COMMITTEE ON VETERANS' AFFAIRS
REPUBLICAN VIEWS AND ESTIMATES FOR FY 2008

March 1, 2007

OVERVIEW

For veterans healthcare and program costs in FY 2008, the Republican Members of the Committee on Veterans' Affairs recommend $1.411 billion above the Administration's request for discretionary spending in FY 2008. In addition, we recommend $1.5 billion for a legislative initiative to modernize GI Bill education and training benefits for servicemembers of the Reserves and National Guard.

Veterans Benefits Administration

Mandatory Funding

The Veterans Benefits Administration (VBA) administers a broad range of non-medical benefits to veterans, their dependents, and survivors through 57 regional offices. These programs include disability compensation, non service-connected pension, education, vocational rehabilitation, burial, insurance, and home loan guaranty.

The Republican Members support the Administration's FY 2008 budget request of $45 billion in mandatory funding for veterans' programs, a 6.6 percent increase over the enacted level for FY 2007.

Discretionary Funding

With the exception of the recommendations noted below, the Republican Members support the Administration's FY 2008 request of $1.2 billion in discretionary funding for the management of the benefits programs – disability compensation, pension, education, vocational rehabilitation and employment, housing, burial, and life insurance.

Disability Compensation – The Administration requests $941 million in budget authority to fund the discretionary portion of the Disability Compensation, Pension, and Burial programs, including administrative expenses of 9,559 Full Time Equivalent Employees (FTEE), an overall increase of 114 FTEE over FY 2007. This accounts for a transfer of 334 FTEE to VA Office of Information and Technology (OI&T), a loss of 9 FTEE in Management Direction and Support, and a gain of 457 FTEE for Compensation and Pension (claims adjudicators).

For FY 2008, VBA projects the same number of claims it received in FY 2007: 800,000. The backlog of compensation and disability claims has grown since February 2006 by more than 52,000 to a total of 626,429 on February 17, 2007. This backlog has grown by some 9,742 claims just since the beginning of February 2007.

The Administration estimates the backlog of pending rating related compensation and pension claims will decrease to 330,000 from the current 401,700 and the average days to complete such a claim from 177 to 145 by the end of FY 2008. The evidence from early 2007, however, does not support that estimate. We recommend 1,000 additional FTEE over the Administration's request, for a cost of $109,375,000. Of this 1,000 FTEE, we recommend 600 FTEE for direct compensation for Compensation and Pension over the Administration's request of 457 FTEE, at a cost of approximately $65,400,000. The remainder of this additional 1,000 FTEE would serve in Education and Vocational Rehabilitation.

The Republican Members recognize that additional direct compensation FTEE will not improve quality, accuracy, and timeliness in claims processing without corresponding increases in training resources. Therefore, we recommend an additional $400,000 for Training and Performance Support Systems and an additional $400,000 for Skills Certification

The Department has spent more than $600 million over the past decade in an attempt to automate the compensation and pension claims processing system. This complicated paper-driven process is more than 25 years old. With the growing demands on the system, VBA needs to reexamine its Business Process Reengineering (BPR) focus to implement changes necessary in the field. The Republican Members recommend $25 million for BPR to reengineer and streamline the claims process and implement major business process changes.

Pilot Program for Rules Based Adjudication System – The Republican Members recommend $5 million for a pilot program to develop a rules-based adjudication system for compensation and pension programs. This could reduce the backlog by allowing a computer to accurately adjudicate simple claims, allowing human adjudicators to work on more complex cases at a faster rate.

Intergovernmental Partnerships – The Republican Members also recommend $6 million for a pilot program to explore the feasibility of intergovernmental partnerships in the development of compensation and pension claims between VA and municipal, county and state veterans departments and service officers, as well as veterans' and military service organizations. We recommend the pilot occur in three states: New York, Missouri, and Wyoming, or other states with varied veteran demographics. This expanded pilot would build on findings from the 2002 intergovernmental pilot conducted between VA's Buffalo, NY, regional office and the New York State Division of Veterans Affairs.

Education Service – VBA estimates a workload increase of over 16,000 education claims, but the Administration requests only 14 additional direct support FTEE. As of February 17, 2007, the backlog of education claims was 76,000, and average processing times for original and supplemental claims were 40 and 17 days respectively, with targets of 35 and 15 days. While this is an improvement over the previous year, it is insufficient to meet the needs of veterans.

The loss of experienced staff from retirements, increased workloads, and the pending backlog of claims convince us that an additional 100 FTE are needed for the Education Service with a projected discretionary cost of $7.8 million.

Vocational Rehabilitation and Employment – The Administration requests an additional 39 direct service FTEE for the Vocational Rehabilitation & Education program. We applaud the Department's efforts to realign functions and duties to allow counseling and employment staff to concentrate on increasing rehabilitation rates. However, we believe current average caseload, which now exceeds 130 per counselor nationally, should be about 100 per counselor to provide appropriate levels of service. Therefore, we recommend $28.5 million to fund an additional 300 professional level FTEE.

VA-USOC Military Paralympic Program – Competition at elite levels of athletic events requires significant dedication to training, especially for service-disabled athletes. Therefore, we believe it is appropriate for VA to defray expenses for service-disabled athletes participating at elite levels in the program. We estimate the cost at $1 million per year.

The Department recently announced an expanded agreement with the U.S. Olympic Committee (USOC) to promote participation in athletics by service-connected disabled veterans. This includes competition at elite levels culminating in the USOC Paralympic Program. The Republican Members recommend an additional $2 million to offset administrative and other costs for this program.

Mobile Claims Offices – The Republican Members are aware that access to Regional Offices can be difficult for many veterans. We recommend $2 million for a pilot program on Mobile Claims Offices. VBA staff members in mobile offices helping veterans with their claims could speed up the claims process by improving communication and access for veterans.

Board of Veterans' Appeals

The Administration requests $58.5 million to support 468 FTEE for the Board of Veterans' Appeals (BVA), an increase of $2.5 million and 31 FTEE over FY 2007. The Republican Members recommend an additional $4,055,000 to this request to support an additional 32 FTEE for a total BVA staffing of 500 FTEE. The BVA provides independent reviews of VA regional office decisions and makes the final administrative decision on behalf of the Secretary of Veterans Affairs. While BVA has made improvements, it continues to experience difficulties meeting the production levels needed to reduce the backlog of over 137,000 appeals. The average time to decide an appeal is now over 400 days. We believe that additional staff is necessary if BVA is to provide timely and accurate decisions to veterans and their families.

National Cemetery Administration

National Shrine Commitment – The Administration requests $362.3 million in discretionary funding for the National Cemetery Administration (NCA). This includes $166.8 million for operations and maintenance of VA's national cemeteries and 1,582 FTEE, an increase of $7 million and decrease of 7 FTEE over the FY 2007 Administration request. Additionally, the Administration requests $24.4 million in minor construction to address cemetery infrastructure improvements.

Cemetery Operations and Maintenance – The Republican Members recommend an additional $9 million to the Administration's request of $166.8 million NCA operations and maintenance, and an additional $5 million for minor construction.

Gravesite Expansion – Additionally, the Republican Members recommend an additional $60 million to accelerate VA's five-year strategic plan to fund National Cemetery gravesite expansion. The nation lost some 688,000 veterans in 2006, with similar projections for the near future, most from our "Greatest Generation." The Republican Membership believes accelerated expansions are an appropriate response to assure veterans a final resting place in a national shrine. Expansions funded in FY 2008 would include National Cemeteries in Calverton, NY, Houston, TX, Dayton, OH, and Phoenix, AZ.

Alternative for Headstones – The Republican Members recommend $100,000 for VA to offer a bronze V as an alternative to a headstone to mark the graves of veterans whose graves are marked by a non-VA marker.

Veterans Health Administration

For FY 2008, the Administration requests $34.2 billion in appropriations for discretionary spending on veterans' medical care, an increase of $1.943 billion or 6 percent over the FY 2007 appropriated level.

Medical Services – The Administration requests $27.2 billion for medical services. We recommend an $850.2 million increase above the Administration's request as follows:

> *Medical Patient Workload* - We recommend a $100 million increase to provide timely and accessible high-quality health care to core constituency veterans – the service-connected disabled, injured and indigent;
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> *Operation Iraqi Freedom and Operation Enduring Freedom (OIF/OEF)* – We recommend a $100 million increase to provide medical care to military personnel who served in OIF/OEF;
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> *Prosthetic and Sensory Aids* – We recommend a $65 million increase to cover the increased costs of providing, repairing and replacing prosthetics and sensory aids;
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> *Polytrauma System of Care* – We recommend a $50 million increase to enhance specialized treatment in VA's polytrauma rehabilitation centers for servicemembers and veterans with traumatic brain injuries;
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> *Mental Health* – We recommend a $200 million increase to continue implementation of mental health initiatives begun in 2005 to address deficiencies and gaps in services. While this amount is substantial, last September, the Government Accountability Office (GAO)

reported that VA had not used all of the mental health funds Congress allocated. We expect better performance in VA's use of these resources to meet the emerging demand for mental health services, especially post traumatic stress disorder (PTSD). VA must plan for and fund those programs that have been identified as particularly relevant to the needs and requirements of our servicemembers;

Case Management – We recommend $10 million to hire 100 new social workers to provide case management at military treatment facilities.

Blind Rehabilitation Services – We recommend a $25 million increase to increase the number of Blind Rehabilitation Outpatient Specialists at VA facilities as required by Public Law 109-461 and enhance access and quality of services for blinded veterans.

Dental Care - We recommend a $100 million increase to provide dental care for the increasing number of returning veterans from OIF/OEF. Many OIF/OEF active duty, Guard, and Reserve servicemembers are returning with serious dental problems, and are not receiving corrective dental care prior to separation from active duty. VA is then obligated to treat these separated servicemembers, often through costly contract care.

Medical Care Collections Fund (MCCF) – We recommend a $60 million increase in medical services as we remain concerned that VA cannot meet its estimated collections goal.

Emergency Preparedness - We recommend a $60 million increase to fulfill VA's fourth mission responsibilities. We remain committed to achieve the readiness necessary by supporting emergency preparedness activities.

Long-term care – We recommend an $80.2 million increase to support increased demand for long-term care services.

Medical Administration – The Administration requests $3.4 billion for medical administration, and we concur with this request.

Medical Facilities – We recommend an $80 million increase above the Administration's request for necessary costs associated with operating and maintaining VA's health care system infrastructure.

Medical and Prosthetic Research – The Administration requests $411 million in appropriations for medical and prosthetic research, a decrease of $2.7 million below the FY 2007 appropriated level. We place a high premium on conducting research into injuries and illnesses related to

military service that benefit the clinical treatment needs of veterans. While the Department intends to place additional reliance on outside federal grants to realize a net gain in research funding, we recommend a $51 million increase above the Administration's request. This increase includes an additional $20 million for research to promote the successful rehabilitation, psychological adjustment and reintegration of veterans who suffer with traumatic brain injuries.

Legislative Proposals – The Administration includes proposals for three legislative initiatives. These proposals would: (1) allow VA to establish a tiered annual enrollment fee for priority groups 7 and 8 veterans based on family income; (2) increase pharmacy co-payments for priority groups 7 and 8 veteran from $8 to $15 dollars; and (3) eliminate the practice of offsetting or reducing VA first-party co-payment debts with collection recoveries from third-party health plans. These legislative requests differ from those proposed in the past, in that they do not reduce the Administration's request for discretionary medical care appropriations. The additional revenue would be classified as mandatory receipts to the Treasury and would not be retained in VA for veterans' health care programs. The Republican Members reject these legislative proposals.

VHA Major Construction Projects – The Administration requests $560 million for VHA major construction projects. We recommend a $231.12 million increase above the Administration's request. Of this amount, we recommend $164 million to continue projects that were partially funded and VA did not request additional funding for in FY 2008; $30.32 million for the advanced planning fund for advancing several of the FY 2008 prioritized major construction projects; and $36.8 million to carry out section 804 of Public Law 109-461 for the design of a co-located joint-use medical facility in Charleston, South Carolina.

Grants for Construction of State Extended Care Facilities – The Administration requests $85 million in appropriations for grants for the construction of state extended care facilities, the same amount as the FY 2007 appropriated level. The partnership between the federal government and States is a long-standing and honored tradition of cost sharing. We recommend a $35 million increase above the Administration's request.

Office of Information and Technology

The Republican Members concur with the administration's request for $1.86 billion for the Office of Information and Technology (OI&T). However, we recommend reallocation of funding amounts to individual accounts or programs within the budget for OI&T due to poor performance or failures, as follows:

> *Reduced funding:* We recommend reducing funding in the amount of $20 million to the Financial and Logistics Integrated Technology Enterprise (FLITE), due to poor performance.
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> *Reduced funding:* In the amount of $20 million to the Compensation & Pension Maintenance and Operations fund that was to be allocated to VETSNET.

Additional funding: In the amount of $20 million to the Office of the Inspector General for Information Security Risk Assessment for Forensic Analysis.

Additional funding: In the amount of $10 million for Cyber Security.

Additional funding: In the amount of $10 million for the Office of Information and Technology Oversight and Compliance Office.

Additional funding: In the amount of $1 million to accelerated development of The Expert Education System.

We note that as part of the VA centralization of its IT accounts and personnel under the auspices of the Chief Information Officer, an additional $555 million for FY 2007 has been reallocated in pay transfers from other accounts to support 5,529 FTE for operations and maintenance activities that were previously included in other accounts throughout the Department.

Office of the Inspector General

The VA Office of Inspector General (OIG) is responsible for the audit, investigation, and inspection of all VA programs and operations. For FY 2008, the Administration requests $72.6 million and 445 Full Time Equivalent Employees (FTEE) to support the activities of the OIG. This compares with the FY 2007 request of $69.5 million for administrative expenses and 458 FTEE. However, this FY 2008 funding level would result in a reduction of 40 FTEE from current staffing levels. Major audits, reviews and investigations would have to be cancelled should this reduction in staffing occur. During FY 2006, OIG identified over $900 million in monetary benefits, for a return of $12 for every dollar expended on OIG oversight. The Republican Members of the Committee recommend adding $4.153 million to the FY 2008 funding request, in order to provide for a total of 558 FTEE.

U.S. Department of Labor - Veterans' Employment and Training Service

The Administration has increased the request for all programs administered by the Veterans Employment and Training Service with the exception of the Veterans Workforce Integration Program. We support the increased funding levels and recommend three additional increases, as follows:

National Veterans Training Institute – In Public Law 109-461, Congress mandated several changes in the state grant program that will require greater training capacity at the National Veterans Training Institute in Denver, CO. We recommend an additional $1 million to fund NVTI operations.

USERRA Training and Enforcement – The Veterans Employment and Training Service has primary responsibility for enforcing veterans' employment and reemployment rights under USERRA. VETS federal staff located in each of the six regions are responsible for administration and training VETS staff located in each state. With the high operational tempo of

members of the Selected Reserve, case loads are climbing and additional resources are required to ensure timely resolution of USERRA-related cases. Therefore, we recommend an additional $1 million to fund six additional professional investigators.

Homeless Veterans Reintegration Program – This program has been cited by GAO and others as an effective model employment program for homeless veterans. The Administration has requested an additional $2 million for the program. Because we are concerned about the apparent increase in homeless veterans from the first Gulf War and current conflicts in the global War on Terror, we recommend an additional $3 million above the President's request to enable VETS to expand the number of grantees serving homeless veterans while maintaining quality standards for grantee performance.

Proposed Legislation

GI Bill – During the 109th Congress, the Economic Opportunity Subcommittee conducted a series of hearing and site visits to determine the need to modernize the Montgomery GI Bill for both active duty and members of the Selected Reserve. MGIB benefit levels for active duty members have not nearly kept pace with the increasing cost of higher education, and extensive utilization of the Reserve Components in the Global War on Terror justifies increases in the basic levels of their benefits. Therefore, we propose an additional $1.5 billion in mandatory spending to improve education benefits. This includes indexing the basic payment at 100% of the Department of Education average four year public school cost.

– END –