



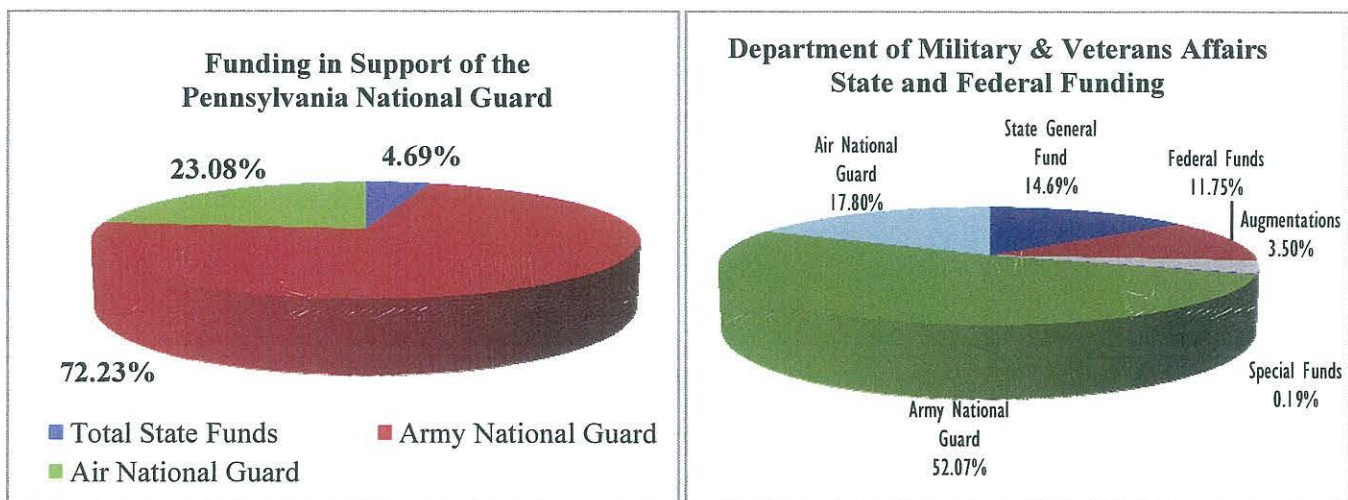
**REPORT OF  
 MAJOR GENERAL WESLEY CRAIG  
 THE ADJUTANT GENERAL  
 TO THE  
 HOUSE APPROPRIATIONS COMMITTEE  
 February 12, 2014**

The Department of Military and Veterans Affairs' Fiscal Year 2014- 15 budget request will help build a stronger Pennsylvania by providing vital state support for our Pennsylvania National Guard and our veterans' programs. I believe our budget will enable the Department to advance on several fronts and continue to provide the high level of services our veterans expect and deserve.

The Department of Military and Veterans Affairs has two overarching areas of responsibility. Our agency provides oversight, command and control for the Pennsylvania National Guard to support it in undertaking its state and federal military missions. We also manage Pennsylvania's veterans' programs to provide benefits and assistance to veterans and their families.

DMVA oversees an \$835 million dollar enterprise. The bulk of the state funds that our agency expends go to support veterans' programs, but the Pennsylvania National Guard attracts hundreds of millions of dollars in federal expenditures each year to support its training and operations.

These graphs illustrate the breakdown of state and federal funding for our agency and for the Pennsylvania National Guard:



## **Veterans' Programs**

An even casual glance at our state budget shows that most of the state funds we receive go to support our veterans' programs. That's how it should be because these state veterans' programs represent our Commonwealth's commitment to veterans who bore the battle and served the Nation. Our veterans' programs are not in competition with our Guard programs for state funds.

On Veterans Day 2013, Governor Corbett signed an Executive Order creating a new Governor's Advisory Council on Veterans' Services. Governor Corbett charged this interagency council to review and evaluate all state programs that serve veterans. The Council, chaired by Deputy Adjutant General for Veterans' Affairs, Brigadier General Jerry Beck, will lead to improved coordination of the efforts of many different state agencies.

Helping veterans find good jobs is one of the top priorities. Although unemployment among all veterans is just below the national average, post-9/11 veterans have a much higher unemployment rate. A 2013 survey of Pennsylvania National Guard personnel showed unemployment rates as high as 14%. By taking a coordinated and comprehensive approach to this issue, the new interagency advisory council can focus on the jobs issue. We believe the Governor has shown great foresight in establishing this council to marshal the state's efforts to better serve veterans.

In 2012, you enacted legislation to create a new Veterans' Trust Fund as part of the Fiscal Code amendments approved in Act 87 of 2012. You later passed legislation to implement this important initiative in Act 194 of 2012. You also passed legislation (Act 176 of 2012) to add a veterans' designator to state drivers' licenses.

The Veterans' Trust Fund is a great example of a public-private partnership designed to provide more and better services and assistance to Pennsylvania veterans. As you can see, Governor Corbett's budget includes a \$1 million appropriation to the VTF. This funding is needed to allow the VTF to fund payments to veterans in need of temporary assistance after the phase out of the Veterans' Emergency Assistance Program and to support an effective grant round in 2014. These grants will buttress the goal of building a stronger Pennsylvania by funding new and innovative efforts on behalf of veterans in the areas of jobs, health care (VA health care enrollment, PTSD and TBI), homelessness, respite care and other areas of importance. The Veterans' Trust Fund also pays the cost of implementing the veterans' designation on state drivers' licenses so that veterans can receive this designation on their drivers' license at no cost to the veteran.

In November, PennDOT implemented the voluntary check-off of a \$3 donation on drivers' licenses and motor vehicle registration applications and renewals. So far, in three months, Pennsylvania motorists have shown their support for veterans by donating about \$200,000 to the Veterans' Trust Fund when they obtain or renew a driver's license or vehicle registration. I want to thank PennDOT for its efficient-early roll out of the donation system, but most of all, I want to thank Pennsylvania motorists for their generous support for veterans. These donations should be a substantial source of revenue for the Veterans' Trust Fund.

About a year ago, PennDOT began issuing the new, distinctive "Honoring Our Veterans" license plates. We hope all Pennsylvanians will consider this attractive plate as a visible way of

honoring veterans. Each plate sold results in \$15 being transferred to the Veterans' Trust Fund. To date, the VTF has received nearly \$20,000 from the sale of this license plate. Sales leveled off after an initial surge when the license plates first became available.

Efforts to implement the veterans' designator (an American flag and word "Veteran") on drivers' licenses are also moving forward. We applaud PennDOT for beating the June 2014 deadline for implementing this by more than three months. I am pleased to announce that veterans can start ordering the designation on their licenses in early March, just a few weeks from now. The veterans' designation is free for veterans. I hope everyone who renews their driver's license or applies for a replacement will take the opportunity to make a voluntary \$3 donation to the Veterans' Trust Fund.

I am pleased to report that the Veterans' Trust Fund is working as a funding mechanism for a range of grants. DMVA announced a grant round in late 2013, with applications due by January 15, 2014. We received eighteen grant applications to fund programs to assist and support Pennsylvania veterans. The applications included some for mini-grants of \$10,000 or less. DMVA plans to award up to \$350,000 in grants from the Veterans' Trust Fund. The grants will be announced on or before April 1.

In addition, the Department solicited grant proposals from veterans' service organizations and charitable organizations for a grant to conduct (sponsor) the 2014 Women Veterans Symposium. A grant of \$100,000 was tentatively awarded to Journey to Normal, a charitable organization that focuses on women veterans' issues. We hope to finalize the grant award soon and to hold the Symposium on June 6-8, 2014, in western Pennsylvania.

The Veterans' Service Officer Grant program created by Act 66 of 2007 continues to epitomize the success of a public-private partnership. This program makes grants to eligible statewide veterans' service organizations to support the pay and benefits for veterans' service officers and the service officers' training, equipment and operational costs. The funding level for Act 66 grants was increased to \$2.3 million a year for FY 12-13. Governor Corbett's budget proposes to continue this increased funding at the \$2.3 million level in the 2014-15 budgets. This will be money well spent by supporting well-trained and accredited VSOs working to secure federal V.A. benefits.

Experience has shown that when veterans are assisted by veterans' service officers, they are much more successful in receiving the V.A. compensation, pension and other benefits they have earned by virtue of their service. On average, the veterans with VSO assistance receive more than twice as much as veterans without help. This program has resulted in Pennsylvania veterans receiving more than \$350 million in benefits.

By funding this program at levels provided in the Governor's budget, our veterans' service organizations can employ veterans' service officers to help more veterans receive the federal benefits they have earned by their service and their sacrifices. On average, for every \$1 invested in this program, veterans in the Commonwealth receive \$124 in federal VA dollars. These federal dollars place funding back into Pennsylvania's economy. And the veteran may also realize additional benefits in terms of qualifying for VA healthcare and being referred to jobs programs. DMVA is a strong advocate for funding these grants for veterans' service organizations at the level stated in the Governor's budget.

Note that the funding for the veterans' service officer grants has remained the same in the 14-15 Budget as it was in FY 13-14. The \$350,000 difference in the appropriation is the result of the absence of two grants described in Section 1728-H of the Fiscal Code Amendments contained in Act 71 of 2013. These "Act 71 grants" were specifically described and limited. A \$250,000 grant for programs providing treatment for veterans suffering from post-traumatic stress disorder is in progress, and we are working with an American Legion Post in a county of the second class A to award a grant of \$100,000. These were both one-time grants for FY 13-14 under the Veterans' Outreach Services line item.

The Disabled Veterans' Real Estate Tax Exemption Program has experienced tremendous growth over the last ten years. Most of the growth is the result of the change in how need for the exemption is calculated under Act 161 of 2006. In June 2006, about 2,000 residences owned by 100% disabled veterans or their surviving spouses were exempt from real estate taxes; today nearly 7,400 residences are exempt. The fiscal impact of this program falls on local municipalities and school districts; the benefits go to 100% total and permanent disabled veterans and their unmarried surviving spouses.

The State Veterans' Commission is appointing a committee to recommend changes to this program. Some may require a constitutional amendment to Article 8, section 2(c) of our state constitution; others require changes to Chapter 89 of the Military and Veterans Code. Among the issues they will be reviewing is extending the exemption to the unmarried surviving spouse of a Soldier killed in action and to the spouse of a veteran who is declared 100% disabled as of the date of death but not before. We will be asking the General Assembly to consider the recommendations of the State Veterans' Commission on these and other issues.

Another program that requires legislative attention is the Paralyzed Veterans' Pension program. This program has also experienced tremendous growth as a result of a court decision interpreting what loss or loss of use of two or more limbs means. It is clear that legislative action is required to clarify and make more specific the eligibility criteria and to change the name of this program to the Amputee and Paralyzed Veterans Pension Program. Senate Bill 1129 sponsored by Senator Robert Robbins will provide the necessary clarity while maintaining eligibility for those who qualified before its effective date. Without this clarification, we fear that this program will suffer from more uncontrolled growth with negative fiscal consequences.

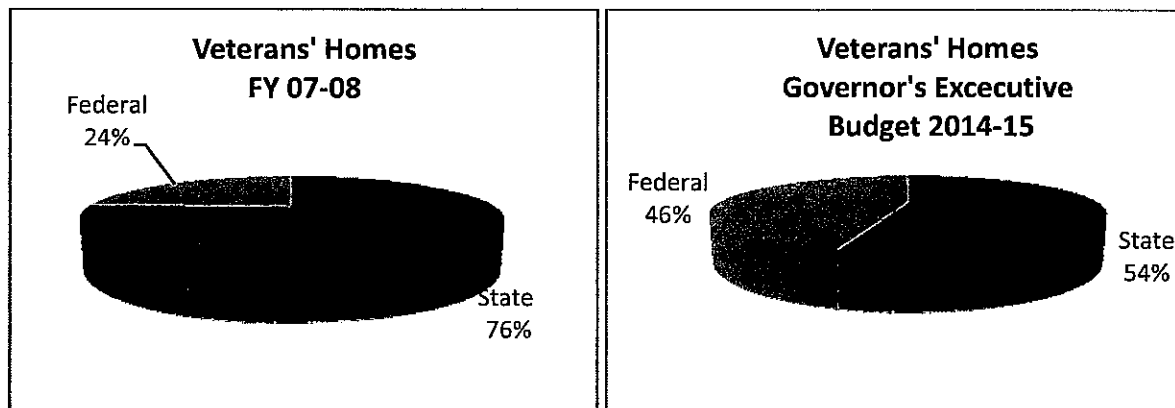
Our state veterans' homes program is DMVA's largest state program in terms of the funds and the staff and resources that support it. Our six state veterans' homes provide high quality long-term care to 1,554 veterans and their spouses. Our 1,160 skilled nursing care beds are 93% filled, and there is a waiting list of 233 applicants. For personal care (domiciliary), our 394 beds are 75% filled, and there is a waiting list of 69 applicants. You may wonder why there is a waiting list for personal care when the beds are only 75% filled. Applicants may not want to go to a veterans' home with a vacancy if it's distant from their home. In addition, the waiting list sometimes contains names of veterans whose interest in being admitted to a veterans' home has changed.

For FY 14-15, we are continuing cost-savings and efficiency initiatives for our six state veterans' homes. A key element of this initiative is standardization so that all six homes are providing the same high-level of care in the most cost effective manner possible. I'm pleased to announce that, for 2014, the average per diem cost of care that we charge our residents for skilled nursing care

is actually almost \$6 per day less than it was for the prior year (2013). For 2013, the per diem cost was nearly \$338; this year, it's \$332. Given the consistent and recurring costs and staffing requirements, I consider this a remarkable accomplishment.

It's important to remember that only a handful of residents actually pay the full cost of care. The monthly maintenance fees our residents pay are calculated based on their ability to pay. The per diem cost is the starting point for calculating the maintenance fees and amount owed under the home's estate recovery program.

The Enhanced Veterans' Reimbursement (EVR) initiative began in January 2009. This veteran-specific Medicaid program was designed to attract additional federal funds by leveraging existing state expenditures as the state match for available federal funding based on eligible nursing care residents in our State Veterans' Homes. The DMVA continues to attract federal support, and during the Corbett Administration, has realized over \$15 million in federal funds annually. The Bureau of Veterans Homes (BVH) currently has 204 EVR eligible residents, which constitutes 15% of resident population. The efforts of the Corbett Administration to provide the best possible care while taking advantage of federal funds to reduce state costs have been a major success. In FY 07-08, the state paid 76% of the costs and the federal government paid 24%; for FY 14-15, the federal government will pay 46% of the costs and the state 54%.



All our state veterans' homes are now in full licensure status and are in overall compliance with the numerous inspections that they undergo. These inspections, from the Department of Health, the Department of Public Welfare, the U.S. Department of Veterans' Affairs, occasionally report minor deficiencies, but overall, our homes address them promptly and effectively.

Over the past two decades, BVH has moved to keep pace with transformations to clinical practices and prevailing culture changes necessary for the delivery of care in a long-term setting.

BVH has migrated from a traditional, hospital-like model, to creating a home-like environment that enhances the modern Community Living Center (CLC) model. New construction at SEVC has been completed and we are undergoing retro-fitted upgrades to Homes' physical plants that enhance a resident-centered care model and move to create new meal delivery systems/dining experiences in all six facilities. Through appropriate construction and modifications, BVH's construction goal is to incorporate, where possible, these special programs and services within BVH's six facilities. Over the past five years (7/1/2008-6/30/2013), BVH has allocated more than \$133 million to support these construction program goals. In addition, more than \$62

million has been captured from the federal Department of Veterans Affairs (State Home Construction Grant Program) totaling 46% of the \$133 million.

The Department of Military and Veterans Affairs has also embarked on an initiative to leverage federal dollars through enrollment of eligible residents in Medicare Part D for pharmaceuticals in the State Veterans' Homes. Two pilot projects are underway with expansion to all six veterans' homes expected by the end of 2014.

The quality of our State Veterans' Homes is shown by the satisfaction surveys of residents and their families and the continuing demand for admissions. In the surveys, our Homes' overall satisfaction rate was 94%, compared to an 82% national average for long-term care. Ninety-three percent (93%) of those surveyed from our Homes said they were willing to recommend the State Veterans' Homes, and this compares to an 82% national average.

### **Pennsylvania National Guard**

The National Guard is the only military force shared by the state and federal governments. As you can see from our budget, the Guard draws the bulk of its support from the U.S. Government. The National Guard is a great value for America. It is unquestionably the most cost-effective military force for our Nation and our Commonwealth. The Guard is a bulwark for building a stronger Pennsylvania.

Governor Corbett is the commander-in-chief of the Pennsylvania National Guard when it is not in federal service, and our mission, under his leadership, is to exercise command and control over the 19,000 Soldiers and Airmen who serve in the Guard. The Pennsylvania National Guard is the third largest National Guard force in America. We prepare these personnel for combat so that the Guard can perform worldwide combat and combat support operations, provide global reach, and project U.S. military power in support of national objectives. We also provide trained military personnel to support and assist state and local authorities in times of natural disaster or emergencies.

The Pennsylvania National Guard is largely funded by the U.S. Government. In fact, 96% of the funding for the Pennsylvania National Guard comes from the federal government. The Guard relies on federal funding and resources to supply its military equipment, to pay personnel undergoing training for federally-funded duty, and to operate weapons, vehicles, and facilities. Some of these funds are expended directly by the federal government and some go through the state under our Master Cooperative Agreement with the National Guard Bureau.

Since 2001, more than 30,000 tours of active federal service have been performed by Pennsylvania National Guard soldiers and airmen. The number represents the fact that, while about 75% of our 19,000 personnel -- Army and Air -- have deployed at least once, many have deployed two or three times. Some have deployed even more often, particularly in the Air Guard, which uses a force generation model that calls for multiple deployments usually of shorter durations.

Right now today, the Pennsylvania National Guard has fewer personnel deployed than at any time since the post-9/11 build up and the start of the wars in Afghanistan and Iraq. We have 25

soldiers and 60 airmen in an active federal service (mobilized) status with 9 of the soldiers deployed to Afghanistan. In 2014, more than 200 PAARNG soldiers from engineer, human resources and financial management units are projected to deploy to Afghanistan. 2014 also promises to be a busy year for the Pennsylvania Air National Guard with over 500 airmen scheduled to deploy.

Fulfilling our active federal service mission through overseas deployments in support of contingency operations is just part of the Guard's reach and impact. We are also on call at home to respond to domestic emergencies.

Just last week, Governor Corbett ordered 435 Pennsylvania National Guard Soldiers and Airmen to state active duty to respond to the ice storm (Winter Storm Nika) that affected large parts of Pennsylvania. It was neither a large deployment nor a long deployment, but it was truly gratifying for me to read the press accounts of how much our Soldiers and Airmen did to help people without power or means of transportation. Since 2009, 17,836 of our National Guard personnel have spent 1,533,898 workdays on state active duty serving the citizens of the Commonwealth in emergency situations or helping our sister states under the Emergency Management Assistance Compact.

As our response to both federal and state operational missions clearly shows, your Pennsylvania National Guard is truly "always ready, always there."

When I spoke to you last year, I was concerned about the impacts of sequestration of federal spending on the Guard. Today, we are dealing with hastily developed plans by the Army to adjust the force structure of the active and reserve components of the Army and to restructure Army aviation. Both these proposals, which are included in the Army's FY 15 budget, have potentially negative impacts on the Pennsylvania National Guard, on the Guard as a whole, and on our Nation's defense posture.

The Governors, 54 Adjutants General and the National Guard Bureau thought we won the battle over whether the Army National Guard would be considered an operational force or a strategic reserve and that national defense policies were clear. The National Guard functions as an operational force and not a strategic reserve. Its personnel meet the same standards as active component personnel and train on the same equipment. We thought there was no going back to the old way where the Guard got hand-me-down equipment and trained to second-class standards. The Army, feeling the pressure from reduced defense budgets with the wrap-up of military operations in Afghanistan slated for the end of this year, wants to relegate the National Guard to a secondary role despite the success of the Guard in the Global War on Terrorism.

The Army will submit a FY 15 budget a spending plan for the National Guard that will:

- Reduce the Army National Guard's end strength to 315,000, a level unseen since the 1950s and 35,000 fewer soldiers than before 9/11.
- Cut six Brigade Combat Teams from the Army National Guard.
- Cut four Combat Aviation Brigades from the Army National Guard.
- Cut all eight Attack Aviation Battalions from the Army National Guard.



- Transfer all 192 Apache Attack Helicopters from the Army National Guard to the active Army.
- Transfer 105 Lakota Helicopters (half of the National Guard's Lakotas) from the ARNG to the active Army.
- Divest the National Guard of all OH-58D helicopters.
- Give the ARNG 111 older model Blackhawk helicopters for a net loss of 104 aircraft.

The Army calls its restructuring plan for Army Aviation "Bold Move" but I'd call it "Bad Move." If just the aviation changes were implemented, Pennsylvania would lose 150 full-time and 250 part-time military positions at Johnstown and 20 full-time and 50 part-time positions at Fort Indiantown Gap. About \$30 million in federal spending would go elsewhere. More important, we would lose the combat and reconnaissance capabilities of a battalion of attack helicopters.

If the Army were to proceed with its broader cuts and cap the end strength of the National Guard at 315,000, we might well lose one of our brigade combat teams with 3,638 soldiers, of whom 171 are full-time, cut from our force strength. The proposed cuts have broader operational implications. They would undermine the principle that the National Guard should be an operational force and full partner in the Total Force for national defense.

We in the Guard believe that the National Guard is a great value for America. According to the Reserve Forces Policy Board, the National Guard is significantly more cost effective of its lifecycle delivering capabilities at about 1/3 of the cost of the active component. Instead of being the target of cuts, the National Guard should receive additional funding and equipment because we have proven that the Guard has the capability to undertake major operational responsibilities at much lower costs than the active components.

I urge you to join with our Governor and congressional delegation in fighting to preserve the force structure and federal funding for the Pennsylvania National Guard. Governor Corbett has sent a letter to the Secretary of the Army, John M. McHugh, expressing his concerns urging him to reconsider his plan to redeploy aircraft from the Guard and allow this important component to continue serving their country at home and abroad at full capacity.

Legislation has been introduced in Congress (H.R. 3930) to establish a "National Commission on the Structure of the Army." Modeled on a similar commission that just issued a report on the structure of the Air Force, this commission would conduct a careful study to consider all aspects of proposed changes to force structure. It would defer any of the cuts proposed by the Army until the study is complete in January 2016. We understand that cuts must be made and the PA National Guard is willing to take our fair share of these cuts. We are urging that these decisions be subject to careful analysis, planning and a collaborative study to identify where budget savings can be made without reducing combat capabilities and the security of our nation.

When the Air Force tried to impose cuts on the Air National Guard to realize budget savings, Congress responded by delaying the cuts until further studies could be completed. The National Commission on the Structure of the Air Force conducted 19 days of hearings with 154 witnesses and 13 installation visits. Its conclusions were largely consistent with what we in the Guard have been saying for years. It suggested moving force structure to the reserve component to save perhaps \$2 billion a year.



After a decade at war and numerous domestic operations, today's National Guard is a modern, accessible military force that trains and performs to the same standards as its active duty counterparts. In this cost-conscious budgetary environment, the answer to an affordable defense force lies not in cutting the Guard, but in a return to our roots, a well trained and equipped, community-based, force.

Even as we work together to ensure continued federal funding support for the National Guard, we must not underplay the critical role of state funding in the success of our National Guard. Our National Guard is strong today with the Army Guard in excess of 100% of its Force Structure Allowance, and the Air Guard at 95%. Serving in the Guard is a great part-time job, which offers training and educational opportunities to help our personnel achieve success in their civilian endeavors.

When Governor Corbett came into office, the Guard's Educational Assistance Program was on the verge of going broke. The Corbett Administration worked with the General Assembly to restore full funding for this program and to build up the Educational Assistance Program Fund. The Governor's FY 14-15 budget requests that you appropriate \$11.5 million for this program. The \$11.5 million represents a \$1.37 million reduction for this fund, but it is sufficient to ensure that we are able to offer educational assistance grants to approximately 2,900 Guard members. We are able to reduce the appropriation by this amount because of the outstanding support for this program in the past three fiscal years and the careful management of the fund. EAP grants are by far the most important recruiting and retention incentives that the state offers for National Guard service. As we've seen again and again, maintaining the strength of a high quality National Guard force is the key for responding to state emergencies and federal mission requirements. The Educational Assistance Program is a great program but there is a need for legislation to clarify certain aspects of it. Senate Bill 1115 sponsored by Senator Robert Robbins clarifies the order in which various grants will be credited. It is one of DMVA's legislative priorities for 2014.

The "armory/readiness center maintenance and repair" line item provides critical funding to address the maintenance needs at our aging state armories. Addressing the backlog of essential maintenance and repair at state armories remains a priority effort, but in FY 14-15, we will be able to reduce the direct appropriation for this effort by \$201,000 because of the additional funds in the State Treasury Amory Fund as a result of the sale of state armories.

I want to thank you for enacting legislation last year that will allow for the orderly disposition of state armories and training sites that are no longer needed for military purposes. We've modernized the Pennsylvania Army National Guard with the Stryker transformation and other unit consolidations and transitions. These unused facilities drained our operating funds. More importantly, under the law, the proceeds of the sales of these armories are deposited in the State Treasury Amory Fund from which they can be used to support needed projects for our readiness centers statewide. We are committed to disposing of these armories in a systematic manner with due regard for historical preservation concerns. Legislation to authorize disposition of Pine Grove and Pitt-Hunt Armories (HB 1944 sponsored by Representative Daryl Metcalfe) has passed the House and is in the Senate.

I also want to mention another of our state legislative priorities for 2014. Governor Corbett and the General Assembly took action last year to extend the Pennsylvania Personal Income Tax

check-off for the Military Family Relief Assistance Program to 2018. DMVA is asking the General Assembly to make changes to this Program to extend its reach and expand its effectiveness. This program has already helped hundreds of service members in need. We believe it can be made even more effective to address the often heart-wrenching circumstances that sometimes confront our personnel because of circumstances beyond their control. Senate Bill 923, sponsored by Chairman Lisa Baker of the Senate Veterans' Affairs and Emergency Preparedness Committee, contains necessary and important improvements to the Military Family Relief Assistance Program.

***Conclusion:***

I again thank the Committee for the opportunity to present this written report on the fiscal and operational issues affecting the Department of Military and Veterans Affairs. As a result of the commitment of Governor Corbett and his Administration, our agency faces the challenges of the future with the confidence that we can prevail. We can help build a stronger Pennsylvania for our veterans to prosper and the Pennsylvania National Guard to maintain its force structure and capabilities. Ultimately, we are humbled by the opportunity to work with, and serve, heroes, including our veterans and those in service in the Pennsylvania National Guard.