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U.S. House of Representatives**COMMITTEE ON VETERANS' AFFAIRS**

ONE HUNDRED NINTH CONGRESS
 335 CANNON HOUSE OFFICE BUILDING
 WASHINGTON, DC 20515
<http://veterans.house.gov>

February 23, 2006

Honorable Jim Nussle
 Chairman
 Committee on the Budget
 309 Cannon House Office Building
 U.S. House of Representatives
 Washington, DC 20515

Dear Mr. Chairman:

Pursuant to the Congressional Budget Act of 1974 and House Rule X, clause 4(f), I herewith submit to the Committee on the Budget the Views and Estimates of the Committee on Veterans' Affairs regarding the Administration's FY 2007 budget request for veterans' programs, along with the Additional Views and Estimates of the Minority on the Committee, as provided by the Ranking Minority Member of the Committee.

The Committee's views and estimates take into consideration the written statements and testimony at a full Committee hearing on February 8, 2006, by the Secretary of Veterans Affairs and representatives of veterans service organizations, including those who present the Independent Budget. The full Committee heard testimony from veterans' and military service organizations (VSOs and MSOs) on February 15 and 16, 2006, to further examine the budget request and their legislative priorities. On February 14 and 16, 2006, the Committee's subcommittees heard testimony on these topics from VSOs and VA's Under Secretaries. The Committee's views and estimates were discussed at our business meeting of the full Committee on February 16, 2006.

As Chairman, I am pleased that the Administration's request places the appropriate focus on high priority benefits and services for the men and women in uniform who have borne the battle in defense of our nation, both in the past and in the Global War on Terrorism.

The Administration's request will further strengthen the delivery of high quality health care for the core constituency of veterans served by VA – service-connected disabled, special needs, and low income veterans – while preserving quality care for all enrolled veterans. The Administration's request will also provide additional resources to help ensure that servicemembers have a smooth transition from active military duty to civilian life, and it will expand access to national and state veterans' cemeteries.

Reflecting concerns brought to the Committee by VSOs and MSOs in the budget and legislative hearings, we recommend funding for additional disability claims processors to help reduce the growing backlog in compensation and pension claims. We also recommend increased funding for medical research, non-recurring maintenance for facilities, collections, and other activities outlined in more detail in the attached views and estimates.

Further, I will propose for consideration by the Committee legislation to modernize education benefits for servicemembers and veterans to help them take full advantage of the opportunities they have protected for all Americans. There is much consensus that the Montgomery GI Bill does not reflect the realities facing today's servicemembers, especially those in the National Guard and Reserves.

The Committee looks forward to working with you and other members of the Budget Committee as we formulate a FY 2007 budget that will continue to ensure a strong Veterans Affairs system for those to whom we all owe so much.

Sincerely,



Steve Buyer
Chairman

cc: Honorable Lane Evans
Honorable John Spratt, Jr.

COMMITTEE ON VETERANS' AFFAIRS
BUDGET VIEWS AND ESTIMATES FOR FY 2007

OVERVIEW

The Committee recommends \$1.9 billion above the Administration's FY 2007 request. This number includes \$600 million in a new legislative initiative to modernize the GI Bill.

MANDATORY FUNDING

Veterans Benefits Administration

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, nonservice-connected pension, education, vocational rehabilitation, burial, insurance, and home loan guaranty.

The Committee supports the Administration's FY 2007 budget request of \$42.1 billion in mandatory funding for VBA, a 14.5 percent increase over the enacted level for FY 2006.

DISCRETIONARY FUNDING

Veterans Benefits Administration

With the exception of the recommendations noted below, the Committee supports the Administration's FY 2007 budget request of \$1.2 billion in discretionary funding for the management of the benefits programs administered by the VBA, an 11 percent increase over the enacted level for FY 2006.

Disability Compensation. – The Administration requests \$924.4 million in budget authority to fund the discretionary portion of the Disability Compensation, Pension, and Burial programs, which will provide funding for the administrative expenses of 9,445 Full Time Equivalent Employees (FTEE) – an increase of 14 FTEE over the FY 2006 level; however, direct compensation FTEE – those who process disability compensation claims – would decrease by 149.

In FY 2007, the Department of Veterans Affairs projects it will provide monetary benefits to 2.87 million service-connected veterans, an increase of 10 percent over FY 2005, and 348,479 surviving spouses and dependent children, an increase of 7 percent over FY 2005. The number of veterans filing claims for compensation has increased every year since 2000. In FY 2007, VBA projects claims receipts of 828,186 – 2 percent more than in 2006. Between September 2003 and February 11, 2006, the pending workload for rating-related claims grew from 253,000 to more than 368,900.

The current backlog of pending claims is expected to rise to more than 396,000 at the end of FY 2007. The Committee strongly recommends an additional 200 FTEE in direct compensation at a cost of \$17.1 million.

The Committee recognizes that additional direct compensation FTEE will not improve quality, accuracy, and timeliness in claims processing without corresponding increases in training resources. Therefore, the Committee strongly recommends an additional \$200,000 for Training and Performance Support Systems and an additional \$200,000 for Skills Certification.

The Committee recommends 6 FTEE in management and support personnel, at a cost of \$500,000, to support the additional 200 FTEE recommended for direct compensation.

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 over 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 Committee recommends \$18 million for BPR to reengineer and streamline the claims process and implement major business process changes.

National Cemetery Administration

National Shrine Commitment. – The Administration requests \$161 million for operations and maintenance of VA's national cemeteries, of which \$9.1 million will fund cemetery infrastructure projects. Additionally, the Administration requests \$18.7 million in minor construction to address cemetery infrastructure improvements.

In 2002 and pursuant to Public Law 106-117, the Logistics Management Institute (LMI) conducted a study on the burial needs of veterans which revealed that many VA national cemeteries are in a state of disrepair. As a result, LMI identified 928 full-scale cemetery restoration and repair projects estimated to cost \$279 million. To date, the National Cemetery Administration (NCA) has completed 35 percent of the improvements.

The Committee strongly recommends an additional \$14 million in NCA operations and maintenance and an additional \$16 million in NCA minor construction in FY 2007.

Board of Veterans' Appeals

The Administration requests \$55.3 million in discretionary funding for the Board of Veterans' Appeals (BVA) to support 444 FTEE, an increase of \$2.4 million above the FY 2006 level. BVA provides independent reviews of VA regional office decisions and makes the final administrative decision on behalf of the Secretary of Veterans Affairs. In FY 2005, BVA issued 34,175 decisions and conducted 8,576 hearings. Of those, 94 percent (32,207) involved disability compensation. These include not only claims for service-connection, but also claims for increased ratings and earlier effective dates.

While BVA has made many improvements, it continues to experience significant difficulties meeting the production levels needed to reduce the backlog of over 37,500 appeals. The average response time for FY 2005 was 622 days, well above the goal of 365 days. The Committee believes that additional staff is necessary if BVA is to provide timely and accurate decisions to veterans and their families.

The Committee strongly recommends an additional \$6.4 million in FY 2007 for an increase of 56 FTEE above the current level to bring BVA staffing to 500.

Veterans Health Administration

The Administration's request will enable VA to provide timely and accessible high-quality health care to its core constituency – the service-connected disabled, injured and indigent. VA's health care mission covers a wide range of services, such as pharmacy, prosthetics, mental health, long-term care. Construction funding for the medical care program allows VA to renovate and modernize its health care infrastructure to provide greater access to care.

With the exception of the recommendations noted below, the Committee supports the Administration's FY 2007 budget request of \$38.5 billion in discretionary funding.

Medical and Prosthetic Research. – The Administration proposes reducing the medical and prosthetic research account by \$13 million to \$399 million for FY 2007. While the Department intends to place additional reliance on outside federal grants to realize a net gain in research funding, the Committee recommends a \$28 million increase above the Administration's request.

Medical Facilities. – The Administration's proposal for medical facilities totals approximately \$3.5 billion. The Committee however, believes the request underestimates the non-recurring maintenance required in a large number of the nearly 4,900 buildings owned, leased or operated by the VA. The Committee recommends an additional \$100 million for these purposes.

Enrollment Fees, Co-Payments, and Third-Party Offset of First-Party Debt. – While the Committee understands the policy arguments providing the basis for the Administration's proposal for Priority 7 and 8 veterans to assume a greater share of the costs for their health care in the VA system, a majority of the Committee does not support these legislative proposals. The Committee recommends that the Administration's request be increased by \$795.5 million.

Medical Care Collections Fund. – The Balanced Budget Act of 1997 (Public Law 105-33) established the VA Medical Care Cost Collections Fund (MCCF), and requires that amounts collected or recovered after June 30, 1997, be deposited in this fund. The Committee believes that VA has overestimated its ability to collect what they have projected, based on comparisons of previous years' actual collections and projected collections. Therefore, the Committee recommends adding \$63 million to projected MCCF collections for Fiscal Year 2007.

Emergency Care. – The Administration's proposal anticipates the passage of legislation authorizing VA to compensate insured veterans for all out-of-pocket cost associated with seeking

emergency care outside the VAMC setting. The Committee does not support expanding VA's authority in this area and recommends a decrease of \$23.5 million.

Nurse Magnet Recognition. – Hospitals with magnet status have repeatedly demonstrated greater recruitment and retention of their nursing staff. The Committee believes that all VA medical centers should attain magnet status. The Committee recommends an increase in discretionary funding of \$0.7 million to allow 20 facilities to achieve this objective.

Clinical Efficiencies. – The Administration's proposal includes nearly \$1.1 billion in clinical efficiencies for FY 2007. The Committee accepts that \$848 million is achievable savings due to pharmaceutical procurement, formulary management and advanced clinic access initiatives. However, due to recent GAO reviews noting the lack of sound methodologies in attaining and accounting for the savings, the Committee rejects the additional \$232.5 million claimed as management efficiencies. Therefore, the Committee recommends an additional \$232.5 million above the Administration's proposal.

Office of Information and Technology

The Military Quality of Life and Veterans Affairs Appropriations Act, 2006 (Public Law 109-114) mandated that VA IT funding be set-up as a new and separate account (IT Systems account) within VA. The Administration requests \$1.3 billion for information technology.

Eliminating Funding. – The Committee recommends eliminating \$198.1 million in funding from the following programs: Health Data Repository, HealthVet Vista, Pharmacy Re-engineering and IT Support, Scheduling Replacement, Vista Imaging, Vista Laboratory IS System Re-engineering.

Reducing Funding. – The Committee recommends a reduction of \$45 million from the "Pay Account" of the 20-year old VistA legacy system, and \$33 million from FLITE.

Increasing Funding. – The Committee recommends a \$32 million increase in the Benefits Delivery Network Maintenance Operations and Enterprise Cyber Security Program, adding \$12 million and \$20 million to the programs respectively. Additionally, the Committee recommends an increase of \$0.2 million in IT resources for BVA to support the recommended 56 additional FTEE.

Adding Funding. – The Committee recommends adding \$90 million in new telecommunications funding for the VA Office of the Chief Information Officer for increased bandwidth, redundant back-up and Continuity of Operations Plans and new data center consolidations funding for the VA Office of the Chief Information Officer for data center consolidations, \$30 million and \$60 million respectively.

Therefore, the Committee recommends a total funding level for the VA IT Systems account of \$1.1 billion, providing \$154.4 million less than the Administration's request for Fiscal Year 2007. Further, the Committee recommends the \$154.4 million be transferred to the Medical Services account.

Office of the Inspector General

VA's Office of Inspector General (OIG) is responsible for the audit, investigation, and inspection of all VA programs and operations. For FY 2007, the Administration requests \$69.5 million and 458 Full Time Equivalent Employees (FTEE) to support the activities of the OIG. The Committee recommends an increase of \$3.5 million in discretionary funding to support 485 FTEE.

U.S. Department of Labor Veterans Employment and Training Service (VETS)

VETS manages employment and training related programs and services to veterans primarily through administering the Disabled Veterans Outreach Program Specialist (DVOPS) and Local Veterans Employment Representative (LVER) state grant program. DVOPS and LVERs are state workforce agency employees whose job is to provide intensive case management services to disabled veterans and outreach to employers on behalf of all veterans.

VETS funds the National Veterans Training Institute (NVTI) in Denver through a contract with the University of Colorado Denver. The Institute trains DVOPS and LVERs in their statutory duties as well as providing training to other federal personnel regarding veterans employment rights and responsibilities as part of the Uniformed Services Employment and Reemployment Rights Act (USERRA) enforcement program.

The Administration's request of \$1.9 million will fund a current services level of effort. Additional resources will provide training opportunities for several hundred veterans employment specialists. Given the additional need for well-trained DVOPS, LVERs, and USERRA enforcement investigators, the Committee recommends an increase of \$200,000 over the Administration's FY 2007 request.

Legislation the Committee May Report

Modernized GI Bill. – Congress passed the modern day education benefit for veterans, the Montgomery GI Bill (MGIB), in 1985 to aid in recruitment, retention, and transition for the Cold War All-Volunteer Force. The program provides benefits for both the Active Duty and Reserve Forces. The active duty benefit is administered by the Department of Veterans Affairs and under the jurisdiction of the Veterans' Affairs Committee (title 38, United States Code). Benefits for the Reserve Components are funded by the Department of Defense and under the jurisdiction of the Armed Services Committee (title 10, United States Code) and administered by the Department of Veterans Affairs on a reimbursable basis.

The Committee believes that too many of those leaving the military – both active duty and Reserve members – are not able to use their GI Bill education benefits. For those veterans who cannot or choose not to attend a typical college degree program, the current benefit restricts the types of education and training available to them.

The Committee proposes a new approach to the education benefit that supports national security and recognizes the earned nature of veterans' benefits while remaining mindful of the need to restrain increases in direct spending.

National Guard and Reserves education benefits are authorized under title 10 as discretionary spending. Active duty GI Bill benefits are authorized under title 38 as mandatory spending. VA does not have an account for discretionary funding for education benefits at this time. VA administers the title 10 payments through a Memorandum of Understanding with DoD on a reimbursable basis.

Based on an informal costing, the Committee estimates that a modernized GI Bill may cost up to \$600 million in the first year, \$2.5 billion over five years, and \$4.5 billion over ten years. The Committee will explore funding options.

– END –

REPUBLICANS

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February 23, 2006

Honorable Jim Nussle
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

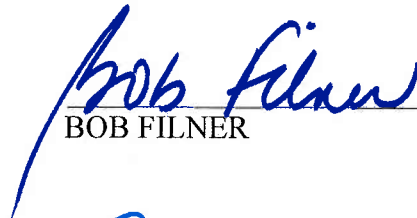
Pursuant to section 301(d) of the Congressional Budget Act of 1974, and clause 4(f) of rule X of the Rules of the House of Representatives, the minority of the Committee on Veterans' Affairs hereby submits its Minority, Additional, and Dissenting views and estimates with regard to programs and matters within the jurisdiction of the Committee to be set forth in the concurrent resolution on the budget for fiscal year 2007.

Providing for veterans is a continuing cost of war and a continuing cost of our national defense. We simply have no excuse for not meeting their needs. It is sometimes easy to forget that budgets and numbers ultimately come down to real people. We must not forget them. We hope that you will carefully consider these Democratic views and estimates. Working together, we can make sure that our veterans are not forgotten, and that we meet our obligations to them as a nation.

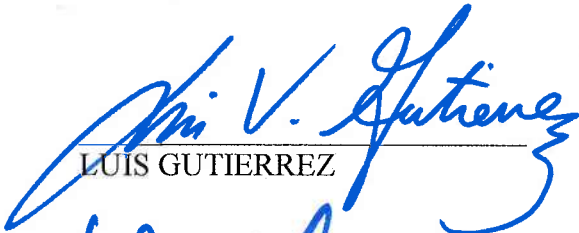
Sincerely,



LANE EVANS
Ranking Democratic Member



BOB FILNER



LUIS GUTIERREZ



CORRINE BROWN



VIC SNYDER



MIKE MICHAUD

Stephanie Hersefh
STEPHANIE HERSETH

Ted Strickland
TED STRICKLAND

Darlene Hooley
DARLENE HOOLEY

Silvestre Reyes
SILVESTRE REYES

Shelley Berkley
SHELLEY BERKLEY

Tom Udall
TOM UDALL

John Salazar
JOHN SALAZAR

Section 1 – Discretionary Accounts

Department of Veterans Affairs

We are recommending a total increase in VA discretionary funding of \$4.477 billion over the Administration's FY 2007 request, including an increase of appropriated dollars over this request for VA medical care of \$3.627 billion.

VA Medical Care

Although the Administration's FY 2007 request for VA medical care is an improvement over its FY 2006 request, which included a recommended increase in appropriated dollars of less than one percent, in the final analysis we do not believe it provides the necessary resources to fully meet our obligation to our veterans.

We are recommending an increase in appropriated dollars for the three accounts comprising VA medical care (Medical Services, Medical Administration, and Medical Facilities) of \$3.627 billion above the Administration's FY 2007 budget request. This recommended level is also above the amount recommended by the *Independent Budget*, co-authored by AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and the Veterans of Foreign Wars.

The majority of the recommended increase results from merely providing, in actual dollars, what the Administration claims to be providing in its budget submission. In fact, \$2.4 billion of the \$3.6 billion recommended increase is attributable to these costs. Specifically, we provide appropriated dollars for the Administration's legislative proposal scheme, the same proposals that we see each year and which have been rejected time and time again by Congress (\$796 million), resources to correct the Administration's "double-counting" the same \$544 million from its legislative proposal scheme to augment its collections estimate and fill the gap between appropriations and obligations (\$544 million), and dollars added back to cover estimated "efficiencies" that the Administration has claimed but has provided no justification that savings were realized (\$1.1 billion). We also provide funding to lift the Administration's enrollment ban on new Priority 8 veterans and increases to VA's priority programs.

Last year, we saw the VA face shortfalls in both its FY 2005 and FY 2006 health care budgets, shortfalls that had a direct impact upon the care received by veterans. Ultimately, the Administration begrudgingly admitted these shortfalls and requested additional resources. In fact, the final FY 2006 amount appropriated came close to the level we recommended in our Views and Estimates last February.

Medical Services

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
22,547,141,000	24,716,000,000	25,990,463,000	28,155,477,000	+3,439,477,000

FY 2007 Request – is reduced from \$25,511,509,000. This budget submission states that the “President’s budget includes a legislative proposal section that reduces the appropriation by \$795 million as a result of three legislative proposals that will increase user fees.” The amount listed as the FY 2007 request is the amount of the reduced appropriation request.

Independent Budget – The *Independent Budget* recommendation of \$25,990 billion does not include costs attributable to removing the enrollment ban on new Priority 8 veterans instituted by the Administration in January, 2003. The *Independent Budget* includes an estimate of \$684 million to remove this ban as part of its total discretionary funding recommendation, but not as part of its Medical Services account recommendation.

The Medical Services appropriation provides for medical services of eligible veterans and beneficiaries in VA medical centers, outpatient clinic facilities, contract hospitals, State homes, and outpatient programs on a fee basis.” H. Rept. 109-95, to accompany H.R. 2528, the Military Quality of Life and Veterans Affairs, and Related Agencies Appropriations Bill, 2006. Note that all account descriptions, unless noted, are from this Report.

The Medical Services account comprises the majority of funding for VA health care – nearly 80 percent of the total of the three accounts that make up “VA medical care.” We are recommending a total increase in appropriated dollars, above the Administration’s request of \$3.4 billion. As stated above, the majority of this recommended increase seeks to provide real dollars for the Administration’s claims regarding what it is providing in its request.

We are concerned that the Administration may have once again underestimated the total number of unique patients it expects to see in FY 2007. In FY 2005, the VA had 5.3 million unique patients. Its most current estimate for FY 2006 is 5.4 million. On July 14, 2005, the Administration requested additional resources for FY 2006, citing, among other expenses:

A \$677 million increase for VA to cover an estimated 2.0 percent increase in the number of patients expected to seek care in FY 2006. The President's Budget assumed 5.2 million patients in FY 2006 and VA now predicts this number to be 5.3 million patients.

In its FY 2007 submission, the Administration claims a total number of unique patients of 5.3 million, down from the 5.4 million for its FY 2006 estimate. Even when the number of veterans the VA claims will leave the system because of its legislative proposal to charge a \$250 enrollment fee (199,667) are added back to the total, the VA estimates that it will essentially see the same number of patients in FY 2007 as it now believes it will see in FY 2006. We believe that the VA, over the course of the upcoming year, must work closely with this Committee to ensure that it has enough resources to care for all of its enrollees in both FY 2006 and FY 2007.

Although the Administration has indeed requested an increase in this account, we believe it falls short of meeting the health care needs of veterans. For this reason, we are recommending the following increases to the Administration’s FY 2007 request:

Legislative Proposals

We recommend providing appropriated dollars to cover the costs of the Administration’s legislative proposals. These proposals are estimated by the Administration to result in a decrease in obligations of \$251 million and an increase in collections of \$544 in collections, for a total of \$796 million. We understand the Majority will also be recommending that these proposals be rejected and the Administration’s request be increased. The

Administration has used this \$796 million to decrease its request for appropriated dollars in the Medical Services account.

- Increase to cover estimated costs of legislative proposals – \$796 million.

Efficiencies

During the FY 2006 budget cycle, Minority Members of the Committee expressed concern regarding VA's practice of claiming "management efficiencies" and using these claimed "savings" to offset Administration requests for appropriated health care funding. Members made several requests for VA to support the efficiencies claimed, but received little supporting evidence to buttress the VA's estimates. Claimed efficiencies have offset a total of \$5.426 billion dollars in appropriations requests for veterans' health care between FYs 2003-2007. During this same period of time, third-party auditors and investigators found significant losses due to fraud, waste, abuse and mismanagement at the Department. The Government Accountability Office (GAO) released a report, *Veterans Affairs: Limited Support for Reported Health Care Management Efficiency Savings*, GAO-06-359R ("GAO Report"), on its audit of management efficiency savings assumptions claimed by VA for FYs 2003-2006 and was told by VA officials that:

The management efficiency savings assumed in these requests were savings goals used to reduce requests for a higher level of annual appropriations in order to fill the gap between the cost associated with the VA's projected demand for health care and the amount the President was willing to request. *GAO Report, p.3.*

As the data for management efficiency savings are unreliable and as it would be reasonable to offset savings by well documented episodes of management difficulties at VA, we conclude that it is not clear if VA has even produced a "net" savings.

Therefore, we recommend providing appropriated dollars to cover the costs associated with the Administration's estimates for "efficiencies." The Administration includes a total of \$1.1 billion in "efficiencies" in this year's budget. To quote from its budget submission, "VA is estimating cumulative efficiencies of \$1.1 billion in 2007 which results in additional efficiencies of \$197 million over the 2006 level of \$884 million." (*Department of Veterans Affairs FY 2007 Budget Submission, Medical Programs, Volume 1 of 4, at 1-12.*)

The GAO Report concluded the "VA lacked a methodology for making the health care management efficiency savings assumptions reflected in the President's budget requests for fiscal years 2003 through 2006 and, therefore, was unable to provide [GAO] with any support for those estimates." According to the GAO, there is no justification that this \$884 million attributable to FY 2006 exists, but it is in the budget this year, and is used to offset increased appropriations.

The additional \$197 million in new claims (\$138 million in the Medical Services account) are, as VA has testified, not management efficiencies, rather they are called "Clinical and Pharmacy Efficiencies." As VA has changed its nomenclature for these savings five times in

the last five years, we are able to recognize no distinction. The newly claimed \$197 million in overall forecast savings should not be allowed to offset health care because we do not believe VA could have established a methodology and tracking system since the February 1, 2006, release of the GAO report.

We remain unconvinced that the Administration can adequately justify estimated “savings” of \$138 million in the Medical Services account for FY 2007. Until detailed justifications that are acceptable to us can be offered, we propose an increase in appropriated dollars to cover this estimate in order to assure that veterans’ medical care is not compromised.

- Increase to fund “savings” attributable to unjustified “efficiencies” – \$1 billion

Priority Programs

Mental Health

While the Administration has taken important steps to address the mental health needs of veterans, the proposed Administration increase of \$339 million is inadequate in several respects. It fails to address the mental health care needs of veterans and those returning from Iraq and Afghanistan.

We are concerned that VA’s model for projecting demand fails to recognize that OIF/OEF veterans are disproportionately represented in its Post-traumatic Stress Disorder (PTSD) population. These veterans represent two percent of the overall patient population but nearly six percent of the veterans in treatment for PTSD. Mental health experts indicate that between 17 percent and 26 percent of troops returning from combat operations in Iraq and Afghanistan may experience symptoms related to a mental health disorder, such as depression, anxiety or PTSD. Our recommendations include funds to support increased demand and utilization in PTSD outpatient and inpatient programs.

We do not support the Administration’s proposed cuts in the number of patients for which it will have the capacity to provide substance abuse treatment. Given that one out of five PTSD patients also has a substance abuse disorder, we believe that cutting substance abuse treatment levels does harm to VA’s PTSD program.

We are concerned that the Administration’s budget fails to respond to the growing mental health needs of our aging veterans’ population. VA’s own study for FY 2007 projects an estimated 66,730 cases of dementia in VA patients age 85 or older.

We believe that the Administration’s budget fails to provide resources for Veterans Health Administration (VHA) staff to support the Post-Deployment Health Re-Assessment program to screen servicemembers, three to four months post-deployment, for mental and physical concerns.

We commend the VHA for developing a Comprehensive Mental Health Strategic Plan designed to implement the recommendations of the New Freedom Commission and to

address significant gaps between demand and services. We are concerned that actual dollars committed to support the initiatives in the plan have fallen short of the promised levels of funding. Our recommendation includes funds to not only ensure the full promise of the comprehensive mental health plan, we provide for needed staff in the Medical Administration account to help implement and monitor the plan.

We are recommending an increase for Vet Centers. The Readjustment Counseling Service program consists of 207 community-based Vet Centers located outside of the larger medical facilities, in easily accessible, consumer-oriented facilities. The Vet Centers have been on the vanguard of outreach efforts to returning veterans from service in Afghanistan and Iraq. In view of the Vet Center's existing authority to provide family readjustment counseling and the value of such family counseling to help strengthen and support traumatized veterans and their families, we recommend an additional \$6.9 million above the President's recommendation to strengthen the Vet Centers' capacity with 100 family therapists. This is consistent with the repeated recommendations of both the Advisory Committee on the Readjustment Counseling of Veterans and the Special Committee on PTSD.

We recommend an additional \$210 million for mental health, to enhance capacity to meet the needs of new veterans and veterans from previous conflicts who bear the psychological wounds of war.

- Increase of \$7 million to support additional FTEE for increased demand and to expand veterans' access to family therapy – \$7 million
- Increase of \$140 million to fulfill the promised money to implement the Comprehensive Mental Health Strategic Plan – \$140 million
- Increase of \$20 million to increase VA's capacity to provide substance abuse treatment by 5 percent above FY 2006 levels. VA's proposed budget would cut capacity below FY 2006 levels, even though early reports suggest that alcohol misuse will have a profound impact on returning soldiers' reintegration – \$20 million
- Increase of \$28 million to increase capacity to treat returning OIF/OEF veterans who need outpatient mental health services – \$28 million
- Increase of \$13 million to adjust for VA's underestimation of PTSD special inpatient programs workload. VA projects 3.4 percent increase for specialized PTSD programs. Our projection reflects a 10 percent increase, to provide capacity to serve returning veterans with no diminishment in capacity to serve patient populations from previous wars – \$13 million
- Increase of \$2 million to increase FTEE to support VA efforts for seamless transition through the Post-Deployment Health Reassessment – \$2 million

Long-Term Care

The Administration is in violation of its statutory responsibility to maintain FY 1998 levels for the Average Daily Census (ADC) for VA nursing home care, as mandated by P.L. 106-117, the Veterans Millennium Health Care and Benefits Act. The VA requests resources to support an estimated 11,100 ADC – 2,291 below the 1998 figure. We

recommend an increase of \$471 million to enable the VA to meet its statutory obligations.

The non-institutional programs are indeed a necessary part of VA's care continuum, but we should hold to the 1998 recommendations of the Federal Advisory Committee on the Future of VA Long-Term Care that VA should maintain its bed capacity, increase capacity in the state homes and double or triple capacity in its non-institutional long-term care settings. While telemedicine and home care are important components of long-term care, telemedicine cannot help a veteran to get out of bed or take a shower. Home care may not be suitable for many severely disabled veterans who need 24-hour care for complex medical and psychiatric conditions.

- Increase for VA nursing home care – \$471 million

While increasing the funding for VA to meet the statutory requirements of VA operated nursing home care, we also recommend that VA develop a long-term plan to meet the extended care needs of its patient population. VA projects that in FY 2007, the demand for VA-sponsored nursing home care among VA's patient population will be 80,511 ADC. Neither VA, nor Congress, can ignore the urgent and increasing needs consequent to the exponential growth in the population of veterans who are frail and aging.

Prosthetics

We recommend providing an additional five percent increase above the Administration's request for prosthetics. This total increase would be more in line with VA's past increases in this account. We remain very concerned that we are not providing the necessary resources to fund this area, especially in light of the increased needs of our servicemembers returning from Iraq and Afghanistan.

- Increase for prosthetics - \$56 million

Collections

We remain concerned that VA is not realizing all it could in its collection efforts. We are concerned that VA has failed to provide an accurate cost for its collection efforts. We believe that in the future, the VA should provide details regarding the net amount that VHA receives through Medical Care Cost Collections Fund (MCCF), not just the gross amounts provided in its budget submissions.

We note that the Majority is concerned that VA is again over-estimating its collection amounts for FY 2007 and plans on providing for a lower collections estimate more in line with the VA's past annual increases. The VA estimates that it will achieve an increase in collections of more than 11 percent (not including collections associated with its legislative proposals), a figure higher than the eight percent realized from FY 2005 to its current estimate for FY 2006. We agree with the Majority's efforts in this regard, and

hope that we can work together this session to obtain a clearer picture of the VA's efforts in this area.

- Increase to cover the estimate of collections attributable to the Administration's legislative proposals, used once to decrease its recommended appropriation for Medical Services, then used again to augment its collection estimates – \$544 million

Priority 8 Veterans

We recommend funding to do away with the Administration's ban on enrollment of Priority 8 veterans, instituted in January 2003. This increase is calculated to care for the number of veterans the VA has stated have been turned away from the door, offset by the increased amount of collections they will bring into the VA.

The VA claims that 241,876 veterans have been affected by its decision to deny enrollment to new Priority 8 veterans. Our cost estimate assumes that all of these veterans will seek health care in FY 2007. The cost of these veterans are then offset by the estimated amount of collections they will bring with them to the VA. We believe the net cost to the VA is \$341 million for this initiative.

We note that the authority of the Administration to deny enrollment to an entire class of veterans was never meant to extend *ad infinitum*, but was provided to the VA as a management tool in order for it to address unexpected shortfalls that might arise during the course of the year.

Finally, we note that these veterans are not necessarily "high income" veterans, as they are often described by some. These veterans, who may be combat-decorated, can make as little as \$27,000 per year and be categorized as Priority 8 veterans and therefore shut out of the system.

- Increase to lift the Administration's enrollment ban on new Priority 8 veterans – \$341 Million

Other Issues of Concern

Nurse Staffing Levels

We agree with the Majority that VA needs to take steps to improve its nurse staffing levels. Before VA embarks on the Magnet Status program, however, we believe that the VA should first comply with P.L. 107-135 and establish a nationwide Veterans Health Administration staffing plan to ensure the provision of high-quality care and services. The VA Office of Inspector General found that VHA has failed to mandate the use of a national nurse staffing methodology. Given that the Magnet program does not have any minimum staffing standards to hold hospital administrators accountable or to ensure high-quality care, we recommend that VHA first comply with the 2002 law and establish

a national nurse staffing methodology before budgeting funds to seek Magnet recognition.

State Veterans Homes Per Diems

Last year VA proposed a different standard for eligibility for per diem for State veterans homes which would have essentially destroyed the State Home program. We continue to support the current eligibility standards for per diem payments to State Veterans Homes.

Medical Administration

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
2,858,442,000	3,177,000,000	2,939,403,000	3,216,635,000	+39,635,000

The Medical Administration appropriation provides funds for the expenses of management and administration of the VA health care system. Included under this heading are provisions for costs associated with operation of VA medical centers, other facilities, and VHA headquarters, plus the costs of VISN offices and facility director offices, chief of staff operations, quality of care oversight, all information technology hardware and software, legal services, billing and coding activities, and procurement.

We are recommending two increases above the Administration’s request:

- Restore \$38 million in claimed FY 2007 management efficiencies
- Increase of \$0.6 million to add FTEE for the National Center for PTSD to increase education and training efforts on PTSD, and an increase of \$0.6 million to support VA Central Office staff to implement and monitor the Mental Health Comprehensive Strategic Plan – \$1.2 million

Medical Facilities

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
3,297,669,000	3,569,000,000	3,461,348,000	3,716,793,000	+148,000,000

The Medical Facilities appropriation provides funds for the operation and maintenance of the VA health care system's vast capital infrastructure. Included under this heading are provisions for costs associated with utilities, engineering, capital planning, leases, laundry and food services, groundskeeping, garbage, housekeeping, facility repair, and property disposition and acquisition.

We recommend a \$148 million increase above the Administration’s request. This recommendation allows for increases attributable to three items: providing resources for the Administration’s claimed “efficiencies” in this account, additional resources to better enable the VA to address increased energy costs in FY 2007, and an increase for non-recurring

maintenance. We note that the Majority plans to recommend an increase in this account above the Administration's request, and is also concerned that the non-recurring maintenance account needs additional resources.

- Restore assumed management efficiencies – \$21 million
- Provide additional resources to better ensure against energy cost inflation – \$24 million
- Provide a 20 percent increase for Non-Recurring Maintenance obligations – \$103 million

Medical and Prosthetic Research

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
412,000,000	399,000,000	460,000,000	450,464,000	+51,464,000

This account includes medical, rehabilitative and health services research. Medical research is an important aspect of the Department's programs, providing complete medical and hospital services for veterans. The prosthetic research program is also essential in the development and testing of prosthetic, orthopedic and sensory aids for the purpose of improving the care and rehabilitation of eligible disabled veterans, including amputees, paraplegics and the blind. The health service research program provides unique opportunities to improve the effectiveness and efficiency of the health care delivery system. In addition, budgetary resources from a number of areas including appropriations from the medical care accounts; reimbursements from the Department of Defense; and grants from the National Institutes of Health, private proprietary sources, and voluntary agencies provide support for the Department's researchers.

Last year we recommended \$460 million for this account, which also matched the amount requested by the *Independent Budget* and the Friends of VA Medical Care and Health Research (FOVA). Both the *Independent Budget* and FOVA are recommending \$460 million again this year. We are recommending a \$38 million increase above the enacted level for FY 2006, and \$51 million in additional funding above the Administration's FY 2007 request of \$399 million.

Our recommendation for an increase to medical research, unlike the Administration's request, relies upon the inflation adjustment of the Biomedical Research and Development Price Index, which was developed by the Department of Commerce's Bureau of Economic Analysis for use by the National Institutes for Health (NIH). We believe this inflation adjustment is more appropriate and necessary to preserve the value of VA research and development dollars. By restoring funds cut from the FY 2006 level and by more accurately projecting the impact of inflation on VA's research dollars we signal a strong commitment to VA's research program and achieve stability for ongoing projects.

We note that the VA's expectation of receiving additional federal dollars outside of monies appropriated in this account may not be realized with the Administration's proposed flat FY 2007 budget for NIH. This makes increased appropriated dollars in the Medical and Prosthetic Research account even more vital to this important program.

The work of VA's Centers for Excellence is essential to VA's ability to maintain its world-class quality of care. In the brief time since their inception, VA's six Parkinson's Disease Research Education and Clinical Centers have made significant contributions to the care and research of Parkinson's disease, and training. The VA Multiple Sclerosis (MS) Centers of Excellence provide state-of-the-art multidisciplinary health services for veterans with MS and serve as a prototype for provision of excellent clinical care throughout the VA health care system.

In the past, a successful effort was made to double the NIH's budget. We would like to see a similar effort to double the VA's research budget. Although this may not be possible, we believe we should strive to provide annual increases in order to further the work of VA research and signal our commitment and backing for this program.

The Democratic recommendation of \$450 million, an increase of \$51 million above the Administration's request, is comprised of the following increases:

- Restore the account to the FY 2006 enacted level – \$13 million
- Provide a 3.5 percent increase to account for estimates of biomedical research inflation – \$14 million
- Restore cuts in VA's Centers of Excellence and provide a modest increase – \$2 million
- Provide a five percent increase from FY 2006 enacted levels – \$21 million
- Provide \$1 million to contract with the National Academy of Sciences to review the National Vietnam Veteran Longitudinal Study and determine whether, as designed, it would yield scientifically valid information and conclusions on the long-term course and medical consequences of PTSD – \$1 million

General Operating Expenses

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
1,435,391,000	1,480,764,000	1,826,745,000	1,553,975,000	+73,211,000

The General Operating Expenses appropriation provides for the administration of non-medical veterans benefits through the Veterans Benefits Administration (VBA) and Departmental management and support.

Veterans Benefits Administration

Compensation and Pension Service

VA provides service-connected compensation to veterans with disabilities incurred or aggravated during military service, dependency and indemnity compensation (DIC) to surviving spouses, children and low-income dependent parents of veterans, pension benefits to elderly and disabled low-income wartime veterans, death pension to the surviving spouses and children of wartime veterans and benefits to certain children of veterans who were disabled by spina bifida or other congenital conditions related to their parent's military service.

For FY 2007, the Administration's budget would cut staffing by 149 FTEE who handle claims for service-connected compensation. This decrease is proposed despite the fact that the Administration's budget predicts the backlog of claims at the end of FY 2007 will reach 396,834 — far in excess of the 250,000 pending claims which VA has historically considered to be a normal pending workload.

We believe it is unrealistic to assume that claims resulting from specific outreach to six states as required by the Military Quality of Life and Veterans Affairs Appropriations Act, 2006, P.L. 109-114, (which has not yet been initiated) will be completed in 2006. We are also concerned that as additional disabled servicemembers leave military service, resources will not be adequate to provide timely and accurate service.

Consistent with the Majority, we are recommending the following increase for the Compensation and Pension Service:

- Increase of additional 200 FTEE for direct compensation work to retain the 2006 levels and to reduce the pending claims to a more acceptable level than the expected 396,834 level, as well as an additional six FTEE for management direction and support staff, as well as increased obligations to support the FTEE increase – \$17.6 million
- In addition, in light of the recommendation for increased staffing, we are recommending an increase of \$37.1 million to restore non-payroll accounts which the Administration has proposed to cut from the estimated 2006 levels. These include obligations in the Equipment and Other Services accounts - \$37.1 million

Education Service

VA provides education assistance to servicemembers, veterans, and certain eligible survivors and dependents in exchange for military service. VA education assistance, popularly known as the Montgomery GI Bill, is used by the Armed Forces as a recruiting and retention tool, as well as a readjustment benefit for servicemembers seeking to achieve educational and vocational goals in the civilian workforce.

Consistent with the Majority, we support the Administration's request of \$90.1 million in discretionary funding to support 930 FTEE for the Education Service – an increase of 46 FTEE (34 direct FTEE; two IT FTEE; 10 management and support FTEE) over the FY 2006 level. Education claims rose between FY 2000 and FY 2004 by nearly 328,000 claims – a 35 percent increase; direct FTEE rose 14 percent for this same period. Additional FTEE are necessary to meet the increase in education claims, especially in light of VA's implementation of the new Guard and Reserve Education Program (chapter 1607 of Title 10, U.S.C.)

- We support an additional increase of \$11 million for Information Technology-related services (attributable to TEES system) – \$11 million

Housing (Loan Guaranty Service)

VA assists veterans and servicemembers to purchase and retain homes in recognition of their service to the Nation.

We cautiously accept the Administration's funding request of \$127 million to support 971 FTEE – a decrease of 17 FTEE within the Loan Guaranty Service. The Committee recognizes that the Loan Guaranty Service has, for the most part, successfully implemented a host of efficiency and consolidation efforts to provide quality services while maintaining low overhead costs, thereby saving federal resources.

Specifically, the Loan Guaranty Service has leveraged technological advances to provide enhanced services with fewer resources and has benefited from low foreclosure rates. We are concerned that if the housing market deteriorates during or before 2007, VA will need to provide additional resources to address the increase in foreclosure workload that would accordingly follow. Total loans guaranteed in FY 2005 were 150,895 and are estimated to increase to 230,000 in FY 2006. VA also expects an increase in defaults and foreclosures since historic lows in FY 2005. VA estimates similar workload levels for FY 2007. The Committee continues to be interested in VA providing proper oversight over property management contractors and accordingly recommends that sufficient FTEE be provided to carry out this inherently governmental activity.

Vocational Rehabilitation and Employment (VR&E)

VR&E provides employment services and assistance to enable veterans with service-connected disabilities to obtain suitable employment and, to the maximum extent possible, achieve independence in daily living.

Consistent with the Majority, we support the Administration's budget request of \$149 million to support 1,255 FTEE, an increase of 130 FTEE (107 Direct; two IT; and 21 management and support FTEE) over the FY 2006 level. The increase in staffing is necessary to implement the 2003 VR&E Task Force recommendations, which requires additional staff in VA regional offices, as well as Central Office staff, to improve services, oversight and outreach efforts. VR&E workload is projected to increase to 102,601, approximately a 2.5 percent increase over FY 2006 workload of 100,098.

Insurance

We accept the Administration's recommended appropriation of \$4.4 million, an increase of \$71,000 above the FY 2006 current estimate. This will maintain the current FTEE of 503.

General Administration

The General Administration component of the General Operating Expenses account is comprised of a number of sub-accounts: Office of the Secretary, Board of Contract Appeals, Board of Veterans' Appeals, Office of the General Counsel, Assistant Secretary for Management, Assistant Secretary for Information and Technology, Assistant Secretary of Human Resources and Administration, Assistant Secretary for Policy and Planning, Assistant Secretary for Public and Intergovernmental Affairs, and Assistant Secretary for Congressional and Legislative Affairs. With the exception of the Board of Veterans' Appeals, we accept the Administration's request for General Administration.

Board of Veterans' Appeals

The Board of Veterans' Appeals (the Board) decides appeals of claims filed by veterans and other beneficiaries who are dissatisfied with compensation and pension benefits decisions made by VA regional offices and a much smaller number of decisions for VA Education, Vocational Rehabilitation, Insurance, Home Loan Guaranty Programs, and medical benefits. During the past few years, both the number and percentage of appeals filed has almost doubled. In addition, claims appealed to the United States Court of Appeals for Veterans Claims (the Court) in 2005 markedly increased from a historical average between 2200 and 2400 to 3466. This trend has continued into 2006. The Board is responsible for assembling the record filed with the Court when claims are appealed and for addressing the more than 70 percent of merit decisions remanded to the Board by the Court. Consistent with what we understand to be the recommendation of the Majority, we support an additional \$6.4 million above the Administration's request to support an additional 56 FTEE to bring the Board's FTEE staffing to 500.

In addition, we note that many of the non-personnel accounts at the Board, including obligations for training, travel board hearings, supplies and equipment are proposed to be cut from the current FY 2006 levels. In light of our recommendation for increased staffing levels, we are recommending, at the very least, an additional \$1.1 million to restore these obligations to their FY 2006 current estimate level.

- Increase attributable to increased FTEE – \$6.4 million
- Increase to restore obligations proposed to be decreased to FY 2006 current estimate levels – \$1.1 million

Information Technology Systems

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
1,213,820,000	1,257,000,000	1,252,119,000	1,248,558,000	-8,442,000

The Information Technology Systems account was first instituted in the FY 2006 appropriations bill for the VA (P.L. 109-114). Congress has provided two-year funding for this account. Many aspects of this new account need to be refined and worked out.

We are recommending a decrease in this account below the Administration's request, comprising a decrease in the Financial and Logistics Integrated Technology Enterprise (FLITE) program and an increase for enterprise cyber security.

Two information technology programs warrant special attention, the FLITE program and the VA Enterprise Cyber Security Program. Additionally, many information technology systems at VA require re-hosting in FY 2007; previously, we have advocated the need for centralized control of these assets and continue to recognize that the need for accountability exists during the re-hosting period.

The FLITE program will integrate and standardize financial/logistical data and key processes across all VA offices to provide timely and accurate financial, logistics, budget, asset and related information on VA-wide operations and will establish an advanced technology environment which provides the greatest capability and an extended life cycle. This program will fill the need for an integrated financial management system at VA that was originally to be filled by the failed CoreFLS system. VA must thoroughly articulate its business processes for accounts payable and related processes before embarking on other aspects of the system design and deployment process. VA requests \$34.4 million in FY 2007, but has not yet corrected the planning problems that eventually led to failure of the CoreFLS system. We believe \$6 million should be provided in FY 2007 for FLITE planning and business model determination. This results in a reduction of \$28 million below the Administration's request.

The Enterprise Cyber Security Program within the VA's Office of Information and Technology should receive \$20 million in additional funding, to bring the appropriated level to \$77 million.

- Decrease attributable to recommendations regarding FLITE program – (\$28 Million)
- Increase for enterprise security – \$20 million

National Cemetery Administration

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
156,447,000	160,733,000	213,982,000	174,733,000	+14,000,000

The National Cemetery Administration was established in accordance with the National Cemeteries Act of 1973. It has a fourfold mission: to provide for the interment in any national cemetery with available grave space the remains of eligible deceased servicepersons and discharged veterans, together with their spouses and certain dependents, and to permanently maintain their graves; to mark graves of eligible persons in national and private cemeteries; to administer the grant program for aid to States in establishing, expanding, or improving State veterans' cemeteries; and to administer the Presidential Memorial Certificate Program. This appropriation provides for the operation and maintenance of 158 cemeterial installations in 39 states, the District of Columbia, and Puerto Rico.

The Administration's requested level for FY 2007 of \$161 million represents a 2.7 percent increase over the FY 2006 level of \$156 million.

We concur with what we understand to be the Majority's recommendation and we support an additional \$14 million for this account. This additional funding is needed to make adequate progress on the National Shrine Commitment, as recommended by the VA study, *National Shrine Commitment*, the final of three reports mandated by the Veterans Millennium Health Care and Benefits Act (P.L. 106-117) released in October, 2002.

- Recommended increase for National Cemetery Administration – \$14 million

Office of Inspector General

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
70,174,000	69,499,000	72,778,000	77,492,000	+7,993,000

The Office of Inspector General was established by the Inspector General Act of 1978 and is responsible for the audit, investigation and inspection of all Department of Veterans Affairs programs and operations. The overall operational objective is to focus available resources on areas which would help improve services to veterans and their beneficiaries, assist managers of Department programs to operate economically in accomplishing program goals, and prevent and deter recurring and potential fraud, waste and inefficiencies.

The FY 2007 budget request for the VA Office of Inspector General (OIG) includes a \$2.8 million decrease in total obligations from the FY 2006 enacted level and would cause a reduction in staffing of greater than five percent from the FY 2006 estimate. The OIG reports generating revenues for VA, historically yielding a return on every dollar invested of 20-30 times the investment. Currently, the OIG is staffed at a level relative to the workforce of the parent agency that is among the lowest among the statutory Inspectors General. A more robust OIG will help VA create and document best practices while having a positive impact upon the organization by limiting fraud, waste, abuse and mismanagement of resources. We are recommending the following increase:

- Increase attributable to restoring decreased obligations – \$2.8 million
- Increase of five percent over FY 2006 enacted level – \$3.5 million

Construction, Major Projects

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
974,600,000	399,000,000	1,447,000,000	924,900,000	+525,900,000

The construction, major projects appropriation provides for constructing, altering, extending, and improving any of the facilities under the jurisdiction or for the use of the VA, including planning,

architectural and engineering services, Capital Asset Realignment Enhanced Services (CARES) activities, assessments and site acquisition where the estimated cost of a project is \$7 million or more. Emphasis is placed on correction of life/safety code deficiencies in existing Department medical facilities.

We note the Administration’s proposed appropriations language omits amounts attributable to CARES, although the VA budget justification volume for this account states “the medical care construction request includes \$457 million for VA’s nationwide infrastructure initiative (CARES) to ensure that the VA can put facilities and services where veterans live.”

We believe the Administration should provide funding to build the top ten projects prioritized for FY 2007 in the VA’s Five-Year Capital Plan. We note that the VA has included a few of these projects in its request: a Spinal Cord Injury Center in Milwaukee, Wisconsin; seismic corrections in American Lake, Washington; medical facility improvements in St. Louis, Missouri; and, seismic correction in Long Beach, California. We further note that the Long Beach project funded is different from the project accorded priority number six, but both make seismic corrections to the Long Beach facility, hence we have delayed requesting additional funding for this project.

Our recommended increase would fund the following projects:

- Bay Pines, FL – Inpatient/Outpatient Renovation and Construction
- Dallas, TX – Clinical Expansion and Renovation
- Butler, PA – Outpatient Clinic and Demolition
- East Bay, CA – New Outpatient Clinic
- Seattle, WA – Mental Health and Research Building
- Loma Linda, CA – Outpatient Clinical Building

- Increase to fund priority CARES projects – \$526 million

We note that the VA has promised this Committee that it will request the additional funding it needs to complete the Las Vegas replacement medical facility in its FY 2008 request.

Construction, Minor Projects

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
200,737,000	198,000,000	505,000,000	314,000,000	+116,000,000

The construction, minor projects appropriation provides for constructing, altering, extending, and improving any of the facilities under the jurisdiction or for the use of the Department, including planning, CARES activities, assessment of needs, architectural and engineering services, and site acquisition, where the estimated cost of a project is less than \$7 million.

We recommend a total increase above the Administration’s request of \$116 million. Consistent with the Majority, we support a \$16 million increase in Construction, Minor Projects for

cemeteries. This additional funding is needed to make adequate progress on the National Shrine Commitment as recommended by the Study on Improvements to Veterans Cemeteries (October 2001).

We are also recommending a general increase for this account of \$100 million, in order for the VA to begin to address its minor construction responsibilities to expand veterans' access, including rural veterans access, to VA health care.

Grants for Construction of State Extended Care Facilities

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
85,000,000	85,000,000	150,000,000	150,000,000	+65,000,000

This program provides grants to assist States to construct State home facilities, for furnishing domiciliary or nursing home care to veterans, and to expand, remodel or alter existing buildings for furnishing domiciliary, nursing home or hospital care to veterans in State homes. A grant may not exceed 65 percent of the total cost of the project.

We recommend funding at the level recommended by the *Independent Budget*.

- Increase for Construction of State Extended Care Facilities – \$65 million

Grants for Construction of State Veterans Cemeteries

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
32,000,000	32,000,000	37,000,000	37,000,000	+5,000,000

This program provides grants to states 100 percent of the cost for the establishment, expansion or improvement of state cemeteries. The states are responsible for on-going maintenance. State cemeteries provide a last resting place for veterans who live in areas not reasonably served by a national cemetery. Consistent with the recommendation of the *Independent Budget*, we recommend \$37 million for this account, \$5 million above the Administration's request.

- Increase for Construction of State Veterans Cemeteries – \$5 million

Department of Labor

Veterans Employment and Training

Department of Labor – Veterans Employment and Training Service (VETS)

The Assistant Secretary for VETS serves as the principal advisor to the Secretary of Labor on all policies and procedures affecting veterans’ employment matters. VETS furnishes employment and training services to servicemembers and veterans through a variety of programs, including providing grants to States, public entities and non-profit organizations, including faith-based organizations, to assist veterans seeking employment. Congress also tasked Department of Labor VETS as the primary agency to investigate complaints filed under veterans preference and re-employment laws. Specifically, VETS administers the following programs: DVOP/LVER state grant program; Transition Assistance Program; Veterans’ Preference and Uniformed Services Employment and Reemployment Rights Act; Homeless Veterans' Reintegration Program (HVRP); Veterans Workforce Investment Program (VWIP); Federal Contractor Program; and the National Veterans' Training Institute (NVTI). The Administration requests a total of \$224.9 million in FY 2007 to support the staffing and grant-making ability of VETS. This is a \$2.7 million (or 1.3 percent) increase over FY 2006 appropriations. We recommend an increase of \$20 million for VETS to support increased staff to provide management and oversight over employment and training programs, expand HVRP and VWIP grants, as well as provide increased resources for training NVTI training resources.

Other Agencies

American Battle Monuments Commission

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
51,500,000	40,738,000	N/A	40,738,000	0

Includes appropriation for salaries and expenses, and foreign currency fluctuations.

The American Battle Monuments Commission is responsible for the administration, operation and maintenance of cemetery and war memorials to commemorate the achievements and sacrifices of the American Armed Forces where they have served since April 6, 1917. In performing these functions, the Commission maintains 24 permanent American military cemetery memorials and 31 monuments, memorials, markers and offices in 15 foreign countries, the Commonwealth of the Northern Mariana Islands, and the British dependency of Gibraltar. In addition, six memorials are located in the United States: the East Coast Memorial in New York; the West Coast Memorial, the Presidio in San Francisco; the Honolulu Memorial in the National Memorial Cemetery of the Pacific in Honolulu, Hawaii; and, the American Expeditionary Forces Memorial and the World War II and Korean War Veterans Memorials in Washington, D.C.

The appropriation for the American Battle Monuments Commission is comprised of two separate accounts: salaries and expenses, and foreign currency fluctuations. The Administration’s request

represents a decrease of \$412,000 in salaries and expenses, and a decrease of \$10,350,000 in the foreign currency fluctuations account. The agency has a currency fluctuation account that insulates its appropriation's buying power from changes in exchange rates. The current exchange rate of €0.80 Euros to the U.S. dollar would require \$4.9 million for foreign currency fluctuations.

U.S. Court of Appeals for Veterans Claims

FY 2006 Enacted	FY 2007 Request	<i>Independent Budget</i>	FY 2007 Democratic Recommendation	Recommendation vs. Request
18,795,000	19,790,000	N/A	19,790,000	0

The Veterans' Judicial Review Act established the U.S. Court of Appeals for Veterans Claims (the Court). The Court has exclusive jurisdiction to review decisions of the Board of Veterans' Appeals. The Court may affirm, modify or reverse the decision of the Board or remand the case for additional proceedings. More than 70 percent of the Court's decisions on the merits are remanded to the Board each year.

This appropriation includes \$1,260,000 for the Pro Bono Representation Program. The Court, an Article I court, states in its budget submission that the Court includes the Program's FY 2007 request as an appendix to its submission, "but offers no comment as to its substance other than to note that the Program has been highly successful in reducing the percentage of unrepresented appellants to the Court. Since 1997, the percentage of veterans who are unrepresented at the disposition of their appeals has dropped from 48 percent to 29 percent or less." We remain supportive of this program, and of the Court's recommended increase of \$995,000.

Section 2 – Mandatory Accounts

We are recommending an increase in mandatory, or direct spending, of \$2.340 billion above the Administration's estimates.

There are a number of veterans' programs which are not providing the benefit intended. This includes a number of VA programs whose value has eroded over time due to the loss of purchasing power when costs have increased, but the benefit has remained stagnant.

Compensation and Pension Benefits

Increase monthly Dependency and Indemnity Compensation (DIC) for survivors with dependent children under 18 by \$250 per month, indexed for inflation.

In May of 2001, the *Program Evaluation of Benefits for Survivors of Veterans with Service-connected Disabilities* recommended that surviving spouses with dependent children receive an additional \$250 per month for the first five years after the veterans' death. Public Law 108-422 provided an increase, but only for the first two years of eligibility. Currently, 1,944 surviving spouses receive this additional \$250 per month which is frozen at the 2005 benefit level. An additional 700 survivors have had their \$250 per month benefit terminated, but

continue to receive DIC. The families of those children who lost a parent due to their military service should be provided with the minimum amount recommended and that amount should be indexed for inflation, to avoid a devaluation of the benefit.

- Increase for DIC - \$24 million

Increase pension and death pension benefits for veterans and surviving spouses and children to 125 percent of the poverty level.

Veterans who have honorably served the Nation during a period of war and who have reached age 65 or who are under age 65 and are totally and permanently disabled as the result of nonservice-connected disabilities are eligible to receive a pension benefit if they meet certain income criteria. Surviving spouses and children of such wartime veterans, including adult disabled children are eligible for a death pension. According to a 2004 evaluation of VA's pension program, the pension program is not meeting Congressional intent because it is not allowing veterans and their survivors to live in dignity without having to turn to welfare. Although the evaluation recommended increasing the pension benefit to 185 percent of the poverty level, we propose to begin the process of improving the benefit by recommending an additional \$1.7 billion to provide a benefit equal to 125 percent of the poverty level for pensioners.

- Increase for pension and death pension benefits - \$1.7 billion

Allow World War II Filipino veterans to qualify for a nonservice-connected pension based upon age or disability.

World War II Filipino veterans who served alongside United States Forces in World War II have not received comparable benefits as the result of a decision rescinding promised benefits. In order to restore these benefits, we recommend that an additional \$106 million be included in the budget resolution to permit these veterans to receive a nonservice-connected pension benefit. We are alert to the possibility that this proposal might generate a slight increase in associated health care costs to the VA which we would expect the Department to assume.

- Increase for Filipino veterans - \$106 million

Burial Benefits

Increase burial plot allowance to \$745

Certain veterans who are buried in a private or state cemetery are eligible for a plot allowance of \$300. A 2001 *Independent Study of Burial Benefits* recommended increasing the plot allowance to \$563. The current amount is less than half of the cost of providing the plot. The amount should be raised to at least \$745 to recognize the costs which have increased since the recommendation was made. The benefit should also be indexed for inflation.

- Increase for burial plot allowance - \$30 million

Increase burial benefits for veterans who die of a service-connected disability to \$4,100

The families of veterans who die of a service-connected disability currently receive burial benefits of \$2,000. Even with the proposed increase, only about 70 percent of the average funeral cost would be covered for veterans who die of a service-connected disability. The Secretary of Defense pays the cost of burial, or a sum based upon that normally incurred by the Secretary for servicemembers who die on active duty.

- Increase for burial benefits for service-connected disability - \$30 million

Increase burial benefits for veterans who die of a nonservice-connected disability to \$1,270.

The families of veterans eligible for burial benefits for deaths due to a nonservice-connected death currently receive \$300. This amount has not been increased since 1978. This amount should be increased to \$1,270 in order to provide adequate funds for burial expenses.

- Increase for burial benefits for nonservice-connected disability - \$80 million

Insurance

Base premiums for Service-disabled Veterans Life Insurance (SDVI) on current actuarial tables

The SDVI program provides life insurance to veterans with service-connected disabilities who apply within two years of being service-connected and who would be insurable but for their service-connected disabilities. At the time the SDVI program began, premium rates were based on the then current (1941) actuarial tables used by commercial life insurance companies. Although commercial life insurance tables have been updated several times since 1941 (most recently in 2001), service-connected disabled veterans, including those injured in Afghanistan and Iraq are subjected to premiums approximately three times higher than the original program intended because the actuarial tables are more than 60 years out of date.

In May of 2001, the *Program Evaluation of Benefits for Survivors of Veterans with Service-connected Disabilities* recommended that veterans' premiums should be based on current mortality rates.

- Increase for SDVI - \$21 million

Increase SDVI maximum insurance to \$50,000

In May of 2001, the *Program Evaluation of Benefits for Survivors of Veterans with Service-connected Disabilities* recommended that SDVI coverage limits should be increased to \$50,000 to cover at least two years worth of income following the veteran's death. The basic amount of SDVI available has not been increased from \$10,000 since 1951. Adjusted for inflation, \$10,000 in 1951 dollars would require an increase to \$76,751. The estimated cost includes costs

associated with updating the actuarial tables, and would be lower if the outdated tables were maintained.

- Increase for SDVI maximum insurance to \$50,000 - \$225 million

Increase coverage for Veterans Mortgage Life Insurance (VMLI) to \$200,000

VMLI is a type of mortgage life insurance available only to those veterans disabled enough by a service-connected disability to qualify for a specially adapted housing grant. In May of 2001, the *Program Evaluation of Benefits for Survivors of Veterans with Service-connected Disabilities* recommended that the amount of VMLI insurance should be increased to between \$150,000 and \$200,000. This amount has not been increased since 1992. VMLI covers only about 55 percent of the mortgages of these veterans. Raising the coverage to \$200,000 would allow the survivors to pay off the mortgage on approximately 96 percent of their homes.

- Increase for VMLI - \$2 million

Readjustment Benefits

Specially Adapted Housing Grants

Proposed legislation would increase the amount of assistance available to severely disabled veterans for specially adapted housing from its current limit of \$50,000 to \$60,000 and from \$10,000 to \$12,000 for less severely disabled veterans. In addition, legislation would establish a price index that reflects a uniform, national average annual increase in the costs of residential home construction, so that future veterans eligible for this grant would continue to maintain their purchasing power.

- Increase for Specially Adapted Housing Grants - \$10 million

Total Force GI Bill

Last year marked the 20th anniversary of the implementation of the Montgomery GI Bill (MGIB), a landmark piece of legislation that provided education and training benefits to many veterans. The time has come to update, modernize, and provide greater flexibility within the VA's educational assistance programs. For GI Bill education benefits to remain a relevant recruitment, retention, as well as readjustment benefit, we must ensure that VA's education and training programs reflect the manner in which individuals earn and learn in the 21st Century. Congress, other than providing benefit increases, has not significantly modified administrative or process provisions of the GI Bill since 1985. Due to advances in technology, recognition of the lifetime learning concept, dynamic workforce changes, and ever-increasing demands on military recruiting efforts, Congress should review the current veterans' education system and make necessary changes to provide servicemembers, veterans and their families relevant education and training benefits that meet their educational and vocational goals for success. The Committee plans on a bipartisan basis to explore a number of options to improve and modernize the GI Bill. The VA's Advisory Committee on Education and the Partnership for Veterans Education – a

group made up of traditional veterans and military service organizations, as well as higher education advocates all have endorsed a proposal termed the “Total Force GI Bill.” The proposal has three features: one, a clearer alignment of education benefit rates according to service rendered; two, establishment of a readjustment element to reservists' MGIB benefits earned during activation for a contingency operation (presently, activated reservists eligible for the new 'Chapter 1607' MGIB can only retain unused entitlement by remaining in the Selected Reserve – there is no portability of benefits after completion of a Selected-Reserve service contract; three, to achieve the first and second objectives and to ensure future correlation of active duty, veterans, and National Guard and Reserve benefits in an equitable and proportional manner, Chapters 1606 and 1607 in Title 10 and Chapter 30 in Title 38 need to be reorganized together under Title 38. CBO has not provided an official cost estimate with respect to the proposal, however, informal cost estimates have been stated between approximately \$100 to \$200 million. The VA has estimated first-year costs of actual benefit outlays of \$112 million.

- Increase for Total Force GI Bill - \$112 million

Section 3 – Chart

Department of Veterans Affairs Discretionary Accounts FY 2007
(on following page)

Minority Views and Estimates
 Committee on Veterans' Affairs
 Department of Veterans Affairs Discretionary Accounts FY 2007
 (dollars in thousands)
 February 23, 2006

	FY 2006 Enacted	FY 2007 Request	FY 2007 Independent Budget	FY 2007 Democratic Recommendation	Democratic Recommendation vs. Request
Veterans Benefits Administration					
Veterans housing benefit program fund account (indefinite)					
Administrative expenses	153,575	153,185		153,185	0
Vocational rehabilitation loans program account					
Administrative expenses	53	67		67	0
Native American Veteran Housing Loan Program Account	305	305		305	0
	580	615		615	0
Total, Veterans Benefits Administration	154,513	154,172	158,747	154,172	0
Veterans Health Administration					
Medical Services	22,547,141	24,716,000	25,990,463	28,155,477	+3,439,477
Medical Administration	2,858,442	3,177,000	2,939,403	3,216,635	+39,635
Medical Facilities	3,297,669	3,569,000	3,461,348	3,716,793	+147,793
Subtotal, Medical Care	28,703,252	31,462,000	32,391,214	35,088,905	+3,626,905
Medical and Prosthetic Research	412,000	399,000	460,000	450,464	+51,464
Total, Veterans Health Administration	29,115,252	31,861,000	32,851,214	35,539,369	+3,678,369
Departmental Administration					
General operating expenses	1,435,391	1,480,764	1,826,745	1,553,975	+73,211
Information technology systems	1,213,820	1,257,000	1,252,119	1,248,558	-8,442
National Cemetery Administration	156,647	160,733	213,982	174,733	+14,000
Office of Inspector General	70,174	69,499	72,778	77,492	+7,993
Construction, major projects	974,600	399,000	1,447,000	924,900	+525,900
Construction, minor projects	200,737	198,000	505,000	314,000	+116,000

	FY 2006 Enacted	FY 2007 Request	FY 2007 Independent Budget	FY 2007 Democratic Recommendation	Democratic Recommendation vs. Request
Grants for construction of State extended care facilities	85,000	85,000	150,000	150,000	+65,000
Grants for construction of State veterans cemeteries	32,000	32,000	37,000	37,000	+5,000
Total, Departmental Administration	4,168,369	3,681,996	5,504,624	4,480,658	+798,662
Total, VA Discretionary Programs (without collections)	33,438,134	35,697,168	38,514,585	40,174,199	+4,477,031

Note: The *Independent Budget* included costs associated with Priority 8 veterans denied enrollment as part of its total discretionary recommendation, and not part of Medical Services, for a total discretionary recommendation of \$39,199,028,000