section 656.055, Texas Government Code.



# ISSUE 3

## *The State Guard Needs Better Support and Strategic Direction From the Department.*

### Background

The Texas State Guard is the state militia component of the Texas Military Forces and only performs missions within state lines under approval of the governor. The State Guard originally developed as a home defense force when National Guard soldiers deployed overseas during World War I. When Congress formalized the authority of states to maintain state militias in the 1960s, the State Guard became a backup military police force. In recent decades, the State Guard's purpose has shifted to providing support to the Texas National Guard and other state and local agencies during emergencies and other state missions. Though the State Guard's organization parallels the National Guard's military structure, State Guard members differ from Army or Air National Guard members in that they have no service commitment, no required federal military training, and very few benefits. At the end of fiscal year 2017, the Texas Military Department (TMD) maintained a State Guard force of around 1,900 members, with backgrounds ranging from former law enforcement and military personnel to medical, legal, computer engineering and other professions. In late 2017, Governor Abbott called for increasing the size of the State Guard to 5,000 members.<sup>1</sup>

The Legislature appropriates about \$1.4 million in state general revenue to support the State Guard each year. Half of those funds support nine full-time State Guard staff at Camp Mabry in Austin, with all other positions unpaid, even the commanding general. The remaining funding provides members a limited \$121 daily stipend for attending annual or specialized training. Unless the governor orders them to state active duty, State Guard members otherwise serve without reimbursement at monthly training drills and other activities needed to prepare and manage individual units.

Texas benefits from the low-cost, state-controlled nature of the State Guard and its ability to adapt response capabilities to a variety of state missions. Like the Texas National Guard, the State Guard's fifteen regiments organize into "mission ready packages" to quickly provide military resources during emergencies and civil support responses, such as conducting search and rescues, managing emergency shelters, and providing a database to track displaced persons during a disaster. The textbox, *Examples of State Guard Missions*, depicts the variety of State Guard missions during the last decade.

#### ***Examples of State Guard Missions FYs 2007–2017***

- 115 total deployments of 7,605 personnel
- Hurricanes and severe weather responses, including Ike (2008) and Harvey (2017)
- Border operations, including Operation Border Star (2007 to present) and Operation Drawbridge (2017 to present)
- Wildfire response, including Bastrop fires (2011)
- Health services, including Operation Lone Star in the Rio Grande Valley

## Findings

### Lack of attention to basic State Guard member needs has led to poor morale and declining membership.

Despite the current adjutant general’s clear support for the mission of the State Guard, the department’s overall lack of institutional focus on actively managing the State Guard places too great a burden on individual members and jeopardizes the State Guard’s success. As true volunteers with no formal service commitment and few benefits, State Guard members should (and do) expect limited resources, funding, and institutional structures. However, the Sunset review revealed that TMD’s over-reliance on the resourcefulness and generosity of State Guard members has led to increasing frustration and poor retention, as described below.

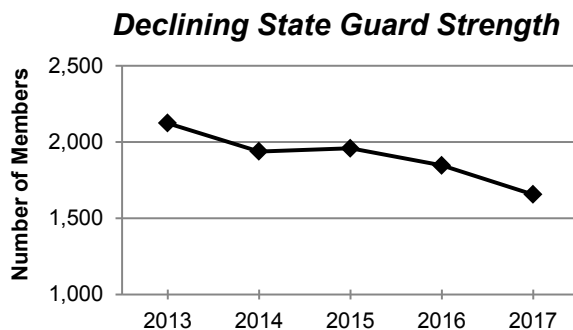
- **Low morale.** Overwhelmingly, State Guard members surveyed and interviewed by Sunset staff expressed deep frustration at TMD’s lack of

***Lacking Support Cited by State Guard Members***

- Delays in approvals to join the State Guard, to receive orders, and to be reimbursed for expenses, with some members reporting delays of a year or more
- Only nine paid staff, all located in Austin, to support 1,900 members across the state
- No basic supplies available statewide such as computers, office supplies, or internet access
- Lack of communication channels between State Guard units, State Guard headquarters, and TMD
- No formally assigned armory or other official locations for regular meetings and drills, with some units meeting at VFW halls and, in at least one case, a member’s garage

institutional support and oversight. The lack of basic structures, resources, and attention has led many members to question the organization’s commitment to the State Guard. More than 600 State Guard members responded to Sunset’s online survey, with respondents rating TMD lowest on the statements “I have the assets and infrastructure I need to perform my duties successfully” and “TMD provides sufficient administrative support for my unit.” As one member stated, “We’ve invested ourselves in the State Guard, but TMD has not invested in us.” The textbox, *Lacking Support Cited by State Guard Members*, summarizes the key concerns members communicated to Sunset staff.

- **Declining membership.** Poor volunteer morale and engagement mean the State Guard currently loses more members than it recruits each year. On average, the State Guard drops about 400 members annually while



only recruiting 300. The chart, *Declining State Guard Strength*, shows this trend. Many State Guard members also quit after only a few years — more than half of current members have less than five years of service, while less than 15 percent have more than ten years of service. These trends raise concerns about TMD’s ability to maintain or grow the State Guard without making changes to address its management of the program.

**The department has not strategically evaluated the best uses and needed resources for State Guard missions, placing undue burden on members and creating risks for the state.**

The State Guard has a diverse membership of talented and hard-working individuals, but a lack of planning and strategic choices by TMD stunts the potential of State Guard units. TMD appears to direct State Guard mission assignments partly based on recent emergencies, partly on the prior experience of members, and partly on current members' interests. Missing from these factors is a holistic, strategic assessment of what missions the State Guard can perform both sustainably and safely, as discussed below.

- **Risks of reactive planning.** Over the history of the State Guard, TMD has changed the missions of units reactively, with limited long-term strategy for consistent training, resources, and clear expectations for members. The textbox, *Reactive Mission Planning*, provides examples of recent problems collected from State Guard members during the Sunset review. The opportunity to take part in a military organization and perform potentially hazardous missions draws many members to the State Guard. However, TMD does not supply all the necessary equipment to train for State Guard missions, relying on members to provide their own equipment and transportation for training. At the same time, because of liability concerns, TMD restricts the use of personal supplies or vehicles when the governor calls members to state active duty missions such as during a disaster response. As a result, many State Guard members expressed frustration at finding themselves in a proverbial Catch-22 during the very situations for which they trained, navigating restrictions on using personal equipment yet having none assigned by TMD. TMD's concerns over safety and liability are well-founded, but unclear and shifting expectations undermine State Guard training and strains the willingness of volunteers with no service commitment to stay. At a minimum, members need a clear message from TMD regarding what missions will be expected of them and the minimum level of resources needed to prepare for those missions.

***Reactive Mission Planning***

**Water rescue missions.** Though State Guard maritime units previously trained on TMD boats assigned to the State Guard, TMD suspended this mission set after a traffic accident and reassigned the boats, trailers, and other equipment away from the State Guard. During Hurricane Harvey, TMD re-activated the water rescue mission, but the deployed units had no boats to use and had not trained on boats since the mission suspension. The units relied on a donation of boats from local stores, which were not the correct size or motor strength for the rescues being performed. TMD has now fully reinstated the water rescue mission set and allowed the State Guard to keep the donated boats.

**Fire suppression teams.** After the Bastrop wildfires, TMD developed a State Guard mission to support fire suppression teams. While the teams trained on heavy fire equipment, TMD did not provide units with this equipment or with personal safety equipment. TMD ultimately canceled the State Guard mission set after determining it would not be used.

- **Little relationship with National Guard units.** TMD has not leveraged existing resources within the Texas National Guard to address gaps for the State Guard or coordinate training to best prepare for response situations. While some mission sets of the State Guard are unique within TMD, such as shelter management, others overlap with functions performed

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*New federal guidance allows National and State Guard forces to better interact and train.*

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by National Guard units, such as medical evacuations. The National Guard has facilities across the state and maintains substantial amounts of equipment for use during emergency operations and other state missions. However, State Guard units do not even have formal rights to use meeting or other space in National Guard armories, let alone other resources needed for training or during a mission. National and State Guard units both regularly train each month, yet these groups rarely train together. For example, many National and State Guard units performing similar tasks during Hurricane Harvey had never worked together until that disaster. New federal guidance allows National and State Guard forces to better interact and train in support of domestic or civil support operations, but the department has not yet formally taken advantage of this opportunity.<sup>2</sup>

### **State Guard members have limited channels for voicing concerns or complaints to TMD leadership.**

A focal point for complaints, such as a formally designated ombudsman, provides members of any organization a clear avenue to express concerns and provide feedback to leadership about the health of the organization. TMD provides an ombudsman under the Office of Executive Director to resolve issues for its state employees. The Sunset review revealed a pressing need for State Guard members to be able to communicate concerns about the program outside their immediate chain of command. The department assigns an inspector general to investigate crimes and other serious matters relating to the State Guard. However, State Guard members do not have an ombudsman-type figure outside of State Guard leadership to voice more general concerns about the program.

## **Recommendations**

### ***Management Action***

#### **3.1 Direct TMD to evaluate State Guard missions and establish strategies to support the program and protect the state's interest.**

This recommendation would direct TMD to conduct a strategic assessment of State Guard mission capabilities and expectations, and clearly describe how the department plans to appropriately resource and support those missions. This recommendation is not intended to require TMD to spend significant additional resources to train and equip the State Guard to expanded missions. Rather, TMD would conduct a frank assessment of its expectations and available support for the State Guard, set mission priorities consistent with the assessment, and be open with State Guard members about the results. Conducting a strategic review of the State Guard would allow the department to better plan, train, and equip State Guard units to maximize their capabilities in times of emergency. Better planning and expectations would, in turn, help the department attract and retain members.

TMD should include State Guard members in the planning process and finalize the plan by January 1, 2019. The department would then implement identified changes by September 1, 2019. The evaluation and plan should include the following elements.

- **Mission alignment**

- Evaluate all current mission capabilities provided by the State Guard and identify missions where members provide the most value compared to other National Guard response capabilities.
- For identified missions, describe how to provide State Guard members with proper training, resources, and equipment.
- Determine when and how State Guard members operate under the direction of TMD and at which points the state assumes liability for members, and clearly communicate updated procedures to members.
- Consider areas of potential efficiency and cooperation between State Guard and National Guard units, including partnering similar units for training and readiness drills as allowed under federal guidance.
- Eliminate or adjust any State Guard mission capabilities TMD cannot adequately support.

- **Administration and support**

- Identify a formal location to serve as a headquarters and primary deployment location for every State Guard unit, making reasonable efforts to assign space at armories or other TMD facilities.
- Evaluate the use of limited State Guard funding, considering whether allocating more or less resources to training, basic equipment, or support staff would best serve the state's needs.
- Determine the feasibility of integrating administrative and personnel services for the State Guard with other TMD programs, such as human resources or financial services staff located at National Guard facilities.

### **3.2 Direct the department to provide State Guard members with access to the department's ombudsman for voicing general program concerns.**

This recommendation would direct TMD to authorize State Guard members to use the services of the existing department ombudsman, and to provide information to State Guard members about how to access these services to voice concerns and complaints about the operation of the program. The ombudsman would report, in that role, directly to the adjutant general and the commanding general of the State Guard. This change would allow the department to receive more informal, ongoing feedback from State Guard members, while recognizing the department has other avenues for formal investigations of serious misconduct through its inspector general.

## **Fiscal Implication**

These recommendations would have no fiscal impact to the state. By implementing the strategic planning elements described under Recommendation 3.1, TMD would better use the current funds appropriated to the State Guard and improve member retention. TMD can assign the ombudsman role directed in Recommendation 3.2 with its existing personnel.

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<sup>1</sup> Paul J. Weber, “Texas governor wants to double state guard in wake of Harvey,” PBS New Hour, November 12, 2017, accessed March 13, 2018, <https://www.pbs.org/newshour/politics/texas-governor-wants-to-double-state-guard-in-wake-of-harvey>.

<sup>2</sup> National Guard Bureau J-5, “National Guard Interaction with State Defense Forces,” *Chief National Guard Bureau Instruction* CNGBI 5500.01, accessed April 13, 2018, [http://www.ngbpd.c.ngb.army.mil/pubs/CNGBI/CNGBI%205500\\_01\\_20170615.pdf](http://www.ngbpd.c.ngb.army.mil/pubs/CNGBI/CNGBI%205500_01_20170615.pdf).



# ISSUE 4

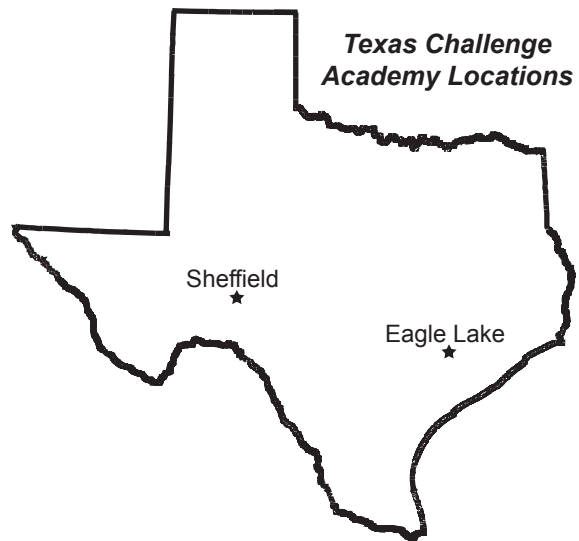
## *The Challenge Academy's Sheffield Campus Is an Unsustainable Location That Does Not Best Serve At-Risk Youth or the State.*

### Background

The National Guard Youth Challenge Academy is a 22-week residential education program that helps students at risk of dropping out earn high school credits, achieve high school equivalency, and learn life skills. Created in 1998 through the National Defense Authorization Act, the Challenge program operates through a cooperative agreement between the National Guard Bureau and the governors of U.S. states. Currently, the Department of Defense funds 40 Challenge Academy campuses across the U.S. and its territories at a 75 percent federal, 25 percent state cost share.

The map, *Texas Challenge Academy Locations*, shows the Texas Military Department's (TMD's) two Challenge program campuses in Sheffield and Eagle Lake, and the textbox, *Texas Challenge Academy Timeline*, shows the changes to facility locations over the last ten years. When Hurricane Ike damaged the longtime Galveston campus, the department quickly moved the program to a former Texas Youth Commission (TYC) facility in Sheffield, and later opened the second Eagle Lake campus in another former TYC facility to be closer to a major population center.

The National Guard Bureau funds each campus under agreements specifying graduation targets of 200 cadets per year per campus (400 total), who must meet the requirements described in the textbox, *Cadet Eligibility*.<sup>1</sup> Graduation rates represent cadets who successfully complete the residential phase of the program. For the 2016–2017 school year, the Texas Challenge program



#### **Texas Challenge Academy Timeline**

- 1999 Galveston Challenge Academy campus established
- 2008 Hurricane Ike. Galveston campus moves to Sheffield
- 2015 Second campus in Eagle Lake opens

#### **Cadet Eligibility**

- Volunteer for the program
- Between 16 and 18 years old
- Legal citizen or resident of the U.S.
- Unemployed
- High school dropout or without a secondary school diploma or GED
- Not on parole or probation for other than juvenile status offenses, not awaiting sentencing, and not under indictment, charged, or convicted of a crime that is considered a felony when charged as an adult
- Not discharged from a treatment facility for mental health, substance abuse or behavior in the past 6 months
- Physically and mentally capable to participate in the program

operated on a \$6.8 million budget, with approximately \$5.1 million from the Department of Defense and \$1.7 million from state funds, split evenly between each campus.

During the program, cadets live in a military environment, wearing uniforms, organizing into companies, and living in open dormitories. Department staff supervise cadets' round-the-clock schedule, which rotates between academic classes, physical exercise, community service, and life skills components such as hygiene, job skills, and leadership skills. State law requires the department to contract with local school districts to provide instruction and special education services for the cadets, and the school districts remain responsible for complying with all state education standards.<sup>2</sup> At the end of the program, each cadet selects a volunteer mentor who provides follow-up guidance and support for the next twelve months.

## Findings

### Texas continues to benefit from the Challenge program.

Sunset staff visited both program campuses, spent considerable time surveying and interviewing staff, teachers, cadets, and other stakeholders, and concluded the Challenge program overall is beneficial to Texas for the following key reasons.

- **Unique gap program.** As designed, the program fills a small but important gap in the state's dropout prevention services for at-risk youth. The Texas Education Agency (TEA) last reported the state's annual dropout rate at 2.0 percent, translating to 30,683 students per year (2015–2016) and presenting a significant ongoing need for services.<sup>3</sup> Other state agencies also provide dropout prevention services, such as TEA, the Department of Family and Protective Services, and the Texas Juvenile Justice Department. However, these agencies partner with local community youth service organizations to provide wraparound services to students at risk of later involvement with the juvenile justice system, such as providing mentoring or after school learning centers. The Texas Challenge program in contrast is the only volunteer residential program, combining a structured military environment with opportunities to gain high school equivalency and other life skills. While often misunderstood as a boot camp or "scared straight" program, the Challenge Academy does not operate in that manner and cannot accept cadets ordered to attend by the criminal justice system per National Guard Bureau rules. The Challenge Academy is a unique, last-chance option to catch struggling students before they drop out or have more serious involvement in the criminal justice system.
- **Effective leverage of state funds.** The Texas Challenge program's overall design and funding structure maximizes the impact of state resources. The state benefits from the 75 percent federal cost share, which allows limited funding to stretch further than a purely state-funded program would allow. Discontinuing the state's participation in the program would mean an annual loss of about \$5.1 million in federal funds to the state to support at-risk youth.

The Texas Challenge program has demonstrated success in helping cadets attain educational goals. For cadets who complete or graduate the program,

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*The Challenge Academy is a unique, last-chance option to catch struggling students before they drop out.*

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around 70 percent leave with a high school diploma and/or a GED, while the rest recover an average of 5.5 high school credits. Overall, a 2012 national study concluded Challenge cadets on average score better on high school equivalency tests than the general student population. The same study also found significant return on investment for states with Challenge programs, showing a much greater return than other social programs with similar goals.<sup>4</sup>

### **Persistent logistical problems make the remote Sheffield campus a risky and unsustainable location.**

The department moved the Challenge Academy from Galveston to Sheffield a decade ago as a temporary solution during Hurricane Ike, setting off cascading issues that remain unresolved today. The department's management is aware of the many problems with the Sheffield campus listed below, but has allowed the campus to remain in operational limbo without either investing needed resources to be successful or making the hard decision to close.

- **Critical staffing problems.** The Sheffield campus has been chronically understaffed since its inception. Without enough staff, the department cannot safely admit enough cadets to meet its graduation targets nor ensure a productive environment for learning and personal growth. TMD must attract new staff to the remote location for a non-competitive salary, making recruitment and retention difficult. Sheffield lost 30 employees in fiscal year 2017, a turnover rate of 86 percent. These employees included a nurse and experienced team leaders needed to screen applicants and provide proper levels of supervision and support to meet the wide range of behavioral and health needs of students. While the department has made strides to improve staffing levels at the Eagle Lake campus, with only one position currently unfilled, Sheffield currently has 15 unfilled positions with limited applicant interest in open postings. Staffing problems were well known at this location before the department's decision to move there. When closing the Sheffield facility in 2007, the Texas Youth Commission stated,

[A] driving factor in the decision to close ... was the inability to recruit juvenile correctional officers and case managers to work in the West Texas town. Staff shortages have been constant at the facility for years and resignations over the past year forced administrators to adjust the youth population down from the budgeted 80 to its current population of 17.<sup>5</sup>

- **Concerns over runaway cadets.** Since the Texas Challenge program is voluntary, campuses nationwide deal with runaways and must plan accordingly to ensure the safety of cadets and staff. Unlike when it was a TYC facility, the staff at the Sheffield campus cannot lock cadets in, nor can they restrain or physically force cadets to return. Cadets, 70 percent of whom come from urban areas, face many risks in the surrounding expanse of harsh desert environment, private ranchlands, and proximity to a major Interstate, should they attempt to run away. Department staff reported

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*Without enough staff, the department cannot safely admit enough cadets to meet its graduation targets.*

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*Staffing shortage problems were well known when Sheffield was a TYC facility.*

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ten runaway attempts in the spring 2018 class alone, two of whom almost made it to the Interstate before a Department of Public Safety helicopter arrived and located them. Luckily, none of these cadets sustained injuries. Sheffield has no police force, so the department must rely on limited available law enforcement support from the small city of Iraan 20 miles away, or the Department of Public Safety's regional resources. Often, department staff must follow the cadets themselves, a difficult and risky proposition given their already stretched thin numbers.

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*The community of Sheffield lacks medical services.*

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- **Poor access to health care.** The Sheffield campus only has one medical technician on staff, with a vacant nurse position and no telemedicine services. In comparison, the Eagle Lake campus has two licensed vocational nurses on staff. The community of Sheffield has no medical services, so department staff must transport cadets 20 miles to Iraan for any issues beyond routine matters. This critical gap in services leaves less credentialed medical staff to treat and counsel cadets entrusted to the state's care. It also impairs program staff's ability to review medical histories in applications to determine if cadets are medically fit to participate in the program. Sunset staff heard several cases of cadets arriving at the facility with more serious medical or behavioral conditions than originally assessed in the application process, which puts both the cadet and staff at risk. While medical crises have fortunately been rare, the department has had to fly a cadet from Sheffield to Midland for an emergency medical procedure.
- **Facility issues.** The department leases both Challenge Academy campuses from the Texas Juvenile Justice Department but remains responsible for facility maintenance and renovations needed to achieve program goals. The department has been understandably reluctant to invest significant resources in facility upgrades due to the Sheffield campus' questionable long-term viability, but this increases long-term liabilities for the state and places the campus in a Catch-22 situation for needed upgrades to enhance its overall performance.

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*Payment delays caused the Sheffield campus to lose its only local source for plumbing and other hardware parts.*

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Issues with vendors. The isolated location of the Sheffield campus increases risks from routine maintenance issues and puts the facility at the mercy of a small pool of vendors willing to work with the department. Payment delays in the department's purchasing process, described in Issue 2, caused multiple vendors to decline to work with the department any longer. As a result, the Sheffield campus lost its only source for plumbing and other hardware parts in the area. When a major sewer leak recently occurred, Sheffield campus staff contacted approximately 100 plumbing companies before finding one near San Antonio willing to come fix the leak. Similarly, staff put out a request statewide for a food service provider to replace Sheffield's direct management of food services, but made three attempts without receiving any bids from vendors.

Unsuitable criminal justice appearance. In the rushed move to Sheffield in the aftermath of a hurricane, the department did not have the time or funds make basic changes such as removing razor wire to decriminalize

its appearance. Over the last ten years, campus staff have made some improvements, but many detention center features persist, such as candy-cane fencing, cinderblock sleeping quarters, and prison cells, making it a less-than-ideal environment for its educational purpose and requirement to remain distinct from criminal justice programs. Because the department could better plan the opening of the Eagle Lake campus, the department was able to make more changes there appropriate to an educational and not criminal justice institution.

Staff housing liability. The department has not properly managed or maintained the staff housing associated with the Sheffield campus, creating liabilities for the state and unfulfilled promises for campus staff. Because of limited housing available in the area, the department offers housing to staff at low rent as a hiring incentive. When taking over the former TYC facility, the department outright purchased four duplexes, two bunkhouses, and eight houses from the General Land Office and is leasing 12 homes owned by the local independent school district. However, staff only occupies 14 out of 32 total units due to the low staffing levels. After years of neglect and underuse, many of the buildings are dilapidated, and some are uninhabitable. All require minor to moderate repairs such as delayed maintenance to plumbing, heating, air conditioning, or long-overdue carpet and appliance replacements. The state employees living in these homes often resort to conducting their own repairs and upgrades without being reimbursed by their landlord and employer, the department. The department is finally in the process of developing a scope of work to inspect and determine the cost of needed repairs to the homes, but is having difficulty finding a contractor to even perform the estimate.

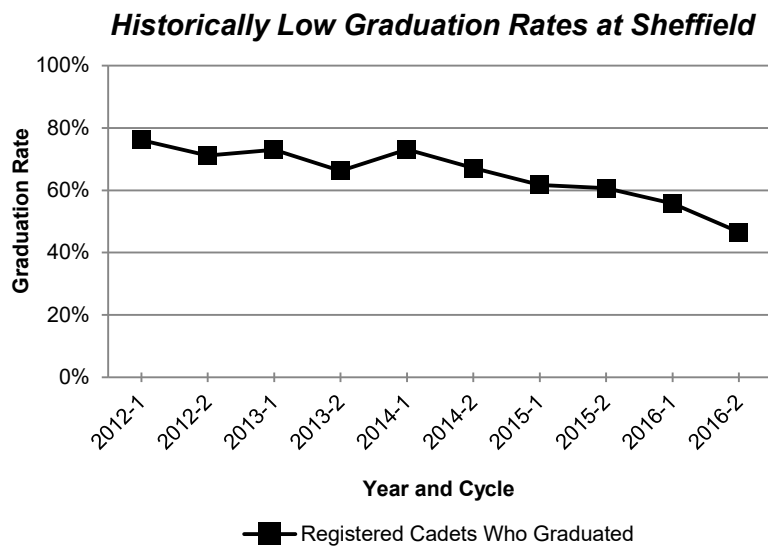
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*After years of neglect and underuse, much staff housing is dilapidated or uninhabitable.*

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**The Sheffield campus is not graduating enough cadets to warrant continued investment.**

The cumulative impact of the Sheffield campus’ many problems is poor overall performance. The campus has only met its target to graduate 100 cadets per semester in three of 14 semesters since inception, and the trend is downward. In the last year, the campus graduated only 78 and 41 cadets in the 2016 spring and 2017 fall semesters, respectively. The chart, *Historically Low Graduation Rates at Sheffield*, depicts these trends. Though the National Guard Bureau has taken no formal actions thus far, the poor performance makes the campus eligible for probation or



closure according to the federal funding agreement. The opening of the Eagle Lake campus in 2015 affected Sheffield's raw recruitment numbers, but does not explain Sheffield's continued low graduation rates.

The department intends to request reducing the target graduation rates at Sheffield to 75 cadets per semester to match their staffing and recruitment challenges. However, smaller Challenge programs are not cost efficient and should not be the goal. A national assessment of Challenge programs found that, "sites with fewer than 150 graduates per year cost substantially more [per student] than larger sites. While newer sites and those that award high school diplomas have higher costs on average, the differences become small and insignificant...size is the driving factor in costs."<sup>6</sup> The Eagle Lake campus has also experienced low graduation numbers as it ramps up staffing and recruitment, but the trend there is currently positive. However, the Eagle Lake campus cannot house enough cadets to grow beyond its current target of 200 graduates per year.

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*Small Challenge program sites are not cost efficient.*

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## Recommendations

### Management Action

#### 4.1 Direct the department to identify specific options for relocating the Sheffield campus no later than January 1, 2019, with a goal to preserve federal funding and other Challenge program benefits for Texas' at-risk youth.

This recommendation would direct the department to immediately assess and identify alternative locations for the Texas Challenge program's Sheffield campus while preserving federal funds to the extent possible. The department should present detailed options and funding scenarios to the Legislature by January 1, 2019, to allow consideration during the 86th Legislature's appropriations process.

The department should include the following elements in its assessment:

- A full cost-benefit analysis of any identified alternatives, including any costs associated with discontinuing current lease arrangements and contracts.
- Consideration of requirements and guidelines outlined in the National Guard Bureau's Challenge Site Suitability and Readiness Assessment. Per these guidelines, the ideal facility would be on a National Guard base, military installation, or other surplus government property, and within one hour of a major metropolitan area to meet required staff and cadet graduation targets.
- Include a feasibility evaluation of moving both Challenge Academy campuses into a single, larger facility, given that programs with larger target graduation levels are more efficient to operate than small programs, if staffing and other resources are available to safely support those targets.

#### 4.2 Direct the department to close the Texas Challenge program's Sheffield campus in March 2020, regardless of whether relocation is feasible.

This recommendation acknowledges the unsustainable Sheffield campus location and requires a plan to wind down its operations, regardless of whether a new location is established. Though the overall Texas Challenge program is beneficial, the poor performance and risks of the Sheffield campus demand a plan of action. Under this recommendation, the department would complete two additional semesters

and wind down the campus purposefully after the March 2020 graduation. Allowing time to close the campus would allow federal funding to continue uninterrupted without a reapplication process while TMD identifies a new location and completes likely-needed renovations. In the event a new location cannot immediately be re-opened, the state would still be able to apply to the National Guard Bureau to re-establish a second Texas Challenge campus in the future.

## Fiscal Implication

The fiscal impact of relocating the Sheffield campus cannot be estimated at this time, as it will depend largely on future decisions of the department and Legislature. A new location will likely have substantial costs involved, including the purchase or lease of new property and needed renovations to meet appropriate safety and program requirements. Ultimate costs to the state will depend on the specific facility identified by department leadership and timely, effective coordination with federal agencies to maximize potential use of federal funds to support campus relocation. Though not a direct comparison, the department was able to identify and open the new Eagle Lake campus in two years with total facility repair and renovation costs of \$882,000 in state funds and \$845,000 in federal funds.

Closing the Sheffield campus altogether without relocation, which could occur as a result of Recommendation 4.2, would result in an annual savings of about \$950,000 to the Foundation School Program and a reduction of 52 authorized state employee positions (37 currently filled). However, the closing would lead to an annual loss of about \$2.55 million in federal funds currently supporting the state's at-risk youth.

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<sup>1</sup> "Texas Challenge Academy," Texas Military Department, accessed April 10, 2018, <https://tmd.texas.gov/texas-challenge-academy#faq>.

<sup>2</sup> All citations to Texas statutes are as they appear on <http://www.statutes.legis.texas.gov/>. Section 437.117, Texas Government Code.

<sup>3</sup> Texas Education Agency, *Secondary School Completion and Dropouts in Texas Public Schools 2015–2016*, August 2017, accessed April 10, 2018, [https://tea.texas.gov/acctres/dropcomp\\_2015-16.pdf](https://tea.texas.gov/acctres/dropcomp_2015-16.pdf).

<sup>4</sup> Francisco Perez-Arce, Louay Constant, David S. Loughran, and Lynn A. Karoly, *A Cost-Benefit Analysis of the National Guard Youth Challenge Program* (Santa Monica, CA: RAND Corporation, 2012), [https://www.rand.org/pubs/technical\\_reports/TR1193.html](https://www.rand.org/pubs/technical_reports/TR1193.html).

<sup>5</sup> Texas Youth Commission, "TYC to Close Sheffield Facility," news release, February 28, 2008, [https://wayback.archive-it.org/414/20121023223010/https://www.tjtd.texas.gov/archive/Press/022808\\_tyc\\_sheffield.html](https://wayback.archive-it.org/414/20121023223010/https://www.tjtd.texas.gov/archive/Press/022808_tyc_sheffield.html).

<sup>6</sup> Jennie W. Wenger et al., *National Guard Youth Challenge Program Progress in 2015–2016*, (Santa Monica, CA: RAND Corporation, 2017), [https://www.rand.org/pubs/research\\_reports/RR1848.html](https://www.rand.org/pubs/research_reports/RR1848.html).





# ISSUE 5

## *The Department Does Not Effectively Target State Tuition Assistance to Maximize Impact of Limited Funds.*

### Background

In 1999, the Legislature created and funded a state tuition assistance program to help members of the Texas National Guard and Texas State Guard pursue higher education degrees at Texas universities. The Texas Military Department (TMD) initially estimated providing benefits to 15 percent of the Texas National Guard's authorized strength, but the Legislature has never funded the program at that level.<sup>1</sup> Originally funded at \$4 million per biennium, general revenue appropriations for the tuition assistance program have fluctuated over time from \$2 million (2008–2009 and 2012–2013) to \$4 million (2010–2011) and have remained at \$3 million per biennium since 2014–2015.

Overall, TMD administers the program as a recruitment or entitlement benefit for enlisting guard members, with a focus on filling education funding gaps since many guard members do not meet the required amount of active duty service to qualify for state and federal veterans tuition assistance programs. Statute prescribes basic eligibility requirements for receiving assistance and limits awards to 12 credit hours per semester for no more than five years.<sup>2</sup> The adjutant general has wide latitude to set the overall strategic direction for use of the funds, as statute allows for establishing additional qualifications to “further the institutional needs of the Texas military forces.”<sup>3</sup> The textbox, *Tuition Assistance Eligibility Requirements*, lists the current criteria.<sup>4</sup> Currently, the adjutant general's direction is to make tuition assistance accessible to as many guard members as possible by awarding some amount to all eligible applicants.<sup>5</sup> In determining award amounts, TMD considers the grants and scholarships a guard member is receiving from other sources, and TMD only reimburses award recipients after completion of credit hours at a 2.0 minimum grade point average. TMD administers the program with one employee managing all applications, communication with universities, and award disbursement data.

#### ***Tuition Assistance Eligibility Requirements***

- Actively drilling member of the Texas Military Forces
- Hold rank at or below a sergeant major, chief warrant officer 3, or lieutenant colonel
- Must have satisfactory participation and no current personnel flags
- Not an Active Guard Reserve employee of the department
- Completed basic training (or equivalent)
- Must have an expiration term of service or mandatory retirement date after the end date of the semester
- Must be enrolled in a Texas college or university pursuing the member's first degree in a level (certificate, associate's, bachelor's, master's, or professional)
- Must maintain a cumulative 2.0 GPA

## Findings

### Guard members do not widely use or understand the state tuition assistance program, limiting its effectiveness as a recruitment and retention tool.

- Low overall participation.** A very low percentage of Texas’ roughly 23,200 guard members receive the department’s state tuition benefits each semester. Even accounting for the fact that only 55 to 60 percent of the total force strength is eligible to receive an award in a given semester, only 2.8 percent of the eligible guard population received an award in spring 2017, as shown in the chart, *A Fraction of Guard Members Receive State Tuition Assistance*. Only around 4 to 5 percent of eligible guard members even applied to receive tuition reimbursement for the spring 2017 semester. Seventy percent of applicants received an award that semester, keeping with the adjutant general’s directive to award funds to as many applicants as possible.

***A Fraction of Guard Members Receive State Tuition Assistance – Spring 2017***

Spring 2017	Number of Members	Applications Received	Awards Paid	Average Award Amount	Percent of Members Receiving Award
Total Force Strength	23,214	505	354	\$2,028	1.5%
Total Force Eligible to Receive Award Per Semester*	12,824				2.8%

\* The data represented reflect the department’s approximation for illustrative purposes. Due to the fluidity of the force strength and its makeup, the total force eligible to receive a tuition award fluctuates over time, between 55 to 60 percent of the total force strength.

- Ineffective marketing.** Sunset staff received about 1,360 survey responses from Texas National Guard and State Guard members. These guard members ranked the tuition benefit as the least motivating factor to their decision to enlist, compared to other factors such as opportunities to serve their community, gain experience and training, or become eligible for retirement benefits. Many commented that they did not even know the program existed.

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*Many guard members do not even know the tuition program exists.*

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The survey responses, plus additional interviews with guard members, also revealed that the recruiting pitch is sometimes misleading about state tuition benefits. For example, some respondents reported being promised they could receive multiple degrees for themselves and family members by joining the Texas National Guard. In reality, family members cannot use this benefit, and the program’s criteria limit awards to five years, making multiple degrees unlikely.<sup>6</sup> Respondents also reported being told they would receive the state Hazlewood tuition exemption or other federal tuition assistance benefit for veterans, which depends on a guard member’s active duty deployments and is not always true. With limited dedicated staff, the department leaves communication about the state tuition benefit



to recruiters or unit commanders, which risks guard members receiving inaccurate or inconsistent information about the program.

**The department’s current approach to tuition awards has decreasing impact with each passing year.**

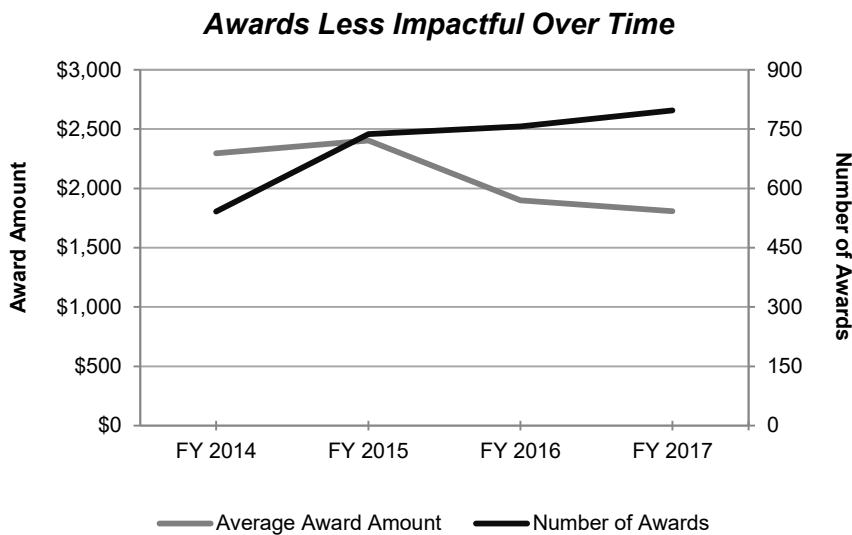
The program is not meeting original estimates of how many guard members it can impact per year, given the realities of higher education costs and the program’s available funding. When proposed in 1999, the department estimated the program could cover 15 percent of the Texas National Guard, most at full-time enrollment, but funding has never supported that level. Since then, the average cost per credit hour for a 4-year public university in Texas has more than doubled, while the program’s appropriation declined.<sup>7</sup> Now, the program covers only 2.8 percent of eligible guard members at about part-time enrollment.

Compounding this problem, the department’s practice of spreading available funding among all applicants means the impact to each applicant decreases as more applicants receive awards. Today, every eligible applicant receives a minimum of three credit hours, with the average award covering six credit hours. The dollar value of an award depends on the cost per credit hour at the applicant’s university, up to \$2,250 per credit hour. With stagnant funding, increasing applicants, and increasing higher education costs, award amounts have become less and less meaningful, as shown in the chart, *Awards Less Impactful Over Time*.<sup>8</sup> Average awards decreased from \$2,800 in the 2012–13 biennium to \$1,800 in fiscal year 2017.

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*Since the tuition program started in 1999, higher education costs have more than doubled while average awards decreased.*

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**The department does not target tuition awards to develop specific skills or personnel needed to achieve its mission and does not effectively measure the impact of awarded funds.**

- **Lacking strategic direction.** The tuition program directly contributes to the department’s stated goals to develop the military and non-military skills and capabilities of guard members and improve retention and resiliency.

However, the department does not connect the program to its strategic framework or long-term goals and has no related performance measures to focus use of tuition funds toward those goals. The department reports only two basic output measures to the Legislative Budget Board — the number of guard members receiving tuition benefits and the average cost per member. A national study of military tuition assistance programs found many measureable benefits of tuition programs, such as retention rates over time, faster career advancement, increased earnings, and reduced financial debt, but the department does not measure such impacts.<sup>9</sup> The chart, *Potential Tuition Program Performance Measures*, lists examples of performance measures the department could use to better align the tuition program with the department’s existing strategic framework.<sup>10</sup>

**Potential Tuition Program Performance Measures**

Existing TMD Strategy	Potential Tuition Program Measure
1.1 Diverse and engaged force sustained through effective retention and recruiting	<ul style="list-style-type: none"> <li>• Percent of guard members satisfied with the tuition program</li> <li>• Percent of guard members receiving tuition benefit compared to the number eligible</li> <li>• Retention rate of tuition program participants compared to general guard member population</li> </ul>
1.3 Resilient professionals and families, supported by robust services	<ul style="list-style-type: none"> <li>• Amount of student loan debt per guard member compared to those receiving tuition benefits</li> <li>• Employment rate of guard members using tuition program compared to total guard member population</li> </ul>
1.4 Clearly communicated opportunities for professional and personal development	<ul style="list-style-type: none"> <li>• Rate of tuition program recipients completing degrees</li> <li>• Promotion rate of guard members using tuition benefits</li> </ul>
2.1 Force structure optimized for federal and state missions	<ul style="list-style-type: none"> <li>• Percent of guard members with specified degrees needed to carry out the department’s mission</li> <li>• Percent of tuition assistance recipients seeking degrees in identified fields to support the department’s mission</li> </ul>

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*TMD does not fund awards at a level to ensure recipients can actually complete a degree.*

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The department’s current approach to making awards does not identify specific skill gaps needed for the department’s mission and prioritize awards to guard members pursuing related degrees, for example, in cybersecurity fields. The department does not measure performance against its few existing tuition program goals, either. For example, the adjutant general has a goal for every guard member to hold a bachelor’s degree, at a minimum. However, TMD does not set any targets for this goal or fund awards at a level ensuring recipients can actually complete the degree. The department also does not require ongoing service as a condition of a tuition award or measure awards’ impact on retention, even though recruitment and retention are the key stated goals of the program.

- **Poor data to measure impact.** TMD does not collect needed information to evaluate performance of the tuition program and does not leverage the data it does track. For example, the department does not regularly track

how many guard members are eligible to receive tuition reimbursement, so it cannot measure the program's reach or identify marketing problems. The department only recently began collecting information about how many guard members have actually completed their degrees as a result of using the tuition award, a key goal of the program. Elsewhere, the department collects much demographic and other information about guard members and could use this information to better understand the impact of tuition benefits. For example, the department has access to personnel and demographic information to track recipients' military or educational goals and whether the program helps attain them, such as gaining specific skills, changing careers, or getting a promotion.

### **Other tuition assistance programs better target funds for strategic purposes beyond recruitment.**

The active duty military and other state National Guards better use tuition benefits as a retention tool, not only a recruitment benefit. Active duty and reserve military have a six-year service requirement to qualify for the Montgomery GI Bill. The Nebraska National Guard requires its state tuition assistance recipients to agree to serve in the Nebraska National Guard for three years after the completion of the funded course.

Other Texas agencies have also implemented requirements to ensure tuition assistance furthers the institutional goals of the agency. The Texas Health and Human Services Commission requires that courses relate to current or prospective job opportunities, or must benefit the agency by increasing employee knowledge, understanding, and skills needed to achieve agency goals and objectives.<sup>11</sup> Similarly, the Texas Department of Transportation requires funded courses or fields of study to provide recipients with knowledge, skills, and abilities that meet the needs of the agency and contribute to its mission.<sup>12</sup>

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*Other Texas agencies have requirements to ensure tuition assistance furthers the goals of the agency.*

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## **Recommendations**

### ***Management Action***

#### **5.1 Direct the department to establish updated goals to target the use of limited state tuition benefits and collect information needed to measure performance.**

This recommendation directs the department to align the goals of the tuition assistance program with its strategic framework strategies and measure success towards specific targets. The department would identify performance measures that can show the contribution of the program to the achievement of the department's strategic goals such as recruitment, retention, or development of specific guard member skills. The department should set measurable targets for these goals to better leverage the limited funding available to the program. For example, the department could focus the program as a benefit for guard members with the greatest need and award fewer, larger tuition awards to ensure those guard members are able to complete their degree programs. Or, the department could focus the program to prioritize certain degree fields to encourage the development of skills helpful to the mission of the department and to retain highly-valued guard members. These changes would also help the department more meaningfully communicate the state tuition program's impact to its guard members and the Texas Legislature.

The department should track improved data at the program and individual level to enable evaluation. To start, the department would leverage already available information collected throughout the department about guard members' occupations and employment, education levels, and promotion rates. The department could also explore collecting additional information such as satisfaction rates by surveying award recipients. Collecting better information to measure performance would also provide valuable management insight, showing the accessibility of the program and highlighting any gaps. The department should make these changes by July 1, 2019, to be in place before making awards for the fall 2019 semester.

## **5.2 Direct the department to update informational materials and training to ensure recruiters and potential applicants receive accurate information about state tuition benefits.**

This recommendation directs the department to clarify and standardize the advertisement of the state tuition reimbursement program to make sure eligible guard members know about the program and receive accurate information. The department should update recruiting materials, training, and other information provided to recruiters to promote understanding of key program rules such as eligibility. The department should include information about its strategic goals for the program in this information, as developed under Recommendation 5.1, to clearly communicate any new priorities for degrees, skills, or other goals for making awards. These changes would ensure potential recruits get accurate information and potential applicants learn about the specific goals the department can help them achieve. The department should make these changes by July 1, 2019, incorporating the changes made under Recommendation 5.1, to aid recruiting efforts.

## **Fiscal Implication**

These recommendations would not have a fiscal impact to the state. The department can develop and update better measures for the program as part of its existing planning processes. The department can improve information collected about the program by using existing data-gathering tools such as surveys and better sharing already collected demographic information between department programs. Updating recruiting and other promotional materials about the program can occur as part of the program's existing administrative duties.

- .....
- 1 Fiscal Note, Chapter 1206 (S.B. 526), Acts of the 76th Legislature, Regular Session, 1999.
  - 2 All citations to Texas statutes are as they appear on <http://www.statutes.legis.texas.gov/>. Section 437.226(e), Texas Government Code.
  - 3 Section 437.226(b)(2), Texas Government Code.
  - 4 Section 437.226(b), Texas Government Code.
  - 5 “Education Development Programs: Texas National Guard Tuition Assistance Program,” Texas Military Department, AGTX Reg 621-5, February 21, 2012, <https://tmd.texas.gov/Data/Sites/1/media/tmdpolicies/2017/publications/agt看-reg-621-5,-chg-1,-21-feb-2012.pdf>.
  - 6 *Ibid.*, 4.
  - 7 “Public (4 year or High) Colleges in Texas State (Undergraduate) 2018 Tuition Comparison,” College Tuition Compare, accessed March 13, 2018, <https://www.collegetuitioncompare.com/compare/tables/?state=TX&degree=Undergraduate&ctype=Public&level=4-year%20or%20High>.
  - 8 “College Tuition in Texas is Poised to Climb Slightly in 2018,” The Texas Tribune, November 20, 2017, <https://www.texastribune.org/2017/11/20/texas-college-tuition-poised-climb-slightly-2018/>.
  - 9 “How’s that Tuition Assistance Program Working for You?” Society for Human Resource Management, January 26, 2012, <https://www.shrm.org/resourcesandtools/hr-topics/organizational-and-employee-development/pages/tuitionassistanceprograms.aspx>; “The Value of Tuition Assistance,” *Tuition Assistance Value Study*, Return on Investment Institute, 2011, <https://roiinstitute.net/wp-content/uploads/2017/02/The-Value-of-Tuition-Assistance.pdf>; Peter Buryk at al., *Federal Educational Assistance Programs Available to Service Members: Program Features and Recommendations for Improved Delivery*, (Santa Monica, CA: RAND Corporation, 2015), [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR600/RR664/RAND\\_RR664.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR600/RR664/RAND_RR664.pdf).
  - 10 “Texas Military Department Strategy,” Texas Military Department, accessed March 27, 2018, <https://tmd.texas.gov/Data/Sites/1/media/branding/documents/2017/Strategic%20Framework.pdf>.
  - 11 “Tuition Reimbursement Policy,” Texas Health and Human Services System, September 2015, <https://hhs.texas.gov/sites/default/files/documents/about-hhs/tuition-reimbursement-policy.pdf>.
  - 12 “Tuition Assistance Program Policy,” Human Resources Division, Texas Department of Transportation, accessed March 27, 2018, <ftp://ftp.dot.state.tx.us/pub/txdot-info/hrd/careers/tuition-assistance-program.pdf>.



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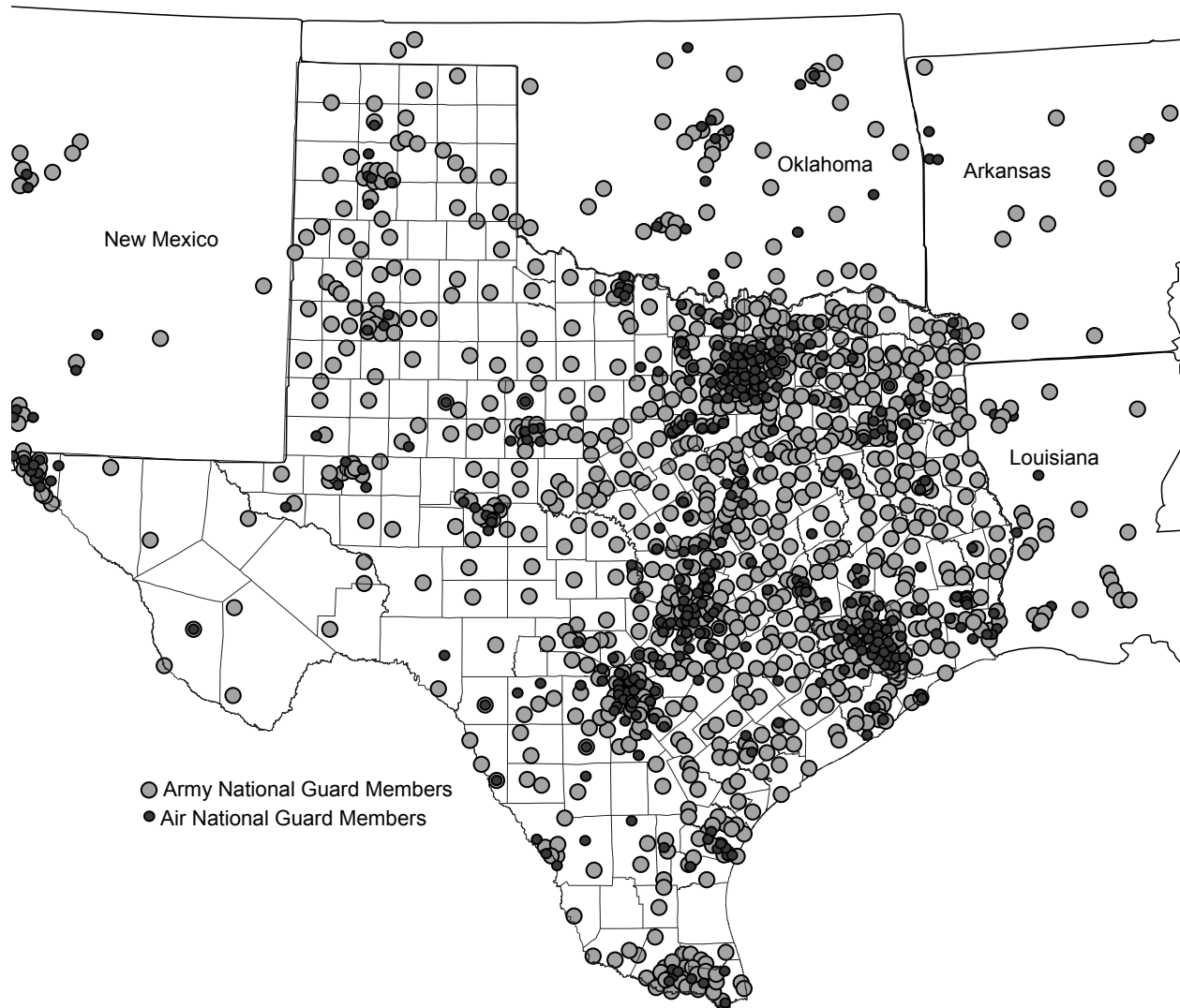
# APPENDICES





# APPENDIX A

## *Texas National Guard Members Home of Record*



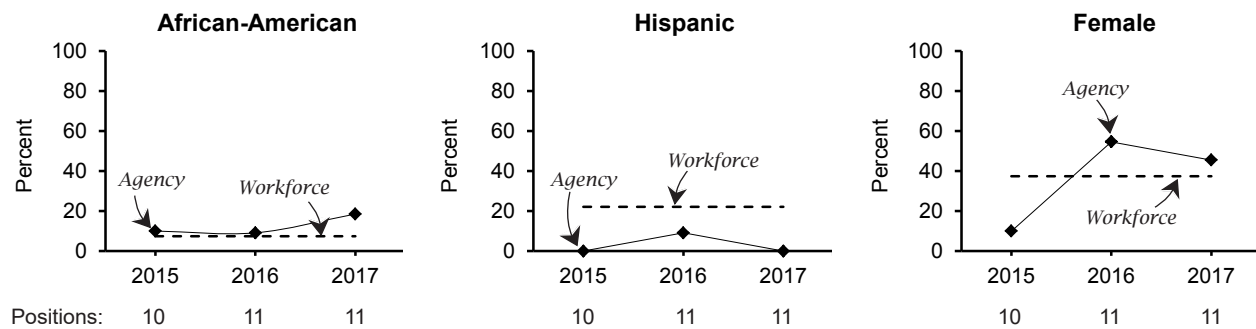


# APPENDIX B

## Equal Employment Opportunity Statistics 2015 to 2017

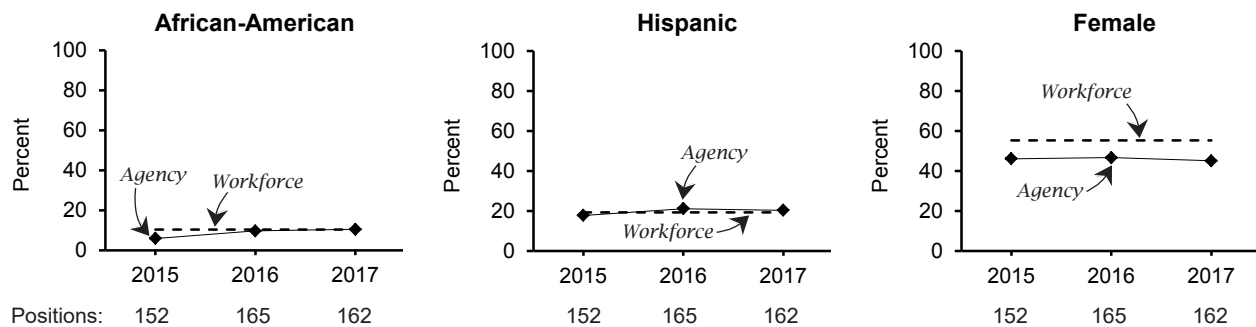
In accordance with the requirements of the Sunset Act, the following material shows trend information for state employment of minorities and females in all applicable categories by the Texas Military Department (TMD).<sup>1</sup> The agency maintains and reports this information under guidelines established by the Texas Workforce Commission.<sup>2</sup> In the charts, the dashed lines represent the percentages of the statewide civilian workforce for African-Americans, Hispanics, and females in each job category.<sup>3</sup> These percentages provide a yardstick for measuring agencies' performance in employing persons in each of these groups. The diamond lines represent the agency's actual employment percentages of state employees in each job category from 2015 to 2017. TMD generally met or exceeded many statewide civilian workforce percentages in the last three fiscal years, but fell short on its employment of females in professional, technical, and skilled craft positions, and Hispanics in administration, service/maintenance, and administrative support positions.

### Administration



The department exceeded the statewide civilian workforce percentage in state administration positions for African-Americans for the past three fiscal years and for females in the past two years, but fell below the statewide civilian workforce percentage for Hispanics.

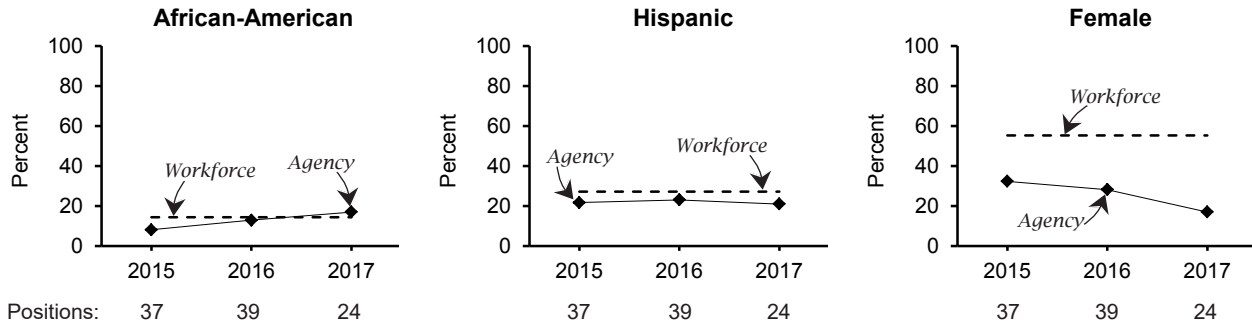
### Professional



The department generally met the statewide civilian workforce percentage in state professional positions for Hispanics and African-Americans for the past three fiscal years, but fell below the percentage for females.

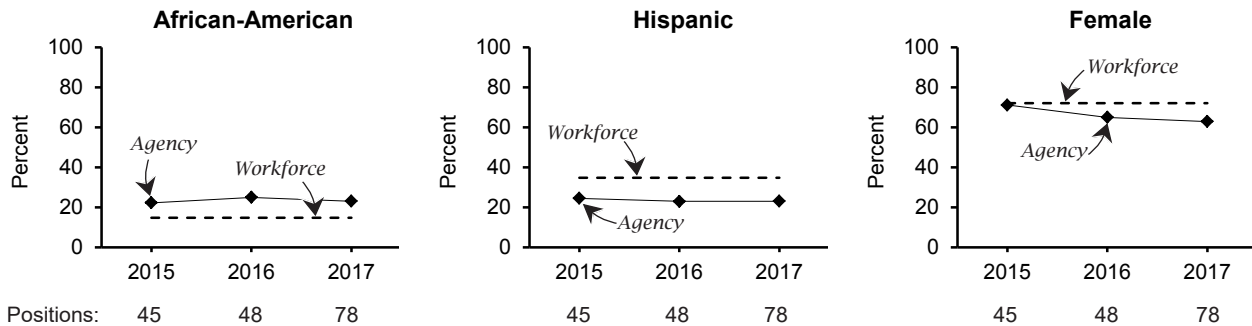
## Appendix B

### Technical



The department met or fell just slightly below the statewide civilian workforce percentages for African-Americans in state technical positions for fiscal years 2015 through 2017. The department did not meet the statewide civilian workforce percentage for Hispanics or females in technical positions in any year.

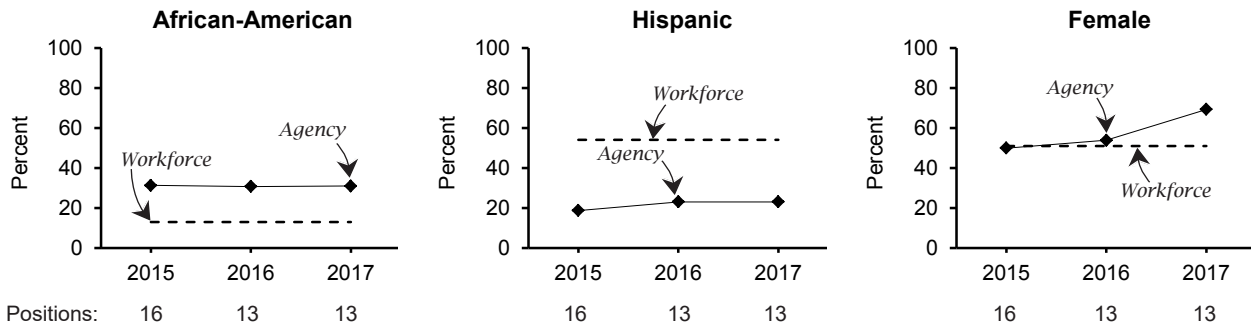
### Administrative Support



The department exceeded the statewide civilian workforce percentage for African-Americans in fiscal years 2015 through 2017, but did not meet the statewide percentage for Hispanics or females in state administrative support positions.

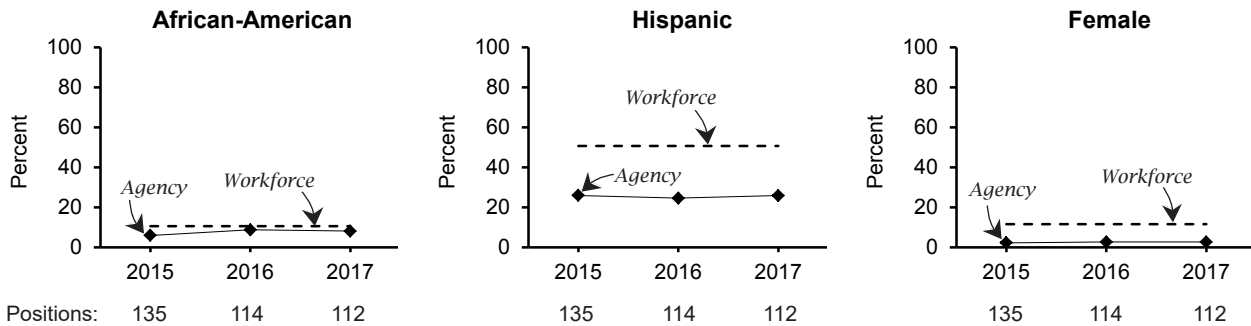
## Appendix B

### Service/Maintenance



The department met or exceeded the statewide civilian workforce percentage for African-Americans and females in state service and maintenance positions from fiscal years 2015 through 2017, but did not meet the statewide percentage for Hispanics.

### Skilled Craft



The department did not meet the statewide civilian workforce percentage for minorities and females in state skilled craft positions in fiscal years 2015 through 2017.

<sup>1</sup> All citations to Texas statutes are as they appear on <http://www.statutes.legis.texas.gov/>. Section 325.011(9)(A), Texas Government Code.

<sup>2</sup> Section 21.501, Texas Labor Code.

<sup>3</sup> Based on the most recent statewide civilian workforce percentages published by the Texas Workforce Commission.





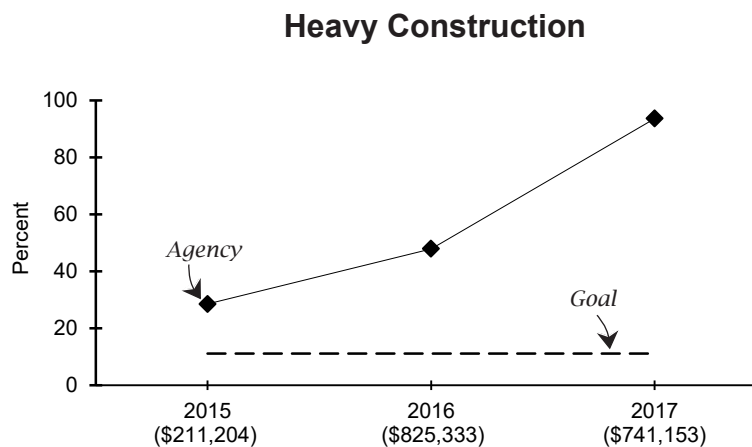
# APPENDIX C

## ***Historically Underutilized Businesses Statistics 2015 to 2017***

The Legislature has encouraged state agencies to increase their use of historically underutilized businesses (HUBs) to promote full and equal opportunities for all businesses in state procurement. The Legislature also requires the Sunset Commission to consider agencies' compliance with laws and rules regarding HUB use in its reviews.<sup>1</sup>

The following material shows trend information for the Texas Military Department's use of HUBs in purchasing goods and services. The agency maintains and reports this information under guidelines in statute.<sup>2</sup> In the charts, the dashed lines represent the goal for HUB purchasing in each category, as established by the comptroller's office. The diamond lines represent the percentage of agency spending with HUBs in each purchasing category from 2015 to 2017. Finally, the number in parentheses under each year shows the total amount the agency spent in each purchasing category.

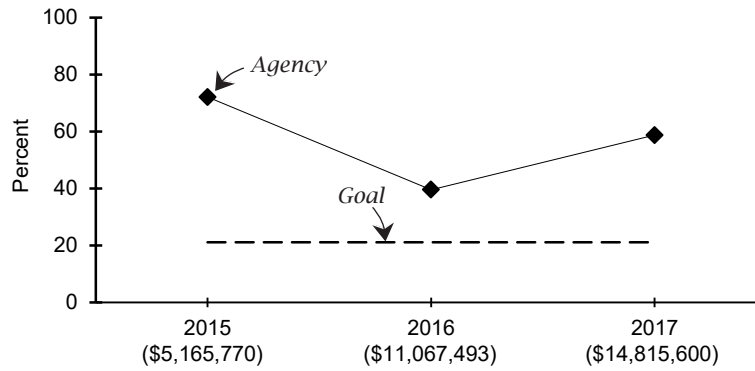
Generally, the department complied with HUB program requirements and met almost all purchasing goals in all categories for the past three fiscal years.



The department's purchases in this category exceeded statewide purchasing goals for all three fiscal years.

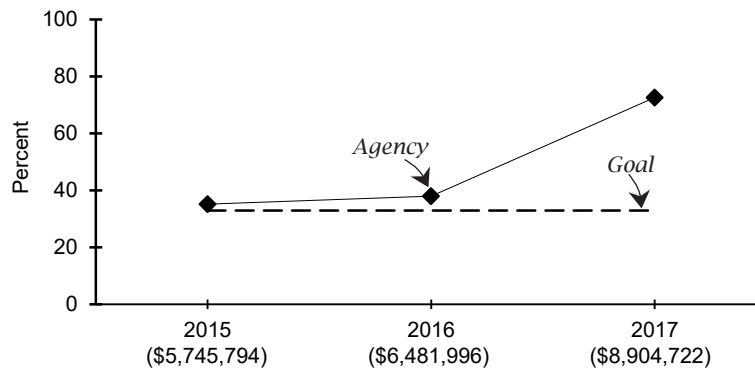
## Appendix C

### Building Construction



The department's purchases in this category exceeded statewide purchasing goals for all three fiscal years.

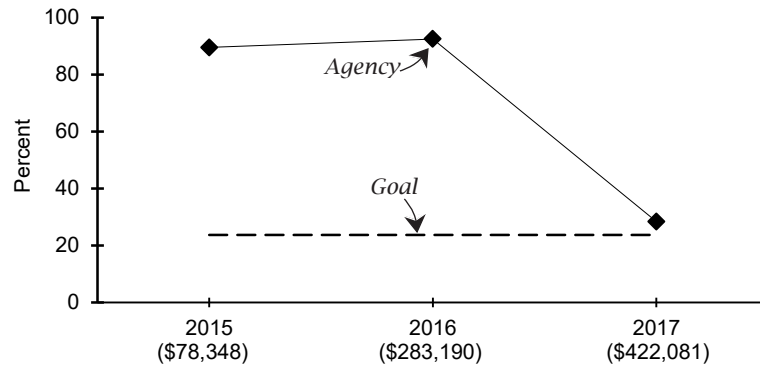
### Special Trade



The department's purchases in this category exceeded statewide purchasing goals for all three fiscal years.

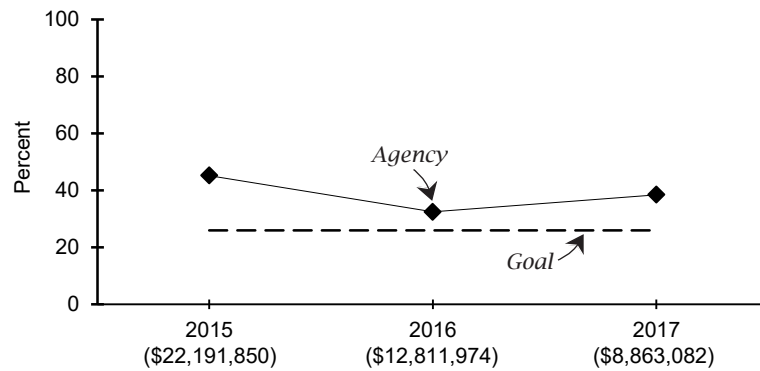
## Appendix C

### Professional Services



The department’s purchases in this category exceeded statewide purchasing goals for all three fiscal years.

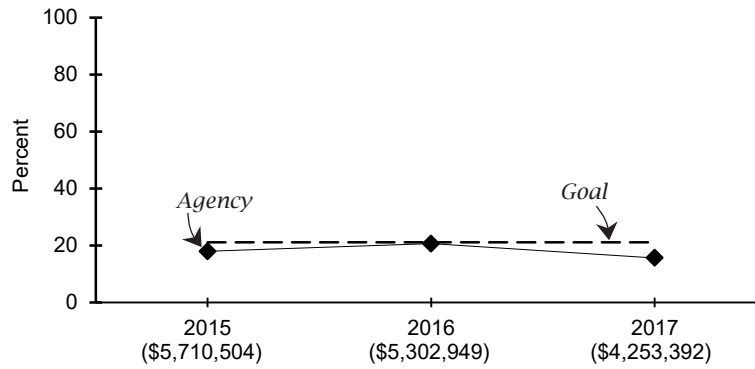
### Other Services



The department’s purchases in this category exceeded statewide purchasing goals for all three fiscal years.

## Appendix C

### Commodities



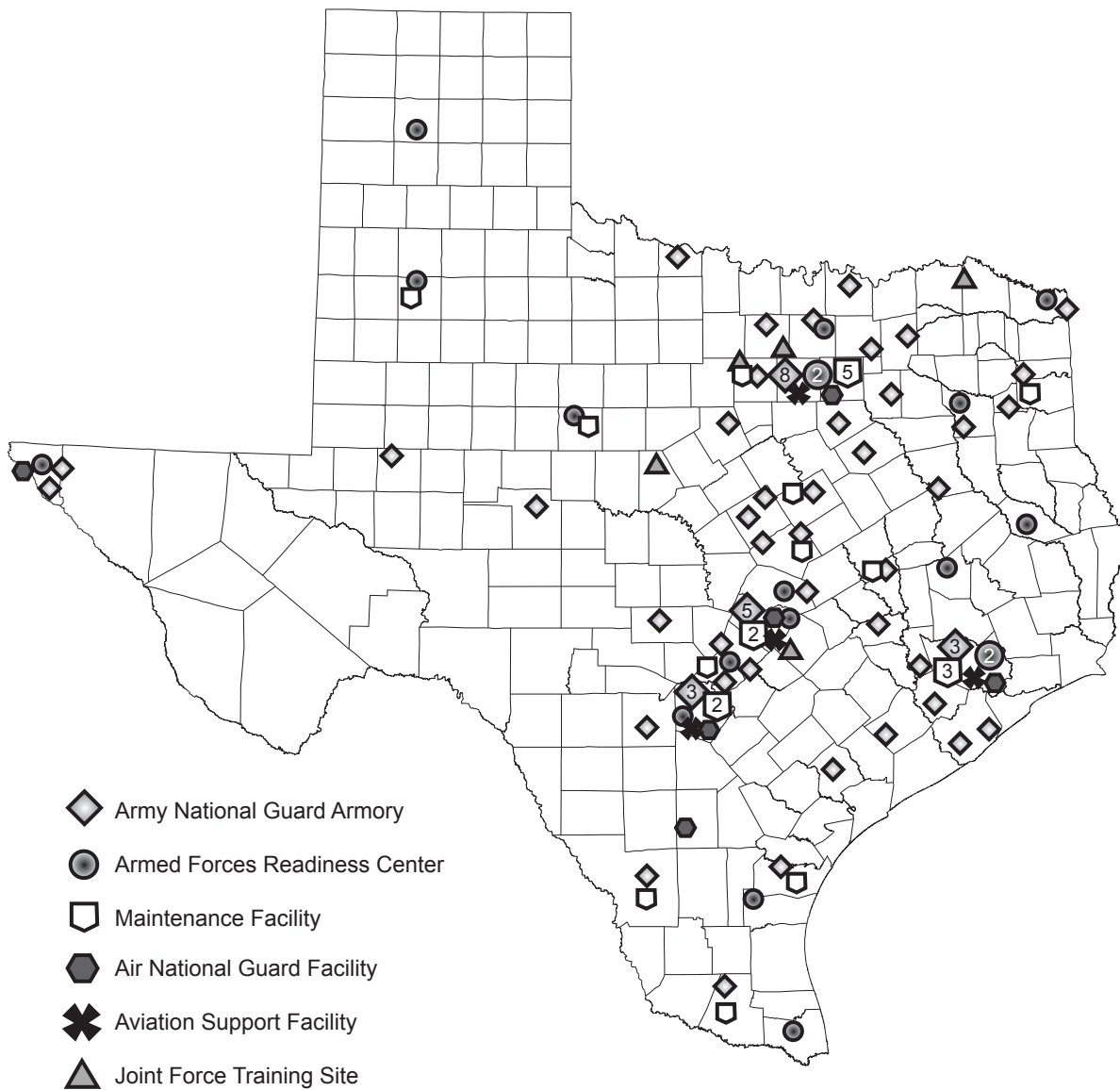
The department’s purchases in this category fell at or just slightly below the statewide purchasing goals in all three fiscal years.

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<sup>1</sup> All citations to Texas statutes are as they appear on <http://www.statutes.legis.texas.gov/>. Section 325.011(9)(B), Texas Government Code.

<sup>2</sup> Chapter 2161, Texas Government Code.

# APPENDIX D

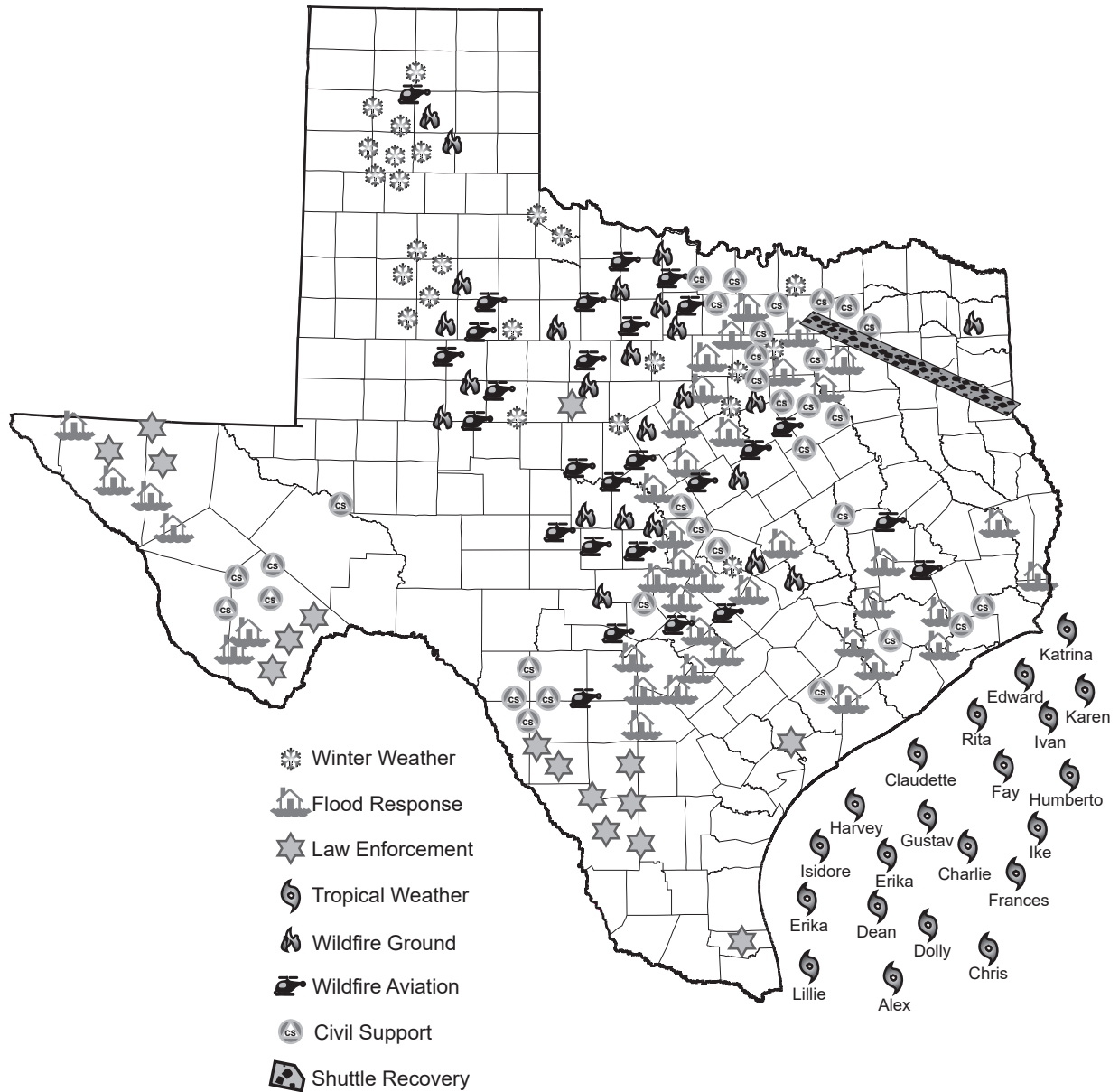
## Texas National Guard Facilities and Locations





# APPENDIX E

## Emergency Response and Civil Support Since 2003







# APPENDIX F

## ***Staff Review Activities***

During the review of the Texas Military Department (TMD), Sunset staff engaged in the following activities that are standard to all sunset reviews. Sunset staff worked extensively with department personnel; attended department senior management meetings; met with staff from key legislative offices; conducted interviews and solicited written comments from interest groups and the public; reviewed department documents and reports, state statutes, federal regulations, legislative reports, previous legislation, and literature; researched the organization and functions of similar state agencies in other states; and performed background and comparative research.

In addition, Sunset staff also performed the following activities unique to TMD:

- Traveled to multiple TMD installations throughout the state, including Camp Mabry headquarters in Austin, six Army National Guard armories and regional training centers, and Texas Challenge Academy campuses in Sheffield and Eagle Lake
- Conducted surveys of TMD employees; National Guard and State Guard members; Challenge Academy stakeholders; local and state entities working with TMD for disaster relief; and evaluated the 1,660 responses.
- Attended the Texas Air National Guard's annual engagement day for state and federal legislative staff at the Naval Air Station Joint Reserve Base Fort Worth
- Observed monthly training exercises and other emergency response preparations of the Texas State Guard and Army National Guard, including a readiness evaluation exercise for TMD's homeland response force and an interagency roundtable to prepare for the winter weather and wildfire season
- Toured the Texas Department of Emergency Management's State Operations Center
- Visited the department's border security operations supporting the Department of Public Safety in Weslaco
- Observed Hurricane Harvey response operations in September 2017, including a food and water point of distribution in Beaumont and a life sustaining troop center in Sealy
- Toured the Texas Military Forces Museum at Camp Mabry
- Attended a cadet recruitment presentation for the Challenge Academy
- Attended meetings of related entities, including the Texas Coordinating Council for Veterans Services and the Texas Military Preparedness Commission



# Sunset Staff Review of the *Texas Military Department*

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