

TEXAS VETERANS COMMISSION

VETERANS' LAND BOARD

SUNSET STAFF REPORT

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Table of Contents

PAGE

SUMMARY

..... 1

ISSUES/RECOMMENDATIONS

1 Texas Has a Continuing Need for the Texas Veterans Commission 5

2 Limited Rulemaking and Stakeholder Input Restricts the Commission’s Ability to Respond to Changes in Its Mission and the Veterans It Serves..... 13

3 TVC Lacks Management Tools Needed to Ensure the Highest Quality Claims Counseling and Representation Services for Texas’ Veterans..... 19

4 The State Does Not Effectively Use County Service Officers to Reach Veterans at the Local Level 27

5 Anticipated Changes in the Commission’s Workforce Could Leave the Commission Vulnerable to a Significant Loss of Institutional Knowledge Critical to Its Operations 37

6 Texas Lacks a Comprehensive Approach to Making Veterans Aware of Available Benefits and Services 43

7 The Veterans’ Land Board’s Oversight of the Internal Audit Process Lacks Necessary Elements 53

ACROSS-THE-BOARD RECOMMENDATIONS

Texas Veterans Commission 59

Veterans’ Land Board 61

AGENCY INFORMATION

Texas Veterans Commission 63

Veterans’ Land Board 75

APPENDICES

Texas Veterans Commission

Appendix A — Equal Employment Opportunity Statistics	89
Appendix B — Historically Underutilized Businesses Statistics.....	91
Appendix C — Claims Representation & Counseling Program Office Locations.....	93
Appendix D — Veterans Employment Services Program Regional Structure	95
Appendix E — Veterans' Education Field Representatives	97

Veterans' Land Board

Appendix F — Equal Employment Opportunity Statistics	99
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Texas Veterans Commission and Veterans' Land Board

Appendix G — Staff Review Activities	101
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SUMMARY



Summary

The Sunset reviews of the Texas Veterans Commission (TVC) and the Veterans' Land Board (VLB) occurred at a time when Texas' veteran population – currently at 1.7 million – is rapidly growing as more men and women return home from conflicts in Iraq and Afghanistan. Although separate, both agencies are intimately involved with Texas' veterans, providing assistance, services, and benefit programs. In approaching these reviews, Sunset staff had one goal – to improve the way the State cares for its veterans. As such, this report lays out staff recommendations relating to both agencies. The material below describes Sunset staff's focus in each of the agencies' reviews, followed by a summary of the recommendations.

Texas Veterans Commission

The Texas Veterans Commission acts as the State's advocate for its veteran population. Originally created in 1927 to assist the State's veterans with filing U.S. Department of Veterans Affairs (VA) benefit claims, TVC quietly fulfilled this role for almost 80 years, working alongside other entities that offer benefit assistance and serving as a resource regarding the numerous state and federal benefits available to Texas veterans. Things started to change for the Commission with the advent of war, first in Afghanistan in 2001 and then in Iraq in 2003. Not only was TVC again seeing larger numbers of young, war-time veterans in need of its services, but also these veterans were different from the Vietnam and World War II veterans the Commission had largely been serving. Many are citizen-soldiers from the National Guard and Reserves with different needs and experiences from the active duty veterans the Commission and the VA had traditionally served. In addition, many more of these veterans are women than in past wars.

Change at the Commission accelerated in 2006 with the transfer of two programs that dramatically



The Sunset reviews of the Texas Veterans Commission and the Veterans' Land Board had one goal – to improve the way the State cares for its veterans.

expanded the mission of the agency. In the 2005 session, the Legislature transferred the Veterans Employment Services program from the Texas Workforce Commission to TVC. Then, in 2006, the Governor designated TVC, in place of the Workforce Commission, as the State Approving Agency for Veterans Education, making TVC responsible for approving veterans' education and training institutions to receive federal funds. Together, these transfers added about 200 employees – tripling the size of the agency – and more than quadrupled the agency's budget from the \$3.7 million it operated on in 2005.

Through it all, the Commission and its staff have approached these changes and challenges with determination and dedication, and remain highly devoted to serving veterans as the one-stop shop TVC was intended to be. However, in the course of the Sunset review of the agency, Sunset staff found that the sheer magnitude of these changes and challenges and the speed with which they have occurred have challenged the agency's institutional capabilities. To ensure that quality services continue to reach an increasing pool of veterans, TVC needs additional time to establish a clear record that can be properly evaluated, and further direction to better integrate its new programs with the agency's existing claims assistance function.

Sunset staff also closely examined the agency's historical claims assistance function. Although the agency has provided claims assistance services

to Texas veterans for nearly eight decades, the review found that additional guidance is needed to help focus the agency's efforts and meet the demands of today's returning veterans. Also, TVC should make better use of its partnership with other service providers to ensure that veterans receive quality assistance throughout the state.

Veterans' Land Board

In 1946, Texas voters approved a constitutional amendment creating the Veterans' Land Board to honor veterans for their service by providing them with loans to purchase raw land. Over the years, the Board's programs have expanded, and today it provides veterans with below-market interest rate loans for the purchase of land, homes, and home improvement projects; long-term care facilities; and cemeteries. Overall, Sunset staff found that VLB's operations work well within the General Land Office, providing valuable benefits to Texas veterans.

VLB contracts with private vendors for the operation of many of its large programs, including the origination and servicing of home loans, its biggest loan program, and the construction and operation of veterans nursing homes and cemeteries. As a result, Sunset staff initially concentrated on evaluating the agency's contracting processes, including both procurement and management, to determine if VLB properly oversees its contracts and protects its customers – veterans. Staff found that the agency's management of contracts provides many layers of accountability, successfully ensuring that Texas veterans are cost-effectively receiving quality benefits.

Shifting focus from the agency's programmatic successes, the Sunset review looked at VLB's efforts to make veterans aware of its programs. Although the agency is only responsible for the state benefit programs discussed above, VLB's culture lends itself to helping, as thoroughly as possible, all the veterans with whom it comes into contact. With the many services and benefits available to Texas veterans, and VLB's successes in marketing its services, Sunset staff concluded that the agency should work more closely with the Texas Veterans Commission to help institute an integrated and statewide approach to improve the way Texas makes veterans aware of their benefits.

Sunset staff also examined the agency's status as an independent agency closely attached to the General Land Office, finding that this unusual structure benefits the agency in many ways. While the unique structure works well and no problems were found, it also requires strengthening Board oversight of agency operations. Finally, since the Board is subject to review, but not abolishment, under the Texas Sunset Act, this report does not address continuation of the Veterans' Land Board.

The following material summarizes the Sunset staff's recommendations on both the Texas Veterans Commission and the Veterans' Land Board. Issues 1 through 5 directly apply to needed changes for the Veterans Commission, while Issue 6 of this report affects both TVC and VLB. Issue 7 of the report applies only to the Veterans' Land Board.

Issues and Recommendations

Issue 1

Texas Has a Continuing Need for the Texas Veterans Commission.

Key Recommendations

- ◆ Continue the Texas Veterans Commission for four years.
- ◆ The Commission should explore ways to better integrate its new programs into the agency's overall mission.

Issue 2

Limited Rulemaking and Stakeholder Input Restricts the Commission's Ability to Respond to Changes in Its Mission and the Veterans It Serves.

Key Recommendations

- ◆ Require the Commission to develop guidelines for early stakeholder involvement in its rulemaking and policy development processes.
- ◆ The Commission should adopt rules to guide its programs.

Issue 3

TVC Lacks Management Tools Needed to Ensure the Highest Quality Claims Counseling and Representation Services for Texas' Veterans.

Key Recommendations

- ◆ Require TVC to adopt procedures for providing claims assistance services to Texas veterans.
- ◆ TVC should assess its information technology needs for the claims assistance program and report to the Legislature on the costs and benefits of implementing software to support the program.

Issue 4

The State Does Not Effectively Use County Service Officers to Reach Veterans at the Local Level.

Key Recommendations

- ◆ Require the Commission to adopt a strategic plan to further integrate county service officers into the State's veterans assistance network.
- ◆ Require the Commission to develop and adopt a standard training curriculum.
- ◆ Remove current training provisions relating to conferences and require TVC to provide alternative methods of training.

Issue 5

Anticipated Changes in the Commission's Workforce Could Leave the Commission Vulnerable to a Significant Loss of Institutional Knowledge Critical to Its Operations.

Key Recommendations

- ◆ The Commission should develop and implement a succession plan to prepare for impending retirements and workforce changes.
- ◆ The Commission should formally document its duties in writing by updating its manuals and making them available to all employees electronically.
- ◆ The Commission should evaluate its promotion and evaluation policies and revise them to include measures of job performance.
- ◆ The Commission should take advantage of the pool of returning veterans who are seeking employment services to fill Commission vacancies.

Issue 6

Texas Lacks a Comprehensive Approach to Making Veterans Aware of Available Benefits and Services.

Key Recommendations

- ◆ Merge TVC's and VLB's communications efforts by requiring the agencies to operate one call center, to maintain and share databases of veteran contact information, and to pool some direct mail efforts.
- ◆ Require TVC and VLB to cooperatively create one website and one comprehensive brochure that provides information about all available veterans' benefits and services.
- ◆ Require the agencies to jointly plan and present a total benefits package to veterans at all benefits seminars and meetings.
- ◆ Require the agencies to modify their existing Memorandum of Understanding to specify the guidelines necessary to coordinate veterans' benefit awareness activities.

Issue 7

The Veterans' Land Board's Oversight of the Internal Audit Process Lacks Necessary Elements.

Key Recommendation

- ◆ Require the Veterans' Land Board to obtain and approve relevant audit plans and publicly discuss internal audit reports.

Fiscal Implication Summary

One recommendation in this report would have a fiscal impact to the State, as discussed below.

- ◆ Issue 3 – Developing a computer-based case management system for TVC's claims assistance program would have start-up costs of about \$100,000 and annual costs of approximately \$75,000. No additional staff would be needed to set up or maintain the system.

ISSUES

Texas Has a Continuing Need for the Texas Veterans Commission.

Summary

Key Recommendations

- ◆ Continue the Texas Veterans Commission for four years.
- ◆ The Commission should explore ways to better integrate its new programs into the agency's overall mission.

Key Findings

- ◆ The Texas Veterans Commission supports veterans and their families with accessing various state and federal benefits.
- ◆ The State has a clear and continuing interest in supporting Texans who have served their country.
- ◆ While the Commission generally accomplishes its traditional claims assistance mission, the agency faces challenges in operating its new programs.
- ◆ While the Veterans' Land Board also plays a key role in providing state benefits to veterans, consolidation is not a viable option.
- ◆ All 50 states provide benefits and assistance to veterans.

Conclusion

At a time when the Texas veteran population is booming and veterans' issues are becoming more and more complex, the Texas Veterans Commission (TVC) plays a key role in the State's commitment to honor those who have risked their lives to serve their country. Historically, the Commission's only function has been to provide veterans and their families with general benefit information and one-on-one assistance in pursuing federal benefit claims. However, TVC's new objectives include administering two benefit programs beyond this primary task, stretching the agency well beyond its original mission.

While Texas clearly has an interest in providing benefit assistance to veterans, the recent transfers of the veterans employment and education programs present significant challenges to the Commission and its ability to fulfill these new responsibilities. Sunset staff found that the agency needs additional time to assume its new functions and develop a track record for judging its ability to effectively administer these new programs.

Continuing the Commission for four years would allow the agency enough time to incorporate the veterans employment services and education programs into its original mission, while providing the Legislature an opportunity to reassess the Commission's ability to manage these programs. The State needs to ensure the quality of services provided to veterans is maintained in the future.

Support

The Texas Veterans Commission supports veterans and their families with accessing various state and federal benefits.

- ◆ The Texas Veterans Commission (TVC) is the lead state agency for veterans affairs, providing benefit information and assistance to Texas veterans. The Legislature created TVC's predecessor in 1927 as a division of the Adjutant General's Department, recognizing a need to help veterans navigate the U.S. Department of Veterans Affairs' (VA) benefit claims process.¹ In 1947, the Legislature established TVC as a separate state agency to meet the increasing needs of returning World War II veterans.
- ◆ For nearly eight decades, TVC focused solely on providing claims assistance and benefit information, until 2005, when the Legislature transferred the Veterans Employment Services program from the Texas Workforce Commission to the Texas Veterans Commission.² In addition to gaining the employment services program, in 2006, the Governor also designated TVC as the State Approving Agency for Veterans' Education, transferring the program from the Workforce Commission.
- ◆ To accomplish its goals, the agency has three basic functions: providing information and direct assistance to veterans seeking to file benefit claims with the VA; providing job matching assistance to eligible veterans, transitioning service members and their families; and approving veterans' education and training programs to receive tuition payments using Montgomery GI Bill funds.³ A part-time, five-member Commission guides the agency and its 311 employees. Including the appropriations to fund its new programs, the Commission expects to operate on a budget of about \$15.3 million in fiscal year 2007, an almost four-fold increase from when the agency's main mission was its claims assistance program, funded solely by General Revenue. Both the employment and education programs are funded by federal grants.



TVC focused solely on providing claims assistance for nearly eight decades, until 2006, when it received two new programs.

The State has a clear and continuing interest in supporting Texans who have served their country.

- ◆ The State honors veterans, providing assistance and benefits, in recognition of their service to this country and as compensation for the price they pay in that service. All levels of government – state, federal, and local – have veterans' programs, from health care and disability benefits to education, employment, and housing assistance, and TVC acts as Texas' veterans affairs agency, both coordinating and providing veterans' benefits. According to the latest information compiled by the U.S. Census Bureau, Texas has more than 1.7 million veterans, comprising the third largest veteran population in the country. Because of the number of Texas forces currently deployed to Iraq and Afghanistan, the state's veteran population will increase, as soldiers return from the Gulf War.

As the State's veteran population continues to grow, so does the importance of TVC's work. For example, while TVC does not currently track each client's period of service, staff indicates that it is assisting an increasing number of soldiers returning from Iraq and Afghanistan, in addition to Vietnam veterans experiencing new or aggravated health problems as they age. These types of clients not only increase the volume of TVC's caseload, but also intensify the amount of time each counselor spends with sensitive cases.

- ◆ The Texas Veterans Commission was originally created to help veterans navigate the lengthy, and sometimes confusing, VA benefit claims process. While veterans are able to seek assistance in filing claims through a variety of entities, including the VA, no other entity offers the same level of representation that TVC provides. For example, as advocates, TVC counselors are able to go beyond the VA's capabilities to assist veterans in gathering personal information to prove benefit eligibility. The Commission also employs 64 claims counselors in 30 offices throughout the state who are automatically accredited with the VA to represent clients appealing VA benefit decisions. The number and location of TVC's counselors, coupled with their ability to automatically assist veterans beyond the initial step of filing a claim, positions TVC as the primary source for claims assistance in the State.

While the federal government does not mandate that every state have a veterans advocacy agency, it does acknowledge the need for claims assistance.⁴ As long as the VA's claims process exists, Texas has a continuing need to assist veterans in filing their claims.

- ◆ Under federal law, Texas must operate a veterans employment service and veterans' education approval program. Congress created the employment services program in the mid-1930s to assist WWI veterans in finding employment, and the U.S. Department of Labor continues to appropriate funding needed to operate the program, helping today's veterans transition into the workforce.⁵ In fiscal year 2005, nearly 100,000 Texas veterans sought help finding a job through the veterans employment program, more than 60,000 of whom entered the workforce.⁶ This function is especially important considering that, according to the U.S. Bureau of Labor and Statistics, more than 18 percent of veterans aged 18 to 24 returning from Iraq and Afghanistan are unemployed.⁷ In 2007, TVC expects to receive about \$10.4 million in federal funds to employ 190 field staff in local workforce centers throughout the state.

Federal law also authorizes each state to create or designate a department or agency as the state approving agency for institutions receiving tuition payments using Montgomery GI Bill benefits.⁸ Currently, 837 education programs operate in Texas as approved institutions to receive GI Bill funds. As Texas' designated state agency for veterans' education, TVC will spend



As Texas' veteran population continues to grow, so does the importance of TVC's work.

about \$800,000 in federal funds during fiscal year 2007 to operate the program, including employing a staff of 12, five of whom are field employees who audit programs throughout the state.

While the Commission generally accomplishes its traditional claims assistance mission, the agency faces challenges in operating its new programs.

- ◆ Although some changes in the Commission's claims assistance process could help it better address the needs of current veterans, as discussed elsewhere in this report, TVC has a long history of stability in which it has been able to effectively perform its original claims assistance function. In fiscal year 2005, the latest information available, the VA issued about \$1.2 billion in benefit payments to Texas veterans assisted by TVC claims counselors. During that same year, TVC assisted about 130,000 veterans pursuing federal benefit claims.
- ◆ Within the past two years, TVC has taken on additional duties, causing sweeping changes within the agency and requiring new areas of expertise not previously necessary in the agency. Before the employment and education program transfers, TVC was a relatively small, single-task agency. Besides dramatically increasing the size and scope of the agency, the two new programs were transferred to TVC with a goal of quickly establishing a comprehensive veterans assistance agency. However, the transfers occurred without a complete statutory framework for fully integrating the new programs into the agency's existing mission.
- ◆ While the Veterans Commission now operates the veterans employment program, TVC still heavily relies on the Workforce Commission to provide resources to employment staff and veterans seeking assistance in local workforce centers. For example, as a requirement of the federal grant, all employment staff remain at local workforce centers, requiring TVC to reimburse workforce boards, with close relationships to the Workforce Commission, for the cost of rent and materials used by employment services staff. While the practice of reimbursing boards for rent and supplies is not new, contracting of this nature, and on such a large scale, is new to TVC and has proven to be a challenge for the agency. TVC was to have entered into contracts with all of the 28 workforce boards by October 1, 2006, however, at the time of report publication, the agency had yet to negotiate all of the board contracts and reimbursement schedules. Even when the contracts are approved, managing and annually renegotiating 28 board contracts will require a significant amount of attention and expertise previously not required by the agency.



Before the employment and education program transfers, TVC was a relatively small, single-tasked agency.

Also, Texas is the first, and, so far, only state to separate its veterans employment program from its statewide workforce system. The U.S. Department of Labor, which oversees all states' veterans employment programs, has conditionally approved TVC's new system for administering the program on a one-year pilot basis, but is withholding final judgment

until it can be assured that TVC can successfully administer the program at about the same cost as when the program was in the workforce system.⁹ The challenge for TVC is to provide a separate focus on veterans, as intended for this federal employment program, while satisfying the Labor Department's requirement for efficiency of the overall workforce system, without simply replicating existing workforce systems.

- ◆ Although the veterans' education program transferred a small number of staff, the program's functions are far outside TVC's original claims assistance function. The education program aims to promote and safeguard quality education and training programs for Texas veterans, however, doing so requires staff to perform a quasi-regulatory function of approving education and training programs, including auditing institutions of higher learning and career schools. Because the approval aspects of the education program are so different from TVC's primary assistance goals and because, at the time of report publication, the agency had only operated the education program for one month, this new education approval function could not be adequately assessed.
- ◆ Assuming these new responsibilities, as well as tripling the agency's number of employees, has drastically altered TVC's existing infrastructure. As a result of the employment services transfer, TVC reorganized its existing organizational structure, creating new divisions that previously did not exist. Additionally, because of the large number of employees, TVC now stands in a different class of state agencies and is required to maintain different standards. By state law, it must have an Internal Auditor. In addition, with the transfer of the employment program, the agency hired a General Counsel to assist with the new legal matters before it.
- ◆ The extent of the organizational overhaul, and the fact that so much about the agency could not be adequately evaluated in time for this review, requires more time before a confident conclusion can be reached to continue TVC for the standard 12-year period. Additional time would allow the agency to more fully implement and develop a track record for these new programs to show that they are working and producing beneficial results as intended.
- ◆ Though TVC has had the programs only a short time, the Commission has yet to explore more closely tying the new employment and education programs to its existing functions. Given that both the claims assistance and employment services programs provide direct assistance to veterans, some efficiency could be gained by better linking the two programs. Currently, claims counselors do not have a standard or formal process for referring unemployed veterans to the agency's employment program. Conversely, employment services staff do not have a standard method or easy way to update veterans on the status of their VA claims, which for some veterans not yet in the workforce, could be their only source of monthly income.



Additional time is needed to evaluate TVC's new organizational structure and the effectiveness of its programs.



Some efficiency could be gained by better linking TVC's new programs with its existing claims assistance function.



While both TVC and VLB serve veterans, the focus of each agency is different.

Also, to help compensate for TVC's limited marketing budget, both the employment and education programs have dedicated outreach functions which could be used to market the variety of benefits available to Texas veterans. While employment services and education approval functions are largely governed by federal requirements, opportunities for achieving greater benefits through partnering with claims assistance activities are missed if the agency does not pursue them.

While the Veterans' Land Board also plays a key role in providing state benefits to veterans, consolidation is not a viable option.

- ◆ In addition to TVC, the Veterans' Land Board (VLB), housed in the General Land Office, plays a role in providing benefits to Texas veterans by offering home and land loans, and administering nursing homes and state cemeteries. Many states that offer similar assistance and benefit programs to those provided by the Veterans Commission and the Veterans' Land Board do so through one omnibus veterans affairs agency.
- ◆ Sunset staff examined both agencies' missions and functions and concluded that, while both agencies provide veterans benefits, consolidation was not a viable option. While the functions of both agencies are services to veterans, the focus of each agency is different, and the transfer from either agency to the other is simply not feasible.

The Veterans' Land Board successfully administers its loan, nursing home, and cemetery programs, and transferring some, or all, of the programs to TVC, whose recent growth has already stressed its capabilities to effectively provide services, would not be advisable. VLB has the expertise to run these programs and enjoys support from the General Land Office, to which it is attached. TVC does not offer these advantages. Also, VLB is constitutionally created and the Board cannot be moved from the oversight of the Land Commissioner without a constitutional amendment.

While VLB benefits from its attachment to the Land Office, the agency is not the appropriate place for TVC's programs. Texas has a long history of having a separate agency serve its veterans. Better coordination of services to veterans is needed, as discussed in Issue 6 of this report. Staff concluded that this approach was preferable to an attempt to consolidate the programs in either agency.

All 50 states provide benefits and assistance to veterans.

- ◆ All 50 states have a veterans affairs agency devoted to advocating on behalf of and assisting veterans and their families with accessing benefits, primarily through the VA.
- ◆ While all states are federally required to administer the Veterans Employment Services program, Texas is unique in that the veterans affairs agency administers the program. All other states provide this service through their workforce agency.



All 50 states have claims assistance, employment services, and education programs to assist their veterans.

- ◆ All states also operate a program to approve educational and training programs affiliated with the Montgomery GI Bill program. States typically designate either the veterans affairs or higher education agency to perform this task, though a small number of states place this program solely within a workforce agency.

Recommendations

Change in Statute

1.1 Continue the Texas Veterans Commission for four years.

This recommendation would continue TVC as an independent state agency for four years, allowing the Commission additional time to assume its new functions – operating the Veterans Employment Services program and acting as the State Approving Agency for Veterans' Education – and providing the Legislature an opportunity to reevaluate the Commission's progress and performance at that time. While the State should continue to assist Texas veterans and their families in obtaining the various benefits entitled to them by law, Sunset staff could not conduct a more complete evaluation of whether the Veterans Commission has the organizational structure or institutional resources necessary to successfully provide employment and education services.

In the next Sunset review, staff would not only assess TVC's overall performance, as in any Sunset review, but would also evaluate the agency's ability to integrate the new programs into its overall mission. Giving the agency a Sunset date of September 1, 2011 would give TVC an opportunity to fully implement its assigned duties and develop a track record for adequately evaluating its performance.

Sunset staff also proposes that the next Sunset review of the Texas Workforce Commission be postponed from its current 2009 Sunset date until 2011. This change would need to occur in a separate piece of legislation from that continuing TVC. Reviewing TVC at the same time as the Workforce Commission would provide for more comprehensive reviews of comparable programs. Sunset staff would be able to complete a comprehensive review of Texas' workforce system, and see how well the veterans employment program at TVC is working within the State's workforce centers. Sunset staff would also be able to get a better understanding of TVC's veterans' education program within the State's broader system for approving training programs.

Management Action

1.2 The Commission should explore ways to better integrate its new programs into the agency's overall mission.

This recommendation would direct the Commission to assess its two new programs and better incorporate these functions into the agency's overall mission of providing veterans with all benefits entitled to them by law. In doing so, TVC should consider ways to connect the employment and education programs with the claims assistance program, providing veterans with a direct referral system to each division in the agency. For example, TVC should pursue providing its veterans employment staff with access to the VA's database, allowing the agency's other front-line assistance staff the opportunity to provide veterans with claim information updates. TVC should also explore opportunities for the veterans employment and education program staff, all of whom are required to perform community outreach functions as part of their job description, to provide information regarding the comprehensive benefit package that is available to Texas veterans.

Fiscal Implication

If the Legislature continues the Texas Veterans Commission's current functions, the agency's appropriation of \$3.4 million from the General Revenue Fund would continue to be required for its operations. The agency would also continue to receive federal funds for its responsibilities operating the Veterans Employment Services program and acting as the State Approving Agency for Veterans' Education.

¹ The Texas Veterans Commission was first established by the Legislature as the State Service Office in 1927; was renamed, as the Texas Veterans Affairs Commission, in 1947; and again renamed in 1985, as the Texas Veterans Commission.

² House Bill 2604, 79th Legislature (2005).

³ Letter from Governor Rick Perry to Keith Wilson, Director of Education Service, U.S. Department of Veterans Affairs, August 10, 2006.

⁴ 38 CFR 14.628 (b) (2003).

⁵ 38 CFR 4101 (2006).

⁶ U.S. Department of Labor, *Performance Outcomes By State*, (Washington, D.C., March 2006).

⁷ U.S. Department of Labor, Bureau of Labor and Statistics, *Employment Situation of Veterans Summary*, Online. Available: <http://www.bls.gov/news.release/vet.nr0.htm>. Accessed: November 9, 2006.

⁸ 38 CFR 3671 (2003).

⁹ The U.S. Department of Labor indicates that the Texas Veteran Commission must implement a management structure for its Veterans Employment Services staff using no more than the 18 percent of the total grant, or \$1,800,000, as was used by the Texas Workforce Commission in fiscal year 2005.

Limited Rulemaking and Stakeholder Input Restricts the Commission's Ability to Respond to Changes in Its Mission and the Veterans It Serves.

Summary

Key Recommendations

- ◆ Require the Commission to develop guidelines for early stakeholder involvement in its rulemaking and policy development processes.
- ◆ The Commission should adopt rules to guide its programs.

Key Findings

- ◆ The Commission seeks to serve the needs of Texas veterans at a time when the profile of both the veteran and the agency is changing.
- ◆ TVC lacks a formal means of gathering needed input from stakeholders and coordinating with other organizations serving veterans.
- ◆ The Commission has not used rulemaking to establish an adequate framework for its programs.
- ◆ Other states rely on formal input from stakeholders to assist in addressing veterans' issues.

Conclusion

Since its inception, the Texas Veterans Commission's (TVC) mission has been to support veterans and their families, advocating on their behalf to obtain veteran benefits to which they are entitled. While TVC still helps veterans with their benefit claims, it does so in a changed environment. The Commission is not the same agency it once was, having recently gained responsibility for veterans employment and education programs from the Texas Workforce Commission. In addition, the veterans that the agency works with have also changed due to the composition of the fighting force deployed to Iraq and Afghanistan.

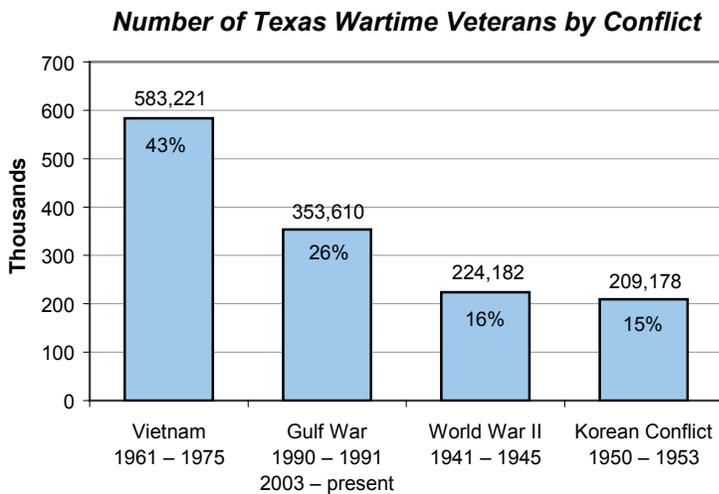
Sunset staff found that TVC needs to adapt its operations to accommodate these changes, but will need to increase its rulemaking to accomplish this task. The Commission also lacks an effective structure to consider outside expertise and advice, instead relying on informal relationships that may not reflect the variety of opinions or number of issues facing veterans today. Clear direction would help the Commission involve a variety of stakeholders in its policymaking process, providing additional expertise and helping to ensure an adequate framework is in place to guide its programs.

Support

The Commission seeks to serve the needs of Texas veterans at a time when the profile of both the veteran and the agency is changing.

- ◆ Texas' veteran population is changing as veterans of previous wars age and younger veterans return home from conflicts in the Middle East. Just as the service populations from World War II and the Korean Conflict gave way to veterans of the Vietnam War, so too are Vietnam veterans giving way to those returning from the current wars in the Middle East.

As shown on the chart, *Number of Texas Wartime Veterans by Conflict*, Vietnam veterans still make up the largest percentage of the veteran population, many of whom are encountering challenges associated with aging.¹ Gulf



Total Wartime Veterans: 1,370,191

War veterans, at 26 percent, are the next largest segment, and this very young population of veterans faces their own set of healthcare and civilian integration challenges.² Further, with more than 1.5 million troops deployed to Iraq and Afghanistan since 2001, with a large number coming from Texas' military installations, Texas' population of younger veterans will increase significantly.

Veterans returning from Iraq and Afghanistan are different from those returning from past wars, who typically served in active duty and were almost exclusively male. Texas is seeing an influx of veterans who served with National

Guard and Reserve units. Currently, 40 percent of military forces come from the National Guard or Reserves, and about 27,000 Guard and Reserve soldiers have already returned to Texas from Iraq and are eligible for veterans' benefits. The Guard and Reserves have never served so extensively in a combat situation and as a result have not traditionally been eligible for veterans' benefits, at least as such a broad class of individuals. However, Guard and Reserve veterans do not have the same programs as active duty troops to ease the transition to civilian life, and thus may be more likely to have their needs go unaddressed. Another way in which these returning soldiers differ from past soldiers is that 20 percent are women, a marked change from the Vietnam era when women made up just 4 percent of all troops.

- ◆ Many veterans returning from service in Iraq and Afghanistan face lifelong, severe disabilities not previously seen among other veterans, owing largely to improvements in medical care in the field. Nationally, of the 1.5 million soldiers who have served in Iraq and Afghanistan, 567,000 have been



About 27,000 Texas Guard and Reserve soldiers serving in current conflicts are now eligible for veterans' benefits.

discharged, and more than 100,000 – almost one in five – have been determined to be at least partially disabled. With this rising trend of high disability rates among Gulf War veterans, disability benefit claims are likely to dramatically increase.

Veterans also face a competitive job market upon their return to civilian life. The U.S. Department of Labor's Bureau of Labor Statistics reports that Gulf War veterans aged 18 to 24 have an unemployment rate of nearly 18 percent, which is nearly double the rate of non-veterans in that same age group.³ Higher rates of disabilities contribute to unemployment rates for younger veterans, as do misperceptions of some employers that young veterans may not have transferable work skills, despite extensive military training and experience.

- ◆ As the State's main advocate for veterans, TVC's programs and services support many veterans and their families. Historically, TVC's main function was its claims assistance program, however, in 2006, the Commission absorbed programs for veterans employment and education. These programs dramatically expanded the Commission's size and its reach into both workforce and education arenas and positioned the Commission to serve as a one-stop shop for veterans and veterans assistance programs.

TVC lacks a formal means of gathering needed input from stakeholders and coordinating with other organizations serving veterans.

- ◆ While the stability of the Commission's operations over the past 60 years has largely mitigated the need for input mechanisms to help guide the Commission's efforts, changes confronting the agency behoove it to reach out to its stakeholders to better serve the needs of veterans.
- ◆ The Commission does not receive needed guidance to address specific veterans' issues. Although TVC has the same delegated authority to convene advisory committees as any agency under the Administrative Procedure Act (APA), the Commission has never taken advantage of this structure to ensure it receives input from experts on complex issues affecting Texas veterans.

In particular, TVC has no formal relationships with groups representing the interests of many soldiers returning from Iraq and Afghanistan. A large percentage of these soldiers has served in the National Guard and the Reserves, which have not traditionally enjoyed the close working relationship with either the U.S. Department of Veterans Affairs or the Commission as do active duty forces. A consequence of this assistance from the Guard and Reserves may be seen in nation-wide data that appears to show that veterans from the Guard and Reserves are less likely to file claims and are more likely to have claims denied.⁴

TVC also has no formal relationships with professionals in healthcare or rehabilitative fields to assist the Commission in serving the special needs of soldiers returning from Iraq and Afghanistan. These soldiers have high



Almost one in five veterans returning from the current war is at least partially disabled.



Guard and Reserve soldiers are less likely to receive benefits, making TVC's services more critical.

rates of Post Traumatic Stress Disorder and Traumatic Brain Injury, resulting in higher incidence of domestic violence, substance abuse, child abuse, unemployment, and incarceration. TVC also lacks a mechanism for receiving input from stakeholders regarding high unemployment rates among veterans and how the agency can better address veterans' employment needs.



Historically, TVC has relied on informal connections to gain stakeholder input.

- ◆ The Veterans Commission does not have formal processes for gathering information to guide its policies and procedures or for coordinating its efforts with other service organizations. As a result, it may not benefit from the full flow of ideas needed to improve decision making, and it may miss opportunities to further assist veterans. Historically, TVC has relied on informal connections with stakeholders, primarily from veterans service organizations, like the American Legion and the Veterans of Foreign War. However, other stakeholders, including smaller veterans service organizations, families of veterans, and individual veterans, do not enjoy this same frequency or quality of interaction with the Commission.

While TVC holds training conferences and participates in other efforts in which it interacts with various groups and other service providers, the agency has no formal mechanism for soliciting input from a range of interests on specific initiatives. Without adequate input from groups or individuals regarding the experiences and needs of the fighting force returning from Iraq and Afghanistan, the Commission will have difficulty addressing the range of issues veterans confront, including not just disability benefits and employment services, but also health and mental health care and other transition and support activities.

The Commission has not used rulemaking to establish an adequate framework for its programs.

- ◆ The Commission has had limited experience adopting rules to guide its programs because its duties have not changed until recently, and because it usually relies on institutional knowledge in performing its functions. TVC's long-standing claims assistance program lacks rules, affecting the agency's ability to consistently administer this program, as further discussed in Issue 3 of this report. Without rules, programs lack an administrative framework for ensuring consistent effort, and for informing interested parties and the public about its operations.
- ◆ With a total of seven rules, all adopted before 2001, TVC's rules do little to guide its programs. Most of TVC's rules apply to training and accrediting county service officers. Rather than adopt its own rules, the Commission simply codified existing federal regulations for county service officer accreditation. TVC's remaining rules apply to copying fees and use of Historically Underutilized Businesses.
- ◆ With responsibility for two new programs, veterans employment and education, operational guidance will be critical. The agency will need to establish a set of rules that will provide the structure in which these programs will be carried out.



TVC usually relies on institutional knowledge to perform its functions.

Other states rely on formal input from stakeholders to assist in addressing veterans' issues.

- ◆ The boards of veterans agencies in other large states address veterans' issues beyond the programs they administer by using advisory committees, special studies, task forces, and coalitions to seek input from the veterans they serve. For example, the New York State Division of Veterans' Affairs has collaborated with the VA to organize a statewide coalition of local, state, federal, and private partners to enhance veterans' access to benefits and health-care services. The Division also initiated the first Memorandum of Understanding with the National Guard and Reserves, analyzed Medicaid rolls to check for VA benefit eligibility, and combined marketing and outreach efforts among coalition partners.

The California Department of Veterans Affairs is currently leading two task forces on veterans' issues. One task force helps homeless veterans find permanent housing, and the other investigates exploitation of veterans, including investment and benefit fraud. Also, the California Veterans Board holds monthly meetings in locations throughout the state to provide the public with the opportunity to appear before the Board.

The Illinois Department of Veterans' Affairs addresses current veterans' issues with the assistance of a large advisory committee, including members representing 14 veteran service organizations and staff from various state agencies offering services to veterans. The committee seeks to gather stakeholder input and coordinate agency services for veterans. The committee meets quarterly with four legislators and reports to the Department. Also, Illinois has a special commission to study Persian Gulf War Disease and recommend programs to help affected veterans.⁵

Ohio's Office of Veterans' Affairs has an advisory committee to specifically address women veterans. The committee, composed of female veterans from all eras of conflict and regions of the state, maintains an informational website, publishes printed materials, and holds annual conferences to increase women veterans' access to health care and benefits and to raise awareness of women veterans' healthcare needs.⁶



Other states with large veteran populations use advisory committees to improve veterans' access to benefits.

Recommendations

Change in Statute

2.1 Require the Commission to develop guidelines for early stakeholder involvement in its rulemaking and policy development processes.

This recommendation would require the Commission to develop a process for providing stakeholders with the opportunity for a stronger role in the development of agency rules and policies. This process could include appointing advisory committees under the agency's delegated authority provided in the APA. Allowing key stakeholder input would provide the Commission with needed expertise as it develops program policies and strategies to address critical veterans' issues. If the Commission chooses

to appoint advisory committees, the Commission should adopt rules regarding these committees, in compliance with Government Code provisions for advisory committees, including:

- ◆ purpose, role, and goals of the committee;
- ◆ size and quorum requirements;
- ◆ qualifications of the members and selection criteria;
- ◆ appointment procedures;
- ◆ terms of service;
- ◆ training requirements;
- ◆ a needs assessment process to regularly evaluate the continuing need for the committee; and
- ◆ the requirement that the committee comply with the Open Meetings Act.

Management Action

2.2 The Commission should adopt rules to guide its programs.

This recommendation would direct the Commission to adopt rules under the APA to direct its programs, bringing TVC in line with other state agencies' standard procedures for adopting rules for their programs. Adoption and application of rules would strengthen the agency's policies and program directives and promote consistent effort and public awareness of agency operations, especially in the case of the agency's new program where TVC has not had the expertise in workforce-related matters already in place at the Texas Workforce Commission. The Veterans Commission should take full advantage of APA authority to gather advice from veterans, their families, and the general public on proposed rules.

Fiscal Implication

These recommendations would not have a fiscal impact to the State. If the Commission chooses to appoint advisory committees, the members of the committees would not receive reimbursement for time or travel, unless authorized by the Legislature.

¹ U.S. Department of Veterans Affairs, *Veterans by State, Period, Age Group, Gender, 2000-2033*. Online. Available: www1.va.gov/vetdata/doc/11.xls. Accessed: October 10, 2006.

² Ibid.

³ United States Department of Labor, Bureau of Labor and Statistics, *Employment Situation of Veterans* Summary, Online. Available: <http://www.bls.gov/news.release/vet.nr0.htm>. Accessed: November 9, 2006.

⁴ Shane, Scott, "Data Suggests Vast Costs Loom in Disability Claims," *The New York Times* (October 11, 2006).

⁵ Illinois Government Code, ch. 20.

⁶ Ohio Office of the Governor's Office of Veterans Affairs, *Governor's Advisory Committee on Women Veterans*, Online. Available: <http://veteransaffairs.ohio.gov/women.htm>. Accessed: October 4, 2006.

TVC Lacks Management Tools Needed to Ensure the Highest Quality Claims Counseling and Representation Services for Texas' Veterans.

Summary

Key Recommendations

- ◆ Require TVC to adopt procedures for providing claims assistance services to Texas veterans.
- ◆ TVC should assess its information technology needs for the claims assistance program and report to the Legislature on the costs and benefits of implementing software to support the program.

Key Findings

- ◆ As part of a network of representatives, TVC assists veterans with filing VA benefit claims.
- ◆ TVC's approach to providing claims assistance potentially results in wasted resources needed to help veterans most in need.
- ◆ The state of TVC's information technology prevents the agency from effectively sharing information and measuring its performance on claims assistance activities.

Conclusion

For nearly 80 years, the Texas Veterans Commission (TVC) has provided benefit information and one-on-one assistance to veterans navigating the U.S. Department of Veterans Affairs' (VA) benefit claims process. Sunset staff evaluated this long-standing assistance function and found that the agency relies on historical knowledge to administer its claims program and lacks basic policies to guide the assistance process.

Without this guidance, TVC cannot ensure an effective, consistent approach is used by counselors statewide or that, as a result, its process to assist veterans does not have the unintended consequences of wasting resources dedicated to help veterans most in need. Finally, the agency is severely hampered by its lack of information technology, restricting both TVC's ability to shepherd specific cases through the system and its ability to see how well the system is working.

Requiring the Commission to adopt policies guiding its claims assistance services, and to coordinate more closely with the VA, would enable TVC to streamline its service delivery processes while improving outcomes for veterans and their family members. Updating the agency's existing information technology capabilities would allow the agency to readily access important case information and use that information to better manage its claims assistance program.

Support

As part of a network of representatives, TVC assists veterans with filing VA benefit claims.



Veterans can access benefits through TVC, counties, the VA, and various service organizations.

- ◆ The Legislature created the Texas Veterans Commission (TVC) to provide benefit information and one-on-one assistance to veterans and their families seeking to file benefit claims with the U.S. Department of Veterans Affairs (VA). To accomplish this mission, TVC employs 64 claims counselors, located in 30 field offices throughout the state, mainly VA facilities, including hospitals and outpatient clinics, and military installations.

Several other avenues exist, beyond TVC staff, to assist veterans in applying for benefits, including county service officers, veterans service organizations, such as the Disabled American Veterans, and VA benefit counselors. Currently, more than 250 county services officers serve 221 Texas counties, while private service organizations assist veterans in about 26 VA facilities and military installations across the state. The VA itself employs about 40 benefit counselors, also located in VA facilities to assist with filing claim paperwork.

- ◆ The most common type of claim filed is a service-connected disability claim, which typically requires the veteran to submit documentation, such as service information and medical records, to substantiate evidence for the claim. The textbox, *Texas Veterans Commission Claims Assistance Process*, shows the basic steps in the claims process, including TVC interactions with the veteran and with the VA. While TVC and other assistance entities conduct similar activities when assisting veterans with initial claims, TVC goes beyond the VA's and most county service officers' capabilities by helping veterans gather needed records and documentation to support their case, and by advocating for them during the appeals process.

Texas Veterans Commission Claims Assistance Process

TVC claims counselors assist veterans and their dependents with applying for VA benefits by conducting the following activities.

Counseling Services – TVC counselors meet with veterans, discuss their health concerns, provide information on VA benefits, and discuss documentation needed to establish a claim.

Application for Benefits – TVC counselors assist veterans with submitting benefit paperwork, including necessary documentation, such as medical records. Claims filed by TVC field staff are mailed to one of the agency's regional offices, collocated within the VA's processing office, for review and final submission to the VA.

Case Review – After receiving benefit claims, the VA may continue developing claims by gathering additional documentation. VA staff reviews the claim file and decides whether to grant the veteran's benefit or deny the claim. In some cases, TVC counselors review the VA's decisions before they are final, and suggests adjustments to the proposed benefit decision.

Appeals Representation – Once the VA issues a benefit decision, veterans have one year to appeal if they disagree with the VA's decision. TVC claims counselors advise veterans on appeals and prepare appeal documentation. In addition, if the veteran chooses to request a hearing and speak with VA staff about the appeal, TVC acts as the veteran's representative.

- ◆ About half of TVC's claims counselors are located in the agency's 30 field offices. The remaining counselors work in the agency's two regional offices, processing incoming claims and representing clients in appeal hearings. In fiscal year 2006, TVC spent about \$2.8 million, primarily for staff salaries, to support the claims assistance program.

TVC's approach to providing claims assistance potentially results in wasted resources needed to help veterans most in need.

- ◆ Charged to advocate on behalf of Texas' veterans, TVC pursues all claims that come its way, potentially clogging the VA's processing system, wasting limited resources, and delaying benefits to veterans pursuing valid or urgent claims. While TVC's claims counselors are immensely dedicated in helping veterans gain their benefits, a guiding philosophy is to allow the veteran to direct the claim, even in the event of a lack of cause or facts to substantiate the case. This process may give veterans "their day in court," which serves its own purpose, but it takes valuable staff time away from helping veterans with legitimate or more immediate needs.
- ◆ TVC pursues all claims because of a belief that its role as an advocate is not to decide which claims are viable, which it views as adjudicating the claim – the responsibility of the VA. Veterans, however, always have the option to take claims directly to the VA or to seek assistance through another organization. In fact, the VA permits service organizations assisting veterans in filing claims to exercise discretion in representing a veteran's claim, as summarized in the textbox, *Allowable Discretion in Providing Claims Assistance Services*.¹ While the VA allows this discretion, organizations that screen claims must provide veterans with information on alternative means of obtaining services.²
- ◆ TVC lacks a formal way to ensure that veterans with pressing issues receive priority of service. The VA allows TVC, as a veteran's authorized representative, to petition to advance hardship cases which may be rated in as little as 48 hours, but the Commission does not have a documented process for ensuring that these hardship cases get expedited treatment or for ensuring that claims counselors use this method on a regular basis. Instead, claims counselors work informally with the VA to expedite claims. This process may provide beneficial results, but it depends on personal relationships and does not guarantee a more standard and consistent consideration of the veteran's specific situation and need.
- ◆ Because TVC is housed with, and works closely with the VA, ensuring that TVC's approach to serving veterans is well aligned and coordinated with the VA's own processes is critical to providing effective claims services. For

Allowable Discretion in Providing Claims Assistance Services

According to federal regulations, a state's veterans' affairs agency and other service organizations may exercise discretion in representing a claim if it is impractical or inappropriate for one of the following reasons:

- ◆ the facts, or law, do not support filing a claim or appeal;
- ◆ an appropriate claimant-representative relationship cannot be maintained; or
- ◆ representing the veteran would present a conflict of interest for the organization.

example, the agency does not have a policy to ensure that veterans who have recently returned from Iraq and Afghanistan receive priority of service, a policy that the VA incorporated into reviewing benefit claims and providing health care. While TVC staff express the understanding that veterans who have recently returned from war should receive priority of service, the agency does not ensure counselors take full advantage of this process.

- ◆ TVC does not have a formal policy prohibiting staff from pursuing claims or appeals that contain false information. Under federal law, any person making or aiding false statements regarding a benefit claim forfeits all rights to VA benefits.³ TVC staff indicates that unless it has direct knowledge of a fraudulent claim, it will continue to assist a veteran, even if it suspects the veteran of trying to mislead the VA. In the staff's view, the VA, with its greater access to records and its thorough process, is the appropriate venue for catching fraudulent claims. TVC staff says that it informs the VA about potentially false claims on a case-by-case basis, but without clear policies to guide TVC staff regarding these claims, the State is at risk of promoting baseless claims and helping a veteran gain benefits under false pretenses.
- ◆ TVC does not have a manual that describes standard approaches to the claims process. Without such guidance, TVC cannot effectively assess needed evidence to support claims, consistently recommend proper courses of action to veterans, and present the best possible quality of claim files and appeals to the VA. Throughout the course of the review, observing several informal and formal appeals hearings, Sunset staff saw wide variations in the quality of claims counseling and representation services TVC counselors offered. On more than one occasion, VA staff provided veterans helpful guidance on pursuing their claims, directing TVC counselors, who had not appeared to present new and substantiated information, to assist veterans in gathering this information.



TVC cannot ensure a consistent level of quality when providing claims assistance services.

The state of TVC's information technology prevents the agency from effectively sharing information and measuring its performance on claims assistance activities.

- ◆ TVC lacks the ability to share case information between field offices, severely hampering the agency's ability to track case progress, document case development efforts, and provide veterans with accurate case information. TVC relies heavily on read-only access to view the VA's claims database and to access information on the status of a veteran's claim. Because the agency cannot track the progress of claims internally, TVC still manually matches its list of claims to the VA's database to identify which cases are pending or lost in the system, a cumbersome process that requires significant effort, diverting agency resources from directly assisting veterans.
- ◆ The agency's current program is also not capable of generating useful management data. While TVC does generate activity reports, the agency relies on a combination of VA data and manual counting to generate this limited information. Currently, TVC relies on the VA to provide almost all

of its formal performance measure data, some of which is not an accurate indicator of success. For example, because the VA does not track the information, TVC is unable to compare the number of claims filed against the number of claims granted to gauge the success and outcomes of its claims assistance program. In addition, while the number of appeals TVC filed is interesting information, it does not indicate a level of success and may even create an incentive to file excessive appeals.

- ◆ Because TVC lacks sufficient case-notes software, counselors lacking in basic technology skills rely on administrative staff to type up case-notes and prepare VA documents. While all TVC offices have software to track cases, this software does not allow for adequate case management. The current case management system is not Internet-, and in some cases even, printer-compatible in all field offices. Therefore, case information is not able to be shared with regional offices, an essential aspect of transferring a veteran's claim to the regional office for representation. Case information also cannot be shared with TVC's headquarters in Austin, which prevents its ready access to increase customer service through improved call center operations, as discussed in Issue 6 of this report.



TVC still employs stenographers using dictaphones to type claims cases for counselors.

Recommendations

Change in Statute

3.1 Require TVC to adopt procedures for providing claims assistance services to Texas veterans.

This recommendation would require TVC to develop criteria, subject to the Commission's approval, to improve and streamline the claims assistance process. In developing standard procedures for helping veterans file claims, TVC should address, at a minimum, the following areas:

- ◆ criteria for assessing initial claims to ensure the claim is substantially complete and meets the basic eligibility requirements specified in federal law;
- ◆ a formal documented process for expediting claims based on hardship, including whether the veteran is in immediate need, is terminally ill, has a verifiable financial hardship, or has a disability that presents an undue burden;
- ◆ procedures for counseling veterans on the potential merits of claims, or the potential drawbacks of pursuing claims that could place a veteran's current level of benefits at risk;
- ◆ steps needed to ensure adequate documentation and development of a claim, or appeal, including early client involvement, collection of needed evidence and records, and analysis of further actions needed to support the claim;
- ◆ criteria for evaluating whether the VA's benefit decision contains sufficient cause for filing an appeal; and
- ◆ requirements for claims counselors to report to the VA claims that TVC believes contain false or deceptive information.

Under this recommendation, TVC would consult with the VA when developing these rules to ensure that TVC staff are not improperly involved in adjudicating claims. TVC would also work with the VA to ensure that policies and procedures provide for resolving disputes at the lowest level of the VA's benefit decision process. Additionally, in assessing cases, TVC would better prioritize its efforts to help veterans with claims when appropriate, and provide them with information on alternative sources for obtaining claims assistance services when it is not.

TVC would also work with the VA to establish broad areas of cooperation between the agencies to help streamline, and more closely align, TVC's service delivery with the VA's own processes. These areas of cooperation with the VA would include, cooperating on expediting hardship cases and appeals; identifying processes to update changes to veterans' cases and power of attorney designation; and identifying opportunities for the VA to provide TVC with needed data to assist with tracking the progress and outcomes of claims. By adopting formal procedures and increasing cooperation with the VA, TVC would ensure that staff provide services in a more consistent fashion so that veterans receive quality claim development and appeals services.

Management Action

3.2 TVC should assess its information technology needs for the claims assistance program and report to the Legislature on the costs and benefits of implementing software to support the program.

Under this recommendation TVC would work with the Texas Department of Information Resources (DIR) to assess the requirements, costs, and benefits of a case management system. TVC should work with DIR to identify existing case management software which could meet TVC's needs with a minimum level of modifications. At a minimum, the software should allow claims counselors to enter critical information regarding each case and for this information to be shared between all of TVC's field and regional offices, and the agency's headquarters, including the call center which currently does not have access to information regarding the progress of benefit claims. The program should also allow the agency to access management reports that indicate case progression and identify outcomes from TVC's efforts.

Based on the results of these efforts, TVC should work through the legislative appropriations process to seek appropriate funding for the case management software system. In calculating a cost of the system, the agency should include efficiencies in processes, resulting in potential reductions in administrative staff who provide transcription services to claims counselors in the agency's two regional offices.

This recommendation would improve TVC's ability to track progress on veterans' claims cases, share information between TVC offices, and generate needed management information. This recommendation would also improve TVC's ability to evaluate the effectiveness of its claims assistance activities, and enable the agency to generate more useful and accurate management data needed to evaluate the agency's performance. To that end, TVC should work with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy to redefine agency performance measures that show outcomes rather than basic outputs.

Fiscal Implication

The management recommendation in this issue could have a fiscal impact to the State. Based on cost estimates provided by the Department of Information Resources, a basic case management system would require start-up costs of approximately \$100,000, and annual costs of approximately \$75,000. However, no additional staff would be needed to set up or maintain this new computer-based case management system.

¹ 38 CFR sec. 14.

² Ibid.

³ 38 CFR 6103.

The State Does Not Effectively Use County Service Officers to Reach Veterans at the Local Level.

Summary

Key Recommendations

- ◆ Require the Commission to adopt a strategic plan to further integrate county service officers into the State's veterans assistance network.
- ◆ Require the Commission to develop and adopt a standard training curriculum.
- ◆ Remove current training provisions relating to conferences and require TVC to provide alternative methods of training.

Key Findings

- ◆ The State has established a system of local county service officers to better assist veterans and their family members in applying for benefits.
- ◆ TVC can improve services to veterans through the more strategic use of CSOs.
- ◆ Statute limits TVC's ability to quickly and efficiently train county service officers.
- ◆ TVC's training and technical assistance could be improved to help ensure that veterans receive the best quality claims assistance services at the local level.

Conclusion

County service officers (CSOs) play a valuable role in helping Texas veterans, especially those located in rural communities without immediate access to other support resources, to obtain all the benefits to which they are entitled. The Texas Veterans Commission (TVC) is responsible for training and certifying county service officers to help ensure that veterans receive quality benefit assistance at the local level.

Although TVC does not have direct authority over CSOs, or the counties for which they work, taking advantage of its relationship with CSOs could help develop them as a resource to serve more effectively in the State's veterans assistance network. The Commission could also improve its training program to better serve the training needs of CSOs so that they may best assist veterans. Updating statute to allow TVC flexibility in how it administers training, and directing TVC to implement a standard training curriculum, would ensure that county service officers have the initial and ongoing support they need.

Support

The State has established a system of local county service officers to better assist veterans and their family members in applying for benefits.



Texas has 257 county service officers to help veterans access VA benefits.

- ◆ To supplement the Texas Veterans Commission's (TVC) claims assistance efforts, in 1947, the Legislature created a system of local-level claims counselors, called county service officers (CSOs). Much like TVC's claims counselors, CSOs provide veterans with benefit information and assist them with filing benefit claims with the U.S. Department of Veterans Affairs (VA). However, county service officers are paid county employees, appointed by a local commissioner's court, and must be veterans.¹ Currently, Texas has 257 CSOs, mostly located in county court houses, serving 221 counties. State law requires counties exceeding 200,000 in population to employ at least one full-time CSO, and authorizes more sparsely populated counties to jointly establish offices.²
- ◆ In 1989, the Legislature charged TVC to train and certify county service officers, a process that helps ensure veterans receive quality assistance at the local level.³ Within one year of appointment, CSOs must attend an initial TVC-sponsored training conference. To maintain certification, CSOs must fulfill an additional 12 hours of training annually by attending at least one training conference each year.⁴ In addition to basic certification, TVC also administers an optional VA accreditation training program, allowing CSOs to act as an extension of TVC, and represent veterans in appealing VA benefit decisions. Accreditation also offers CSOs access to the VA's claims database.⁵

Accreditation of County Service Officers

To gain VA accreditation, CSOs must meet the following requirements:

- ◆ be a county employee working no less than 1,000 hours per year;
- ◆ complete a VA-approved training course and pass an accreditation examination;
- ◆ receive regular supervision or annual training to ensure continued qualification; and
- ◆ not be employed in any civil or military department of the United States.

The textbox, *Accreditation of County Service Officers*, shows the additional requirements CSOs must meet to become VA-accredited. Recognizing that CSOs are county employees and that the State has limited authority over this local network, TVC's training program is designed to encourage CSO participation by paying their travel expenses, not to regulate them.⁶ TVC notifies county officials if a CSO fails to attend the statutorily required annual training, however, the agency has no jurisdiction to keep a CSO who has not complied with training requirements from continuing to provide benefit assistance.

- ◆ TVC currently holds seven training conferences per year, including a fall statewide conference that averages about 250 attendees, four spring conferences that average about 60 attendees per conference, and two initial training conferences for new CSOs in January and July averaging about 25 attendees. Each conference typically lasts four days, and includes training sessions covering basic subjects, such as how to file VA claims and overviews

of state and federal benefits. TVC relies on its own claims counselors to teach training sessions, as well as outside instructors with experience in specialized topics affecting the veteran's community, such as the VA's reaction to Post Traumatic Stress Disorder cases.

- ◆ In addition to training, most county service officers also rely on TVC to review claim information and submit case files to the VA. Unaccredited CSOs must designate an organization, typically TVC, as the veterans' authorized representative.⁷ These service officers, then, forward claims to one of the agency's regional offices, where staff review the claim file for completeness and submit the claim to the VA for review. These claims, then, actually appear as TVC claims. TVC also assists CSOs by representing their clients in appeal hearings.

TVC can improve services to veterans through the more strategic use of CSOs.

- ◆ As the state agency designated to help ensure that CSOs provide quality services, the Commission could reach beyond its basic training and support functions to ensure that CSOs continually provide quality benefit information and assistance to veterans at the local level. By taking an active role in developing CSOs as a resource, TVC could expand its reach throughout the state, connecting with more veterans where they live, at minimal cost to the State.
- ◆ TVC could regularly assess the location of county service officers, or types of clients they serve, compared to its own benefit assistance staff, to evaluate the State's overall approach to service delivery. Such a mechanism could help TVC assess whether veterans are receiving all the benefits and services they need from CSOs, as part of the Texas' veterans assistance network.

For example, while CSOs filed only 20 percent of the agency's total claims, in fiscal year 2006, as shown in the chart, *TVC and CSO Benefits Claims*, they file more than half of TVC's total claims for veterans' family members. This difference may be the result of CSOs' locations in county courthouses, providing service officers the opportunity to interact more with families, while TVC staff is located mainly in VA facilities and outpatient clinics. By analyzing this kind of information, TVC could better determine if service officers should be located in other county offices, TVC offices, or VA facilities to serve more or higher-need veterans, while still assisting family members.



TVC does not take an active role in developing the CSO network as a resource for veterans.

**TVC and CSO Benefits Claims
FY 2006**

Claim Type	TVC Initiated	CSO Initiated
Disability	51,621	9,100
Pension	4,701	2,935
Family Member	1,936	2,339
Appeal	8,516	2,458
Total	66,774 (80%)	16,832 (20%)



Identified in the 1980 Sunset review, TVC still does not collect information on the quality of CSO claims.

- ◆ While TVC cannot force counties to maintain a CSO, it could take a more active role in ensuring that counties, especially those with populations more than 200,000 that are required to have a CSO, actually have one. TVC staff relies on county officials to provide notification regarding new appointments and does not maintain a master database of all counties required to employ a county service officer. Also, TVC does not assist counties in evaluating the benefits of adding CSOs, particularly in areas with high concentrations of veterans.

For example, several large counties, including Bell County, which partly houses Ft. Hood, and Lubbock, Potter, and Randall counties do not have their own CSOs, but instead have a Commission counselor who serves both county and state functions.

- ◆ Although most claims filed by county service officers are sent to TVC's regional offices for review, TVC does not regularly evaluate county service officers to identify potential problems and areas for improvement. During TVC's last Sunset review in 1980, staff found that TVC did not assess or collect information on the quality of CSO-submitted claims and appeals, which is still the case today. As a result, TVC cannot identify problems in the claims assistance process that may delay veterans from getting their benefits, or create additional work for TVC staff who must further develop insufficient claims. Without information on the quality of CSO claims and appeals, TVC cannot effectively revise its training, or target assistance to CSOs that need help improving the quality of submitted claims.
- ◆ TVC could help encourage more county service officers to become involved in cases once they reach the regional office level, resulting in better trained CSOs and more highly developed case material. Currently, TVC does not actively involve service officers in complex appeal hearings, such as cases involving multiple medical issues or sensitive issues like Post Traumatic Stress Disorder. While CSO participation in these cases may be limited by county budgetary constraints, by working with CSOs to find a way to attend these hearings, TVC could make better use of CSOs as a resource to assist veterans. For example, despite filing almost one-third of TVC's appeals caseload in fiscal year 2006, CSOs are not encouraged either to represent veterans in hearings, or to attend as witnesses in cases on which they work.



Few CSOs hold VA credentials and can fully serve veterans.

By more actively involving CSOs in appeal hearings, TVC could also create an incentive for additional county service officers to seek VA accreditation. Only 27 of 257 service officers currently hold VA accreditation. As a result, TVC can only rely on a small portion of the CSO population to fully serve veterans. Because TVC does not maintain information about service officers working more than half-time, as required for VA accreditation, the agency cannot identify, and encourage, these CSOs to obtain that accreditation, enabling them to better assist veterans.

Statute limits TVC’s ability to quickly and efficiently train county service officers.

- ◆ Because TVC’s statute requires it to conduct training conferences, the agency has not provided other training methods to ensure that CSOs are regularly updated regarding changes in procedure or VA eligibility law. Additionally, the emphasis on conferences may not be the best way to quickly train newly appointed CSOs. Gaps in the training schedule keep CSOs from receiving initial training for up to six months after they began serving veterans, as shown in the chart *TVC Training Conferences Held During 2005*.



TVC does not need to hold seven training conferences per year.

TVC Training Conferences Held During 2005

Conference	Type and Number of Attendees			
	TVC Staff	CSOs	Other*	Total
Statewide Training, San Antonio, October	70	131	68	269
CSO Training, Houston, March	13	24	8	45
CSO Training, Dallas, March	16	47	18	81
CSO Training, Corpus Christi, April	12	51	15	78
CSO Training, Lubbock, April	15	41	7	63
Initial Training, Houston, January	3	13	4	20
Initial Training, Waco, July	3	23	4	30

* Includes veterans organizations, staff of state and federal agencies, elected officials, and members of the public.

Statute also mandates that TVC reimburse counties for CSO’s conference-related expenses.⁸ As a result, the agency spends significant funds on hotels, mileage, per-diem, and travel costs for county service officers, in addition to costs for its own staff, to attend one training conference each year. The chart, *TVC Training Conference Expenditures*, details these costs over the last three fiscal years.

TVC Training Conference Expenditures

	FY 2004	FY 2005	FY 2006
County Service Officers	\$110,061	\$106,128	\$94,343
TVC Staff	\$69,820	\$63,012	\$81,860
Totals	\$179,881	\$169,140	\$176,203

- ◆ TVC’s seven annual training conferences are excessive and do not provide clear benefits that outweigh the significant resources diverted from serving veterans during these events. For example, CSOs must take 12 hours of training courses a year to maintain certification, however, TVC’s average training conference lasts three days, providing at least 24 class hours of training. Further, by holding these long conferences, many executive, management, and frontline agency staff are unavailable to serve veterans and maintain central office functions. During the five-day statewide conference, a total of 201 TVC staff and CSOs, or more than half of the State’s claims assistance resources, were not available to serve veterans.

TVC's training and technical assistance could be improved to help ensure that veterans receive the best claims assistance services at the local level.



- ◆ TVC does not have a formal process for developing, adopting, and maintaining standard training materials to ensure the agency provides the best possible training for county service officers. TVC field staff develops training materials on an ad hoc basis without review or adoption by the Commission, making it difficult for TVC to ensure consistent quality of these materials. Also, TVC does not make use of other expertise, such as experienced CSOs or VA staff, to serve as a resource in developing training materials. While federal law requires courses and exams for CSO accreditation to be VA-approved, the agency cannot document the VA's review and approval, and, in practice, this approval may not occur.⁹ However, gaining VA approval would help ensure that TVC staff provide accurate information to CSOs and TVC's own new benefit counselors. Finally, TVC does not maintain a comprehensive training library accessible to field staff, depriving TVC counselors of a valuable resource for developing training materials.

Recognizing the need for better resource information, TVC staff has started compiling a training library for staff to access when developing training materials, and is looking into videotaping training classes to share with CSOs and to use to improve training of its own claims assistance field staff. The Commission should build on these efforts to continue to develop the State's veterans assistance network.

- ◆ Beyond its training conferences, TVC could improve the technical assistance it provides to CSOs. For example, the agency's only claims assistance handbook, which is used as a reference manual during the initial training conference sessions, is not user-friendly, consisting mostly of VA forms and lacking practical "how-to" guidance. The agency does not have a traditional handbook, or training materials, to describe the claims process. TVC also does not have a consistent mechanism, such as an e-mail list, to keep CSOs regularly updated on changes to VA policies and procedures, or other information between training conferences. TVC's claims assistance staff could develop a claims assistance handbook describing basic processes and techniques used when assisting veterans that could be distributed to CSOs before initial training and updated thereafter.
- ◆ Because TVC reviews CSOs' claim files and provides ongoing technical assistance, the agency could provide more meaningful outcome measures to county officials that substantiate the need for veteran assistance at the local level. For example, TVC visits the offices of new CSOs within two weeks of their appointment to evaluate the office, determine what materials are needed, and make recommendations.¹⁰ TVC has recognized the need to improve the quality and profile of these on-site reports by making them more detailed and providing a courtesy copy to the county judge. By formalizing

this approach and coordinating with counties to assess the on-going needs of CSOs, the Commission can help ensure they get updated materials and technical assistance to successfully do their jobs.

Recommendations

Change in Statute

4.1 Require the Commission to adopt a strategic plan to further integrate county service officers into the State's veterans assistance network.

This recommendation would require the Commission to develop and adopt a plan to more closely coordinate with CSOs, and the county officials who oversee them, to create a statewide approach to claims assistance services that can be updated as the veteran population changes and new needs arise. At a minimum, this strategic plan should address the following areas:

- ◆ stating the Commission's, CSOs', and counties' shared objectives in serving veterans;
- ◆ working with counties to recruit CSOs, and encouraging them to become VA-accredited;
- ◆ consulting with counties to determine the most effective locations for CSOs;
- ◆ defining TVC's responsibilities in overseeing claims and appeals prepared by CSOs;
- ◆ collecting information on CSO performance, and providing needed technical assistance;
- ◆ documenting CSO performance, including on-site visit reports, and providing that information to county judges or other local officials that supervise CSOs;
- ◆ incorporating CSOs into VA appeals hearings either to represent veterans or to appeal as witnesses;
- ◆ exploring opportunities for funding CSO travel to participate in VA appeals hearings; and
- ◆ regularly updating CSOs on changes in VA policies and procedures, and other information.

This recommendation would ensure that TVC develops an approach to better integrate CSOs into the State's veterans assistance network, maximizing the assistance that CSOs provide to veterans on the local level.

4.2 Require the Commission to develop and adopt a standard training curriculum.

Under this recommendation, TVC would be required to develop standard course materials and exams for CSO certification and accreditation, subject to the Commission's approval. The agency would maintain and regularly update its course materials, keeping them in a central location and providing easy accessibility to all field staff and CSOs via the Internet. When implementing this recommendation, TVC would consult with the VA to ensure training material is accurate, up-to-date, and meets the VA's requirements. TVC would also seek input from accredited county service officers, who work as an extension of TVC, to ensure that training topics cover veterans' issues emerging at the local level.

In addition, the Commission would be required to develop a training handbook containing practical instruction and case examples, to be posted on the Internet, and addressing, at a minimum, the following areas:

- ◆ general assistance techniques, including how to provide referrals for other services or to other agencies, and general benefit information;
- ◆ basic counseling approaches for helping veterans and their family members file benefit claims;
- ◆ basic information on VA processes and procedures, including how to accurately complete claim and appeals forms and how to support the claim;
- ◆ methods of collecting needed documentation and further developing claims and appeals;
- ◆ methods of documenting progress and updating veteran case information;
- ◆ ways to assist veterans in pursuing appeals, including offering case knowledge in appeal hearings; and
- ◆ methods of representing veterans during appeal hearings.

This recommendation would improve the Commission's ability to develop quality training materials, ensuring that county service officers receive the best possible training to assist Texas veterans.

4.3 Remove current training provisions relating to conferences and require TVC to provide alternative methods of training.

This recommendation would repeal current statutory language requiring TVC to hold training conferences and require TVC to develop alternative ways of ensuring that CSOs meet initial and annual training requirements. Under this recommendation, TVC would not be precluded from conducting training conferences, though the following management action would reduce the number of these conferences. This recommendation would give TVC greater flexibility to provide training through other means it determines appropriate, including Internet-based seminars, via videoconference, or in cooperation with training conducted by the VA. It would also allow TVC the flexibility to train and certify county service officers without requiring CSOs or its own claims counselors to leave veterans in need of assistance to attend a week-long training session. This recommendation would also allow a quick and effective process for training newly appointed CSOs, ensuring that new service officers are not left without basic knowledge of claim filing processes and assistance techniques for long periods of time.

Management Action

4.4 TVC should reduce the number of training conferences it conducts.

Under this recommendation, the Commission would reduce the number of training conferences it holds every year, refocusing its training efforts to include alternative methods, as described in the recommendation above. The Commission would be free to hold a limited number of conferences to allow county service officers, VA staff, its own claims counselors, and other members of the veterans community a means to network.

By reducing the number of conferences it holds each year, TVC would have additional resources to allocate towards providing individualized, in-field technical assistance to CSOs. In addition, TVC could reduce management resources currently used to plan and conduct conferences and redirect these resources to implement the recommendations on further integrating CSOs into the State's efforts to serve veterans. Finally, reducing the number of training conferences would free significant state and county staff time currently spent attending conferences, which could be used to provide additional claims assistance services to veterans.

Fiscal Implication

These recommendations would not have a fiscal impact to the State. By eliminating up to three of TVC's training conferences, the agency could save as much as \$90,000 in General Revenue currently spent on reimbursing agency staff and counties for CSOs attending annual conferences. However, any savings would be redirected into further training efforts and providing ongoing technical assistance. The agency could continue to reach CSOs in the state through its statewide conference and a smaller number of conferences or a series of targeted seminars at less cost than it currently experiences.

¹ To be eligible for appointment, individuals must fulfill one of the following qualifications: be a veteran, having served on active duty for at least four months or have a service-connected disability; or be a widowed Gold Star Mother or unremarried widow of a veteran whose death resulted from service. Texas Government Code, sec. 434.033.

² Texas Government Code, secs. 434.034 and 434.032 (a) and (b).

³ Texas Government Code, sec. 434.038 (a).

⁴ Texas Government Code, sec. 434.038 and Texas Administrative Code, Title 40, part 15, rule 450.3.

⁵ 38 CFR 14.629.

⁶ Texas Government Code, sec. 434.038.

⁷ Unaccredited county service officers help veterans designate their authorized representative, choosing from a variety of accredited service organizations and the Texas Veterans Commission. VA-accredited CSOs act as an extension of TVC staff and file claims designating the Commission as the veterans' authorized representative.

⁸ Texas Government Code, sec. 434.038(c).

⁹ 38 CFR 14.629 (ii).

¹⁰ Texas Veterans Commission, *Compact with Texans*. Online. Available: www.tvc.state.tx.us/Compact_with_Texans.htm. Accessed: September 28, 2006.

Anticipated Changes in the Commission's Workforce Could Leave the Commission Vulnerable to a Significant Loss of Institutional Knowledge Critical to Its Operations.

Summary

Key Recommendations

- ◆ The Commission should develop and implement a succession plan to prepare for impending retirements and workforce changes.
- ◆ The Commission should formally document its duties in writing by updating its manuals and making them available to all employees electronically.
- ◆ The Commission should evaluate its promotion and evaluation policies and revise them to include measures of job performance.
- ◆ The Commission should take advantage of the pool of returning veterans who are seeking employment services to fill Commission vacancies.

Key Findings

- ◆ The Commission employs a specialized and aging workforce.
- ◆ The Commission is likely to experience a significant rise in staff turnover in the near future.
- ◆ The Commission lacks thorough documentation of staff policies and procedures.
- ◆ The Commission will experience a dramatic increase in demand for veterans services.
- ◆ The Commission lacks a formal plan to deal with impending retirements and workforce changes.

Conclusion

In the near future, the Texas Veterans Commission will likely experience a significant loss of institutional knowledge and expertise as many older and long-tenured employees retire. At the same time, the demand for veterans services will dramatically increase as new veterans return from Iraq and Afghanistan.

The Sunset review found that the Commission is not well-positioned to deal with its impending workforce changes. As the Commission has historically relied on the institutional knowledge retained by its long-tenured staff, the agency lacks documentation of its policies and procedures for future reference and training purposes. By training and developing staff to move into key positions and revising outdated employee manuals, the Commission could capture its specialized knowledge before the departure of a large number of employees, including staff in critical positions, allowing the Commission to continue providing quality veterans services.

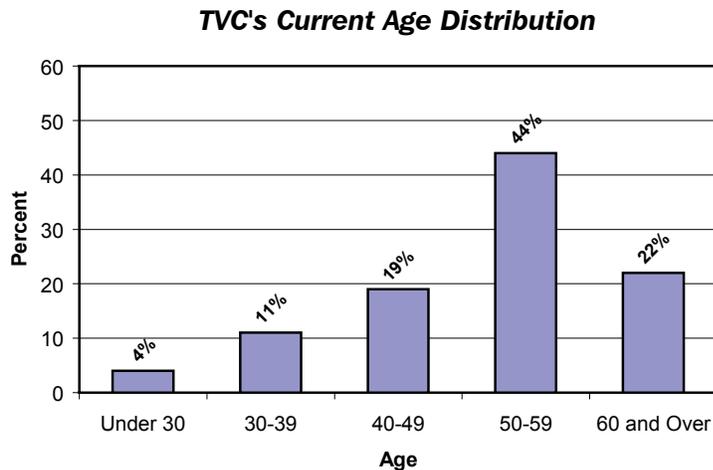
Support

The Commission employs a specialized and aging workforce.

- ◆ The Commission currently employs a staff of 311, with more than 90 percent of employees working in the Commission's 145 field offices and workforce centers throughout the state. Commission staff provides policy and benefit information and assistance with filing benefit claims, aids veterans in securing gainful employment, as well as approves schools for use of federal veterans' education benefits. Commission staff provide some specialized veterans' services that require years of on-the-job experience before they can be performed. For example, claims counselors must represent veterans' appeals before the U.S. Department of Veterans Affairs (VA), necessitating expertise in medical terminology and VA law. Also, 85 percent of staff has a military background, as employment services staff must be veterans under federal funding requirements, and, in practice, all claims staff are veterans.¹
- ◆ The majority of the Commission's workforce is long-tenured and nearing retirement. As seen in the chart, *TVC's Current Age Distribution*, 85 percent of Commission staff are older than 40.² With the recent program transfers, the agency has experienced a dramatic increase in the percentage of Commission employees older than 60, jumping from 10 percent in fiscal year 2004 to 22 percent in fiscal year 2006. The chart, *Comparative Age Breakdown*, located on the following page, shows how the TVC workforce is older than the state agency workforce generally.³ The median age of Commission staff is 54 years old, compared to 42.8 years old for all state workers.⁴ Moreover, 24 percent of Commission staff has been employed by the agency for 15 years or more.⁵ In comparison, only 15 percent of all state employees have an agency tenure of 15 years or more.⁶



Eighty-five percent of Commission staff are older than 40.



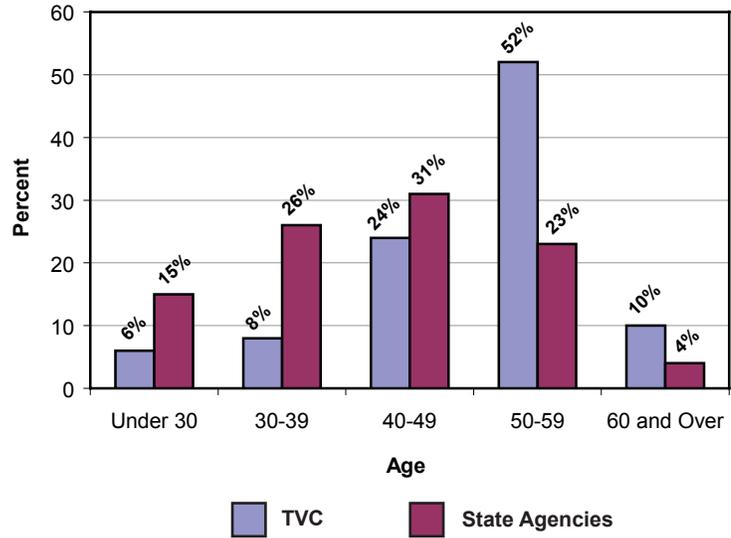
The Commission is likely to experience a significant rise in staff turnover in the near future.

- ◆ Impending retirements, compounded with normal turnover and attrition, and the age of the Commission's workforce, will likely cause the Commission to experience a significant loss of experienced staff in a short time frame. Currently, 45 percent of the Commission's staff are eligible for state retirement within five years. Similarly, half of the Commission's executive staff and employees in management positions are currently eligible for retirement or have already retired from the State.⁷ Some current

Commission employees, including those in executive and management positions, have already retired from the State and been rehired. Because of the higher age of TVC's staff, these employees generally would not be expected to remain at the agency for an extended period of time.

Many current Commission employees have already retired from careers with the federal government or the military. In fact, the Commission estimates that 91, or just under one-third, of its employees receive retirement benefits from the military. As above, the higher age of TVC staff makes it less likely that these employees, too, would remain at the agency for an extended period of time. In one of the Commission's regional offices, all 10 of the claims assistance counselors and the regional director are retired from either the military or federal government, and the program director is eligible for state retirement within four years.

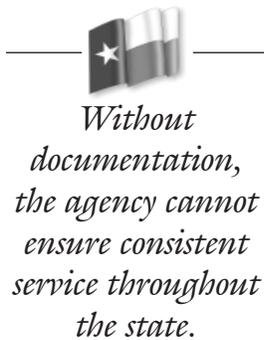
**Comparative Age Breakdown
FY 2004**



- ◆ Commission staff does not have a strong merit-based evaluation and promotion system for classified positions, which could lead to increased staff turnover. The Commission's promotion policy for classified positions, such as claims counselors, lists minimum requirements, or a checklist of activities, to be completed and includes no basis for promotion based on merit or quality of job performance.⁸ The system does not provide an incentive to perform well or to reward the most deserving employees. Such an approach can have the unintended consequence of dampening the aspirations of good employees, while potentially contributing to turnover. This is especially true once employees reach a managerial threshold, where completed activities do not qualify an employee for a promotion. In fact, the agency indicates that after retirements, employees cited "little or no career advancement" as one of the most prevalent reasons for voluntary terminations.
- ◆ The Commission's current practice of hiring older veterans could aggravate its number of near-retirement age staff. For example, within the last year, 67 percent of total new Commission employees were over the age of 40, and 41 percent of new employees were over the age of 50. While this practice helps supply the Commission with a ready pool of employees who can ably serve the agency's traditional needs, it does not help the Commission reach out to veterans who are increasingly the target audience for the agency's services. The practice also does not help the Commission adapt to these veterans' changing needs.



Forty-five percent of the Commission's staff are eligible for state retirement within five years.



The Commission lacks thorough documentation of staff policies and procedures.

- ◆ The Commission lacks a manual or handbook that outlines details of job duties for the purpose of training new Commission staff. For example, while the agency's current employee handbook explains operating procedures for claims assistance, it does not provide information on basic job duties, such as eligibility requirements for benefits or claim filing procedures. Without documentation of the Commission's policies and procedures for counseling veterans, the agency cannot ensure consistent and competent services across the state, especially as those employees with the greatest amounts of institutional knowledge retire. Because the Commission has relied on its long-tenured employees to share institutional knowledge, it has not needed to formally document its policies and procedures. That is no longer the case, however, in light of the aging of the Commission's workforce, the expansion of the agency's mission beyond claims assistance, and the pressure to serve the unique demands of today's veterans returning from two military missions.
- ◆ The Commission's current employee handbook, used to explain Commission employee policies and operating procedures, is outdated and not easily accessible. As a result, field staff – who serve on the front line, providing information and interacting directly with veterans and their families – may not always have the most up-to-date information as they perform their duties. Because all three Commission programs are based upon constantly changing federal guidelines, manuals must be updated to reflect these changes so that staff may provide accurate information.

The Commission will experience a dramatic increase in demand for veterans services.

- ◆ With the current and anticipated influx of new veterans returning from Iraq and Afghanistan, the Commission will experience a dramatic increase in demand for its services. To date, 1.5 million troops have served or are serving in Iraq and Afghanistan and, because the operations have not yet come to an end, the total number of new veterans, including those returning to Texas, can only rise. Further, the VA reports that one in five soldiers leaving the military after serving in Iraq or Afghanistan is at least partially disabled, indicating that the number of disability claims could significantly increase.⁹
- ◆ To aid the large number of new veterans, trained personnel must be available for counseling and employment assistance. In addition, as benefits and qualifications change, staff must be able to communicate accurate and up-to-date information to support veterans in filing their benefit claims and securing gainful employment. The increased demand for trained personnel reinforces the need for the Commission to document its policies and procedures, especially for the purposes of staff training.

Further, because returning veterans are likely to be more technologically savvy than many current veterans, the Commission will need to adapt its procedures to provide information and assistance via the Internet.

The Commission lacks a formal plan to deal with impending retirements and workforce changes.

- ◆ Staff turnover will result in a significant loss of institutional knowledge at the agency, especially at the management level. Because the Commission performs such specialized duties, the loss of experienced staff will cause the agency to lose in-depth knowledge and valuable expertise regarding its veterans service programs, leaving it with a less experienced workforce. Although the Commission recognizes the impending loss of staff, the agency has not attempted or developed a formal plan to capture this institutional knowledge.
- ◆ The Commission lacks a formal program to train and develop employees to move into management positions. Without such a development program, staff cannot receive the training and skills needed to successfully advance up the career ladder. As a result, the Commission may not be adequately preparing staff to move into positions vacated by retirements and other turnover.



Staff turnover could lead to a significant loss of institutional knowledge.

Recommendations

Management Action

5.1 The Commission should develop and implement a succession plan to prepare for impending retirements and workforce changes.

The Commission should develop a plan to prepare for both anticipated and unanticipated departures of key staff, including identifying positions critical to the agency's operations and establishing a comprehensive strategy for preparing new staff to assume these responsibilities. To accomplish this recommendation, the Commission should identify positions at risk of becoming vacant in the near future and provide training and development opportunities to employees eligible to move into these positions. Training and development opportunities would give staff the skills and competencies needed to move into essential positions and enable the seamless transfer of institutional knowledge and expertise to new staff members.

This recommendation would also allow the Commission to further develop its career ladder. With the Commission's turnover rate expected to significantly rise, the Commission should implement this plan within two to four years, before anticipated retirement-eligibility dates of key staff. A succession plan would reposition the agency to address future needs with current resources and ensure continuity of leadership.

5.2 The Commission should formally document its duties in writing by updating its manuals and making them available to all employees electronically.

This recommendation would ensure that the Commission captures institutional knowledge and uses this information to update its employee manuals to reflect current job duties and procedures for all Commission programs. This would allow the Commission to record valuable knowledge and expertise

before key staff leaves, providing an effective method to document current practices as well as to train new staff. The Commission should make these manuals available to all staff electronically, such as through a password protected area on the Commission's website, or through other electronic means, such as compact discs, as a more accessible and cost-effective means of information disbursement. This would allow the agency to more easily update information without printing new manuals every time information changes.

5.3 The Commission should evaluate its promotion and evaluation policies and revise them to include measures of job performance.

The Commission should revise its promotion and evaluation policies for all positions, including claims counselors, to include measures of job performance. Including measures of job performance for these positions would change promotions to be based more on merit, and less on performing a standard checklist of activities. Evaluating and promoting employees based on merit provides incentive for employees to perform their job well and rewards employees most deserving of advancement.

5.4 The Commission should take advantage of the pool of returning veterans who are seeking employment services to fill Commission vacancies.

This recommendation instructs the Commission to take advantage of its direct contact with unemployed veterans when seeking to fill its vacated positions. Using this valuable resource accomplishes two goals for the Commission: assisting veterans to find gainful employment and filling the Commission's own human resource needs. In light of upcoming retirements and normal staff turnover, this resource could pair the influx of new veterans who will be searching for jobs with the Commission's vacated positions.

Fiscal Implication

These recommendations would not have a fiscal impact to the State. Preparing for future staff needs is an essential agency function and should be handled with existing resources. The Commission currently has a website, which is used to provide information to most agency employees statewide. Therefore, adding or updating employee manuals or procedures electronically should not require additional resources. Providing internal training – such as job shadowing, for example – for positions at risk of becoming vacant can be accomplished with the Commission's existing budget. Should the Commission opt to pursue training from an outside source, however, the Commission would need to seek approval for additional resources through the legislative appropriations process.

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- ¹ Texas Veterans Commission, *Agency Strategic Plan*, (Austin, Texas, 2006) p. 50.
 - ² Data is current as of October 1, 2006, and includes staff in the Veterans Education Program.
 - ³ Fiscal year 2004 state workforce data is the most recent available.
 - ⁴ State Auditor's Office, *A Summary of the State of Texas Workforce for Fiscal Year 2004*, (Austin, Texas, 2004) p. 4.
 - ⁵ State Auditor's Office, *Texas Veterans Commission Agency Workforce Summary*, (Austin, Texas, 2004) p. 1.
 - ⁶ Ibid.
 - ⁷ Texas Veterans Commission, *Agency Strategic Plan*, p. 51.
 - ⁸ Texas Veterans Commission, *Employee Policy and Procedure Manual*, (Austin, Texas, 2005), p. 108.
 - ⁹ Shane, Scott, "Data Suggests Vast Costs Loom in Disability Claims," *The New York Times* (October 11, 2006).

Texas Lacks a Comprehensive Approach to Making Veterans Aware of Available Benefits and Services.

Summary

Key Recommendations

- ◆ Merge TVC's and VLB's communications efforts by requiring the agencies to operate one call center, to maintain and share databases of veteran contact information, and to pool some direct mail efforts.
- ◆ Require TVC and VLB to cooperatively create one website and one comprehensive brochure that provides information about all available veterans' benefits and services.
- ◆ Require the agencies to jointly plan and present a total benefits package to veterans at all benefits seminars and meetings.
- ◆ Require the agencies to modify their existing Memorandum of Understanding to specify the guidelines necessary to coordinate veterans' benefit awareness activities.
- ◆ Other states have successfully created one central hub for providing veteran benefit information.

Conclusion

The State honors its veteran population by providing many benefits and services to veterans, and their dependents and survivors. TVC, statutorily required to collect, coordinate, and disseminate veteran information for the State, does so in conjunction with other agencies, particularly VLB. While TVC and VLB do coordinate in some ways to reach Texas veterans, the agencies' information exists in silos, making communication from the State to veterans inconsistent and incomplete.

Sunset staff evaluated the agencies' separate outreach approaches, and concluded that the agencies duplicate many activities and do not present benefit and service information to veterans in a clear and comprehensive way. By reducing the duplication of marketing, outreach, and communications efforts between the two state agencies, the State can more strategically make Texans aware of veterans' benefits and services. Developing a marketing strategy that offers veterans a total benefits package and following up with information aimed at individual requests will better meet veterans' needs. Central to this strategy is having a unified call center and website. As more veterans are coming home from Iraq and Afghanistan, the State should position itself to more effectively provide them with the benefits and services they deserve.

Key Findings

- ◆ Texas offers many benefits and services to its large veteran population.
- ◆ TVC and VLB duplicate many outreach efforts to veterans, wasting state resources.
- ◆ Despite the agencies' efforts, many veterans remain unaware or confused about all available benefits.
- ◆ The agencies' separate approaches to outreach leave Texas veterans without full and clear information on the total benefits package available to them.

Support

Texas offers many benefits and services to its large veteran population.

- ◆ Texas holds its veterans, who have risked their lives and well-being to serve their country, in high regard. As such, in addition to the federal entitlements available, the State offers many benefits and services to its veterans, as well as their dependents and survivors. Texas is also home to a large number of veterans, 1.7 million, ranking third in the nation. Texas' veteran population continues to grow as more and more military men and women return home from Iraq and Afghanistan. The number of veterans returning to Texas is increasing with 31,928 discharges in fiscal year 2006, up from 31,092 discharges in fiscal year 2005.¹
- ◆ The Texas Veterans Commission (TVC) and the Veterans' Land Board (VLB) provide most of the benefits and services available to Texas veterans. Generally, TVC assists veterans in filing disability and other benefit claims with the U.S. Department of Veteran Affairs (VA), as well as with job placement and education services. VLB administers state loan programs to help veterans finance land, homes, and home improvement projects, as well as provides long-term care facilities and cemeteries for veterans and their eligible dependents. The Legislature has also charged TVC, as the state agency responsible for advocating for veterans, with coordinating all veterans' benefits and services in Texas.
- ◆ Both agencies have marketing outreach and communications functions to educate veterans on the benefits and services that exist, and how to obtain them. With the addition of the veterans employment and education programs, TVC's marketing budget will increase to about \$279,000 in fiscal year 2007. Currently, TVC employs one marketing manager who oversees the outreach functions and three call center employees. TVC may have additional employee resources dedicated to marketing in 2007. VLB performed its marketing outreach and communications functions in fiscal year 2006 with 24 staff and a budget of \$1.6 million.



TVC and VLB provide most of the benefits and services available to Texas' large veteran population, 1.7 million.



By law, TVC maintains a Memorandum of Understanding with VLB to coordinate services for veterans.

The agencies' approach to marketing veterans' benefits includes responding to veteran phone calls, contacting veterans through direct mail, presenting information at agency-sponsored seminars, producing informative publications, and maintaining agency websites. By law, TVC maintains a Memorandum of Understanding (MOU) with VLB, and other relevant agencies, to coordinate services for veterans.² The table, *TVC and VLB Outreach Activities and Coordination*, specifically shows the outreach activities each agency performs and the coordination that currently exists between the two agencies.

TVC and VLB Outreach Activities and Coordination

Activity	TVC	VLB	TVC/VLB Coordination
Call Centers	Operates a 3-line call center.	Operates a 10-line call center.	TVC and VLB share a toll-free hotline, 1-800-252-VETS, to provide information to veterans. VLB maintains and operates the hotline, forwarding TVC-related questions to TVC's call center.
Direct Mail	Mails discharge notifications with brochures, and letters notifying veterans' survivors of benefits after a veteran's death. Does not maintain a veteran contact information database.	Mails discharge notifications, flyers advertising VLB benefits seminars, and loan applications, with brochures included. Maintains multiple databases containing veteran contact information.	TVC loans VLB military discharge papers for VLB to enter into its database.
Publications	Publishes ten benefits brochures; a directory of federal, state, and local veteran services; and bi-monthly newsletters and pamphlets for veterans, staff, and other service officers.	Publishes three brochures for its loan, cemetery, and nursing home programs and a biennial newsletter.	TVC publishes a brochure that includes a description of VLB's programs. Both agencies provide updates on the other agency's activities in their newsletters.
Seminars	Hosted four benefits seminars in fiscal year 2006.	Hosted 10 benefits seminars in fiscal year 2006.	Each agency invites the other to briefly present information relating to their respective programs.
Websites	www.tvc.state.tx.us	www.texasveterans.com	Each website includes a link to the other agency's website address.

TVC and VLB duplicate many outreach efforts to veterans, wasting state resources.

- ◆ Though TVC and VLB coordinate on some outreach activities through their MOU, the agencies perform many outreach activities separately, duplicating efforts and inefficiently using state resources. For example, although TVC and VLB share and promote a joint toll-free hotline number, they run separate call centers to handle the calls. Veterans calling for information are routed through VLB, which funds and maintains the hotline. VLB staff determines the subject of a caller's question, and then either answers the question, refers it to VLB program-specific staff if needed, or transfers it to the TVC call center if the question relates to TVC or the VA. This process can result in callers being bounced from agency to agency. Sunset staff observed a call in which a caller with several questions, relating to both TVC and VLB, was transferred between the two agencies' call centers more than once.

In fiscal year 2006, VLB forwarded TVC about 1,000 calls each month, while VLB received almost 9,000 calls each month.³ Because VLB has a higher call volume, it has more interaction with veterans. VLB also provides services through its call center that differ from TVC, as VLB is able to immediately answer many of the questions the caller has, either through



Although TVC and VLB share and promote a joint toll-free hotline number, they run separate call centers.

the call center's staff or other VLB staff in the Austin office. Because of the nature of TVC's services, almost all of the calls the agency receives must be referred to someone outside the call center for resolution. Because both call centers are capable of providing information to veterans or referring them to an agency that can help them, nothing precludes the two agencies from operating a joint call center.



Both TVC and VLB mail benefit notifications to the same set of newly discharged veterans.

- ◆ Both agencies use the same set of military discharge papers to print and mail out two separate notifications to the same group of newly discharged veterans to explain available benefits and services. The VA, which receives the same set of discharge papers, also mails out another notification to these same veterans, explaining federal benefits. TVC receives discharge papers from the U.S. Department of Defense and shares veterans' contact information with VLB. Both agencies produce and send a postcard or letter, describing the respective agencies' services and contact information, to all newly discharged veterans in Texas. The flowchart, *Benefit Notifications for Newly Discharged Veterans*, on the following page, shows how the agencies process and use the information contained in the discharge papers to contact veterans. Though the agencies share some veteran contact information, the State still duplicates printing and postage costs in notifying newly discharged veterans.

Despite the agencies' efforts, many veterans remain unaware or confused about all available benefits.

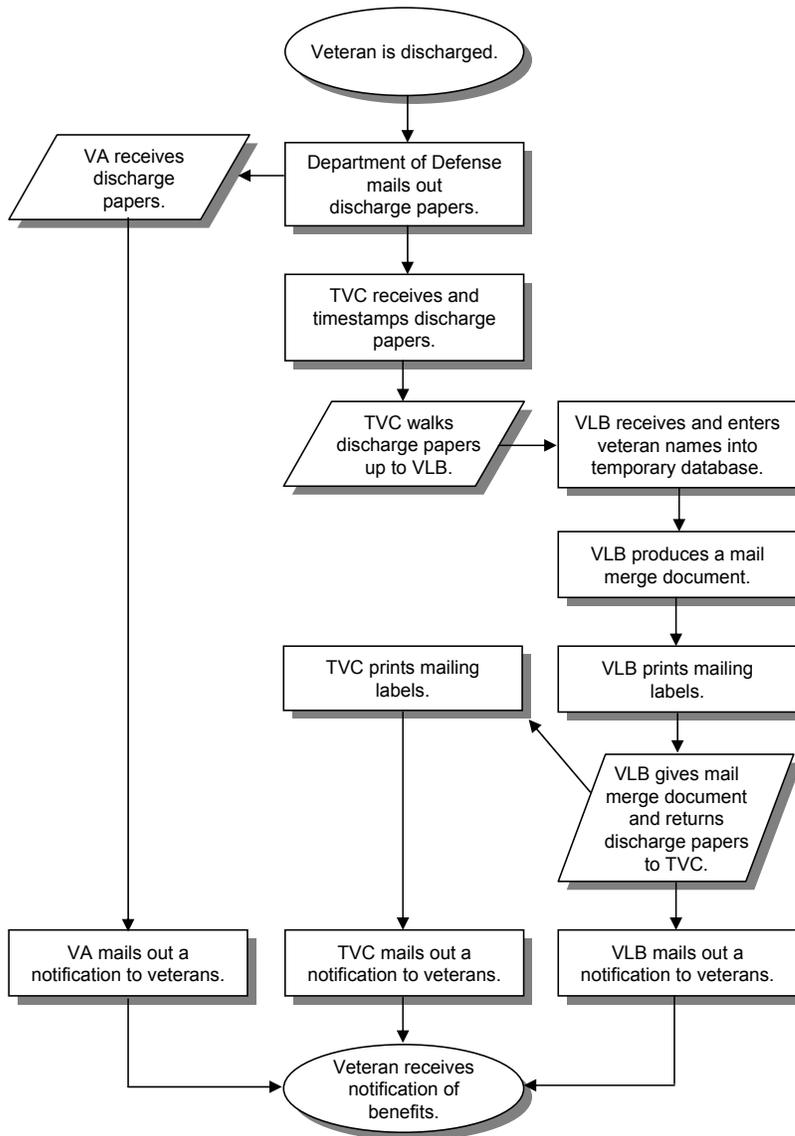
- ◆ The vast majority of veterans for whom the State has contact information are not being informed of all benefits and services available to them. VLB has contact information for about 700,000 of the 1.7 million total veterans in Texas. The agency contacts those veterans, educating them about VLB programs, through its call center, multiple databases, and direct mail.⁴ However, TVC, with more limited resources, contacted only a fraction of Texas veterans, 26,000, through its call center and direct mail in fiscal year 2006.⁵ VLB most likely reaches a much larger number of veterans because it maintains several databases of veteran contact information, obtained from its own call center, as well as various state agencies. Because TVC and VLB do not consistently pool their resources in contacting and communicating with Texas veterans, fewer veterans know how to access all benefits and services available to them.



Separate marketing efforts do not add clarity to a confusing array of service information for veterans.

- ◆ TVC and VLB's publications and other marketing tools place an emphasis on agency name and function, likely confusing veterans focused on what they need, not who an agency is and how it operates. Veterans receive benefit information from multiple sources, including TVC, VLB, the VA, and other veteran advocacy organizations, but veterans cannot always differentiate between these entities. In fact, VLB staff pointed out that veterans often believe they are speaking with the VA when they call the toll-free hotline. Marketing materials that emphasize agency name and functions do not add clarity to an already confusing array of information about services for Texas veterans.

Benefit Notifications for Newly Discharged Veterans



The agencies' separate approaches to outreach leave Texas veterans without full and clear information on the total benefits package available to them.

- ◆ TVC and VLB both plan, host, and present benefits seminars separately, which does not promote veterans' understanding of the total benefits package available to them from the State as a whole. Seminars include presentations on agency-related programs, with representatives from other agencies available to answer questions. When TVC hosts a benefits seminar, TVC invites VLB to speak briefly about its programs, and the opposite is true when VLB is the seminar host. However, veterans do not receive information in a comprehensive way to explain all the benefits and services available.



VLB receives a larger veteran turnout to its benefit seminars, averaging more than 500 attendees, compared to TVC's 50.

Because VLB uses an extensive database to advertise upcoming seminars through direct mail, VLB receives a larger veteran turnout to its seminars, averaging more than 500 attendees. TVC, with more limited resources, and without maintaining a database of veterans or sending direct mail out to promote events, averages only about 50 attendees. Because each seminar's focus is on the sponsoring agency's services, and VLB has a higher number of veteran attendees, more veterans are learning about VLB benefits than available benefits as a whole.

Since many veterans do not differentiate between the federal, state, and local veteran agencies, they can become confused or frustrated when the bulk of the information presented does not relate to their needs. As a result, Texas veterans may not receive the level of information they need about available services.

- ◆ Each agency has field representatives who do not often collaborate on the planning of other outreach activities and events, such as those hosted by veteran groups. Frequently, veterans service organizations contact and invite representatives from TVC or VLB to present at seminars geared towards helping veterans access benefits and services. For example, although TVC and VLB worked together to notify veterans in Brewster County about a benefits seminar sponsored by the County in Alpine, the two agencies' field representatives did not collaborate with one another to cohesively present state benefits at that event. The agencies have not developed an approach to use such opportunities to present veterans with a comprehensive understanding of the total benefits package available to them.
- ◆ The agencies do not maintain and operate a central website to educate Texas veterans on all available benefits and services. While each agency maintains a separate website that could potentially help Texas veterans, the two websites present agency-oriented information and not service-oriented material. Assuming many veterans do not know the roles of the individual agencies, veterans are left to navigate multiple websites with multiple layers of agency material. VLB's web domain name, www.texasveterans.com, while easily recognizable, might even mislead veterans to believe that this web address is the 'one-stop shop' for veteran information, although it only contains information on VLB programs. This situation does not provide the best approach to serving the needs of Texas veterans.



TVC and VLB both have websites, each presenting agency-oriented information.

Further, the Texas Veterans Portal, available through the Texas Online website, www.veterans.txonline.com, provides links to various websites for veterans' benefit information. However, these links generally refer back to agency websites and do not provide comprehensive service-oriented material that veterans need. In addition, because neither VLB nor TVC are ultimately responsible for the content of the Veterans Portal, the information is not routinely updated, adding to the confusion about veterans' benefit information on the Web and still not serving veterans' needs.

Many brochures exist that communicate all types of benefit information, which defeats the advantage of having one complete and concise benefit-driven brochure, that clearly explains benefits to veterans. Although TVC produces one “comprehensive” brochure, this brochure lacks some key benefits available to veterans, and does not include information to easily guide veterans as to where to get the benefits. Brochures, like websites, can be very helpful to veterans who need comprehensive information that covers the entire package of services available to Texas veterans, and directs them to sources for specific program information.

Other states have successfully created one central hub for providing veteran benefit information.

- ◆ Unlike other states, Texas has two state agencies that separately provide the Texas benefits and services available to veterans. Because of this, and the fact that Texas offers its citizens more benefits, the State faces more of a challenge in coordinating veteran agencies, organizations, and their information and assistance. However, many other states have shown better coordinated efforts to inform veterans of available benefits.

For example, Georgia provides a central point for veteran information and assistance through an annual “Supermarket” of veteran benefits, involving every federal, state, and local agency that deals with its large veteran population. In analyzing the event, Georgia concluded that this format revealed that many veterans, dependents, and survivors are not aware of their entitlements.⁶ Other states, such as Illinois, Missouri, and Wisconsin, have also realized success in approaching events this way. TVC hosted one such “Supermarket” event in Austin in 2004 yielding a favorable turnout and good feedback from veterans, however, no further events have been planned and the comprehensive approach has not been applied to the agencies’ existing seminars.

- ◆ Many other states’ websites provide summary information on all benefits that is concise, comprehensive, and user-friendly.⁷ For example, Florida and Virginia list available federal, state, and local benefits, including links that clearly direct users to contact information for more detailed questions or additional information about each benefit. Although TVC’s website provides links to guide veterans in obtaining more detailed information about certain benefits, these links lead the veteran to the actual text in the provision of law or to general websites of other agencies, which do not easily provide veterans the information they need. Other states’ websites also have more user-friendly formats, like Georgia and Virginia’s websites, which provide maps to help veterans find their county service office, which assists veterans at the local level.

Some states publish a more comprehensive benefits handbook, rather than one brochure for each program or benefit offered by the state. For example,



*TVC’s
“comprehensive”
brochure lacks
information on key
veterans’ benefits.*



*Many other
states have better
coordinated
efforts to inform
veterans of
available benefits.*

Florida publishes a comprehensive benefits handbook, available in hardcopy and online, that lists and describes all federal veteran benefits, as well as information on all benefits available from the state of Florida and its local counties.

Recommendations

Change in Statute

6.1 Merge TVC's and VLB's communications efforts by requiring the agencies to operate one call center, to maintain and share databases of veteran contact information, and to pool some direct mail efforts.

This recommendation would combine the agencies' separate communications centers, requiring the following:

- ◆ merging TVC's call center with VLB's, collectively answering calls from the toll-free hotline;
- ◆ the agencies would jointly maintain, access, and continue to build the veteran contact databases; and
- ◆ combining both agencies' direct mail efforts targeting newly discharged veterans, promoting benefits seminars, and persons seeking general information on veterans' services.

This recommendation would relocate to VLB the TVC employees necessary to jointly operate the communications center, which includes answering calls, maintaining databases, and any combined direct mail efforts. These employees would still be employed by TVC, but would be supervised by VLB, as determined through the agencies' MOU, and discussed more fully in Recommendation 6.4. TVC's marketing director would no longer supervise call center employees, but would remain at TVC and be able to focus on the agency's marketing activities. As a part of this recommendation, the agencies would cross-train call center employees to be knowledgeable about the services both agencies provide.

This recommendation would increase the efficiency of the toll-free hotline by staffing the call center from a single location, eliminating the need to transfer most calls between the agencies, and positioning the State to better handle the increasing number of calls as more veterans return to Texas. Also, as TVC and VLB begin to work more collaboratively on veterans databases and mail-outs, the State will definitively know which veterans they reach and will be able to provide more of its large veteran population with the information that they need.

6.2 Require TVC and VLB to cooperatively create one website and one comprehensive brochure that provides information about all available veterans' benefits and services.

This recommendation would require TVC and VLB to provide comprehensive information on veteran benefits and services in easy-to-use formats, developing one website and brochure for that purpose. The format for both the website and the brochure should include information about all available benefits and specific ways veterans can learn more or apply. This recommendation would require a coordinated effort, creating one place for veterans to find information about available benefits and how to pursue them. If determined appropriate through the MOU, the agencies could maintain their own websites and brochures that contain the specific information about the programs they operate or services they provide. However, the agencies should conduct these activities within the context of

their existing marketing budgets. This recommendation requires the agencies to designate an easily identifiable web address for veterans. The new brochure should also advertise the web address as the central information hub.

The intent of this recommendation is to inform as many veterans as possible of the array of services available to them. This recommendation would provide a comprehensive approach to alleviate veteran confusion and enhance veteran awareness and understanding of the total package of benefits available.

6.3 Require the agencies to jointly plan and present a total benefits package to veterans at all benefits seminars and meetings.

Under this recommendation, TVC and VLB and their respective field representatives should collaborate on all benefits seminars to ensure they communicate information to Texas veterans as a total benefits package. As a part of this recommendation, the agencies would coordinate their involvement in state-sponsored seminars as well as meetings hosted by other veteran advocacy organizations. All state-sponsored seminars should be jointly planned and presented by the agencies, with an emphasis on presenting total benefit information to veterans. The agencies would have the ability to create the format of such seminars to provide for the effective use of time and level of detail necessary to educate veterans on benefits. This recommendation would ensure a consistent approach in the way the State communicates its benefits and services as a whole, and provide veterans comprehensive information.

6.4 Require the agencies to modify their existing Memorandum of Understanding to specify the guidelines necessary to coordinate veterans' benefit awareness activities.

This recommendation would require the agencies to use their existing MOU to set up guidelines and reimbursements for the coordinated outreach activities required in Recommendations 6.1 through 6.3. The MOU should address the implementation of a joint call center, shared databases, combined direct mail efforts, comprehensive website and brochures, and coordinated seminars. The MOU should include the agencies' specific responsibilities for the management and funding of any collocated employees, necessary cross-training of staff, other operating expenses, such as office space, printing, postage, website development and maintenance, and any other coordinated outreach activity. In amending the MOU, the agencies should take into consideration the appropriate use of authorized bond proceeds and federal funds to ensure that the agencies comply with all funding constraints. This recommendation requires the agencies to complete the revised MOU by March 1, 2008.

This approach would ensure that the agencies have an operational framework to clearly and fairly lay out each agencies' duties in implementing the above recommendations. The recommendation would provide for the appropriate use of each agencies' resources, while better serving Texas veterans.

The agencies should also use the MOU as a working document to continue to explore opportunities for agency coordination, updating it as this collective marketing approach expands. As the veteran population grows in Texas from more veterans coming home, and as available resources change, TVC and VLB should use the MOU as a mechanism to collaboratively help more veterans find and access benefits and services.

Fiscal Implication

These recommendations would not have a fiscal impact to the State, because they do not require new action beyond what either agency currently performs. In fact, improved coordination could result in some administrative savings and efficiencies to the agencies. Any such savings or efficiencies should be allocated to the agencies' marketing outreach and communications functions for the purpose of

reaching more veterans. For example, both agencies currently have Web resources that would be used to develop the single website for veterans to access information. Both agencies currently produce their own brochures. A single comprehensive brochure or website would result in savings that can be poured back into their budgets for marketing and outreach.

As a part of the recommendations, the agencies must use the MOU to agree on and implement an appropriate reimbursement schedule to account for costs associated with coordinating outreach efforts and the allocation of expenses, as described in Recommendation 6.4.

¹ TVC Call Center Activity Report, fiscal year 2006.

² Texas Government Code, sec. 434.0071.

³ TVC Call Center Activity Report and VLB Communications Center Activity Report, fiscal year 2006.

⁴ VLB Communications Center Activity Report.

⁵ TVC Call Center Activity Report.

⁶ Georgia Department of Veterans Service, "History of 'Supermarket' of Veterans Benefits," *Veterans Bulletin*, (Summer 2006), p. 3.

⁷ Sunset staff reviewed other states' veterans agencies' websites, with particular emphasis on the states with the 10 largest veteran populations in the country.

The Veterans' Land Board's Oversight of the Internal Audit Process Lacks Necessary Elements.

Summary

Key Recommendation

- ◆ Require the Veterans' Land Board to obtain and approve relevant audit plans and publicly discuss internal audit reports.

Key Findings

- ◆ The General Land Office provides the Veterans' Land Board with internal auditing functions and audit oversight.
- ◆ The Board's lack of formal involvement in the internal auditing process dilutes its ability to fully oversee the agency.
- ◆ VLB's attachment to the General Land Office warrants a distinctive approach to the reporting structure of the Internal Auditor.
- ◆ Emerging auditing principles recognize the importance of board involvement in the internal audit process.

Conclusion

The General Land Office (GLO) provides the Veterans' Land Board (VLB) with internal auditing functions and oversight. The Commissioner of the General Land Office oversees this internal auditing function on behalf of the Board in his dual role as Chairman of the Board and Commissioner of GLO. Sunset staff evaluated the Board's level of involvement with the internal audit functions to determine whether it provides the necessary oversight. Staff concluded that while no problems exist, the current link between the Board and the Internal Auditor should be strengthened by requiring the Board to approve audit plans and review reports that relate to VLB programs.

Support

The General Land Office provides the Veterans' Land Board with internal auditing functions and audit oversight.

- ◆ The General Land Office's (GLO) Internal Audit Division provides internal auditing services for the Veterans' Land Board (VLB). The division's staff of four full-time auditors perform ongoing auditing duties including risk assessment of programs, development of annual audit plans, and publication of audit reports for all GLO programs. As a division of GLO, the Internal Auditor's division submits its audit plans and final reports to the Commissioner of the General Land Office (Commissioner) for review and approval. By constitutional mandate, the Commissioner also serves as the Chair of the Veterans' Land Board. The Commissioner, through this dual role, maintains accountability between the Board, the General Land Office, and the Internal Audit Division.
- ◆ The Internal Audit Division conducts about six audits a year for the General Land Office and evaluates VLB programs as any other auditable unit within the entire GLO organization. The Board's contracts with providers for homes, cemeteries, and loan services consistently rank high within the Division's audit plan due to the high risk nature of working with private entities. As a result, the Division commonly audits one VLB function per year, although the Division is not required to routinely audit VLB functions. The Internal Audit Division follows-up on its audit reports after about six to 12 months, during which time program management has the opportunity to take corrective action in response to the audit's findings.

The Board's lack of formal involvement in the internal auditing process dilutes its ability to fully oversee the agency.

- ◆ The full Board is not involved in the audit plan and does not formally receive and discuss audit reports. While the Board maintains some involvement in the internal auditing process through the Commissioner's dual role as VLB Chair, the full Board does not have the opportunity to fulfill its constitutional and statutory oversight obligations. Currently, VLB audit plans and reports are approved and reviewed by the Commissioner with input from the Office's Chief Clerk, since these plans are only one small part of GLO's larger internal auditing function. Recently, the Internal Auditor began forwarding published copies of audit reports on VLB programs to Board members, but the Board does not deliberate on the audits as a group.
- ◆ As a result of the current reporting structure, the full Board may not be aware of potential risks or problems within the agency. Not only does internal auditing help a board identify, correct, and prevent problems at an agency, it also helps protect a board from potential risk, such as fraud. A Commissioner of the General Land Office could potentially use his position of directly overseeing the Internal Audit Division to conceal critical internal audit



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may not be aware
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or problems within
the agency.*

findings from the full Board. Although the current reporting relationship has worked well in the past and Sunset staff did not identify any of these types of problems, future Commissioners could suppress unfavorable audits. For example, as shown in the textbox *Veterans' Land Board Scandal of 1955*, a past Commissioner had in fact been involved in fraud that in current day would be found through internal audits.

Veterans' Land Board Scandal of 1955

In 1955, Bascom Giles, the acting Commissioner of the General Land Office and Chairman of the Veterans' Land Board, was convicted for his involvement in a land scheme that involved activity in nine Texas counties. Giles and his conspirators paid veterans cash to sign VLB land loan applications under the guise that they were signing veterans' "benefits" forms. The conspirators were in turn paid by VLB for the land and the veterans were stuck with making loan payments for land they did not know they had applied for. Giles and several accomplices were ultimately convicted on several counts of fraud for their participation in the scandal.

VLB's attachment to the General Land Office warrants a distinctive approach to the reporting structure of the Internal Auditor.

- ◆ The Internal Audit Act requires state agencies to establish an internal audit process for the purpose of evaluating and improving the effectiveness of risk management, control, and governance processes.¹ Under the Act, governing boards or agency administrators appoint internal auditors, approve audit plans, and review audit reports. By law, internal auditors report directly to the agency's governing board. In the absence of a governing board, the internal auditor reports to the administrator of the agency. The Internal Audit Act applies to agencies that have an annual operating budget exceeding \$10 million, have more than 100 full-time equivalent positions authorized in the General Appropriations Act, or process more than \$10 million in cash per fiscal year. As VLB programs process more than \$10 million in funds each year, the agency should have an internal audit function. The General Land Office provides these services for the Veterans' Land Board.
- ◆ As a state agency, VLB has a unique structure, with policy interaction from both the Board and the Commissioner of the General Land Office. The Constitution and statute require the Board to give the agency policy direction, while statute requires the Commissioner to act as VLB's administrator, providing day-to-day oversight of agency operations. Consequently, a strict application of the Internal Audit Act to VLB would be inefficient. For example, the Act requires agencies to appoint a qualified internal auditor, but a VLB-appointed auditor would only duplicate functions of GLO's Internal Audit Division and result in unnecessary cost.

The GLO Internal Auditor appropriately reports to the Commissioner as the administrator of GLO. However, the Board could have a more direct role in the internal audit functions that relate to VLB, increasing its involvement in the process without interfering with the Commissioner's role as GLO's head. The Board currently achieves a similar balance with GLO in its oversight of VLB's investments. While GLO's Commissioner, Chief Clerk, and Deputy Commissioner of Funds Management exercise autonomy in



The Board could have a more direct role in the internal audit functions that relate to VLB, without interfering with the Commissioner's role.

investment decisions, the full Board approves the investment policy and receives quarterly investments reports as regular meeting agenda items.

Emerging auditing principles recognize the importance of board involvement in the internal audit process.

- ◆ Beyond the requirements of the Internal Audit Act, other accounting and auditing standards show the need for strong board oversight of public and private sector activities. For example, the State Auditor's Office encourages state governing boards to take an active role in reviewing and monitoring financial reporting decisions, internal risk assessments, and external auditor reports.²
- ◆ In response to recent corporate accounting problems, Congress enacted the Sarbanes-Oxley Act of 2002, requiring publicly held corporations to strengthen internal controls, including requirements for auditors to report to corporate audit committees, and not to management. The provisions of the Act strengthen corporate accountability, improve financial reporting, and reduce the likelihood of executive fraud by ensuring that internal auditing is independent from managerial interference.
- ◆ The New York Stock Exchange requires listed corporations to have both an internal audit function and an audit committee. The Exchange also requires the audit committee to assist the board in overseeing the internal auditor. These corporate standards are similarly appropriate for a public board, such as with VLB's interaction with the Internal Auditor.



Recommendation Change in Statute

7.1 Require the Veterans' Land Board to obtain and approve relevant audit plans and publicly discuss internal audit reports.

Under this recommendation, the Veterans' Land Board would review and approve, during public Board meetings, the VLB-related components of the General Land Office's internal audit plans. The Board would also review and discuss internal audit reports. The GLO Internal Auditor would submit the parts of the audit plan relating to VLB to the Board, as well as report to the Board on the results of audits and follow-up audits that pertain to VLB functions. This recommendation would not affect the current reporting structure for the Internal Audit Division's larger responsibility to the GLO, and the Internal Auditor would continue to report to the Commissioner in his capacity as GLO's administrator.

Although the Internal Auditor would continue to work with VLB administration to address audit related activities, expanding the Board's role in the audit process would allow the Board to exercise an appropriate level of policy oversight. This change would improve the ability of the Veterans' Land Board to oversee the agency by ensuring the Board has adequate management information and is informed of potential problems and risks within the agency. Although the review identified no problems with VLB's current operations, this recommendation would ensure that an appropriate structure is in place to identify potential problems in the future. The recommendation is not intended to require VLB to have a separate internal audit function from GLO, only to increase the Board's involvement in the process. VLB would continue to use GLO's Internal Auditor to fulfill this function.

Fiscal Implication

This recommendation would not have a fiscal impact to the State, since it would not result in an increase in workload for the Internal Auditor. Instead, parts of the audit plan and reports relating to VLB programs would be submitted to the VLB Board, in addition to the Commissioner.

¹ Texas Government Code, sec. 2102.

² State Auditor's Office, *Best Practices List*. Online. Available: <http://www.sao.state.tx.us/resources/intaud/bestprac.html>. Accessed: October 22, 2006.

ACROSS-THE-BOARD RECOMMENDATIONS



Texas Veterans Commission

Recommendations	Across-the-Board Provisions
Modify	1. Require public membership on the agency’s policymaking body.
Modify	2. Require provisions relating to conflicts of interest.
Update	3. Require unbiased appointments to the agency’s policymaking body.
Apply	4. Provide that the Governor designate the presiding officer of the policymaking body.
Update	5. Specify grounds for removal of a member of the policymaking body.
Apply	6. Require training for members of the policymaking body.
Apply	7. Require separation of policymaking and agency staff functions.
Apply	8. Provide for public testimony at meetings of the policymaking body.
Apply	9. Require information to be maintained on complaints.
Apply	10. Require the agency to use technology to increase public access.
Apply	11. Develop and use appropriate alternative rulemaking and dispute resolution procedures.



Veterans' Land Board

Recommendations	Across-the-Board Provisions
Do Not Apply	1. Require public membership on the agency's policymaking body.
Modify	2. Require provisions relating to conflicts of interest.
Update	3. Require unbiased appointments to the agency's policymaking body.
Do Not Apply	4. Provide that the Governor designate the presiding officer of the policymaking body.
Update	5. Specify grounds for removal of a member of the policymaking body.
Apply	6. Require training for members of the policymaking body.
Do Not Apply	7. Require separation of policymaking and agency staff functions.
Already in Statute	8. Provide for public testimony at meetings of the policymaking body.
Apply	9. Require information to be maintained on complaints.
Apply	10. Require the agency to use technology to increase public access.
Modify	11. Develop and use appropriate alternative rulemaking and dispute resolution procedures.

Agency Information

Agency Information

Texas Veterans Commission

Agency at a Glance

The Texas Veterans Commission (TVC) supports Texas veterans and their families by providing assistance to veterans filing federal benefit claims and veterans seeking employment, and by approving educational institutions to receive federal Montgomery GI Bill funds. While TVC currently operates three programs, each of which contribute to the overall goal of providing accessible benefits to eligible Texas veterans, until the last two years, the Commission focused its efforts on providing assistance to veterans in filing federal benefit claims with the U.S. Department of Veterans Affairs (VA). Created in 1927 as a division of the Adjutant General's Department, and becoming an independent agency in 1947, TVC received responsibility for the Veterans Employment Services program from the Texas Workforce Commission in 2005, and was designated by the Governor as the State Approving Agency for Veterans' Education, also in place of the Workforce Commission, in 2006.

Today, the Commission's main functions include:

- ◆ assisting veterans and their families in obtaining various state and federal benefits;
- ◆ administering benefit assistance training to veteran county service officers;
- ◆ providing employment and reemployment services to eligible veterans and their families;
- ◆ approving veterans' education and training institutions to receive federal funds; and
- ◆ promoting benefits provided by the state and federal governments to eligible veterans.



TVC plays a key role in the State's effort to honor veterans by assisting them in accessing benefits.

Key Facts

- ◆ **Recent Program Transfers.** The transfer of the Veterans Employment Services program and the designation of the Commission as the State Approving Agency for Veterans' Education more than tripled the agency's number of staff and increased TVC's budget by more than \$11 million since the end of fiscal year 2005. To provide an accurate picture of the agency requires assessment of 2006 and even 2007 data.
- ◆ **Funding.** As a result of increased funding due to the Veterans Employment and Veterans' Education program transfers, in fiscal year 2007, the Commission expects to operate on a budget of about \$15.3 million, more than four times the agency's fiscal year 2006 operating budget.
- ◆ **Staffing.** TVC currently employs a staff of 311, with 291 located in 145 field offices and local workforce centers throughout the state. Before

receiving the Veterans Employment and Veterans' Education programs, the Commission employed a staff of 97.



In 2006, TVC assumed two new programs, tripling the size of the agency.

- ◆ **Claims Counseling.** The Veterans Commission provides information regarding the numerous state and federal benefits available to veterans as well as direct assistance to veterans seeking to file federal benefit claims with the VA. In fiscal year 2006, the Commission assisted Texas veterans in filing 72,632 VA benefit claims and appealing 10,974 VA decisions.¹
- ◆ **Employment Services.** TVC helps eligible veterans access employment and training opportunities through the federally mandated Veterans Employment Services program. An annual federal grant of about \$10.4 million funds staff in local workforce centers throughout the state to assist veterans with finding jobs.²
- ◆ **Veterans' Education.** The Commission approves education and training programs in Texas to authorize veterans' use of federal Montgomery GI Bill funds. Currently, a total of 837 programs are approved for veterans' education purposes.
- ◆ **County Service Officers.** The Veterans Commission provides technical training and general support to the State's network of 257 county service officers (CSOs) who provide claims assistance to veterans at the local level.

Major Events in Agency History

- 1927 The Legislature creates the State Service Office as a branch of the Adjutant General's Office to assist veterans in filing benefit claims with the U.S. Department of Veterans Affairs.
- 1947 The Legislature establishes the State Service Office as a separate state agency, renaming it the Texas Veterans Affairs Commission. The bill also expands the Texas veterans' network of benefit assistance by creating a system of county service officers that provide benefit assistance to veterans at the county level.
- 2005 The Legislature transfers the Veterans Employment Services program from the Texas Workforce Commission to the Texas Veterans Commission.
- 2006 The Veterans Commission assumes the Veterans Employment Services program. In addition, the Governor designates the Texas Veterans Commission as the State Approving Agency for Veterans' Education, transferring the Veterans' Education program from the Texas Workforce Commission to the Veterans Commission.

Organization

Policy Body

The Texas Veterans Commission consists of five voting members appointed by the Governor, with advice and consent of the Senate, to serve staggered six-year

terms. Of the five Commission members, at least three must be honorably discharged from active military service in the United States armed forces, and one must have a service-connected disability recognized by the U.S. Department of Veterans Affairs. A person with military experience who receives a less than honorable discharge from a branch of the armed services is not eligible to serve on the Veterans Commission.

On an annual basis, Commission members select a chairman, vice-chairman, and secretary. The table, *Texas Veterans Commission*, identifies current Commission members. Although not required by statute, all current Commission members are veterans. Generally, the Commission's main duties are to set policies and adopt rules to carry out statutory provisions and to hire the agency's Executive Director. The Commission meets on a quarterly basis in Austin.

Staff

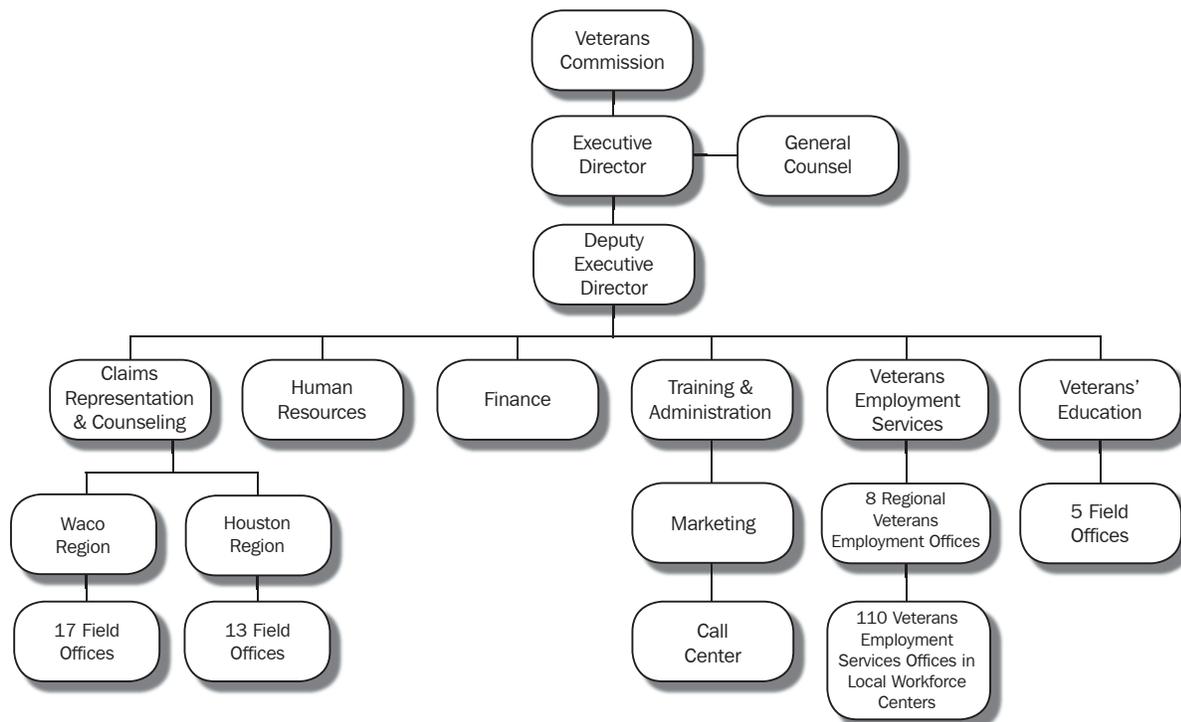
The Commission currently has a staff of 311. Although based in Austin, the Commission maintains a significant presence statewide, with the majority of employees working in field offices throughout the state. The *Texas Veterans Commission Organizational Chart* depicts the structure of the agency, including the number of field offices for each division.

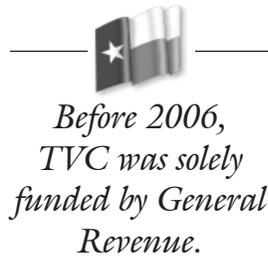
Texas Veterans Commission

Member	City	Term* Expiration
John A. Brieden, III, Chair	Brenham	2007
Karen S. Rankin, Vice Chair	San Antonio	2009
Hector Farias, Secretary	Weslaco	2007
James R. Adams	Dallas	2005
Leonardo Barraza	El Paso	2005

* Commission members whose terms have expired continue to serve until a new appointment is made.

**Texas Veterans Commission
Organizational Chart**





The Executive Director, under the direction of the Commission, manages the agency’s day-to-day operations and implements policies set by the Commission.

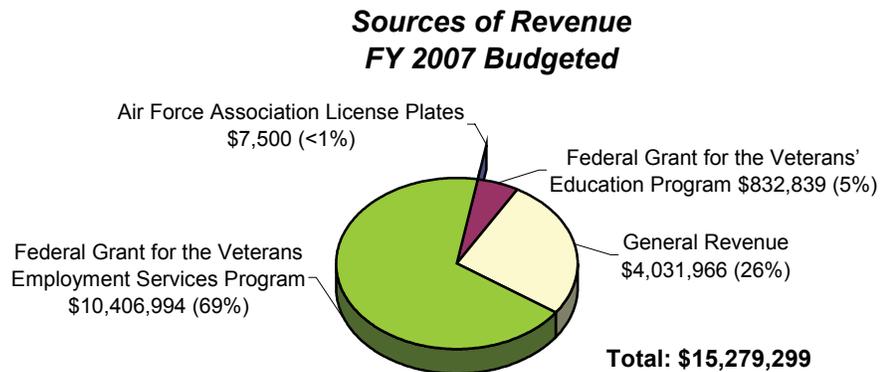
Appendix A compares the agency’s workforce composition to the minority civilian workforce from fiscal years 2003 to 2005, before the recent reorganization significantly changed the agency’s staffing in fiscal years 2006 and 2007. Generally, the agency meets the civilian workforce standards, though it did fall below the percentages for female professionals.

Funding

While previous fiscal year funding information allows for an understanding of what an agency actually uses to operate its programs, because of the recent program transfers, budgeted fiscal year 2007 information provides the fullest picture of what the Veterans Commission currently needs to operate its programs.

Revenues

In the first full year that the Commission will administer the Veterans Employment Services and Veterans’ Education programs, fiscal year 2007, TVC expects to receive about \$15.3 million in federal grants and General Revenue funding. As shown in the pie chart, *Sources of Revenue*, the largest percent of revenue comes from the federal grant used to fund the Veterans Employment Services program.



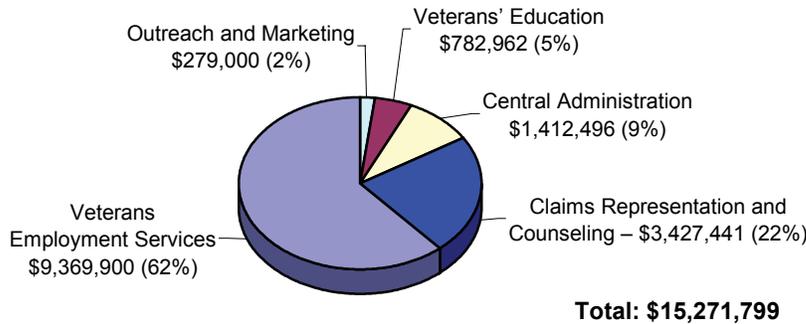
In fiscal year 2005, before receiving the Veterans Employment Services and education programs, the Commission received about \$3.4 million in General Revenue funds, to fulfill its claims assistance functions and run its central office.

Expenditures

The Commission expects to spend its \$15.3 million appropriation on three main functions – claims assistance, employment assistance, and approving veterans’ education programs – during fiscal year 2007. A portion of the Claims Representation and Counseling program funds will be spent to train

county service officers, as required by statute. In fiscal year 2006, TVC spent \$179,000 on CSO training conferences. In addition, the Commission will also use \$279,000, from both federal grants and General Revenue, to operate an outreach program to inform veterans of their state and federal benefits. The total budgeted amount of funding spent on each program is detailed in the pie chart, *Expenditures by Program*.

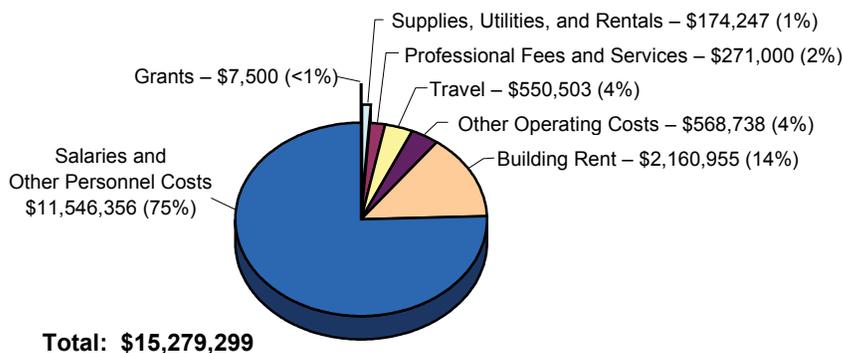
**Expenditures by Program
FY 2007 Budgeted**



In fiscal year 2007, the agency's largest expenditure will be for salaries and other personnel costs, comprising 75 percent of total expenditures. The Commission will also expend \$2.1 million to house Veterans Employment Services staff in local workforce centers.³ The pie chart, *Expenditures by Object of Expense*, shows the agency's budgeted expenditures for fiscal year 2007.


About 75 percent of TVC's budget funds the agency's 311 employee salaries.

**Expenditures by Object of Expense
FY 2007 Budgeted**



Appendix B describes the Commission's use of Historically Underutilized Businesses (HUBs) in purchasing goods and services for fiscal years 2002 to 2005. During the past four years, the agency exceeded the statewide goals for the other services and commodities categories.

Agency Operations

The Commission plays a key role in the State's commitment to compensate Texas veterans for serving their country by assisting them in filing benefit claims and in seeking employment, and by approving various training and educational institutions to receive Montgomery GI Bill funds. In addition to administering these three main programs, the Commission also operates an outreach program designed to inform Texas veterans of the broad range of available benefits.



TVC gives one-on-one assistance to veterans filing VA benefit claims.

Claims Representation and Counseling

The Legislature created the Texas Veterans Commission to help ensure that Texas veterans and their families receive all benefits entitled to them by both state and federal law. Through the Claims Representation and Counseling program, TVC claims counselors inform veterans of benefits and services available and give one-on-one assistance with preparing evidence to prove benefit entitlement. Claims counselors typically assist veterans in filing federal benefit claims with the U.S. Department of Veteran Affairs (VA).

However, TVC is just one way that veterans may receive assistance in filing a claim with the VA. Veterans may also receive claims assistance from other service organizations, such as the Veterans of Foreign Wars or the Disabled American Veterans, or from county service officers located throughout

the state. They may also work directly with about 40 VA benefit counselors statewide to file claims. The textbox, *U.S. Department of Veterans Affairs Benefits*, summarizes the most common types of VA benefits awarded to eligible veterans. The most common type of claim filed by TVC staff is a service-connected disability claim, which typically requires the veteran to obtain additional information, such as a medical exam performed at a VA health facility, that provides substantiated medical evidence.

The Commission has 64 claims counselors located in 30 offices around the state to assist veterans in filing claims or appealing VA benefit decisions. All of TVC's claims assistance offices are collocated in VA facilities, such as hospitals and outpatient clinics, or on military bases, positioning TVC counselors in a setting heavily traveled by veterans, at no cost to the agency. A comprehensive map detailing all of TVC's claims assistance office locations is provided in Appendix C

U.S. Department of Veterans Affairs Benefits

Veterans of the United States military and their family members may be eligible for a range of benefits through the U.S. Department of Veterans Affairs, including the following.

- ◆ **Disability Compensation** – monthly benefits from \$112 to \$2,393 for disabilities incurred during military service.
- ◆ **Pension** – monthly living expense assistance for wartime veterans with limited income who are permanently and totally disabled, or at least 65 years of age, with annual benefits ranging from \$10,579 to \$20,924.
- ◆ **Dependency and Indemnity Compensation** – monthly compensation benefits or pensions awarded to survivors of deceased service members.
- ◆ **Health Care** – medical treatment for service-connected injuries or illness after military separation, including evaluations, hospital care, outpatient care, nursing home care, counseling, and other services.
- ◆ **Education and Training** – commonly known as the “GI Bill,” monthly compensation to assist in the cost of attending an approved education or training program.
- ◆ **Home Loan Guarantee** – provides guarantees for loans used to purchase or repair homes and property.
- ◆ **Burial** – burial flags, headstones, markers, and reimbursement of burial expenses.

of this report. Claims counselors also travel outside their field offices to assist veterans unable to travel, such as homebound, hospitalized, or incarcerated veterans.

Filing a Claim

The flow chart, *Texas Veterans Commission Claims Assistance Process*, as shown on the following page, illustrates the basic steps in the benefit process, including how TVC interacts with the veteran and with the VA. As shown in the flow chart, when a veteran contacts TVC about potential benefit opportunities, a claims counselor conducts an initial interview to outline potential benefit options and general eligibility criteria for each benefit. If the veteran decides to pursue a claim, an initial authorization, called the power of attorney, must be signed by the veteran to designate the Veterans Commission as the veteran's authorized representative for the claim, allowing TVC counselors to access and track the veteran's claim in the VA's main claims-tracking database.⁴ Claims counselors also assist veterans in filling out the VA's initial claim form and collecting documentation, such as medical records and proof of military experience, needed to prove a claim. Because power of attorney may be changed to designate another accredited representative at any time, TVC claims counselors often assist veterans who received help from another organization in filing an initial claim or appealing a claim.

Once the initial paperwork is completed, TVC field staff submit claims to one of two TVC regional offices, collocated with the VA's main claims processing centers in Houston and Waco.⁵ While TVC staff in the regional offices will assist veterans with filing initial claims, these staff focus primarily on reviewing and developing claims forwarded from other TVC field offices. Regional staff catalog claims sent from field offices in the agency's tracking system; review all submitted forms and documentation, checking for errors and possible missing information; and, finally, submit the claim to the VA. Submissions typically contain more than one claim. In fiscal year 2006, TVC assisted veterans in filing 72,632 benefit claims.

From the day the VA receives a claim, the average processing time ranges from three to nine months.⁶ VA staff review claims to determine general eligibility and whether additional documentation is needed to make a benefit decision. After all evidence is gathered, the VA renders a decision either awarding or denying the requested benefit, allows the veteran's power of attorney to review the preliminary decision, and sends a decision letter directly to the veteran and to the veteran's power of attorney.

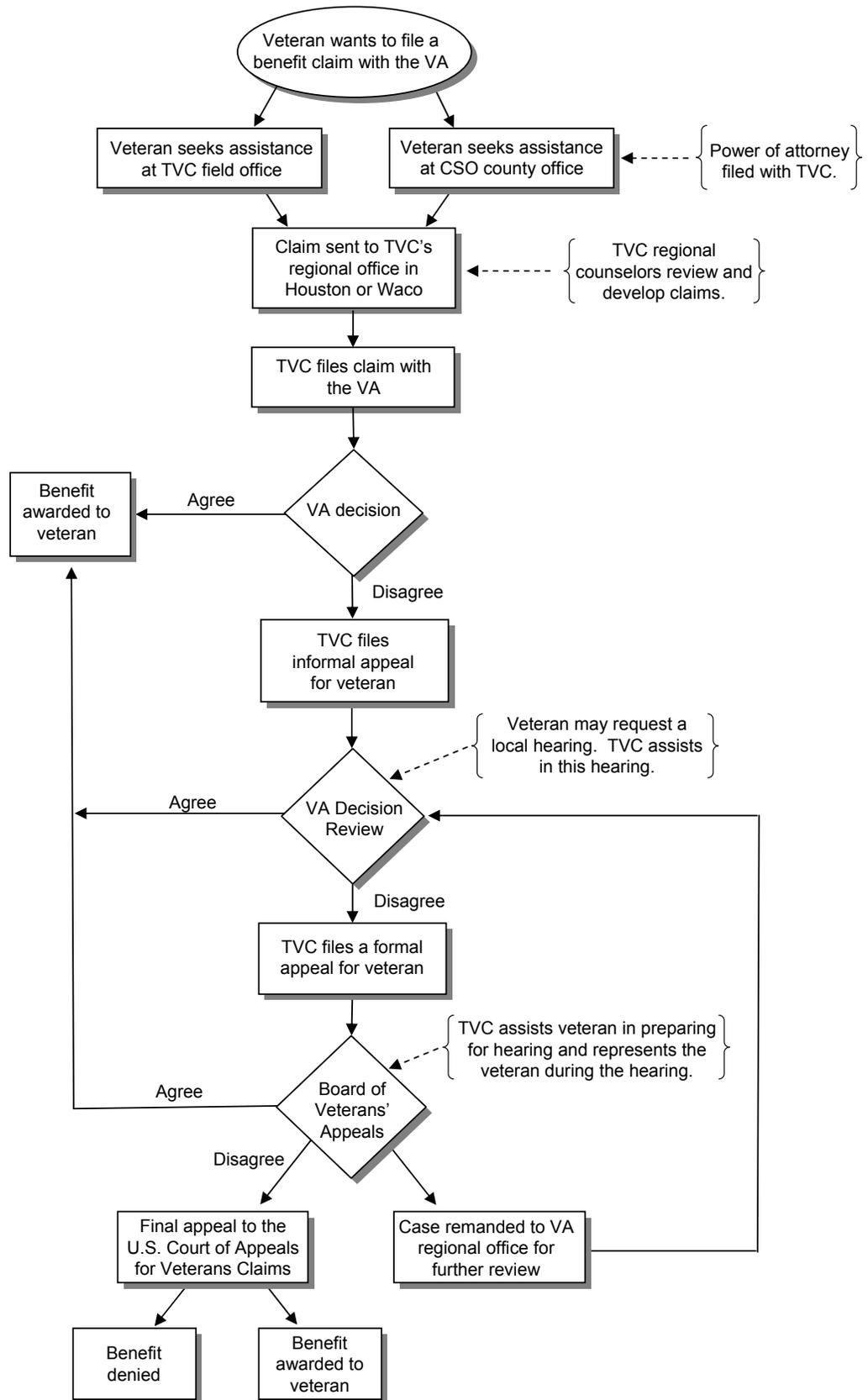
Appealing a Benefit Decision

While the VA may deny a veteran's benefit claim, veterans not satisfied with the VA's decision may file an informal appeal. Reasons for filing an appeal may include disputing the VA's decision that a disability is not service-connected or disputing the percentage of disability compensation awarded. Veterans typically seek assistance in filing an appeal, even if they submitted their initial claim without using outside help as a resource. While TVC claims staff assist in the appeals process, the decision to pursue an appeal, as well as all steps taken during the appeals process, must be initiated by the veteran.



*In fiscal year 2006,
TVC helped almost
73,000 veterans
file benefit claims
with the VA.*

Texas Veterans Commission Claims Assistance Process



To appeal a VA decision, a veteran must file an informal appeal within one year of the VA's initial decision. In fiscal year 2006, TVC assisted veterans in 10,974 appeals of VA benefit decisions. TVC staff assist the veteran in gathering information, typically beyond what was originally submitted, to further prove the case or identify errors made. During the informal appeal process, the veteran may request a local hearing, held at the nearest VA regional office, at any time. The VA reviews the informal appeal, taking into account the new information, and issues a new decision.

In response to the VA's decision on the informal appeal, the veteran may formally appeal to the Board of Veterans' Appeals, an administrative law division of the VA's main headquarters dedicated to reviewing benefit appeals. When appealing to the Board, the veteran may opt to have a personal hearing with a VA judge in Washington, D.C., to appear before the Board, or to schedule a local hearing with a traveling Board at one of the VA's regional offices. Local hearings are typically held in each of the two regional offices and at the San Antonio outpatient clinic once every two or three months.

The VA currently has a backlog of 14,500 benefit claims appeals in Texas, and while most appeals are adjudicated through desk reviews, actually appearing before the traveling Board at the local level can take one to three years. Once the case is heard, the VA judge can grant an appeal, remand the case back to the regional VA office for potential settlement, or deny the appeal all together. If denied, the veteran has 120 days to appeal to the U.S. Court of Appeals for Veterans Claims and must appeal to federal district court to pursue a claim beyond the Court of Appeals for Veterans Claims.

While neither TVC nor the VA collect comprehensive data on the results of claims filed or appealed, the VA does report that, in fiscal year 2005, Texas veterans and their dependents received about \$2.5 billion in VA payments, about \$1.3 billion of which was awarded to veterans and dependents assisted by TVC.

County Service Officers

In addition to TVC's claims assistance services, veterans may seek assistance with veterans county service officers (CSOs) for help filing benefit claims. State law requires all CSOs to be veterans, or the un-remarried widow of a veteran, and must be appointed by a local commissioner's court, making CSOs county employees. County service officers help veterans and their families file VA benefits claims and appeal VA decisions much in the same way as TVC benefit counselors. However, CSOs must take additional steps to gain accreditation with the VA and be designated as an approved representative of an organization holding a veteran's power of attorney to represent veterans in the appeals process. Because most CSOs are not accredited, another organization, such as TVC, ultimately represents veterans in any appeals.

Texas has 257 CSOs, located mainly in county offices and courthouses, throughout 221 Texas counties. By state law, counties with populations more than 200,000 must have at least one full-time CSO, appointed by a local commissioners court.⁷ In 2006, CSOs initiated about 17,000 new VA benefit claims and appeals for veterans and their families.



Texas veterans received benefit payments in excess of \$2.5 billion during fiscal year 2005.



TVC provides training to county service officers, who assist veterans at the local level.



*TVC employs
190 staff in local
workforce centers
across the state
to help veterans
find jobs.*

CSO Qualifications. The Veterans Commission administers a training program to help ensure that CSOs have the expertise needed to assist veterans and their families with filing benefit claims.⁸ Once appointed by a commissioner’s court, within one year, all CSOs must take an initial training course designed to outline the general steps involved in filing a claim. After the initial training course is completed, CSOs must attend at least one training conference every year to comply with state requirements. If a CSO does not continue to attend the statutorily required annual training, state certification lapses and TVC staff notifies the appointing county judge.

County service officers have the option to seek additional VA accreditation, authorizing them to not only file initial claims, but view the VA’s claims database and represent veterans in VA appeals. Federal law authorizes TVC to administer VA accreditation on behalf of the VA. To qualify for federal accreditation, a CSO must be a county employee working at least 1,000 hours a year, take a VA-approved training course, and pass an accreditation exam. Of Texas’ 257 CSOs, 230 are TVC-certified, 27 are VA-accredited, and eight have accreditation pending. TVC has revoked nine accreditations for those no longer serving as CSOs, and denied accreditation to two persons for not meeting the State’s veteran requirement for CSO eligibility.

Veterans Employment Services

Congress created the Veterans Employment Services program in the 1930s as part of the federal government’s response to the Great Depression and jobless World War I veterans. By federal law, every state must maintain a program to assist jobless and recently separated veterans reintegrate into the civilian workforce.⁹ On an annual basis, the Department of Labor’s Veterans’

Employment and Training division provides each state with federal funds to operate the program, which had been administered by the Texas Workforce Commission until the Legislature transferred it to TVC in 2005, effective April of 2006. The program provides employment services through two types of staff positions as described in the textbox, *Veterans Employment Services Staff*.

TVC employs 190 veterans employment staff located in 110 local workforce centers across the state. The Texas Workforce Commission operates the State’s workforce development system by allocating funding from federal job and employment support programs to 28 Local Workforce Development Boards across the state. TVC contracts independently with each Board to house TVC staff in local workforce centers, and TVC regional staff supervise field staff and interact with local boards. The map, *Veterans Employment Services Program Regional Structure*, located in Appendix D, shows TVC’s regional management structure along with the 28 Local Workforce Development Boards.

Veterans Employment Services Staff

Federal law requires states to provide veterans with employment services using two types of employment representatives whose duties are described below. These staff positions must be filled by veterans. Additionally, program representatives can provide services only to veterans and their dependents and must provide priority of service to disabled veterans.

Local Veterans Employment Representative

- ◆ conduct outreach activities to employers to advocate hiring of veterans;
- ◆ conduct employment workshops for veterans and employers; and
- ◆ assist veterans with job search, training, and placement.

Disabled Veterans Outreach Program Specialist

- ◆ provide individualized case management and job development services for disabled veterans most in need; and
- ◆ conduct outreach activities in various locations such as homeless shelters and VA facilities.

Veterans Employment Services staff provides veterans and their family members with comprehensive employment services, including assistance with job matching and resume writing; accessing job training and skills development programs; and providing referrals to other support services, such as childcare. Staff also ensure coordination of job placement and case management services for veterans enrolled in the VA's Vocational Rehabilitation and Employment Services program. During fiscal year 2005, staff provided employment services to about 99,000 veterans, 61 percent of whom entered in a job as a result, and of these, 84 percent maintained their jobs for at least six months.¹⁰

Veterans' Education

One of the most common federal benefits available to veterans is the Montgomery GI Bill, which allows most veterans to receive a stipend for continued education and training programs after military service. The GI Bill benefit comes in the form of direct payments to veterans, typically about \$1,000 per month, to cover the cost of tuition, fees, and general living expenses while enrolled in an approved academic or training program. Monthly expense rates are based on the amount of time spent in pursuing training or educational courses.

Federal law authorizes the U.S. Department of Veterans Affairs to enter into contracts with state and local agencies for the purpose of approving and supervising education and training programs that accept payment from veterans using GI Bill funds. Currently, every state has a designated agency to oversee this approval process. In October 2006, the Governor transferred responsibility for this approval process to TVC from the Texas Workforce Commission.¹¹

Most types of education and training programs are eligible for approval to receive GI Bill funds as long as the program results in a degree or certificate. Employers that provide on-the-job-training are also eligible to apply for approval, as long as the training meets specific criteria. Veterans' Education staff approve education and training programs and supervise the programs on an ongoing basis. Each year, staff conducts site visits to programs where veterans participating in the GI Bill program are enrolled, auditing records to ensure a basic level of compliance with federal law. The textbox, *Veterans' Education Approval Process*, shows the type of review conducted by staff during these field visits.

Programs that exhibit poor performance or that do not meet specified guidelines are placed on suspension, barring the institution from allowing new veterans using GI Bill funds and notifying the VA of documented problems. The Veterans' Education program currently monitors 837 approved institutions and employs five field representatives who cover field visits outside the Austin area. A detailed map showing these regions is located in Appendix E of this report.



TVC currently monitors more than 800 Texas institutions that receive GI Bill funds.

Veterans' Education Approval Process

The Veterans' Education approval process includes the review and evaluation of the following aspects of each institution:

- ◆ courses, curriculum, and instruction;
- ◆ attendance, academic progress, and conduct policies;
- ◆ facilities, equipment, and instructional materials;
- ◆ qualifications of the directors, administration, and instructors;
- ◆ financial stability;
- ◆ advertising practices;
- ◆ enrollment limitations and student-teacher ratios;
- ◆ tuition refund policies; and
- ◆ academic record keeping.

In addition to approving institutions, Veterans' Education staff also provide technical assistance to administrators at schools and training providers, reviewing various processes unique to veterans' education, like recordkeeping and filing VA forms. Field staff also focuses on marketing GI Bill benefits to Texas veterans, and expanding the number of institutions willing to accept veterans using GI Bill funding.

Outreach to Veterans

To increase public awareness about the array of benefits available to veterans, the Commission operates an outreach program. Currently, TVC staff send benefit information to veterans recently discharged from active duty and the families of recently deceased veterans, and host benefit seminars in various cities across the state. The Commission also maintains a call center, operated in partnership with the Veterans' Land Board, that fields benefit-related questions.

In addition, TVC field staff from all three programs participate in various outreach activities. For example, TVC staff located on or near military installations regularly attend Transition Assistance Program (TAP) briefings, designed to provide active duty service members transitioning to civilian life, with information on the wide range of benefits available and the services provided by TVC staff. In fiscal year 2006, TVC staff participated in 254 TAP briefings.

¹ The fiscal year 2006 information provided regarding number of claims filed and number of claims appealed is provided by TVC's internal tracking system and not by the U.S. Department of Veterans Affairs (VA).

² The Veterans Employment Services federal grant includes an additional \$1.6 million to fund the program's employee fringe benefits.

³ Field staff for the Claims Representation and Counseling and Veterans' Education programs receive office space free of charge, typically in VA facilities and military installations.

⁴ The VA automatically accredits each state's veterans affairs agency to hold powers of attorney, however, the agency, not the individual counselor handling each case is designated as the veteran's authorized representative.

⁵ The VA has two processing regions in Texas – Houston and Waco – as shown on the map, *Texas Veterans Commission Claims Representation and Counseling Program*, located in Appendix C.

⁶ Texas Veterans Commission, *Self-Evaluation Report*, submitted to the Sunset Advisory Commission (August 2005) p. 27.

⁷ Texas Government Code, sec. 434.032 (b).

⁸ Texas Government Code, sec. 434.038 (b).

⁹ 38 CFR 4101 (2006).

¹⁰ The number of veterans served, percentage of those served that entered employment, and percentage of those who entered employment and are still employed at six months, reflect the work of Veterans Employment Services staff under the supervision of the Texas Workforce Commission, not the Texas Veterans Commission. Fiscal year 2006 data was not available at the time of report publication.

¹¹ Letter from Governor Rick Perry to Keith Wilson, Director of Education Service, U.S. Department of Veterans Affairs, August 10, 2006.

Agency at a Glance

Texas voters established the Veterans' Land Board (VLB) through a constitutional amendment in 1946 to honor Texas veterans and their families by providing loans to purchase raw land. Today the Board operates within the structure of the General Land Office (GLO) and provides veterans with state benefits including:

- ◆ below-market interest rate loans for purchasing raw land, homes, and funding home improvement projects;
- ◆ long-term care nursing homes for veterans and their families; and
- ◆ veterans cemeteries.

Key Facts

- ◆ **Funding.** In fiscal year 2005, VLB administered its three programs with a budget of about \$19 million. VLB receives no General Revenue funds as most of the agency's revenue is derived from investment income from constitutionally authorized bond sales and loan payment proceeds. VLB also receives federal grants from the U.S. Department of Veterans Affairs (VA) for the construction of veterans nursing homes and cemeteries.
- ◆ **Staffing.** VLB has 83 staff. While most staff are housed in Austin, 19.5 positions are located in field offices and nursing homes across the state. The Legislature authorizes VLB staff through GLO's appropriations and all employees are GLO employees.
- ◆ **Investments.** GLO manages VLB's fixed-income investment portfolio which was valued at \$442 million and achieved an annual rate of return of 3.55 percent in fiscal year 2005. VLB's investment strategy is to maximize returns, minimize risks, and ensure liquidity necessary to meet the demand in its loan programs. The agency invests a large portion of its portfolio in bonds issued by federal agencies.
- ◆ **Loans.** The agency made more than 6,400 loans to veterans in fiscal year 2005, with a total value of \$873 million. More than 97 percent of the total amount of loans were for the purchase of homes. Land loans comprised 2.5 percent of the agency's portfolio, and the remainder were for home improvements.
- ◆ **Nursing Homes.** VLB owns and operates six long-term, skilled nursing care facilities in Big Spring, Bonham, El Paso, Floresville, McAllen, and Temple. Another home is under construction in Amarillo. These nursing homes provide long-term care for veterans, their spouses, and Gold Star parents, who have lost all of their children in military service.



*Information about
veteran land and home
loans, nursing homes,
and cemeteries can be
found on VLB's website,
www.texasveterans.com.*

- ◆ **Veterans Cemeteries.** The Board owns and operates two veterans state cemeteries, in Killeen and Mission, that augment the state's four national veterans cemeteries by providing burial space to veterans, their spouses, and dependents.



Since its inception in 1946, VLB has operated within the General Land Office.

Major Events in Agency History

- 1946 Voters approve a constitutional amendment creating the Veterans' Land Board to offer Texas veterans low-interest land loans, and \$25 million in bonding authority to fund the program. The first Board consists of the Governor, the Attorney General, and the Commissioner of the General Land Office. The agency begins operations within GLO.
- 1949 VLB begins offering land loans to veterans on a contract-for-deed basis with a 20-acre minimum and a maximum loan amount of \$7,500.
- 1955 VLB becomes involved in a scandal as Bascom Giles, the acting Commissioner of the General Land Office and VLB Chairman, is convicted for his involvement in a land scheme involving the Veterans' Land Program.¹ As a result, the Legislature enacts several changes within the administration of the loan program and voters later approve a constitutional amendment changing the composition of the Board to the Commissioner of the General Land Office and two Governor-appointed members with experience in finance and veterans affairs.
- 1983 Texas voters approve a constitutional amendment to provide below-market interest rate loans to veterans to buy or build homes with a maximum loan amount of \$20,000. Voters also approve authority to sell \$500 million in bonds to fund the new loans.
- 1986 VLB allows veterans to apply for home improvement loans up to \$25,000.
- 1997 The Legislature authorizes VLB to open at least four nursing homes for Texas veterans.
- 2001 Texas voters approve a constitutional amendment authorizing up to seven state veterans cemeteries funded by VLB investment proceeds.
- 2006 The Veterans' Land Board raises the maximum loan amount for its Veterans Housing Assistance Program, its most popular program, from \$240,000 to \$325,000, to keep up with market changes in real estate.



A constitutionally created, three-member Board governs the agency.

Organization

Policy Body

The constitutionally created, three-member Veterans' Land Board sets policies governing the agency's operations.² The Constitution establishes that the Commissioner of the General Land Office serves as the chair of the Board and

the Governor appoints two members – one with experience in veterans’ issues and one with experience in finance – to serve staggered, four-year terms. In the Land Commissioner’s absence, the Chief Clerk of GLO serves as chair. The table, *Veterans’ Land Board*, provides information about each member.

Veterans’ Land Board

Member	City	Qualification	Term Expires
Jerry Patterson, Chair	Austin	GLO Commissioner	2011
Alan L. Johnson	Harlingen	Veterans Issues	2008
Cephus S. “Dusty” Rhodes	El Paso	Financial Expertise	2006

The Board establishes policies and adopts rules governing the agency’s veteran loan, nursing home, and cemetery programs. The Board’s key activities include authorizing bond sales; overseeing the use of bond and investment funds; setting interest rates for land, house, and home improvement loans; establishing policies governing forfeitures of land; and guiding the administration of the agency. The Board meets monthly, as necessary, and selects an Executive Secretary to serve as the head of the agency.

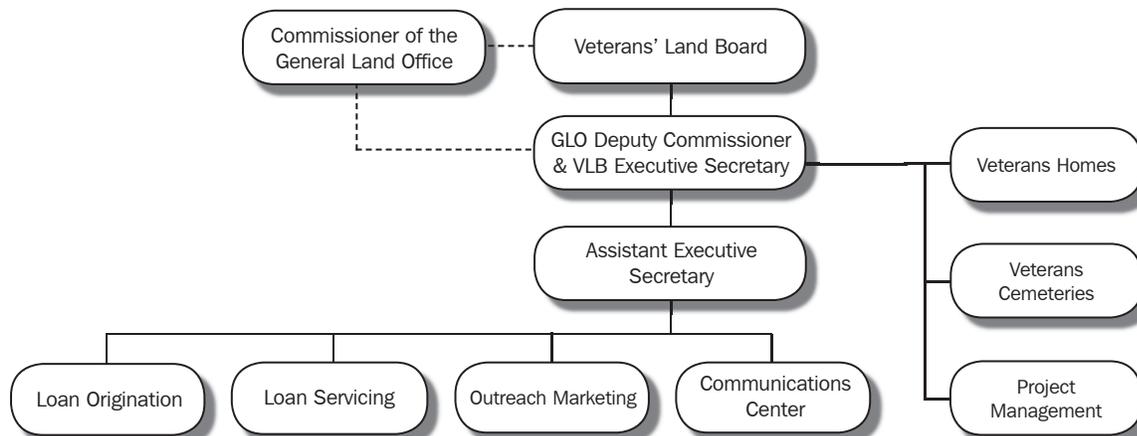
Staff

The agency employs 83 staff, primarily in Austin, with 19.5 employees either working as marketing representatives around the state or acting as agency representatives in veterans nursing homes. The Legislature does not allocate specific full-time equivalent positions to the agency as all VLB staff are GLO employees. The Executive Secretary, who also serves as a Deputy Commissioner of the General Land Office, manages the agency’s day-to-day operations, under the direction of the Board and the Commissioner of the General Land Office. The *Veterans’ Land Board Organizational Chart* illustrates the relationship between the agency, the Board, and the Commissioner.



VLB employs 83 staff, with 19.5 positions located around the state.

Veterans’ Land Board Organizational Chart



In addition, GLO employees provide administrative support for VLB's operations. GLO staff assist VLB with financial and budget management, appraisal and survey, information systems, government relations, internal audit, legal, and other services.

Appendix A compares the agency's workforce composition to the minority civilian workforce for the past three fiscal years. The agency has met or exceeded the civilian workforce percentages for almost all of the job categories.



VLB is completely funded from investment income, loan payment proceeds, and federal funds.

Funding

Revenues

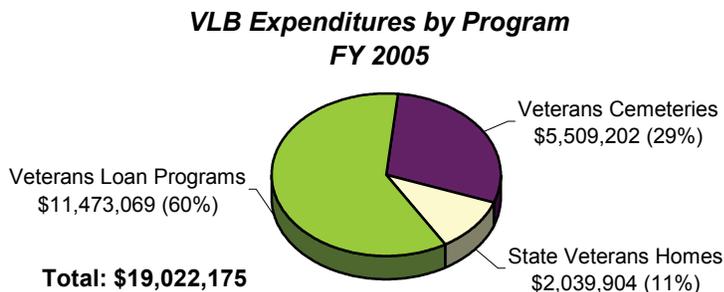
In fiscal year 2005, VLB administered its loan, nursing home, and cemetery programs with about \$19 million in funding. VLB receives no General Revenue funds and is completely funded from investment income, loan payment proceeds, and federal funds. VLB accounts for investment income through two administrative funds, the Veterans Land Program Administrative Fund No. 522 and Veterans Homes Administrative Fund No. 374. As shown in the pie chart, *VLB Revenues*, the largest source of revenue was Fund No. 522, with 76 percent of funding. In addition to this, VLB received about \$4.5 million, or 23 percent of total funding, in federal funds for the veterans nursing home and cemetery programs from the VA. Fund No. 374, dedicated to nursing home and cemetery operations, comprised 1 percent of the agency's funding stream.



VLB has constitutional authority to sell bonds for the veterans land loan, housing assistance, and home improvement programs.³ The agency also has authority to use the assets of these sales, that are not needed for the loan programs, to fund the veterans homes and cemetery programs.

Expenditures

VLB spent about \$19 million in fiscal year 2005 to administer its programs. The pie chart, *VLB Expenditures by Program*, shows how the agency's expenditures were divided among its major programs in fiscal year 2005.



The largest expenditure was \$11.5 million, or 60 percent, to operate VLB's land, housing assistance, and home improvement loan programs. The agency also allocated 29 percent to the operation on veterans cemeteries, and 11 percent to the construction and operation of nursing homes. Of VLB's \$19 million in expenditures for fiscal year 2005, \$6.9 million funded services that GLO provides to support VLB

programs. The table, *VLB Indirect Costs*, shows the breakdown of services that GLO provides.

Above VLB's costs to operate the programs, the agency also funded about \$872.9 million worth of land, housing assistance, and home improvement loans in fiscal year 2005. The pie chart, *VLB Loan Amounts*, shows the breakdown of the total amount spent. The agency funds all loans through the issuance of bonds and assets from its investment portfolio.

VLB does not track the use of Historically Underutilized Businesses (HUBs) in purchasing goods and services separately from GLO. However, information about VLB's largest and most recent contracts, for the construction of nursing homes and cemeteries, shows that the agency makes HUB purchases with construction contractors and subcontractors.

Investment Management

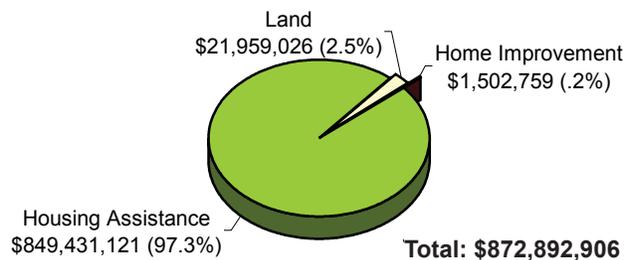
The General Land Office's Funds Management Division maintains VLB's fixed-income investment portfolio. The overall investment management goal, as approved by the Veteran's Land Board, is to maximize return and minimize risk, while ensuring liquidity and cash flow. At the end of 2005, the value of the portfolio was \$442 million.

VLB's investment policy details its strategy to achieve its overall goal. The agency does not invest in stocks and high-risk investments such as derivatives or alternative investments. The largest category of assets that VLB purchases are bonds issued by federal agencies, such as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These agency bonds account for 41 percent of the agency's total investments. VLB also makes significant investments in municipal bonds, commercial paper, U.S. Treasury bonds, and money market funds. All other investments account for 2 percent of the fund. By Board policy, the agency cannot invest in commercial paper that matures in more than 270 days and does not have the highest short-term credit ratings. The pie chart, *VLB Asset Allocation*, gives a graphic display of the investments made.

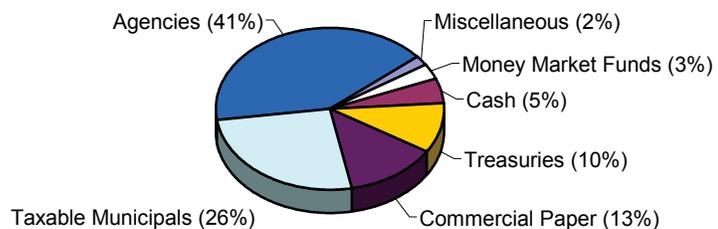
VLB Indirect Costs – FY 2005

GLO Service	VLB Expenditure
Executive	\$239,072
Information Services	\$2,877,805
Administrative Services	\$1,192,255
Legal Services	\$1,047,558
Governmental Relations	\$309,787
Internal Audit	\$147,778
Unemployment Benefits/Workers	\$52,243
Budget and Planning	\$393,787
Office of Communications	\$628,260
Total	\$6,888,545

**VLB Loan Amounts
FY 2005**



VLB Asset Allocation

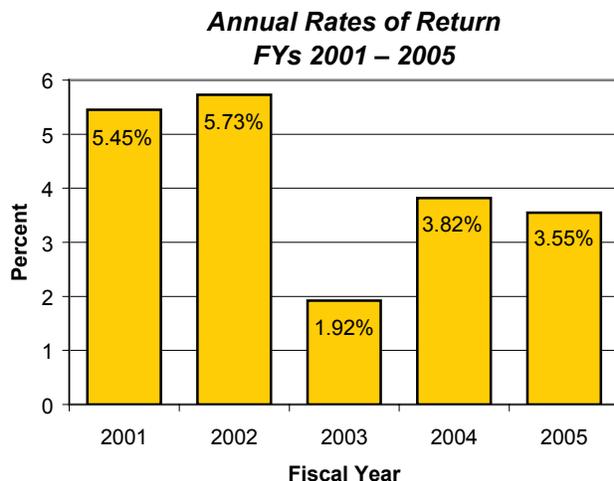


The Fund achieved a 3.55 percent rate of return for 2005. Because of volatility of investment markets, multi-year rates of returns are a preferred means of comparing the performance of different funds. Over a five-year period, the returns on the Fund achieved by GLO's investment strategy were 4.82 percent. Compared to funds of similar size, VLB's investment performance shows good returns. The returns of the State's major funds are shown in the table, *Management of Major Texas Investment Funds*.

VLB's annual returns for each of the past five years are shown in the graph, *Annual Rates of Return*.

Management of Major Texas Investment Funds – FY 2004

Fund	Market Value (in Billions)	Degree Internally Managed	Degree Externally Managed	Investment Costs	5-Year Rate of Return
Teacher Retirement System	\$84.4	100%	0%	.02%	3.18
Employees Retirement System	\$19.5	68.7%	31.3%	.07%	2.89
Permanent School Fund	\$19.3	80.4%	19.6%	.04%	2.95
Permanent University Fund	\$8.1	30.3%	69.7%	.32%	5.03
Tobacco Settlement Permanent Trust Fund	\$1.8	26.2%	73.8%	.29%	2.94
TX Guaranteed Tuition Plan Fund	\$1.3	9.1%	90.9%	.30%	4.43
Permanent Health Fund	\$.8	24.0%	76%	.34%	4.95
Permanent Public Health Fund	\$.4	18.4%	81.6%	.45%	2.01
Veteran's Land Board Investment Portfolio	\$.4	100%	0%	.01%	4.82
Permanent Higher Education Fund	\$.04	15.7%	84.3%	.43%	1.63



Agency Operations

VLB provides veterans with Texas-specific benefits through its three programs: loans, veterans nursing homes, and veterans cemeteries. To support these efforts, VLB also performs marketing, outreach, and communications functions to inform veterans about available benefits.

Loans

VLB offers qualified veterans below-market interest rate loans to purchase land, buy or build homes, or make home improvements

through its Veterans Land, Veterans Housing Assistance (VHAP), and Veterans Home Improvement (VHIP) programs. In fiscal year 2005, VLB funded more than 6,400 loans, totaling around \$873 million through its three loan programs. The table *VLB Loan Program Performance* illustrates the participation and funding for each program.

VLB Loan Program Performance – FY 2005

Program	Number of Loans	Amount Funded
Veterans Housing Assistance Program	5,717	\$849.43 million
Veterans Land Program	638	\$21.96 million
Veterans Home Improvement Program	69	\$1.5 million
Total	6,424	\$872.89 million

To participate in these programs, a veteran must meet VLB’s eligibility standards, outlined in the textbox, *Loan Eligibility Requirements*. VLB also allows verified veterans of the Armed Forces of the Republic of Vietnam who currently reside in Texas to participate in the housing and home improvement loan programs. Veterans may participate in each program but are allowed only one loan per program at a time. Veterans can reenter the programs once current loans are paid off.

Loan Eligibility Requirements

An individual can qualify for VLB loan programs under one of the following:

- ◆ has served 90 cumulative days of active service; or
- ◆ has at least 20 years of reserve service; or
- ◆ completed active or reserve training; and
- ◆ is a Texas resident at least one year before applying; and
- ◆ is not dishonorably discharged; or
- ◆ is an unmarried surviving spouse of a veteran who died in the line of duty or who is missing in action, if the veteran was a qualified resident of Texas at the time of joining the service.

VLB is able to offer below-market interest rates to veterans by subsidizing rates with assets from investment income and loan payments. VLB loan program interest rates are usually 40 basis points (.4 percent) below market, which vary with market conditions. The current interest rate for land loans is 6.64 percent. Interest rates for housing and home improvement loans fluctuate weekly with the market. Veterans applying for home loans on October 26, 2006 would have received a 6.00 percent interest rate.

Veterans may also qualify for interest rate discounts on housing and home improvement loans based on service era, disabilities, and loan term. Recent rates have been as low as 4.05 percent for some veterans. The table *VLB Interest Rate Discounts* further illustrates the discounts VLB offers Texas veterans for housing and home improvement loans.

VLB Interest Rate Discounts

Type of Rate Discount	Eligibility	Discount Percentage
Service Era	Entered the service before January 1, 1977, and discharged fewer than 30 years ⁴	Dependent on market; may lower rate to 4.77%
Disability	At or above 50% disabled, as determined by VA	0.35%
15-Year Loan Term	Veteran’s preference	0.25%

Although each loan program has unique steps, VLB applications follow a similar origination process. A veteran applies for a loan and is certified as eligible by VLB staff. Next, the veteran’s credit rating is reviewed and various appraisals, surveys, and inspections on the property are conducted. VLB or

participating lenders approve the application and close the loan, finalizing the process. The flowchart *Veterans' Land Board General Loan Process* illustrates the basic application processes that VLB loan applications follow. The following information describes the specific aspects of each of the three loan programs.

Land Loans

Established in 1946, the Veterans Land Program currently provides veterans with loans up to \$60,000 for the purchase of at least one acre of raw land. Land loans are typically made for 30-year terms and require only a 5 percent

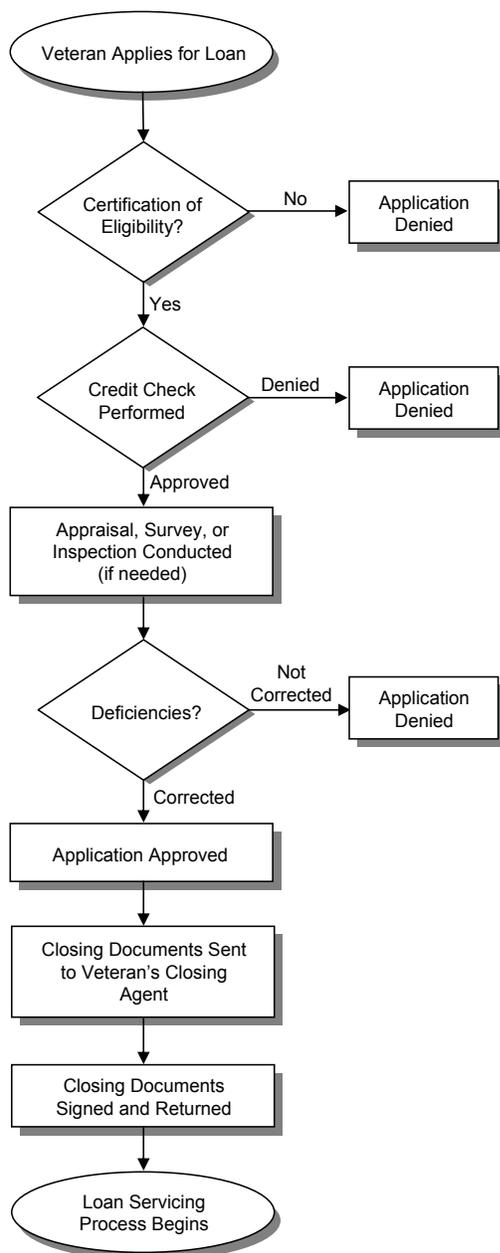
down payment. Veterans Land Program loans are made on a contract-for-deed arrangement between VLB and participating veterans. VLB purchases the land on behalf of the veteran and becomes the deed holder. VLB then enters into a contract to sell the land to the veteran, allowing the veteran use of the land. Once the contract is paid in full, VLB transfers the deed to the veteran.

In fiscal year 2005, the land loan application process took an average of 50 days to complete. Land loans follow the general loan process steps, but differ in that GLO staff review the survey and appraise the properties. GLO forwards the results to VLB and the land loan continues through the approval and closing processes. VLB's Loan Servicing Division processes loan payments, offering loss mitigation options such as payment plans and reamortization, managing delinquencies and foreclosures, and conducting land sales for forfeited tracts.

As VLB is the land owner until the contract is paid, the agency approves commercial use of loan program land. VLB divides income from commercial use by applying 50 percent of the receipts to loan principal and paying the veteran the remaining 50 percent. The textbox, *VLB Leases and Allotments*, on the following page, lists the different types of land uses VLB administers. VLB also allows veterans to sever part of their VLB tract to build a home.

Should a veteran fall into delinquency or forfeiture, VLB offers several options to bring the loans to current status. The delinquency rate for the entire Veterans Land Program portfolio is about 4.3 percent compared to the private sector rate of 9 percent. In addition, VLB's forfeiture rate is about 1.4 percent compared to private industry's 6 percent. VLB forecloses on properties when veterans fail to sustain their loans after exhausting the loss mitigation options.

Veterans' Land Board General Loan Process



VLB auctions foreclosed land twice a year. The agency first offers the tracts to veterans through a sealed-bid auction. VLB then offers the remaining tracts to the public on a first-come, first-served basis. VLB typically sells about 90 tracts in the veterans-only sale, and fewer than 10 in the general public's sale.

Veterans Housing Assistance Loans

In 1983, the Veteran's Land Board began providing loans to veterans for the purpose of buying or building homes through the Veterans Housing Assistance Program (VHAP). Veterans can qualify to receive loans up to \$325,000 at below-market interest rates. While most loans in VLB's VHAP portfolio are guaranteed by the VA, the loans also may be guaranteed by the Federal Housing Administration and conventional guarantees. VA-guaranteed loans do not require down payments.

Most VHAP loans are for more than \$45,000 and are originated and serviced outside the agency on a contract basis. Loans below \$45,000 are originated and serviced by VLB much like land loans. The agency processes fewer than 10 of these smaller loans each year.

In contrast, VHAP loans above \$45,000 constituted 97 percent of VLB's entire loan activity in fiscal year 2005. As private lenders originate VHAP loans above \$45,000, these loans are not direct loans to veterans. Instead, VLB acts as an investor by purchasing mortgages from the participating lenders and holding them as investments. VLB establishes guidelines and requirements for each lender through a contract with its master home loan service provider, CitiMortgage. CitiMortgage approves and coordinates participating lenders across the state that handle home loan origination. Currently, 636 private lenders across the state participate in the program.

A veteran can apply for a VHAP loan through any participating lender who then performs the origination services. The VHAP loan follows the general loan process, although veterans are responsible for arranging appraisals and surveys with their lenders. In addition, all newly constructed homes funded under a VHAP loan be inspected and certified as compliant with the Environmental Protection Agency's Energy Star efficiency standards. After a mortgage is complete, VLB purchases the loan, and CitiMortgage or a participating lender begin servicing the loan.

CitiMortgage and participating lenders service all home loans originated by private lenders by processing loan payments, offering loss mitigation options, managing delinquencies and foreclosures, and conducting forfeited property sales. The delinquency rate for housing loans in fiscal year 2005 was .87 percent. Housing loans forfeiture rate was .63 percent for the same period. Although the housing program is the agency's biggest loan program, neither CitiMortgage nor VLB tracks the number of applications received or denied, and the average amount of time it takes a veteran to get a housing loan.

VLB Leases and Allotments

VLB services the following leases and allotments that help veterans pay loan principals and make income:

- ◆ oil & natural gas leases;
- ◆ timber leases;
- ◆ easements;
- ◆ cotton allotments;
- ◆ peanut allotments; and
- ◆ various agricultural allotments.



Housing loans constitute 97 percent of VLB's loan portfolio.

Veterans Home Improvement Loans

In 1986, VLB created its third loan program, the Veterans Home Improvement Program (VHIP), to assist veterans making improvements on their homes. VHIP loans are capped at \$25,000, with loan terms of up to 20 years, although loans for less than \$10,000 have 10-year terms. With the increase in home equity loans, the popularity of VHIP loans decreased, and the agency only issued 69 in fiscal year 2005. VLB closes most VHIP loans within 60 days with an overall average of 29 days in fiscal year 2005.



VLB owns and contracts for operations of seven veterans nursing homes across the state.

VHIP loans are guaranteed by the United States Department of Housing and Urban Development's (HUD's) Title I Program for up to 90 percent of the loan's value. As a result, VLB must abide by HUD requirements when originating these loans and must perform quarterly internal audits and submit to mandatory HUD audits in cases of default.

VLB originates all VHIP loans with the same process it uses for land loans with a few distinctions. The VHIP differs from the Land Program by requiring inspections before and after work is complete. In addition, the interest rate is locked when agency staff approve the loan. The veterans and their contractors complete closing documents and submit them to VLB. The veteran will contact VLB five days before construction is completed to schedule a final inspection. The loan is executed when all final documentation is complete and CitiMortgage assumes the loan for servicing.

Texas State Veterans Homes

VLB provides Texas veterans with affordable long-term, skilled nursing care through its operation of state veterans nursing homes. VLB partners with the VA to build the homes, with the VA paying up to 65 percent of construction costs and VLB paying the remainder. At the start of the program, VLB funded construction costs through bond sales, but now uses proceeds from the agency's other programs. Land must be donated to VLB to build the home. VLB owns the nursing homes and cemeteries, as described below, and has established a project management division to oversee construction and maintenance. For more information, see the textbox, *VLB Project Management*.

VLB Project Management

VLB contracts for the design and construction of nursing homes and cemeteries. To ensure that the facilities are built to the highest standards, VLB's project management division provides contract oversight, acting as the owner's advocate and traveling to the construction sites of homes and cemeteries twice a month to monitor progress, quality, and timeliness. This intensive process includes site inspection, as well as construction meetings with the architect, contractor, and subcontractors to approve progress and payment.

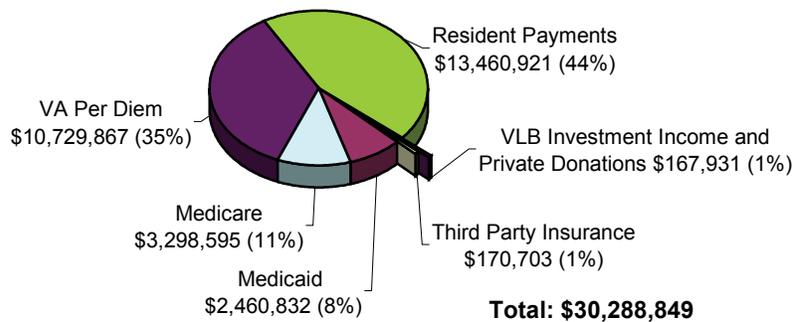
Once facilities are built, this division oversees routine maintenance, ensuring that construction contractors and facility operators are taking care of facilities. The division also approves capital improvement projects and provides routine oversight of the homes to make sure that they continue to meet all Life/Safety and other regulatory requirements.

Once built, VLB owns the facility, and supports operation costs. To operate the homes, VLB contracts with long-term care operators and pharmacy providers. VLB has one employee in each home who serves as the liaison between the operator and VLB, and provides day-to-day contract oversight. As the owner, VLB is regulated by the Department of Aging and Disability Services, and overseen by the VA and Centers for Medicare and Medicaid

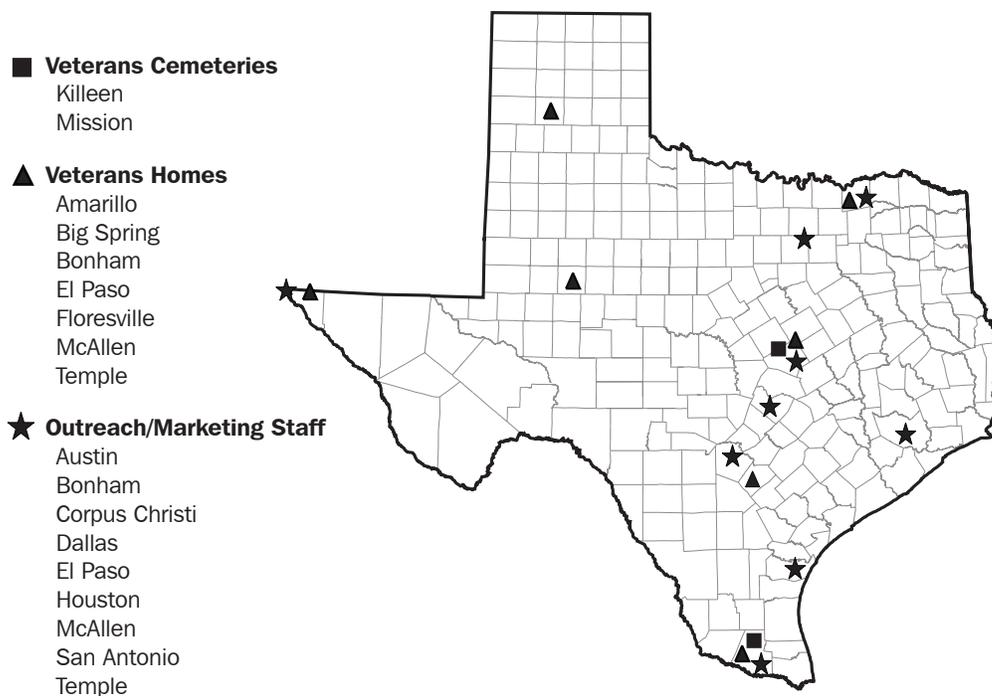
Services. These regulatory agencies provide oversight through inspections and surveys. VLB also has a staff of auditors, some of whom are registered nurses, to provide routine oversight of the homes, ensuring quality of care and compliance with all applicable regulations.

VLB currently operates six homes with one, in Amarillo, in the final stages of construction. The map, *VLB Homes, Cemeteries, and Field Staff*, shows locations of VLB's veterans homes, veterans cemeteries, and field representatives. To be eligible for admittance, a veteran must not have been dishonorably discharged, must be under the care of a physician, and be certified by the VA as needing long-term care. Veterans' spouses and Gold Star parents, who have lost all their children in military service, are also eligible. Each home has 160 beds in private and semi-private rooms with an average occupancy rate of 89 percent.⁵ The rate for a semi-private room is \$133 per day. Patients pay the costs through a variety of mechanisms as shown in the pie chart, *Veterans Homes Revenues*. Almost all veteran residents receive payment help from the VA through per diem payments or Aid and Attendance payments. These payments significantly reduce costs that residents actually pay.

**Veterans Homes Revenues
FY 2005**



VLB Homes, Cemeteries, and Field Staff





The agency runs two state veteran cemeteries, in Killeen and Mission.

Veterans Cemeteries

In partnership with the VA, VLB builds and operates state veterans cemeteries to provide interment services to veterans, their spouses, and their dependents. VLB attempts to select cemetery locations outside a 75-mile radius of the closest national cemetery. Like veterans homes, land for cemeteries must be donated. After selecting a cemetery location, VLB applies for a VA grant funding 100 percent of project costs, including construction. Once built, VLB owns the cemetery and is responsible for operational costs. VLB contracts with private management companies to operate the cemeteries and VLB staff routinely visit each cemetery to oversee contracts.

While the Legislature has given VLB the authority to build up to seven cemeteries, the agency currently operates two cemeteries, one in Killeen and one in Mission. The locations of the cemeteries are shown in the map, *VLB Homes, Cemeteries, and Field Staff*.

To be interred in a state veteran cemetery, a veteran must meet the VA's eligibility requirements for burial, which generally require that a veteran must have served on active duty in the United States Armed Forces and not have been dishonorably discharged. The VA reimburses VLB \$300 for a portion of the costs associated with veterans' burials. Spouses and dependents are also eligible for interment, but must pay VLB \$300 for burial services. VLB subsidizes the remaining operating costs with agency investment proceeds.

Outreach and Communication

VLB's Marketing Outreach and Communication staff promote and market programs to Texas veterans through mail-outs, statewide seminars, and the work of 12 field staff. Field staff conduct daily meetings at VA clinics, local hospitals, assisted living facilities, and veteran service organizations to promote VLB's programs, particularly its veterans' nursing homes. Field staff also conduct homebuyer's seminars and other presentations, in conjunction with other state agencies like Texas Veterans Commission (TVC), to assist newly discharged veterans with their transition out of the military.

In partnership with the TVC, VLB operates a toll-free hotline to answer veterans' questions. The hotline received 114,222 calls in fiscal year 2006. VLB also tracks about 700,000 veterans through multiple databases, and produces and mails some 215,000 copies of its *Texas Veterans' Voice* newsletter biennially. In fiscal year 2006, VLB's communication division sent out more than one million pieces of mail, including seminar invitations, forfeited land sale notifications, land and home applications, and postcards to newly discharged veterans.



Last year, the Texas Veterans Hotline, 1-800-252-VETS, received more than 110,000 calls.

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<sup>1</sup> The Handbook of Texas Online, Veterans' Land Board Scandal, <http://www.tsha.utexas.edu/handbook/online/articles/VV/mqv1.html>. Accessed: October 13, 2006.

<sup>2</sup> Texas Constitution, art. III, sec. 49-b.

<sup>3</sup> Ibid.

<sup>4</sup> The federal tax code governs the use of nontaxable bonds for veterans mortgages and sets out the service era requirement that results in an interest rate discount. 26 USC, sec. 143(l)(4).

<sup>5</sup> This is the average occupancy rate for all six operational nursing homes. VLB's two newest homes, in McAllen and El Paso, have lower occupancy rates than its four established homes. The occupancy rate for the four established homes was 95 percent on October 26, 2006.



# APPENDICES

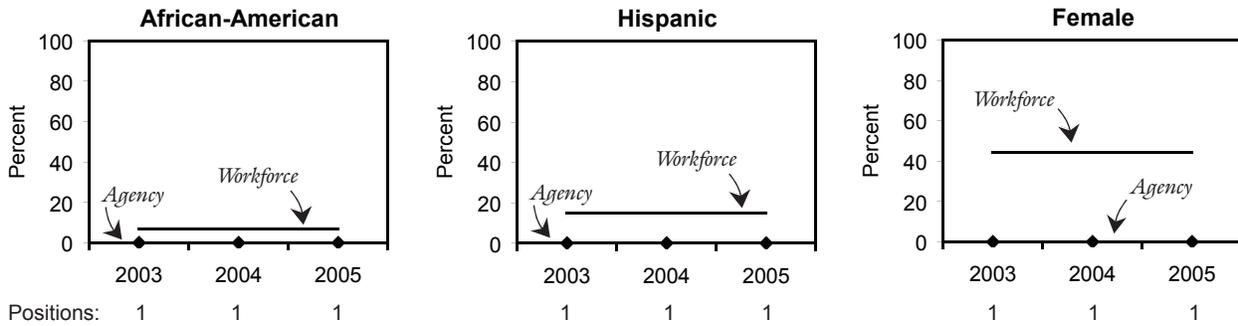


## Equal Employment Opportunity Statistics

### 2003 to 2005

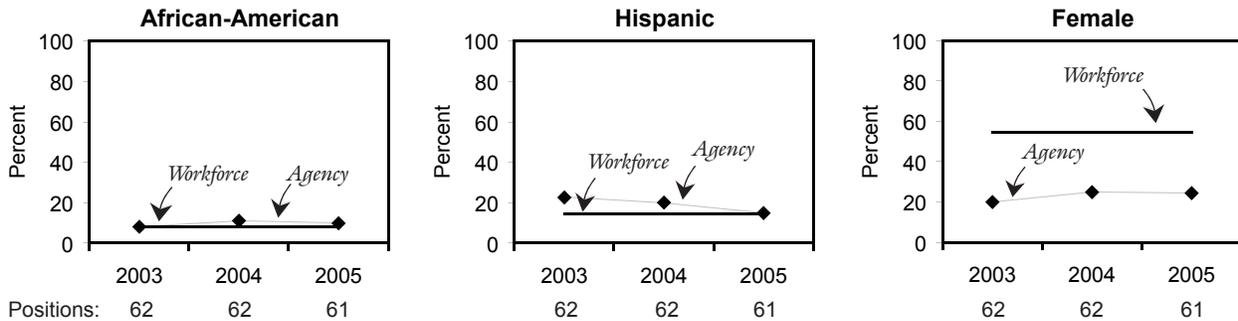
In accordance with the requirements of the Sunset Act, the following material shows trend information for the Texas Veterans Commission’s employment of minorities and females in all applicable categories.<sup>1</sup> The agency maintains and reports this information under guidelines established by the Texas Workforce Commission.<sup>2</sup> In the charts, the flat lines represent the percentages of the statewide civilian workforce for African-Americans, Hispanics, and females in each job category. 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 in each job category from 2003 to 2005. While the agency has exceeded some percentages, it has experienced trouble meeting others. However, the agency has few positions in some job categories, making it difficult to meet the percentages.

#### Administration



Because the agency only has one position in this job category, it fell below the civilian workforce percentage for African-Americans, Hispanics, and females every year.

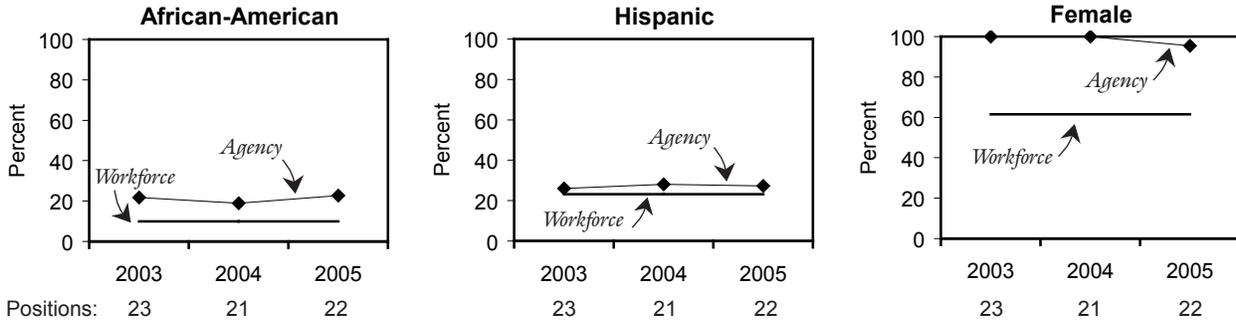
#### Professional



The agency exceeded percentages for African-Americans and Hispanics every year. However, because the agency adheres to the veterans’ preference law and the pool of female veterans is limited, the agency fell below the percentages for females each year.

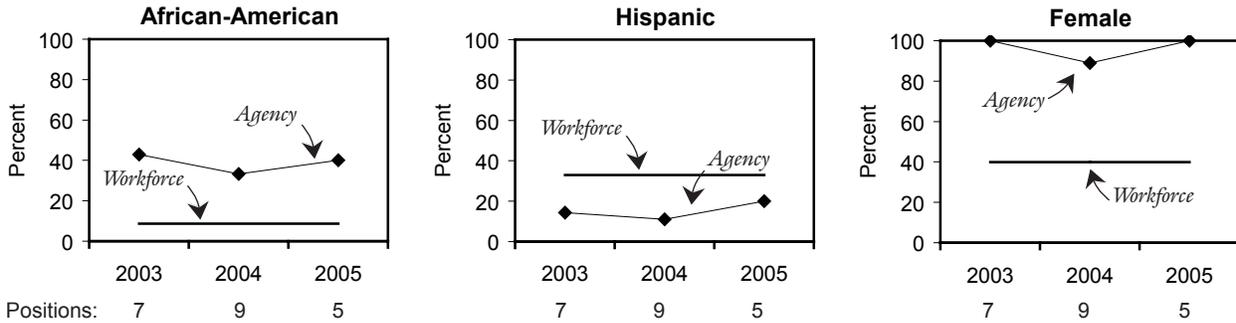
# Appendix A

## Administrative Support



The agency exceeded percentages in all categories in all three years.

## Service/Maintenance



The agency exceeded the percentages for African-Americans and females every year, but fell short of the percentages for Hispanics.

<sup>1</sup> Texas Government Code, sec. 325.011(9)(A).

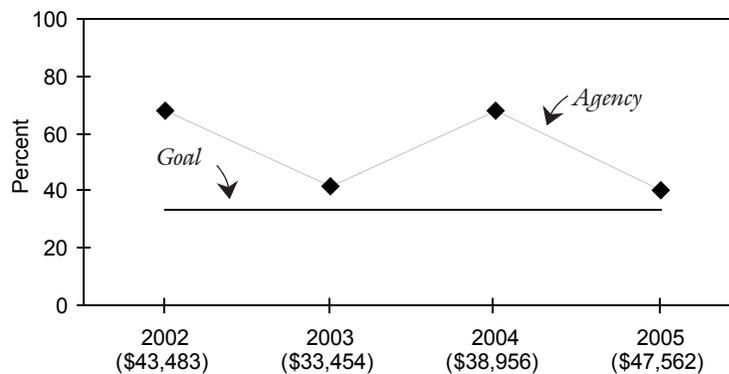
<sup>2</sup> Texas Labor Code, sec. 21.501.

## Historically Underutilized Businesses Statistics 2002 to 2005

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 review of the Texas Veterans Commission revealed that the agency is complying with all state requirements concerning HUB purchasing.

The following material shows trend information for the Texas Veterans Commission's use of HUBs in purchasing goods and services. The agency maintains and reports this information under guidelines in the Texas Building and Procurement Commission's statute.<sup>2</sup> In the charts, the flat lines represent the goal for HUB purchasing in each category, as established by the Texas Building and Procurement Commission. The diamond lines represent the percentage of agency spending with HUBs in each purchasing category from 2002 to 2005. Finally, the number in parentheses under each year shows the total amount the agency spent in each purchasing category. The agency has exceeded the State's HUB purchasing goals in the last four fiscal years.

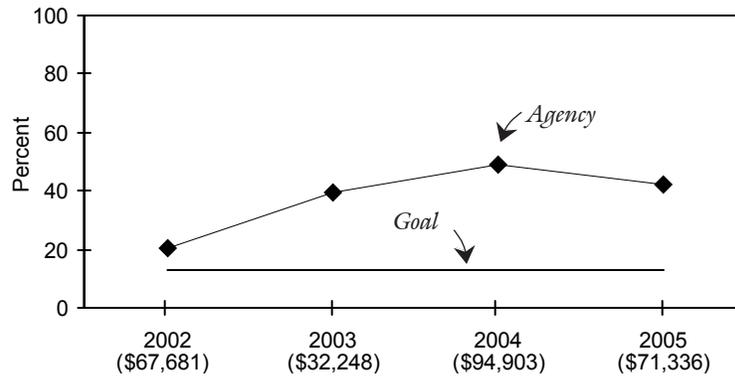
### Other Services



The agency exceeded the State's goal for HUB spending for other services each year.

## Appendix B

### Commodities



The agency exceeded the goals for this category.

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<sup>1</sup> Texas Government Code, sec. 325.011(9)(B).

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

**Texas Veterans Commission  
Claims Representation & Counseling Program  
Office Locations by VA Region**









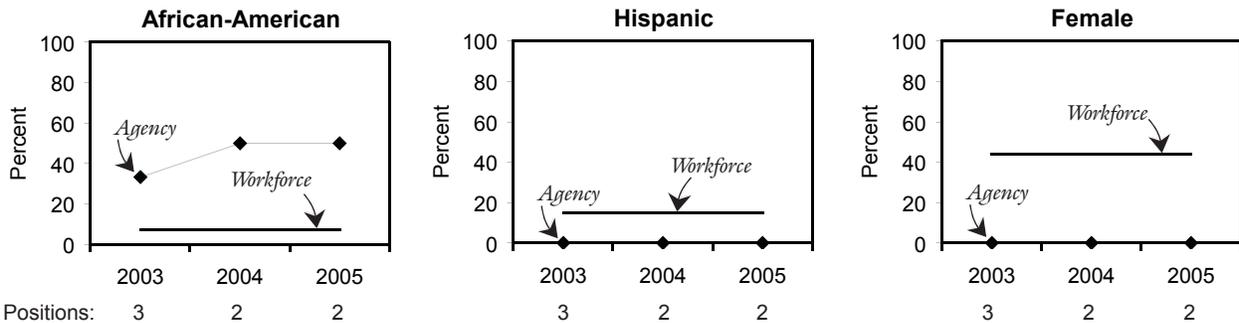




## Equal Employment Opportunity Statistics 2003 to 2005

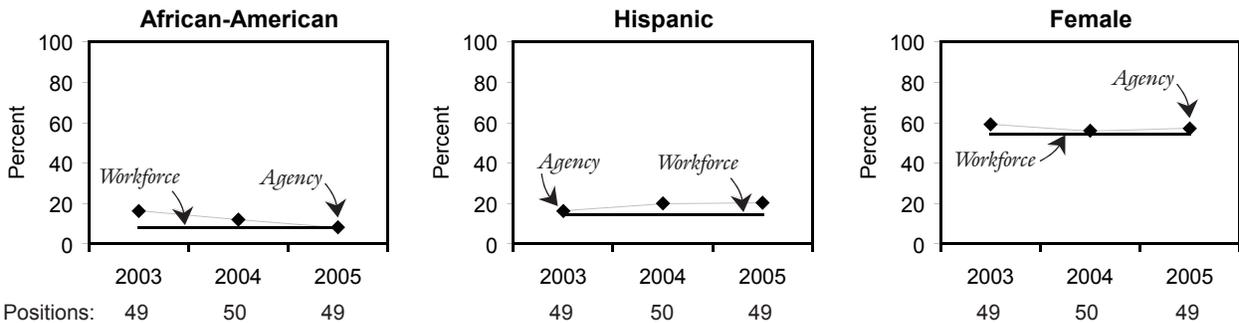
In accordance with the requirements of the Sunset Act, the following material shows trend information for the Veterans' Land Board employment of minorities and females in all applicable categories.<sup>1</sup> The agency maintains and reports this information under guidelines established by the Texas Workforce Commission.<sup>2</sup> In the charts, the flat lines represent the percentages of the statewide civilian workforce for African-Americans, Hispanics, and females in each job category. 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 in each job category from 2003 to 2005. While the agency has met or exceeded the civilian workforce percentages for most of the job categories, it has consistently fallen short of meeting the percentages for females in the administrative support category and Hispanics in the service and maintenance category.

### Administration



While the agency has few of these positions, it has exceeded the civilian workforce percentages for African-Americans over the last three years. The agency did not meet the civilian workforce percentages for Hispanics or females.

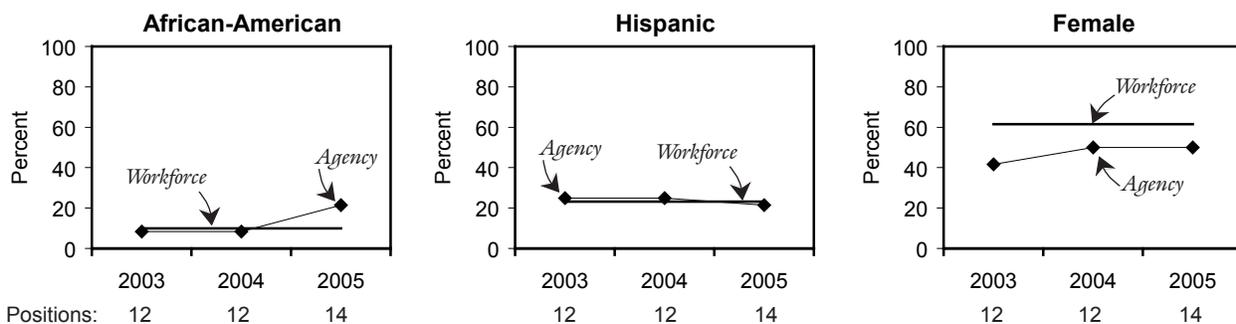
### Professional



Representing the largest category of staff, the agency has met or exceeded the civilian workforce percentages for all classifications each year.

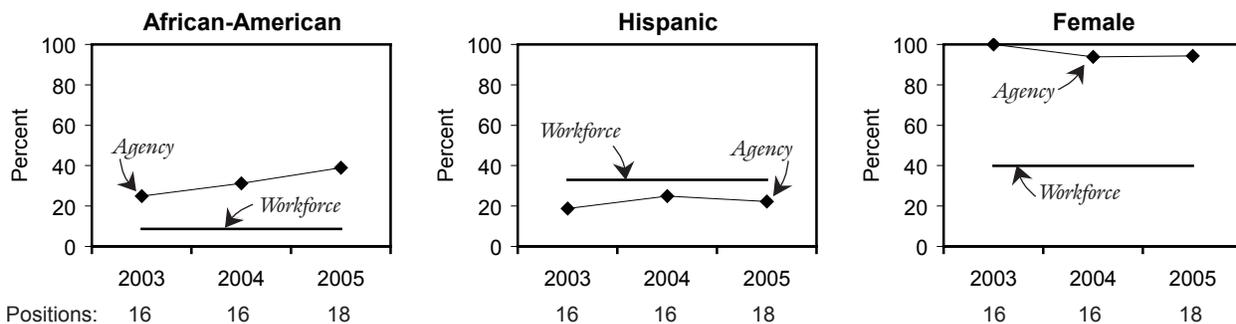
## Appendix F

### Administrative Support



In the administrative support category, the agency has stayed relatively close to civilian workforce percentages for African-Americans and Hispanics, but has not met the percentages for females in the past three fiscal years.

### Service/Maintenance



The agency exceeded the civilian workforce percentages for African-Americans and females, but has failed to meet the percentages for Hispanics in each of the past three fiscal years.

<sup>1</sup> Texas Government Code, sec. 325.011(9)(A).

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

## Staff Review Activities

During the review of the Texas Veterans Commission and the Veterans' Land Board, Sunset staff engaged in the following activities that are standard to all Sunset reviews. Sunset staff worked extensively with agency personnel; attended Commission and Board meetings and reviewed minutes from past meetings; spoke with staff from key legislative offices; met with Commission and Board members; conducted interviews with and solicited written comments from stakeholder groups and the public; reviewed agency documents, reports, complaint files, data, state statutes and rules, legislative reports, previous legislation, and literature; researched the organization and functions of similar state agencies in other states; and performed background and comparative research using the Internet.

In addition, Sunset staff performed the following activities unique to the separate agencies.

### **Texas Veterans Commission**

- ◆ Attended an initial training conference, fall training conference, and an orientation seminar.
- ◆ Attended a TVC town hall meeting.
- ◆ Toured a workforce center and met with center staff.
- ◆ Toured a VA outpatient clinic and met with the clinic administrator.
- ◆ Toured military installations and met with base administrators and other program staff.
- ◆ Attended informal appeals hearings conducted by VA staff.
- ◆ Attended formal appeals hearings conducted by the Board of Veterans' Appeals.
- ◆ Observed the operations of the agency's call center.
- ◆ Accompanied Commission staff on an informational visit at the Brooke Army Medical Center, Fort Sam Houston.
- ◆ Interviewed county service officers representing several counties and representatives from various veterans service organizations.
- ◆ Interviewed veterans receiving services from the Texas Veterans Commission.
- ◆ Met with or interviewed staff from the U.S. Department of Labor and U.S. Department of Veterans Affairs.

### **Veterans' Land Board**

- ◆ Attended a VLB benefit seminar in Corpus Christi.
- ◆ Toured the construction site of the Texas State Veterans Home in Amarillo, and attended a construction meeting between the agency, architect, and contractors.
- ◆ Visited the Central Texas State Veterans Cemetery in Killeen, and interviewed representatives of the private management company under contract with VLB.

## Appendix G

### ***Veterans' Land Board (cont.)***

- ◆ Visited the William R. Courtney Texas State Veterans Home in Temple, and interviewed the agency's On-Site Representative and contracted nursing home administrator.
- ◆ Observed the operations of VLB's call center.
- ◆ Observed a VLB forfeited land sale.

**SUNSET REVIEWS OF THE  
TEXAS VETERANS COMMISSION  
VETERANS' LAND BOARD**

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