

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 07/23)

Fiscal Year: 2025-26
Business Unit Number: 8955
Department: California Department of Veterans Affairs
Hyperion Budget Request Name: 8955-001-BCP-2025-GB
Relevant Program or Subprogram: 7000 – Care of Sick and Disabled Veterans

Budget Request Title
Veterans Homes Deferred Maintenance

Budget Request Summary
The California Department of Veterans Affairs requests \$819,000 General Fund in 2025-26 and ongoing for deferred maintenance for the Veterans Homes of California.

Requires Legislation (submit required legislation with the BCP)
[] Trailer Bill Language
[] Budget Bill Language [x] N/A
Code Section(s) to be Added/Amended/Repealed
Click or tap here to enter text.
Does this BCP contain information technology (IT) components? [] Yes [x] No
Department CIO
Click or tap here to enter text.
Date
Click or tap to enter a date.

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. Click or tap here to enter text. Project Approval Document: Click or tap here to enter text.
Approval Date: Click or tap to enter a date. Total Project Cost: Click or tap here to enter text.

If proposal affects another department, does other department concur with proposal? [] Yes [] No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By: Andrew Deller, Research and Strategic Plans
Date: 1/10/2025
Reviewed By: Coby Petersen, Deputy Secretary Veterans Homes
Date: 1/10/2025
Department Director: Keith Boylan, Undersecretary
Date: 1/10/2025
Agency Secretary: Lindsey Sin, Secretary
Date: 1/10/2025

Department of Finance Use Only

Additional Review: [] Capital Outlay [] ITCU [] FSCU [] OSAE [] Dept. of Technology

Principal Program Budget Analyst: Jessie Romine
Date submitted to the Legislature: 1/10/2025

A. Problem Statement

The California Department of Veterans Affairs (CalVet) requests \$819,000 General Fund for 2025-26 and ongoing thereafter for deferred maintenance for the Veterans Homes of California (VHC). This will provide an increase in funding for critical infrastructure repairs and allow for improved quality of life for the veterans in CalVet's care.

California's commitment to veterans dates back to 1884 when the first Veterans Home – and the third in the nation – was built in Yountville to serve Mexican-American War and Civil War veterans. For 112 years, no other expansion was made to meet the growing California veteran population. California's second and third Veterans Homes in Barstow and Chula Vista opened in 1996 and 2000, respectively. However, the demand for additional residential and skilled nursing services far outpaced the number of beds at these three Veterans Homes, resulting in the opening of five new facilities since 2009.

CalVet offers four levels of care for veteran residents and their spouses, including: Domiciliary (Dom), Residential Care Facility for the Elderly, Intermediate Care Facility, and Skilled Nursing Facility. Today, the eight Veterans Homes provide long-term care for up to 2,289 veterans and their spouses. The facilities range in size across the state; while the smallest Veterans Home has 60 beds, VHC-Yountville hosts 876 budgeted beds on an expansive campus with more than 100 buildings.

The Veterans Homes are licensed or certified by the United States Department of Veterans Affairs, Centers for Medicare and Medicaid Services, California Department of Public Health, and/or California Department of Social Services. Accordingly, each Veterans Home is required to comply with the rules and regulations governed by each of these agencies. These requirements affect a broad range of programmatic areas, including food services, clinical outcomes, facility standards, and records management.

The three oldest Veterans Homes are rapidly aging. Of the more than 100 buildings at the Yountville Home, few were built after the 1950s, and many critical structures date back to the 1920s and 1930s. As a result, VHC-Yountville has far more deferred maintenance needs than any of the other seven California Veterans Homes, and has experienced more frequent infrastructure issues, placing continued pressure on the facility's operating expenses and equipment budget. This includes major recent projects such as the renovation of the 85-year old central power plant, overhaul of the failing chilled water distribution system, renovation of the main campus kitchen, repairs to Rector Reservoir and Dam, administrative building modifications related to the Americans with Disabilities Act, upgrade of nurse call systems, and the modernization of the antiquated underground steam distribution system.

Even with these recent repairs and upgrades, significant needs remain at VHC-Yountville. Virtually every major structure on the campus was built prior to 1960, including many that originated in the Great Depression. In many respects, the basic infrastructure of these buildings has far exceeded its useful life. For instance, as noted in the Yountville Master Plan 2022, the aging roofs for three Dom buildings, as well as the Lincoln Theater and the historic Armistice Chapel, are failing and in need of urgent replacement. Due to the disrepair of these roofs, the 2023 Budget Act included an appropriation of \$15,857,000 General Fund to address these specific structural needs.

Now more than 20 years old, VHC-Barstow and VHC-Chula Vista also require major repairs of their own as critical infrastructure and mechanical systems are reaching the end of their useful life. For example, in 2020 VHC-Barstow had to relocate residents from its Dom buildings due to the failure of its hydronic piping system, which left the Dom buildings without air conditioning in the summer months and heat in the winter.

Exacerbating these types of issues is the lack of stable, ongoing funding to handle deferred maintenance priorities. Currently, CalVet has an annual Headquarters and Homes Division deferred maintenance budget of \$681,000. However, replacing the hydronic piping system at

VHC- Barstow alone cost \$3,766,000, which is more than five times the ongoing Headquarters Homes Division deferred maintenance budget. In order to replace the hydronic piping system and return all the displaced Dom residents back to their rooms at VHC-Barstow in a safe and timely fashion, CalVet had to request \$1,666,000 from Item 9840, Budget Act of 2020, and reprioritized \$2,100,00 in available deferred maintenance funds appropriated in the Budget Act of 2019 to cover a portion of the costs. The 2019 funds were initially earmarked for a water treatment plant filter replacement project at Rector Reservoir. Rector Reservoir supplies potable water to VHC-Yountville, Napa State Hospital, California Department of Fish and Wildlife, several wineries, and surrounding community via the water treatment facility operated by CalVet.

Due to the immediate needs at VHC-Barstow, it was necessary to reprioritize the \$2,100,000; however, the lack of deferred maintenance funding will continue to require CalVet to make difficult choices that will continue to stress the aging infrastructure at the Homes. Since 2015-16, the Veterans Homes have expended nearly \$54 million in one-time funding allocations from the General Fund to address critical unfunded deferred maintenance projects at the Veterans Homes.

Year	Facility	Project Title	Estimated Cost
2015	VHC-Barstow	Cooling Towers and Condensate Pump Replacement	\$655,000
	VHC-Barstow	Kitchenette and Nursing Station Renovations	\$300,000
	VHC-Barstow	Main Kitchen/Serveries Tile Floor Replacement	\$256,000
	VHC-Chula Vista	SNF Interior Building Painting	\$169,000
	VHC-Yountville	Replace Condensate Return Pumps in 25 Buildings	\$240,000
	VHC-Yountville	Replace Carpet in the Memory Care Center	\$125,000
	VHC-Yountville	Remodel Restrooms in Administration Building	\$110,204
	VHC-Yountville	Rehabilitate Showers in Holderman - One North	\$85,000
	VHC-Yountville	Replace HVAC Valves in Section E	\$60,000
2016	VHC-Chula Vista	Cooling Tower Replacement	\$550,000
	VHC-Yountville	HVAC System Renovation	\$6,750,000
	VHC-Yountville	Rector Dam Rip Rap Repair	\$700,000
2018	VHC-Yountville	Rector Dam Water Distribution System Replacement	\$2,000,000
	VHC-Yountville	Nurse Call System Replacement	\$1,000,000
	VHC-Yountville	Administration Building Repairs/Replacements	\$500,000
	VHC-Yountville	Holderman Building Repairs	\$500,000
2019	VHC-Barstow	Hydronic Piping System Replacement	\$2,100,000
2020	VHC-Barstow	Additional Funding for the Hydronic Piping System Replacement	\$1,666,000
2021	VHC-Barstow	Replacement of Air Handler Units (AHUs)	\$14,400,000
	VHC-Yountville	Elevator Renovations	\$600,000
2022	VHC-Yountville	Emergency Power Connection Installation for Seven Buildings	\$5,321,000

2023	VHC-Yountville	Roof Replacement for Five Buildings	\$15,875,000
TOTAL			\$53,962,000

Additionally, CalVet received \$23 million in one-time American Rescue Plan Act funding, some of which was used to address deferred maintenance at the Veterans Homes. Major projects included:

- Replacing flooring in several Homes
- Renovating the food servery in VHC-West Los Angeles
- Replacing the AHUs in VHC-Chula Vista
- Asphalt repair at VHC-Lancaster
- HVAC repair at VHC-Lancaster
- Decommissioning of Hinman Dam at VHC-Yountville

While these one-time increases in deferred maintenance funding have helped CalVet address urgent deferred maintenance issues, the lack of a sustained deferred maintenance allocation makes it challenging to develop long-term repair plans. One-time funding is used on projects that are easier to implement rather than those that may be most critical but require a longer lead time.

B. Justification

The request for \$819,000 in 2025-26 and ongoing would increase the ongoing annual budget for deferred maintenance in the Headquarters Homes Division budget from \$681,000 to \$1,500,000.

Currently, CalVet has an annual deferred maintenance budget of only \$681,000 in the Headquarters and Homes Division Budget. However, CalVet estimates approximately \$43.3 million in necessary repairs for all the Veterans Homes, as well as an additional 51 other deferred maintenance projects with yet to be determined costs that will likely be in the tens of millions of dollars. Further, these estimates are likely conservative, as costs frequently rise with inflation as the complexities of the repairs become more defined once project assessments or construction drawings are completed.

The annual deferred maintenance budget of \$681,000 is minimal as a single project is generally several times that amount. For example, one recent high priority deferred maintenance project that was recently funded through a one-time allocation was the replacement of the above mentioned five roofs at VHC-Yountville. The total cost to replace the roofs is \$15,857,000, which is significantly greater than what the current annual deferred maintenance budget can cover. Although the project has been funded through a one-time allocation as part of the Budget Act of 2023, had the ongoing deferred maintenance budget for the Veterans Homes been higher CalVet could have strategically prioritized the repair or replacement of roofs as they exceeded their useful life. Instead, CalVet often had to use the annual budget on other lower cost projects, deferring the maintenance of the roofs until they were beyond the point of repair and all five needed to be replaced. If CalVet had a larger ongoing deferred maintenance budget, the roofs could have been handled as smaller

annual projects, rather than waiting for the need to grow so significant that they required a large budget change proposal. Furthermore, the delays in addressing the roofs resulted in costs increasing significantly due to inflation during the COVID-19 pandemic. Maintenance has been an ongoing challenge in the Veterans Homes, most major projects have to be funded through one-time budget appropriations. This significantly extends the repair

timeline and makes it more difficult to create long-term maintenance plans. Rather than address major infrastructure needs, the annual deferred maintenance budget is often used instead for lower-priority repairs that are less significant for the health and safety of veteran residents, or temporary fixes that merely delay future projects and add to the overall cost.

Deferred maintenance projects are vital for the operation of the Veterans Homes. Failure to perform necessary repairs in a timely manner may result in severe negative outcomes, including injuries, citations, litigation, and actions against the licensure of the Veterans Homes. Unaddressed roof damage may result in mold, posing a risk to environmental health. Inadequate flooring and broken asphalt may lead to falls, injuries, and lawsuits. Additionally, delays in performing the repairs can generate additional costs. For example, older fire doors may fail, resulting in even greater costs for emergency temporary repairs to prevent an immediate risk to resident and employee safety, while not addressing the need to replace the doors altogether. Alternatively, leaking roofs can lead to water damage, further damaging facility infrastructure. Older systems are also less efficient, costing more to operate (for example, in electrical costs) with less desirable output.

Just as importantly, the state of the infrastructure can have a negative effect on the community environment of the Veterans Homes. The unfunded deferred maintenance projects include replacement of broken windows, installing ramps and powered doors to better facilitate disabled access, repairing heating and air conditioning units, and other items to make it easier for residents to live in the Veterans Homes. Other projects improve the atmosphere of the Veterans Homes and make them more welcoming, including repainting residential buildings and improving lighting. Overall, this request would significantly improve quality of life and help CalVet provide better services and a better environment for the residents of the Veterans Homes and improve care outcomes for our residents.

An increase of \$819,000 General Fund ongoing for deferred maintenance for the Veterans Homes would improve CalVet's ability to plan for and address critical repairs at the eight Veterans Homes, and improve the safety and well-being of the veterans in CalVet's care. If the annual budget for deferred maintenance for the Veterans Homes is not increased, CalVet would be unable to engage in project maintenance strategies in advance. While CalVet has periodically received one-time increases in deferred maintenance funding, the lack of stability makes it challenging to develop long-term repair plans, with funding sometimes used on projects that are easier to implement, rather than what may be most critical.

C. Departmentwide and Statewide Considerations

CalVet made quality long-term care one of the central goals in its strategic plan. This is at the core of Goal 1.A: Provide exceptional, award-winning care in all eight of our Veterans Homes. Additionally, addressing deferred maintenance in our eight Veterans Homes would assist CalVet in meeting Objective 4.D: Better prepare the Department and its infrastructure for emergencies.

The Yountville Master Plan 2022 is available on the CalVet website.

D. Outcomes and Accountability

This request would provide the Veterans Homes with a total of \$1.5 million for the annual deferred maintenance budget. This increased ongoing budget will assist CalVet in addressing its most critical deferred maintenance projects. While costs will grow due to inflation, scope, or other factors, and new projects will be identified, this proposed budget will allow for a better flow of projects off the deferred maintenance list and ensure the Veterans Homes remain in a stable working order.

E. Implementation Plan *(Provide key milestones, deliverables, and timeline for implementation)*

April 2025 – Prioritize best uses for the annual budget for deferred maintenance.

July 2025 – Or upon passage of the Budget Act – Begin construction and related processes and allocate the annual budget for deferred maintenance.

F. Supplemental Information (If Applicable)

None

BCP Fiscal Detail Sheet

BCP Title: Veterans Homes Deferred Maintenance

BR Name: 8955-004-BCP-2025-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5324 - Facilities Operation	0	819	819	819	819	819
Total Operating Expenses and Equipment	\$0	\$819	\$819	\$819	\$819	\$819

Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
Total Budget Request	\$0	\$819	\$819	\$819	\$819	\$819

Fund Summary

Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0001 - General Fund	0	819	819	819	819	819
Total State Operations Expenditures	\$0	\$819	\$819	\$819	\$819	\$819
Total All Funds	\$0	\$819	\$819	\$819	\$819	\$819

Program Summary

Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
7000010 - Headquarters	0	819	819	819	819	819
Total All Programs	\$0	\$819	\$819	\$819	\$819	\$819