THE DEPARTMENT OF VETERANS AFFAIRS' BUDGET REQUEST FOR FY 2007 FOR THE EDUCATION, VOCATIONAL REHABILITATION AND LOAN GUARANTY PROGRAMS

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS

HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON ECONOMIC OPPORTUNITY

ONE HUNDRED NINTH CONGRESS

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HEARING ON THE DEPARTMENT OF VETERANS AFFAIRS' BUDGET FOR FY 2007 FOR THE EDUCATION, VOCATIONAL REHABILITATION AND LOAN GUARANTY PROGRAMS

TUESDAY, FEBRUARY 14, 2006

U.S. House of Representatives,
Subcommittee on Economic Opportunity,
Committee on Veterans' Affairs,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 334, Cannon House Office Building, Hon. John Boozman [Chairman of the Subcommittee] Presiding.

Present: Representatives Boozman, Brown-Waite, Herseth and Evans.

Mr. Boozman. Meeting will be in order. We appreciate you all coming over. One thing before we really get started, we were a little bit concerned that OMB refused to clear some slides addressing some additional information that we requested. And I think the information that we requested was certainly not a threat to national security. Maybe at some time you can address what the problem is. We would be concerned if we felt that you believed we didn't really have the right to have this information on how employees spend their time or that we don't need to know the status of the information technology programs, which we are requesting -- and for which you are requesting funding. So we will talk about that in a little bit.

But we appreciate having you here. Today we will hear from Mr. Ron Aument, Deputy Under Secretary for Benefits, regarding the President's budget proposal for VA Voc Rehab and Employment, Education, and Loan Guaranty Programs.

Mr. Aument -- am I saying that right?

Mr. Aument. Yes, you are, sir.

Mr. Boozman. Good. I am Boozman but answer to "Bozeman" and whatever.

Mr. Aument, is accompanied by program directors, Ms. Judy Caden, Mr. Keith Pedigo, Mr. Dennis Douglass and Mr. Scott Denniston from the Office of Small and Disadvantaged Business Utilization.

Mr. Denniston does not work for VBA, but we have jurisdiction over veteran-owned small business, so we thought it important to have him here. We will also receive testimony from the DAV representing the Independent Budget and the American Legion.

We have asked the Vietnam Veterans of America to submit their views for the record, and without objection, their submission will be made part of the record.

[The material was unavailable at press time.]

MR. BOOZMAN. I thank each of you for coming today. As I said at the full Committee hearing last week, I am pleased that the President has significantly increased the overall budget for VA. However, it is no secret that VBA faces serious problems in delivering timely services to its Voc Rehab and Education beneficiaries. I note that, for the week ending 20th of January, the Education Service had a backlog of 110,000 claims, or about the same as last year, and that processing days are up.

Voc Rehab has 6,400 in application status; Loan Guaranty seems to be chugging along. But we absolutely must do a better job in getting the GI Bill checks to the veterans and getting the veterans to the evaluation and testing period so that they can get on with their rehab.

I want to hear some ideas from the Department and the VSOs to make these programs run smoother. I am also concerned about the significant disparity in performance among the various regional offices. For example, the San Diego regional office takes about 18 days to determine whether a veteran is eligible for Voc Rehab, and unfortunately, the Washington regional office takes over 180 days. Now I know that certainly some variation is inevitable, but a factor of ten is totally out of line. The entire system averages about 62 days to determine entitlement. So I guess any way that we look at it, something is wrong and needs to be fixed.

I have to believe that staffing levels play a role in this, therefore I request VA provide the Subcommittee with an analysis of the disparity between the best and worst performers in making timely Voc Rehab entitlement decisions including the number of Voc Rehab staff by position for each RO.

Mr. Aument, if you would, please provide us with a date when that information would be available to the Subcommittee. I am sure all of you know that Chairman Buyer has expressed a support for modernizing the GI bill, and I want to, again, state my enthusiastic support for that initiative.

I look forward to working with Ms. Herseth and her staff to craft a bill that would affect how today's military operates. I now recognize our Ranking Member, Ms. Herseth.

[The statement of John Boozman appears on p. 36]

MS. HERSETH. Well, good morning, and thank you, Mr. Chairman. I am very pleased to be here today to examine the President's fiscal year 2007 budget request as it relates to VA programs that fall within the jurisdiction of the Economic Opportunity Subcommittee.

For many years, education benefits, vocational rehabilitation services and VA home loans have been a hallmark for the types of services a grateful nation provides to the men and women who serve and sacrifice in defense of the country. These earned benefits are critical to service members, veterans and their families as they attempt to successfully transition from military service to civilian life. I am particularly interested in hearing about the VA's efforts to address the growing education claims workload, as the Chairman mentioned; the progress in implementing the 2003 VR&E Task Force report, including any special efforts to reach out to rural areas; and the Loan Guaranty services consolidation efforts while maintaining high quality service to veterans and thorough oversight over property management contractors.

In recent years, much progress has been made in these programs. However, I think we can all agree that we must remain vigilant to maintain against any decline in top quality benefits and customer service.

So Mr. Chairman, I look forward to hearing from the witnesses today and want to thank you for holding the hearing.

MR. BOOZMAN. Thank you very much. Let's begin with the first panel, the Honorable Ron Aument is Deputy Under Secretary for Benefits. Ms. Judy Caden is director of the Voc Rehab and Employment Service. Mr. Keith Pedigo is director of the Loan Guaranty Services. Mr. Dennis Douglass, acting director of the Education Service. And Mr. Scott Denniston for the Office of Small and Disadvantaged Business.

STATEMENT OF HONORABLE RON AUMENT, DEPUTY UNDER SECRETARY FOR BENEFITS, DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY DENNIS DOUGLASS, ACTING DIRECTOR OF EDUCATION SERVICE, VETERANS BENEFITS ADMINISTRATION; JUDITH CADEN, DIRECTOR OF VOCATIONAL REHABILITATION AND EMPLOYMENT SERVICE, VETERANS BENEFITS ADMINISTRATION; KEITH PEDIGO, DIRECTOR OF LOAN GUARANTY SERVICE, VETERANS BENEFITS ADMINISTRATION; AND SCOTT F. DENNISTON, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION, DEPARTMENT OF VETERANS AFFAIRS.

MR. BOOZMAN. Before Mr. Aument begins, I think that we need to

note that the Education Service director position has been vacant for 7 months, and, this is certainly not any reflection in any way on the excellent job that Mr. Douglass has done as acting director, but I think it is time that we need to fill that job one way or the other. Leadership continuity is important, and lengthy gaps are not a good way to run a, certainly, very important program.

As a matter of fact, one can infer from such gaps that directors do not have significant impact on the daily operations, and that should not be the case.

So, again, what I am trying to do is say that we appreciate Mr. Douglass' good work.

Now, in a second, Mr. Aument, we want you to start, and really what I would like to do today is, I know you are going to give a presentation, and so, I would like to break a little bit with our normal way of doing things, and really, Ms. Herseth, whoever is here, I would like for them to feel free to break in as you go through. Just feel free, Ms. Herseth, if something comes up that we don't understand, to ask a question then rather than continue with the formal presentation. The purpose of this hearing is to be of a good educational situation so that we can better understand what is going on. And I think that will be a little bit easier, if that is okay with you all.

MR. AUMENT. We would welcome that approach.

MR. BOOZMAN. Thank you, go ahead.

MR. AUMENT. Thank you, Mr. Chairman, Congresswoman Herseth. I appreciate the opportunity to appear before you today to discuss the VA 2007 budget request for the Education, Vocational Rehabilitation and Employment, and Loan Guaranty Programs. My testimony will highlight VA's commitment to meeting the needs of our Nation's veterans and key initiatives that are included in the 2007 budget request for these three programs.

Programs I will discuss today assist service members in making the transition from military to civilian life and provide vital economic opportunities that allow veterans and their families to prosper. We help veterans and their dependents seek greater education and economic opportunities through the highly successful Montgomery GI Bill program and other educational programs. We promote home ownership through the Loan Guaranty programs. For qualifying veterans with disabilities, our Vocational Rehabilitation and Employment Program provides both rehabilitation and training and assist them in re-entering the civilian workforce.

We are proud of these programs and appreciate your interest in them. We are pleased with the 2007 budget request for each of these programs. The funding levels for education and VR&E support significant increases in staffing, which will allow us to address the growing workload. Although the Loan Guaranty staffing levels will be reduced slightly, the numbers are sufficient in light of the program's

continued operational improvements.

The budget also includes funding for official initiatives that will ensure we have a trained and skilled workforce with access to systems and tools that support service delivery.

VA's budget will allow these programs to improve overall performance and to continue to fulfill our mission of delivering benefits and services in a responsive, timely and compassionate manner in recognition of veterans' service to their nation.

With that, I would like to transition to some of the slides that we are going to be using to help step us through the budget request for these three programs if I could, sir.

[The statement of Ronald Aument appears on p. 40]

MR. BOOZMAN. Yes, sir. Thank you. Let me ask one thing real quick in regard to your statement.

When responding to the question regarding a decrease in Compensation and Pension Full Time Employees (CPFT) before the full Committee last week, Under Secretary Cooper said he would look at moving the proposed additions around. Is that still the VBA position? And if so, what will be the effect on the business lines that we are going to be discussing today?

MR. AUMENT. I understand that there was some concern when Admiral Cooper provided that response in the overall full Committee hearing. I do believe he was largely referring to moving some of the FTE around within the three programs that make up the Compensation and Pension business line. In particular, he was referring to the compensation program, pension program and the burial program. I think if you look at that carefully, you will see that while there was some decrease in the FTE, direct FTE supporting the compensation business line, there was also a corresponding increase in the pension business line.

It will be our expectation that any type of changes in budget execution would be largely within those three particular business lines.

Clearly, the workload and workload conditions as we approach the actual budget year would dictate final decisions. But I do believe that was what he had in mind largely when he made that statement.

MR. BOOZMAN. Thank you.

MR. AUMENT. First slide please. The format that we are going to be using today as we go through each of the three programs would be pretty much alike, similar in nature. We will be looking at the programs, program highlights within each of the three respective programs, focusing on program highlights, workload, performance and initiatives.

I would like to begin with the education program.

For the top line, you can see the total obligations that have been estimated for these programs, 2005 actuals, $84 million, arising to $88

million in the current year, 2006, and rising again to $92.3 million for the budget year 2007.

Those will support a growing staffing level in the education program, which we divide into direct staffing and indirect staffing. Indirect staffing consists of a variety of management and overhead staff that are allocated across VBA programs on a basis that tracks proportionally against the budget and overall staffing levels. So roughly around 14 percent of our staffing level is allocated to management and oversight. That also includes information technology.

The information technology, as I am sure you are aware, Mr. Chairman, is a little bit of an unknown today because we are in the process now of moving towards the so-called federated model in which the information technology staff are going to be divided into operation and maintenance staff and development staff. The way the model is foreseen is that the operations and maintenance staff would be transferring out of the administrations and will be under the direct control of the department's CIO. So there will be some staffing adjustment as we actually move towards implementing that model within the department.

The budgets that you look at for the dollars for 2006 and 2007, both years, already reflect the movement of some of the nonpayroll -- in fact, all of the nonpayroll dollars have been moved out of the administration's appropriation accounts and into that of the CIO.

So it is very difficult in some cases on a dollar-for-dollar basis trying to compare 2005 to 2006 and 2007.

MR. BOOZMAN. With the additional 46 FTE, how many direct service folks are going to come out of that number?

MR. AUMENT. The -- take a look at my --

MR. BOOZMAN. Educational Service folks.

MR. AUMENT. I believe we have, for 2007, we have I believe 34 FT.

MR. BOOZMAN. We have been joined by Mr. Evans, the Ranking Member on the full Committee.

And do you have anything that you would like to open with, Mr. Evans.

MR. EVANS. I just wanted to defer to your judgment on the record and look forward to working with you on these matters that we have been working hard to obtain. We want to make sure we give the best possible to our veterans, again, within the budget. And I just yield back my time with it being a complete record, if that can be put in place in the record, we appreciate it.

MR. BOOZMAN. Without objection. And we appreciate having you here. We appreciate your hard work on behalf of veterans. Do you all have any questions about this particular slide?

Okay.

MR. AUMENT. Move on to the next slide. Discuss briefly the workload we estimate in the upcoming budget year for the Education Pro-

gram.

As you can see, first of all, there have been some very, very heavy increases in workload that took place between the years 2000 and 2005. We believe that, in part, that reflects the improvements in the benefits program for the education program. The increases recently in the Montgomery GI bill program that took place a couple of years ago, we believe, are largely responsible for the increase in workload.

Going into the budget year 2007, we do not foresee the same level of increase that we have experienced in years past because we do believe that there is some leveling of that change that went along with the benefits improvements. Nonetheless, as we continue to have more service members making the transition from military to civilian status, we continue to see high usage of the educational benefits.

We also expect to see a growing use of the new chapter 1607 benefit that we applaud. We believe that this is a vast improvement in the benefits that are made available to guardsmen and reservists, really reflecting the different role that they have been asked to play in support of our nation.

Again, we do expect to see additional workload increases associated with that program.

MS. HERSETH. If I might interject here because I was going to ask if the VA had a position about the effectiveness for the new benefit for the guardsmen and reservists, under chapter 1607. And it sounds to me that you feel that it is a good program as it's been implemented thus far, very effective in meeting some of the unique needs.

Can you tell me, of the pending education claims of, I believe, just over 100,000, do you know how many come under chapter 1607?

MR. AUMENT. We believe that we probably have around 12,000 of those claims pending. It was really only in December of 2005 that we actually completed the arrangements necessary with DOD to allow us to begin making payments under chapter 1607 and we actually began making some payments very late in the month, in December, and we have been making them strictly on a manual basis while we have been waiting to stand up our automated payment system.

That will be installed this weekend, this coming weekend, and it is our expectation that we should quickly work through the backlog of those claims. And Dennis tells me 3 to 4 weeks; I am confident we can do it in 2 to 3 weeks.

MS. HERSETH. I am pleased to hear that. And so just one more question to interject as it relates to this slide. You may not have been finished with the summary of what you wanted to provide in testimony, which we certainly want you to go back to. But in addition to the increases in the FTEs, and I am glad that your response to Chairman Boozman's question about Admiral Cooper's testimony and how the increases in the FTEs in certain areas hopefully won't be juggled in a way that minimizes what we hope to accomplish with

that increase, both in the Education Service and within VR&E, but do you have, in addition to the increase in the FTEs as well as the automated payment system for the new program and perhaps improvements in the payments made to other Education Service programs, what else, what is the rest of the strategy to deal with the pending claims that are -- are there any other aspects to that strategy you could describe to us today?

MR. AUMENT. We believe certainly the quickest way to actually tackle the backlog, the existing backlog, is through employment, by adding new staffing resources to the program. Within the Education Program, we believe that, as distinguished from the compensation pension business line, we can typically make a new hire productive in a 6 to 9 month time frame, so that new staffing, resources come into this program, have really measurable effect relatively quickly in comparison to the compensation and pension business line.

For some more midterm initiatives, technology -- typically is a longer-term solution and takes some time to actually bring from concept to fielding and actual application in production.

But in the meantime, you will note that our budget contains an employee certification initiative that we plan to apply to the Education Program. We think that this can help ensure a certain level of professionalism among our workforce and, in addition, our commitment to invest in training and training tools in support of the educational program.

MR. BOOZMAN. On the slide, increases as a result of enhanced outreach, what would be an example of that? Just out of curiosity, what are we doing in that regard?

MR. AUMENT. Largely, it is. I will turn to Dennis. There are a couple of strategies for outreach. There is a direct-contact strategy where these are included in many of the transitional type briefings that we provide to transitioning service members.

Last year, we conducted nearly 8,200 separate briefings and briefed over 325,000 transitioning service members, including members of the Guard and Reserve. And Dennis, step in here. But we also have some direct mailings that are provided to transitioning service members both before they leave the service and shortly after departing the service as well.

MR. DOUGLASS. Yes, sir. About 12 months after an individual comes on active duty, they actually receive the first of a series of mailings from VA in partnership with DOD through the Defense Manpower Data Center. It basically is an introduction to the Montgomery GI bill, which the service member has agreed to participate in by having his pay reduced. At the 24-month stage, we also send another mailing again merely reminding him or her that they have an important benefit that can be used, strictly speaking can be used at that 24-month stage while they are still on active duty. They tend not to hap-

pen that way of course. It tends to wait until they are released from service. Then again, about 6 to 9 months before they are scheduled to separate -- we have another mailing of a more detailed brochure. It gives them a lot more information on eligibility requirements, things they need to know to be prepared for that transitioning period.

We know that many of them will not seek education right away, but we want that information to be in their hands as they transition so that they can make those important decisions.

After separation, about 90 days to 6 months afterwards, they get another mailout with veteran status that basically reiterates all of those things that we have said up to that point.

MR. BOOZMAN. Very good. Thank you.

Ms. Brown-Waite has joined us. Do you have an opening statement or anything you would like to --

MS. BROWN-WAITE. Mr. Chairman first of all, I want to thank you for holding this Committee hearing today, and it is very timely. As you know, I have the most number of veterans of any member of Congress, and I like to believe that they moved into the district because I fight so hard for veterans and for their needs.

We have great opportunity here with thousands of soldiers returning from Iraq. And I just got back from a visit to Iraq last week, Iraq and Afghanistan, where the members of the military are returning back from and also other parts of the world.

And so, I believe that it is essential that Congress assist them in making the transition from the front lines to the home front.

There is no doubt that the VA will see a surge in the number of individuals seeking assistance in education, vocational rehabilitation and home loans. Given this increased workload, I believe it is essential that we need to continue to direct funds and resources to the area of need while we are also bringing greater efficiency and better use of our resources.

I look forward to hearing the information today. And I apologize for being late. I had some folks visiting from Florida.

Once again, I certainly want to thank the Secretary for being here today and look forward to the continuation of the comments. I do have a question later, but I think I will let you go through some of the rest of the presentation.

MR. BOOZMAN. Very good. Thank you.

Again, the way that we are doing this is, as the slides come up, if you have a question at that time, feel free to -- this is going to be very informal from that respect and a little bit different from perhaps how we normally do our hearings. So Mr. Aument --

MR. AUMENT. May I move on to the next slide, Mr. Chairman?

This will briefly provide you some of the performance statistics that we consider the most critical for the educational program.

The average days to complete original claims for 2005 was 33 days.

We predict this going down, estimate it going down by the end of 2006 to an average of 27 days, and with the resources requested in the 2007 budget, we believe we can bring that down to 25 days.

Currently, we are running at around 39 days this year-to-date. The Educational Program is a cyclical program that typically sees spikes in the timeliness based upon the peak periods of educational enrollment. But we believe that, as we bring more staff on, make those staff more productive, we will be able to bring that down to an average of 27 days by the end of the year.

For our supplemental claims that we ended the year 2005 at an average of 19 days. We expect to be able to bring that down to 13 days in 2006 and to 12 days in 2007.

MR. BOOZMAN. I am sorry. Now, on the chart, we have targets. I am not sure if you answered this or not, but what are the, for real, the current performance?

MR. AUMENT. I think I mentioned that as of the end of January, the original claim timeliness was running at 39 days.

MR. BOOZMAN. 39 days?

MR. AUMENT. Yes.

Dennis, how about supplementals?

MR. DOUGLASS. 21.9 days for supplemental claims through the end of the month of January.

MR. AUMENT. As we have mentioned, that is clearly not what we are hoping for but we do have an annual cycle in the educational claims processing, and typically this is the high point of the year.

MR. BOOZMAN. How would that compare to a year ago with the -- not the target, but the actual -- what was going on a year ago? I am just trying to figure out if we are moving in the right direction.

MR. AUMENT. 36.6 a year ago; 19.8 for supplementals.

MR. BOOZMAN. And what would you say, again, you mentioned the outreach efforts, which I think are great; you know, all of the things that you are doing to try and get people aware of their benefits. That is so important. But how would we compare -- what is the usage now compared to a year ago? Do we have any figures along that line?

MR. AUMENT. Let me clarify the question. You would say the usage figures through educational benefit or our outreach figures?

MR. BOOZMAN. Well, again, it looks like we have lost a few days. What I am trying to do is figure out, is that due to the fact that we have more people trying to access the benefit now than we did a year ago?

MR. DOUGLASS. Through the end of the first quarter, we are about on pace with where we were at the end of the first quarter last year.

I think the reason that we are seeing the slight bump up in timeliness is because, during October, November and December, not only is that generally our highest point, but with the additional staff that we got last year, we worked down some of the older cases. Those older

cases will be reflected in a higher average processing time, until they are worked through the system.

I believe we'll see significant declines, improvements in the timeliness through the rest of the year, because we moved a large number of those older cases out of the system.

MS. HERSETH. So the next peak period is going to be June, July, August, getting ready for September enrollment.

MR. DOUGLASS. Actually, we will probably see a very small spike in the April-May time frame for spring and summer enrollments, and then it will be very small. And then in the fall, September-October, we will see another peak period.

I would expect that peak, however, not to be as daunting as the last fall enrollment was because we will have had more staff and more proficient staff by that point in time.

MR. AUMENT. If I could add. Much of last year, 2005, we were having a hiring freeze in most of our major programs.

In 2006, we are having, it has turned out, with the help of the Congress and of the department, a much better year than we were predicting this time last year.

And as such, we really had pretty tight hiring controls throughout the year, and it was really not until the summer that we gave the education service license to go out and hire.

Now, with the additional resources this year, we have increased their staffing levels yet again, and probably more importantly for the directors at our regional processing offices, we have given them a ceiling that they can continue to hire against so that, as opposed to waiting for permission from headquarters to go out and hire, they have been given authority to maintain constant staffing levels throughout the year. So, as they have people coming off the rolls, they can quickly backfill those individuals.

MS. HERSETH. I appreciate the kind of recapping where we were last year at this time because I remember specifically stating the concern to Admiral Cooper because we had this new program for Guard and Reserves, and there was a reduction in FTEs at this time last year that was proposed, and we expressed concern about that. So I do hope that Mr. Douglass and Mr. Aument, that the trend of the numbers at this stage is reflected in part because of the older cases that we are working down, but perhaps you could provide to the Subcommittee a comparison from last year to this year in that April and May time frame as well as the other spike that we anticipate seeing in the fall just to give us a little bit of assurance there.

MR. AUMENT. We will be happy to do that.

[The information is found on p. 91.]

MS. HERSETH. Thanks.

MR. BOOZMAN. Ms. Brown-Waite.

MS. BROWN-WAITE. Thank you, Mr. Chairman. I do have a question for the Secretary. Back in, I think it was November there was an article in the Miami Herald about the backlog of those some 8,000 who have applied for the new funding under chapter 1607, and I also had a constituent contact me.

Where are you in working on that number of backlogged applications? I actually had a constituent who virtually was at the edge of bankruptcy because he had proceeded, enrolled in college and just obviously did not have that money.

Where are you in working on that backlog? And you may have already covered it, and I apologize if you did.

MR. AUMENT. I would be happy to clarify that, Congresswoman. It was not until mid-December that we actually were in a position where we could legally make any payments whatsoever. On December 15th, we signed the memorandum of understanding with the Department of Defense that actually positioned us to begin making some payments on this new benefit.

By the end of the month of December, we had made some payments. We are making payments strictly on a manual basis while we have been waiting to stand up the automated payment system needed to process those claims on a routine basis.

As of today, we have around 12,000 chapter 1607 payments that are pending. We have made payments on something under a thousand. Over this weekend, we have a scheduled system install that will allow us to bring up a new payment system for chapter 1607 payments. And we expect to be able to work down the backlog in its entirety in three to four weeks.

MS. BROWN-WAITE. If I may follow up, have you been in touch with the veterans to let them know what the problem is, or has it just been if they contact you?

MR. AUMENT. It has largely been if they would contact us. As far as the individual veterans, the 12,000 veterans we have not been doing any targeted outreach that I am aware of.

MS. BROWN-WAITE. Can you turn your microphone on?

MR. DOUGLASS. I am sorry. Thank you.

When the reservists filed their first claims with VA, we made an initial contact with them basically to let them know that, number one, we had their claim; number two, that we were awaiting some of the legal issues that Mr. Aument mentioned; and three, as soon as those things were cleared, we would begin making the payments.

We did not contact them routinely after that unless they contacted us.

MS. BROWN-WAITE. Thank you. And will you report back to the Committee on that, when this weekend is over, so that we know people are being taken care of properly? Mr. Chairman, if you would indulge me, I think that would be very appropriate. Every one of,

every member of Congress has people in that cachement group who are concerned.

MR. AUMENT. We will be happy to do that.

[The information is found on p. 92.]

May I move on to the next slide?

MR. BOOZMAN. Yes, sir.

MR. AUMENT. Education initiatives. I believe I had already mentioned the first initiative, the skills certification. This was an initiative that we began in the compensation and pension business line that we believe is very, very important and that will help us ensure a certain level of professionalism. We believe the staff needs to have some sort of confidence that they have attained this level of professionalism.

We are going to be investing in the educational program for skills certification for the staff who process claims and staff within the educational business line in the 2007 budget.

The second initiative is one that I regret that I am not able to provide greater information that you had requested. The information technology initiative that we call TEES began as the Education Expert System. This is an umbrella program that currently we have funding for in 2006 and 2007 to take on a limited component of the overall program as it has been envisioned.

As fully envisioned, we would be incorporating more rules-based processing into the educational program that we believe holds great potential for efficiencies.

Not only efficiencies, but, you know, qualitative improvements in the form of accuracy of payments, as well.

There are three applications within the education business line that we have funding to proceed with for years 2006 and 2007.

And the, you know, the program as currently envisioned would include fielding each of those three applications before the end of fiscal year 2007.

I could state two other initiatives in the information technology area that we are looking at for the education program. I believe that Chairman Buyer in the full Committee hearing was talking about issues for funding for code conversion. Our departmental CIO is very interested in this program. And this would give initiative to expedite or exit off of some of the department legacy systems into a more modern corporate processing environment.

Ideally, that ideally would position us to make quicker improvements to the programs supporting applications and by positioning us in a more modern information technology environment.

We are looking at a proof-of-concept program that we would be like to be able to undertake this year that, if successful, would provide us for a pathway to apply to those systems that remain on our legacy

-- on the legacy systems, the benefits delivery network that you may have heard of, the BDN network.

The program that has the largest number of programs that continue to reside in that environment without an exit strategy is our education programs.

If the code conversion, proof of concept proves successful, we are very optimistic that it will help expedite our exit strategy from the legacy systems.

The other component that we are looking at this year is what we call TIMS, which is the image management system that supports the educational programs.

Currently, the infrastructure issue for TIMS is that there are separate imaging systems and databases that are in place at each of our four regional processing offices. The investment that we are looking at in this current year would help move those into a single database that would enable us to move work around more freely among our regional processing offices so that as any type of regional backlog would develop, we would be able to redistribute some of the workload and balance the workload amongst those four offices.

MR. BOOZMAN. Very good. Before we move out of the education, the partnership for veterans, Ed has proposed the total force GI bill concept which Chairman Buyer and I think all of the Committee is very interested in looking at.

I guess, you know, have you all looked at the proposal and had any discussions with DOD in regard to that, the concept, and I guess, what we would like to know are, besides funding, what other big issues do you see kind of lurking out in that regard?

MR. AUMENT. Yes. As you are aware, the proposal first originated from within the Secretary's Advisory Committee on Education. And so we have looked at that. We have actually taken this proposal to the Joint Executive Council that forms the deliberating body between the Department of Veterans' Affairs and Department of Defense. We have had some presentations before that body. And they have taken it on as a work group to try and help develop the concept. There are going to be a lot of challenging issues to it in addition to the funding. And I am going to ask Dennis to expand upon those somewhat. Probably the challenge that is one of the more formidable challenges to this, is the fact that it envisions all of the applicable law being moved into Title 38.

As you are aware, some of the programs today are in Title 10 under the jurisdiction of the Department of Defense, so that those proposals some will have legislative challenges towards actually effecting that.

But there are also other types of challenges, too, and we are trying to normalize some of those programs where the chapter 30 involves a service member's contribution, whereas the other programs do not involve contributions from the reservists. So you have to figure out

some of the steps that would be used to try and bring those into conformity as we move forward.

We do believe that it is very promising and are pursuing this in all sincerity.

But, Dennis, maybe you could speak to some of the other challenges involved there.

MR. DOUGLASS. Thank you. I believe the working group is in their early deliberations, and they have met five times since the middle of October and in fact are scheduled to meet again next week, next Thursday.

But probably the single most daunting challenge is the question, can three separate programs with three distinct purposes serving three often separate but sometimes similar populations be seamlessly melded into a single program? And that has probably been the single largest challenge for the group to work on.

Another one, and probably related somewhat to that, is should a single program offer all of the best features of any one of those other programs?

And I will give you one example.

Several years ago, I guess about 3 years ago, Congress enacted what we call buy up, where a service member has an opportunity to actually increase his pay reduction by up to $600 and, in return, get up to $150 a month added on to his basic benefit. Now that is only available under the Montgomery GI bill active duty program, and so you raise the question, should that be in a single program that serves all of those constituencies?

Those are really the two largest issues. And we have talked about other smaller issues. But those seem to be the two, the two biggest ones, other than, where is the funding coming from, and what will a program like this actually cost?

And we haven't even gotten into those cost estimates yet.

MR. AUMENT. Can we move on to the VR&E program?

MR. BOOZMAN. Yes, sir.

MR. AUMENT. I would like to touch on some of the program highlights as we have done with education.

As you can see, the total obligations are predicted to rise from the 2005 actuals of $133.5 million to $138.8 in 2006 and $149.3 in 2007.

We are also anticipating some significant staffing increases, particularly in 2007, when the overall staffing level is going to be rising by around 130 FTE, between both direct and indirect staffing.

The positions that we envision will be added during 2007 fall into three separate categories. The largest number of them we expect will be in the new employment counselor position, that is associated with the new five-track model to employment.

The second most prevalent category would be in counselors. And lastly, we would be adding additional contract specialists to manage

the administrative contract work of the VR&E program.

During 2005, this program expended quite a bit on contract dollars. We spent over $26 million in 2005 on various contracts.

In some cases most of those are services, of course, and we employ a number of contract counselors. Some of our offices utilize that authority more than others.

But then there are also additional support services that we purchase that support the vocational rehabilitation programs of the individual enrollees.

MR. BOOZMAN. How many rehab counselors do you think would be hired out of the 130 FTE?

MR. AUMENT. We would probably be able to give you a better number as we approach the execution cycle. As we said before, the largest number of FTE we envision in this hire would be in the employment counselor position. And that, again, is in support of the five-track model.

Next slide. Workload.

We are predicting in 2005 a two and three quarter percent increase in the workload to just over 100,000 participants. And we are predicting another 2.5 percent increase in 2007 bringing the total to over 102,000 participants. I believe it almost goes without saying that one of the factors driving the workload is outreach. As you are aware, we have individuals stationed at each of the MTFs where most of the more seriously injured returning service members first go for treatment. We believe that outreach has been very successful in drawing new individuals into the program.

For those of you who watched "60 Minutes" over the weekend, there were two very compelling stories of two young women. There was one with traumatic brain injury out of the State of Ohio whose aspirations are to become a social worker. And the other was an amputee who lost one leg at the hip who hopes to become involved with prosthetics, enter into that entire business line.

I am pleased to say that both of those individuals are participating in VR&E program. And it really makes me feel good to be able to have programs to help those types of individuals.

Of course, that brings us to the issue that we do have more seriously injured veterans because of the actions going on today in the war against terrorism. So that is contributing to the expected workload increase in the VR&E program.

MS. HERSETH. If I might, at this point, I did see the 60 Minute segment. I was very heartened by it, of course, and even asked a member of my staff to get a hold of Jessica, who is the young woman who suffered from the traumatic brain injury, because we have a National Guardsman who is receiving care in the same facility that she did in Minneapolis. And I want to follow up with her on -- I think she was given a 2 percent chance. And she was one of the most articulate

individuals I have seen interviewed for a long time.

And, I do have a question though about the follow-up. I am glad to know that there is this clear attempt to reach early, those veterans who are severely disabled in their service.

And I don't know if you have examples from the folks that were interviewed in that segment, but what is the follow-up once they are back in their communities, back with their families? Especially in my part of the world, how are we getting to some of the folks that may be in more rural, more sparsely populated areas where the difficulty of travel or at least the infrequency of travel to say Sioux Falls, South Dakota, or Minneapolis, Minnesota, poses a particular challenge?

MR. AUMENT. Well, that is a very good question. I would like to ask Judy Caden in a moment to follow up on that, but I do know that once we have initiated the seamless transition initiative and we are making a better organizational effort, making sure that we have both the VBA and VHA staff stationed at the major MTFs. Admiral Cooper made a very strong statement to all of our regional office directors that it is our goal to try and track these most seriously injured service members as they leave the major MTFs and make a transition to their communities, and we are making every effort to try and follow those individuals into the community. And Admiral Cooper has charged each of our regional office directors that, when we become aware that one of these seriously injured service members is now returning back to their community, our regional office directors are expected to call them immediately. Because we realize that not all of these individuals are actually ready for VR&E services while they are at these facilities, and people need some time to come to grips with the change in their lives.

And so it is our expectation that we do retain that type of contact, whether it is in an urban or in a rural environment.

Judy, maybe you can add to that.

MS. CADEN. I will add one thing to that part of it. We did put a requirement that, when contact is made with a potential VR&E participant, if they don't express interest in the program at that time, because they are still going through their medical rehab and they are not ready, that within a year we have required the regional offices to go back again to the person. At that point, they are at home; hopefully they have made it through the medical part of their rehab or it is not as intense, and we again talk to them about the VR&E program and try and draw them into it.

We also, you know, have VR&E staff at the 57 regional offices. And we have about 120 outbase sites also because we do require face-to-face contact with the veteran. And we also use a lot of contract counselors which would help us in the rural areas especially.

MS. HERSETH. I appreciate the information. Just one suggestion, and perhaps it is being done at some of the regional offices, if there is

that requirement for additional contact within the year, to certainly try to bring in some of those service members who have participated, have decided to participate in the VR&E program to make more sort of a peer-to-peer contact about the benefits of the program.

Ms. Caden. We will look at that. Thank you.

Ms. Herseth. Thank you.

Mr. Boozman. I just have another question that is related to the workload. When you look at the San Diego office, as far as determining entitlement benefits, the range there is 18 days in San Diego; 25 in Pittsburgh; 183 days in the Washington regional office. Are we -- I guess the data seems to indicate that perhaps the resources aren't being spread, you know, evenly to kind of balance that out.

The IB suggests giving the VBA program directors line authority over VA field office directors. I would like to know, what do you think about that? When we see those discrepancies, you kind of wonder what the deal is, and you know, what is the solution to the problem?

Mr. Aument. First of all, sometimes the numbers don't really tell the whole story just on face value. The Washington regional office, for example, I believe is an exception. As you may be aware, one of the missions of the Washington regional office had always been to process all of VBA's foreign work, and that applied to compensation and pension claims as well as VR& E claims.

Since then we have moved the compensation and pension workload. That workload has been reassigned out of the Washington Regional Office to our Pittsburgh Regional Office. But they still retain responsibility for managing all of the VR&E foreign work out of the Washington office. And that poses a lot of unusual challenges. So I don't know that the Washington Regional Office is probably the best example when we're trying to make those one to one comparisons on a performance basis.

Mr. Boozman. Lincoln, Nebraska, is 144 days.

Mr. Aument. Going on to say, we do realize that there are some disparities in staffing. VR&E, as I mentioned earlier, that the education workload had been challenged over the past year, too, with some hiring ceilings. I don't agree that the solution to this is having sort of a stovepipe arrangement from the program office down to the field. Our VR&E program director, as does the education program director and loan guaranty director, have considerable input into staffing issues and staffing decisions, but I do believe that there is a real benefit in having a local director to be held accountable for the success of the program. I believe that by having that type of a stovepipe arrangement where you have five separate stovepipes going out to the field creates a situation where you have got a director who is sort of a building manager that has little or no accountability for the success of those programs and has no ability to make any type of local decisions based upon local workload requirements and local conditions.

So I do believe that the model we have today where we have an operations component with considerable input coming in from the immediate programs and with the programs focusing on policy and procedures is the model that we believe is the best model.

MR. BOOZMAN. Thank you. We can go ahead.

MR. AUMENT. VR&E performance, we have some discussion on the later slide on the rehabilitation rate, but this is one of the key performance measures for this program.

One of the things I am going to ask Ms. Caden to discuss -- and you will see we take a jump-up in our targets for 2006 and 2007; we have got some adjustment there to the baseline that we are measuring from and, in the interest of full disclosure, we will talk about that so that there is no confusion about what the numbers actually represent.

But, again, we have been seeing more people rehabilitated through the program, we are seeing more veterans that are entering into independent living status, so I will ask Judy to talk about that in further detail.

We are taking a look at the speed of entitlement decisions. Again, we are predicting improvement both in 2006 and in 2007 in this area, as we are expecting and predicting improvement in the accuracy of our decision-making.

MS. CADEN. First, let me address the rehabilitation rate.

We have redone the formula for how we are going to calculate the rehab rate, and we have added into the calculation something called the maximum rehabilitation gains. These are categories of veterans that have been participating in the VR&E program, but for several reasons have discontinued their participation.

Many times they will accept an employment position that the counselor did not believe was consistent with their disability limitations, but through the work we have done with them, through the training they have gotten, some of the job services, they have accepted a position and they are happy with it and they have dropped out of the program.

There is another category of those who are employable, but they have, for whatever reason, informed us that they are not going to seek employment. Things change in their personal life and employment no longer is their goal at that time and so they discontinue the program.

And then there are others who have worked through the program, they are not employed, and they are really not employable but are in independent living programs. And they may not finish the program, and usually that is because their medical disabilities interfere and for physical reasons they no longer participate in our program, but we have contributed to increasing their independent living.

So what we have done with those three categories is neutralize

them, if you will, from the calculation. We are not going to take the hit as a discontinue, we are not going to take the credit as a full rehabilitation achieved, but we will neutralize them; and that has caused the rate to jump to the current 69 percent. We just think that is a more fair view of the work that is being done.

MR. AUMENT. Retrospectively, if we were to apply that same formulation to 2005, just for an apples-to-apples comparison, you would have seen -- the rehabilitation rate would have been 68.6 percent.

This provides some of the timeliness statistics as well as to give you an idea of the order of magnitude of the program participation.

First of all, let me state that what you are seeing here is a snapshot in time that is giving you the views of the status as of February the 1st of this year, and that applies both to the average days that have been in that status as well as the number of veterans and service persons in those various areas.

Are there any questions on that?

This is something I know that there has been great interest amongst the Congress in our status in implementing the VR&E task force recommendations. First of all, we have actually completed over half of the recommendations of the VR&E task force. There will be a few of those that at this point, we would not propose to implement, but we believe that we are making great progress on the remaining ones.

The recommendation that we believe probably rises to the top is the implementation of the five-track employment model. That has successfully completed, along with the jobs lab, some of the pilot aspects, and we are in the process of nationwide implementation this year. We are very pleased and we believe that this is going to have a really positive impact upon the program operations on a national level.

There is a study of veterans receiving independent living that our staff has undertaken. We are also looking at new employment coordinator positions to have national training for a particular position. In the budget request, we have nearly three-quarters of a million that has been requested for initiatives to support the program.

If we can move on to the loan guaranty program. Loan guaranty highlights. This is one of the Department's success stories. We don't always measure success by increasing resources. In this particular case, I believe that we can measure some success in the way that the program has been able to do more with less year after year. They have been making some great programmatic improvements.

I also believe that this is an area that has been a model for us to look at for successful consolidation as well as for some successful integration of technology into their operations, and they continue to make great strides in that regard.

We can take a look at staffing. As you can see, staffing for this program is relatively flat, actually with a slight decline going into each

year. We do not foresee any type of degradation of the key performance measures in the loan guaranty program through these types of adjustments.

MS. HERSETH. If I might, before you go on: So in justifying the reduction of the FTE for this program -- and you make reference, I think in your written testimony and I think you just did in terms of operational efficiencies that have been gained through information technology -- I guess my first question is, how do you know that the quality of service has remained high? And perhaps some of these other slides will show us that.

Second, could you describe in a little bit more detail the technological advances the program has implemented to leverage such efficiencies?

MR. AUMENT. I would be happy to. In fact, I am going to ask Mr. Pedigo to respond more directly to you.

But I can say right now, much of the staffing of the loan guaranty program is devoted in one form or another to oversight. And because we are so intimately involved with the commercial sector in our dealings with lenders and realtors, truly much of the staffing there is involved in overseeing the performance of those particular programs.

But, with that, I will pass it along to Mr. Pedigo.

MR. PEDIGO. Yes, Congresswoman, we have done a number of things to ensure that we have a quality control system that provides a high level of oversight over the activities that are performed in the loan guaranty program.

We have delegated a considerable amount of processing authority to the private sector. We have given lenders the authority to improve veterans' loans, we have given them the authority to make appraisal value determinations on VA's behalf, and, in order to ensure that they are properly carrying out our policies, we have several things in place.

Internally, we have a statistical quality control system that measures every aspect of the work that our own staff performs and, for the last 3 years running, the overall quality index has been very high.

We also have a lender monitoring unit, a staff of 13 auditors who go around primarily to the large
lenders and perform on-site audits to make sure that they are properly carrying out VA's policies.

And then, finally, we have what we call a systematic analysis of operations, which is required to be performed once a year by each of our nine regional loan centers. They have to comprehensively review every aspect of their operations and submit a written report to the field station director as well as to central office. Those are the main mechanisms that we have in place to make sure that the quality remains at a high level.

You also asked me to talk about some of the information technol-

ogy improvements that we have made that have enabled us to get the job done with fewer staff. We have made a concerted effort to try to provide as many self-service automated systems as we can. The first effort in this area was in 2003 when we developed an automated certificate of eligibility system which enabled a lending institution, whenever they had a veteran come in and apply for a loan, to go on the Internet, access this system and, by putting in the veteran's name, Social Security number, and date of birth, in most cases get an instantaneous certificate of eligibility. That essentially has replaced a manual system that sometimes required 2 to 3 weeks for a veteran to get a certificate of eligibility.

We also have a new automated appraisal system that does a number of things for us. Number one, it allows lending institutions to electronically order an appraisal report. Instead of having to send in paper documentation, as was previously the case, they can go on the Internet, access the system, get the appraisal ordered and, at the same time, get a case assignment number.

This system also permits the appraisal report, once it is completed by the private sector appraiser, to be electronically sent to the lending institution and to the VA, eliminating anywhere from 3 to 5 days of mail time.

Those are just some of the systems we have put in place recently.

MR. BOOZMAN. Ms. Brown-Waite.

MS. BROWN-WAITE. Thank you, Mr. Chairman.

About a year ago I had some complaints from realtors about the fact that they steer clients away from the VA loan guaranty because there was a problem with the appraisers; and now, if I understood you correctly, you are saying you allow the lenders to use their own appraisers. But don't they have to be on an approved list by you all; is that accurate?

MR. PEDIGO. Yes, that is accurate. The change that we made with the automated system does not alter the requirement that VA controls who the appraiser will be on a veteran's real estate transaction.

Lenders are now, however, able to access our automated system, and that automated system selects the appraiser based on a rotational selection process. So the lending institution has no control at all over who the appraiser will be. This is one of our oversight mechanisms.

MS. BROWN-WAITE. If I may follow up, Mr. Chairman, one of the problems has been that in some areas the, quote, "approved appraisers" are limited; and so that is why the realtors have told me that they steer people away from the VA loans.

Have you remedied that? Have you increased the list? Obviously, we want to make sure that they are not fly-by-night appraisers, but you also may need to look at the number that are available in certain areas.

MR. PEDIGO. Yes. We have taken some action in the last couple of years to address that problem.

In October of 2003 we embarked upon a 2-year marketing effort to increase the size of our appraisal roster by 40 percent, and when we completed this in October of 2005, we had accomplished our goal. So we now have roughly 1,600 more appraisers on our roster than we did back in October of 2003. So we believe that we have substantially addressed the problem where, in some areas, there were not sufficient appraisers.

That doesn't mean that there aren't pockets where we still need some appraisers, and so we have directed our regional loan centers to continue seeking out new appraisers who would be interested in doing veterans' appraisals.

MS. BROWN-WAITE. Mr. Chairman, I want to thank the gentleman for taking the initiative to increase the number of appraisers, but I believe I am still told that there are areas where there is a shortfall; and I think you need to work toward that. Because I will tell you, I think veterans need to take advantage of this opportunity, especially now that we have increased the loan amount to be more reflective of real market values out there. And continuing to make sure that you have a good geographic representation -- not that a bank will give you a 30-day loan commitment, but if you can't get an appraiser who is approved by the VA, that is why there has been a reluctance to use this great program out there.

And I just simply commend you for taking this initiative and encourage you to continue to look at areas where there is a shortfall.

MR. PEDIGO. We will definitely do that, Congresswoman.

MS. BROWN-WAITE. Thank you, Mr. Chairman. Yield back.

MR. BOOZMAN. Can you all comment on the cost of the Ocwen contract, and I guess there was some concern about them outsourcing, off-shoring their cost center.

MR. AUMENT. Let me start off, and I will pass along to my colleague Mr. Pedigo.

The Ocwen contract for property management, the outsourcing of that operation has certainly been a challenge to our organization, and I believe that we are seeing improvements in the business relationship that we have had with Ocwen. Admiral Cooper and I are very pleased with the way Mr. Pedigo has managed that. He has been holding their feet to the fire where we have been seeing any sorts of performance shortcomings on Ocwen's part, and I think there has been some fairly skillful contracting at work there that has the ability to impose penalties where we are not seeing performance, and we commend him for the business practices that are employed there.

As far as the offshore thing, there is a little notoriety that was gained there on this offshore component. It is true that Ocwen, we understand, does have some back office functions where they employ

services from India. We understand they are largely in the accounting area.

But as far as the call center goes, let me make it clear that no veteran is going to be placing a call that is referred to any offshore call center. This is largely within the industry. And I will defer to Mr. Pedigo on that issue, too, but I do believe that there should be no mistaking that no veterans' calls are being directed for any purpose to any offshore call center.

MR. PEDIGO. I would just expand a little bit on the cost issues.

As Mr. Aument said, we do have a pretty aggressive oversight program in place. We set up a unit that is located in Nashville, Tennessee, where we have 19 auditors whose only job is to monitor the contract that we have with Ocwen Loan Servicing, and they review every payment voucher that is submitted by Ocwen. And there are thousands that are submitted each month.

They also do field inspections of properties that Ocwen's property managers have inspected for us to make sure that they are doing adequate inspections. They also conduct quarterly audits of the Ocwen financial records to make sure that Ocwen is dealing with us in an even-handed manner.

We do believe that we have a very good feel for how they are operating. At the present time we are in the process of trying to put pressure on them to improve in certain areas that we are not totally satisfied with, and we will continue to do that as we move forward.

MR. BOOZMAN. You mentioned -- and, again, this is kind of off a little bit, but you mentioned the fact that through contracting and things, you are trying to hold their feet to the fire. And I am not suggesting that they have done anything wrong. We do have instances where people do things wrong in just the size and scope of the agency.

Do we need to -- do you feel like there is sufficient law in place to give you the tools that you need in dealing -- and again, this doesn't have anything to do with them, but when you run into situations, do you have all the tools in the toolbox that you need to deal with people that you are having a tough time with or people that blatantly aren't doing what they are supposed to do?

MR. AUMENT. I believe that we do. I believe that there has been some skillful contracting involved in establishing the Ocwen contract on that, and I believe that there are plenty of tools there, and arrows in our quiver, I believe, to deal with this. Which is not to say that we have not learned how the contracting in another iteration can be strengthened, because this was all rather novel to us. We had gone into this for the first time, so I think we found areas where we can have even tighter contracting in the future. But I believe the current repertoire of tools and remedies is probably adequate for our needs.

Keith.

MR. PEDIGO. I would agree with that.

MR. BOOZMAN. Thank you.

Go ahead.

MR. AUMENT. Over 150,000 loans guaranteed in 2005, let me reiterate that this was something that was a little bit of an eye-opener to me when joining the Veterans Benefits Administration. And, really, the real workload of our loan guaranty office, it is difficult to measure in the number of loans that are guaranteed because that actually is something that is largely conducted within the private sector, so that is probably not the best measure of workload for us.

Our workload is really more in the oversight area, and the more direct services aspects of our workload consists of the staff that are out there helping veterans who eventually find themselves in loan situations that potentially are going badly. I believe that the direct services aspect of our work is better measured in the assistance that we provide veterans who are having financial difficulties in meeting their mortgages.

In loan volume, we are predicting an uptick in 2006 and 2007. This is somewhat based upon the economic conditions, but Mr. Pedigo believes that, while we had seen some increase in the past couple of years in some of the unusual financing type of loans, interest-only types of loans, that there are going to be more and more veterans in the future who are going to be looking at some of the benefits of the more conventional type of loan offered by VA.

Again, we are also looking at some of the workloads that are predicted and we have had some near-historic lows in 2005 on the loans that are actually going into default. Mr. Pedigo can go into greater detail, but as he has described to me, both VA and the industry in general tend to see that the 3 to 6-year period that follows the placement of a new loan is the area that many loans actually start to experience problems and, because we had the spike in some of our loan business that corresponded with the historic lows in interest rates, we have more of our loans that are now entering into that riskier period of time.

So it is our expectation that there could be some workload increase to be expected in 2006 and 2007 because of that.

Our loan guaranty performance factor that we have relied upon for the last several years, the so-called FATS ratio, which is the Foreclosure Avoidance Through Servicing, is a measure of the loans that we are able to help salvage and repair in making sure that we keep veterans from going fully into foreclosure.

We are predicting a little bit of a downtick in that for 2006 and 2007 for the very reason I was describing and that there is some expectation that there will be a higher percentage of loans encountering difficulties during that period of time.

Statistical quality index, I believe Mr. Pedigo addressed that earlier when he was discussing some of the oversight and quality control

measures that we have in place.

One of the things I would like to discuss before we move on to the next slide, that is sort of in anticipation of the next slide, is that we have a new system that is going to be going in place, a new initiative called the VA Loan Electronic Reporting Interface. The acronym is VALERI.

We believe that some of the new capability that sort of a system is going to allow us to move towards some new types of performance measures in future years. We don't have those just yet, but I know many of us internally have been dissatisfied with the FATS ratio as our sole measure of performance for the loan guaranty program.

The loan guaranty program employees themselves feel that way and we believe that, when this new system is in place, we will have greater options for developing what we believe are going to be very meaningful performance measures for the program, and we are very much looking forward to that.

Lastly, the one initiative that we have on the table today for the loan guaranty program is this VA Loan Electronic Reporting Interface, which is not strictly a technology initiative as much as it is a business initiative: I am going to allow Mr. Pedigo to go into greater detail on it. This is part of our overall loan application redesign process that involved some rule-making that was completed last year. This is the system that helps complement some of the changes made through the rule-making procedure.

MR. PEDIGO. We have been assisting veterans who encounter financial difficulty for many years, and this is the part of the loan guaranty program that requires the most hands-on treatment of veterans. For example, last year we made 301,000 phone calls to veterans whose loans were seriously delinquent, and during those calls we offered financial counseling. We gathered information on the veteran's financial situation, and in many cases interceded on the veteran's behalf with the lender. We set up repayment plans last year that resulted in almost 9,000 loans that were destined for foreclosure, being brought current.

We have been using the same policies and the same system for the last 8 years to administer this part of the program. Four years ago we decided it was time to take a comprehensive look at this process to see if there were ways that we could do things better, and so we embarked on a formal business process reengineering initiative that resulted in a totally new way of doing business. That new way of doing business is included in the 96-page set of regulations that we expect to finalize very shortly.

When we developed these new policies, we also decided that we needed to develop a new automated system to overlay the new policies, a system that would enable us to do a better job of serving veterans who encounter financial difficulty. That is the VALERI system

that Mr. Aument referred to.

At the present time we are working with Fidelity National Financial, which is a very large company headquartered in Jacksonville, Florida. This company has an automated system that serves over 50 percent of the private sector servicing industry; and we have asked them to take their present servicing platform, build some VA-specific interfaces, and then allow us to pay them a service fee once that system is completed, in order to utilize this system.

The system will give us the ability to get involved with a delinquent borrower's loan at the 31st day of delinquency; presently, we do not get involved until the 90th day of the delinquency. It will also permit us to move electronically the workload that we have at any one of our nine regional loan centers to another regional loan center, virtually overnight. It will give us the ability to have almost real-time access to private servicers' databases; presently, we have no access. The only information we get on how the servicer has handled a veteran's loan is when they send in a paper copy record of how they have serviced that loan.

So with this new system, we will be able to go in when we know a veteran's loan is delinquent, look at how the servicer has handled that loan, and then determine whether we need to get involved to supplement the servicing on that veteran's loan. Our expectation is that in March of 2007 we will have the finalized regulations, we will have the system ready to roll out, and we will be able to begin operating in this new and better environment.

Ms. Herseth. If I may, Mr. Chairman, just to wrap this section up. I appreciate the overview, as well as, Mr. Pedigo, what you just explained that will allow all of you to get involved earlier to again advocate on behalf of the veterans and proactively find ways to bring those loans current by getting involved much earlier in the process.

My last question just relates to the ongoing challenges we face in the Gulf region. Can you provide an update for us on VA's efforts to support the Federal Government providing housing assistance to folks in Louisiana, the whole gulf coast who may have lost their homes due to Hurricane Katrina, who may be eligible as veterans for these programs?

Mr. Aument. I will be happy to start that off and pass it along to Mr. Pedigo.

As you are probably aware, we have become involved very early in the process, when the Federal Government was trying to work its way through how we could help provide housing to displaced persons in the gulf region. We at VA were part of a group that had been formed by the White House and included FEMA and the three Federal agencies involved in housing: HUD, Department of Agriculture, and VA. We had to quickly take inventories of some of our available housing stocks, and we reported on those immediately to the groups

that were spearheading this effort.

I guess we were very sympathetic to FEMA. At this time we realize that, when we had taken a look at what type of housing we had available that was considered to be habitable housing -- that would mean that it is, ready and in move-in condition for families -- in some cases, some of the housing that we have that we actually own still have veterans or other borrowers residing in the housing under adverse possession. They have not yet been moved.

But we had probably under 1,000 single-family dwelling housing units that were available in the 11-state area that constituted the area of demarcation.

We know FEMA was confronted with the challenge of finding housing for hundreds of thousands of people while we had housing for maybe hundreds. So I think that initially they were looking at larger-scale housing solutions.

Since then, we have actually finalized a memorandum of agreement with FEMA. We had a memorandum of agreement that went back into the 1980s that we have been operating under that had really grown very stale and was not really reflective of today's conditions. That was refreshed and signed back in December.

And in the meantime, we continue to work with Ocwen, the property management contractor, to look at ways that we could make the housing available, and trying to look at some of the back-office processes and procedures that we would need to actually execute following a decision to start placing people in housing.

We are happy to be able to report that just over the past couple of weeks, I believe last week, we had signed the first lease with someone for a VA property. That was actually in the San Antonio, Texas, area where we had a 100 percent disabled female veteran that we were actually able to place in one of the VA's properties in San Antonio. In fact, we have been able to assist her with some of the minor adaptations to the housing through the program -- I believe it is the HISSA program that is managed under the VA's prosthetics program -- to provide some minor adaptations.

I was just asking Keith on the ride over here this morning about other ones. How many additional? Around 61 additional leases have been signed.

So we may be a little bit slow starting on this, but we are happy to report that we are being able to put excess housing to good use, leasing to these individuals who are in need of housing.

One of the things that we have insisted upon that was to be able to provide some level of veterans' preference here so that if you had certainly more than a single interested evacuee in any particular VA property, we would try to provide preference to any one of those who was either a veteran or had a veteran family member.

MR. BOOZMAN. Just a couple things real quickly, and then we will

get you guys out of here.

How much does the VA collect in loan guaranty funding fees? If you don't have it, you can send it over.

MR. PEDIGO. Over the last 4 full fiscal years we have collected just a bit over 2 billion. That is a billion with a "B", dollars.

MR. BOOZMAN. Very good.

One other thing, and this goes back to the voc rehab. The Legion and others have recommended training the voc rehab staff at the National Veterans Training Institute. Can you comment on that? Do you have a comment about that. Do you think that is something that would be beneficial?

MR. AUMENT. I am going to ask Ms. Caden to remark on that. We do use that as a training source for certain targeted staff members in our VR&E program.

MS. CADEN. Thank you.

We have been using NVTI, the National Veterans Training Institute, in a couple of different ways. In fact, we just completed our own training session using their facility last week for the employment coordinators and in helping us roll out the five-track training. And as Mr. Aument mentioned, we do accept employment coordinators or, in the past, employment specialists and counselors to NVTI for specific training in job placement and, also, case management. And we also, under our new memorandum of agreement with DOL, have a work group that is specifically looking at joint training and how we can make that better, using that facility.

MR. BOOZMAN. Thank you very much.

Scott, we don't want you to get out of here. One last thing: The budget shows the VA met its statutory 3 percent goal for disabled veterans on small business in fiscal year 2005. That differs from some of that data we have heard over the past several months. Can you comment on that?

MR. DENNISTON. Be happy to.

Actually, that was a typo; that was an error. Our trends, though, I am happy to report, are going upward. In 2003 we had 0.4 percent to service disabled vets -- I am sorry, that was in 2003.

In 2004, we were at 1.2; and last year, in 2005, 2.1 percent towards the 3 percent statutory goal. So we are going in the right direction.

We have what we believe is a very strategic plan, required by the executive order, and we fully expect to be able to report to you that we will make the 3 percent goal in 2006.

MR. BOOZMAN. Do you have any other things?

I want to thank the panel. I think that has been very informative and I have learned a lot.

And so, again, we really do appreciate you and appreciate you being so forthcoming, and we look forward to working with you this year to -- we have got lots of challenges, but I think the good news is,

we are moving in the right direction. So, again, thank you for your hard work.

MR. AUMENT. Thank you, Mr. Chairman, Congresswoman.

MR. BOOZMAN. Okay. Let us have our next panel, if you would.

Today, we are very pleased to have as our second panel Mr. Joe Sharpe, Deputy Director of Economics for the American Legion; and Ms. Joy Ilem, Assistant National Legislative Director, who will represent the authors of the Independent Budget.

STATEMENTS OF JOY ILEM, ASSISTANT NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS, ON BEHALF OF THE INDEPENDENT BUDGET; AND JOSEPH C. SHARPE, JR., DEPUTY DIRECTOR, NATIONAL ECONOMIC COMMISSION

MR. BOOZMAN. Welcome, and let us begin with Ms. Ilem.

STATEMENT OF JOY ILEM

MS. ILEM. Thank you, Mr. Chairman. Good afternoon to you and members of the Subcommittee.

I am pleased to appear before you on behalf of the Disabled American Veterans to comment on the recommendations of the 2007 Independent Budget and the President's proposed fiscal year 2007 budget for the programs under consideration today.

My statement highlights some of our recommendations for ways to improve education, vocational rehabilitation, home loan, and specially adapted housing grant programs. Along with recommendations, we include staffing levels, recommended staffing levels to administer the respective programs.

Education benefits provided to veterans have served them well throughout generations. History illustrates that when our veterans have educational opportunities, the entire Nation benefits. Following World War II, veterans using the GI Bill became a catalyst in the economic and social development of our country. Today's veterans carry the same potential, and we should grant them the highest level of resources possible to reward them for their service and to ensure our Nation's economic vitality.

To improve education benefits, the IB makes the following recommendations to Congress. Remove the restriction on eligibility for the Montgomery GI Bill for those who first entered the service after June 30, 1985; change the law to permit refund of an individual's Montgomery GI bill contributions when his or her discharge was characterized as general or under honorable conditions because of minor infractions; and make education benefits more equitable for National Guard and Reservists.

The vocational rehabilitation and education program is responsible for services and assistance to service-connected disabled veterans that will enable them to obtain and maintain stable, gainful employment. By helping disabled veterans help themselves, we not only serve them, we serve the Nation as a whole.

Like the Montgomery GI Bill, vocational rehabilitation and education services also have a direct impact on the country's economic and social development. To improve these benefits, the IB makes the following recommendations:

VR&E should develop plans and partnerships to enhance entrepreneurial opportunities for disabled veterans, monitor the progress of disabled veterans to ensure rehabilitation is successful;

Reduce the caseload for managers from the current 145 to 100 cases per counselor to allow closer monitoring of progress; and

Employ results-based criteria to evaluate and improve services.

Reviewing adequate staffing levels is essential to an efficient benefits delivery system that is necessary for VA to actual fill its mission. We recommend an increase of 149 FTE for education service than authorized for fiscal year 2006, for a total of 133 FTE. We recommend an increase of 250 FTE for voc rehab over last year, for a total of 1,375 FTE.

Another recommendation by the IB concerns the specially adapted housing program. Veterans who are entitled to compensation for certain permanent and total service-connected disabilities are eligible for a grant to adapt their homes for fixtures made necessary by the nature of their disabilities. The specially adapted housing program provides 50 percent of the cost of an adapted home. Veterans who have sacrificed so dearly in the name of freedom have earned any measure we can provide to make their lives as normal as possible. This program is intended for this purpose.

To improve the specially adapted housing benefits, the IB makes the following recommendations:

Congress should increase specially adapted housing grants and provide for future automatic adjustments indexed to the rise in the cost of living. Additionally, Congress should establish a grant to cover the cost of home adaptation for veterans who replace their specially adapted homes with new housing.

With regard to loan guaranty, the IB has just one recommendation: Congress should refrain from increasing home loan fees and should, as soon as possible, repeal such fees entirely.

Mr. Chairman, that concludes my statement. I am happy to answer any questions you or members of the Subcommittee may have. Thank you.

MR. BOOZMAN. Thank you.

[The statement of Ms. Ilem appears on p. 68]

MR. BOOZMAN. Mr. Sharpe.

STATEMENT OF JOSEPH C. SHARPE, JR.

MR. SHARPE. Mr. Chairman and members of the Subcommittee, we appreciate this opportunity to share the views of the American Legion on the VA's fiscal year 2007 budget request for the education, loan guaranty and the Vocational Rehabilitation and Employment programs. The mission of the VR&E program is to help qualified service-disabled veterans achieve independence in daily living and to maximize and, to the maximum extent feasible, obtain and maintain suitable employment.

The American Legion fully supports these goals. Therefore, the American Legion supports the Veterans Benefit Administration's recommendations that 149 million is needed to fund the discretionary portion of the Vocational Rehabilitation and Employment program in 2007. Additional FTE requirements, along with an expected 2.5 increased workload of veterans expected to use the program's services, thus requiring additional funding.

The veterans Home Loan Guaranty program has been in effect since 1944 and has afforded approximately 17 million veterans the opportunity to purchase homes. The home loan program has been so successful over the past few years that it is one of the only Federal programs turning a profit. Therefore, the American Legion recommends that the cost savings should be passed on to the veterans in the form of a reduction in funding fees, which can add approximately 8,000 to 13,000 for a first- or second-time buyer.

The American Legion strongly recommends that the VA funding fee on home loans be reduced or eliminated for all veterans, whether active duty, reservists or National Guard. The American Legion recommends a discretionary funding level of 127.2 million for the VA home loan program.

In the 20 years since the Montgomery GI Bill went into effect on June 30, 1985, the Nation's security has changed radically from a fixed cold war to a dynamic global war on terror. In 1991, the Active-Duty Force of the military stood at 2.1 million; today, it stands at 1.4 million. Between 1915 and 1990, the Reserve Force was involuntarily mobilized only nine times. Since 9/11 more than 480,000 members of the 860,000-member Select Reserves have been activated.

Today, approximately 40 percent of troops in Iraq are guardsmen and reservists.

As the distinctions between the active and reserve forces continues to diminish, the difference between the active and reserve forces of the GI Bill should decline accordingly. Therefore, the American Legion recommends updating the GI Bill to accept the new security realities of the open-ended global war on terror, the recruiting reten-

tion issues which arise from it, and the expanded role the Reserve Forces play in the modern era.

The American Legion supports and has a history of advocating increasing education benefits to members of our Armed Forces. The American Legion supports recommendations of the Veterans Benefit Administration for a funding level of 92.3 million to fund a discretionary program of the education program of 2007.

Mr. Chairman, this concludes my testimony. I appreciate the opportunity to present the American Legion's views on these important and timely topics.

MR. BOOZMAN. Thank you.

[The statement of Mr. Sharpe appears on p. 71]

MR. BOOZMAN. Ms. Herseth.

MS. HERSETH. Thank you, Mr. Chairman. I don't have any questions, just a couple of comments, and certainly appreciate both of you being here today and your testimony in support of the Independent Budget, the work that your organizations do that you are here to represent today on behalf of our Nation's veterans.

Just a couple of comments with regard to the housing adaptation grants. I do intend to introduce legislation in the upcoming weeks to do precisely what you have recommended as a representative of the DAV, that reflects sort of the increased amounts to make these adaptations to various homes for our veterans; and certainly we hope to get good bipartisan support for that bill.

Then, Mr. Sharpe, I do appreciate -- I like this idea of -- a number of us have commented in the past, as I did even, with making permanent a pilot program for Native American veterans and their housing, that this is an area where it is paying for itself. And so I find your idea interesting, to take that and meet the objective that Ms. Ilem mentioned of reducing these fees to veterans over time within that program.

It is also a recognition of the importance of the education programs, the timeliness and effectiveness of those benefits to our veterans as a recruitment and retention tool in our Armed Forces -- active duty as well as guard and reserve.

So thank you again very much for the work that you have put into the Independent Budget.

MR. BOOZMAN. Yes. I would like to join Ms. Herseth in again complimenting you on the great deal of work that was put into the budget. We do appreciate your testimony, and as you know, the next few days are going to be really very busy; we have got our views and estimates for the Budget Committee that we are going to have to have the next couple of days.

I think the Chairman will present his views and estimates to the full Committee at a business meeting following Thursday's hearing,

and the final document will go to the Budget Committee not later than the 23rd.

So what we have heard from you, what we have heard from the administration really is very, very helpful, so thank you for your testimony.

Let me just ask you a couple of things. We have talked about the total force GI bill. Would you explain the concept behind revamping veterans education benefits in that regard, as you see it?

MS. ILEM. I would just -- we did do a section in the Independent Budget on the GI bill and the revamping of that program, entitled Matching Education Benefits to the Service Performed, 21st Century Montgomery GI Bill; and basically it offers a three-tier approach to the program, with the first being to those similar occurring under the Montgomery GI Bill for active duty 3-year rate and addressing those folks in the active Armed Forces.

The second tier recommended would be for nonprior service, direct entry into the Select Reserves, and the benefit being more proportional to the Active-Duty rate.

Then a third tier would be for members of the Ready Reserves who are activated for at least 90 days, and they would receive -- the recommendation was that they receive 1 month of benefits for each month of activation up to a total of 36 months at the Active-Duty rate.

And the overall recommendation was just that Congress should combine all the Active-Duty and Reserve, Montgomery GI Bill programs and tier benefits according to the service performed just to make it a more equitable benefit.

MR. SHARPE. The Legion feels that, again, with the new realities, that it is a better program, and it would help retention if we did something to enhance the education benefits not only for the Reserves but also Active-Duty.

As you know, for a reservist that is activated, they are generally paid $297 months, regardless of whether they go to Iraq or not. We feel that those individuals who are on active duty, who are in Iraq and Afghanistan, who are also paying the price the same as the Active-Duty individual, that they should get some sort of increase in the educational benefit. We just think it is a fairer thing to do.

Also, with the total force bill, with everything put under one house, probably the VA, we just think it is much more efficient. Right now, it takes 2 or 3 months for an individual to get their education benefits, and as was mentioned earlier, my own reserve unit, we have individuals waiting 3 and 4 months to get their check from the VA; and of course, this causes a great deal of hardship on these individuals. They are usually young, they are usually married, they have families, and to be forced to try and pay this bill out of pocket and then wait for payment later is just not the right thing to do.

And I know the VA has been trying to augment their services with

additional FTE, trying to automate. It is still a time-consuming situation, and I think the total force GI Bill would go a long way to help reduce the current situation.

MR. BOOZMAN. Very good. Thank you.

One final thing: Would you explain the Independent Budget's position on empowering the business line directors?

MS. ILEM. Empowering the business line directors. I am sorry, I am not going to be able to answer that. I certainly can ask someone that has expertise on the subject matter to relay the question.

MR. BOOZMAN. Yes, ma'am, that will be fine. We will do that for the record then and that would be great.

Again, that is all I have got.

Have you got any other things, Ms. Herseth?

Well, thank you all again very much for your help. We certainly appreciate the input, the hard work that goes into the Independent Budget; and we thank you for your service and all that you represent.

The meeting stands adjourned.

[Whereupon, at 11:54 a.m., the Subcommittee was adjourned.]

APPENDIX

Honorable John Boozman
Of Arkansas
Remarks Regarding the President's Fiscal Year 07 Budget for
VA Vocational Rehabilitation and Employment, Education, and Loan Guaranty Programs
February 14, 2006

Good morning. The hearing will come to order.

Today, we will hear from Mr. Ron Aument, Deputy Under Secretary for Benefits regarding the President's budget proposal for VA Vocational Rehabilitation and Employment, Education, and Loan Guaranty programs. Mr. Aument is accompanied by the program directors, Ms. Judy Caden, Mr. Keith Pedigo, Mr. Dennis Douglas, and Mr. Scott Denniston from the Office of Small and Disadvantaged Business Utilization. Mr. Denniston does not work for VBA, but we have jurisdiction over veteran-owned small business and so we thought it important to have him here. We will also receive testimony from the DAV representing the Independent Budget, and the American Legion. We have asked the Vietnam Veterans of America to submit their views for the record and without objection, their submission will be made part of the record. I thank each of you for coming today.

As I said at the full committee hearing last week, I am pleased that the President has significantly increased the overall budget for VA. However, it is no secret that VBA faces serious problems in delivering timely services to its voc rehab and education beneficiaries. I note that for the week ending 28 January, the Education Service had a backlog of about 110,000 claims or about the same as last year and that processing days are up. Voc Rehab has over 6,400 in application status. Loan Guaranty seems to be chugging along.

But we absolutely must do better getting the GI Bill checks to veterans and getting the veterans through the evaluation and testing period to they can get on with their rehabilitation. I want to hear some ideas from the Department and VSOs to make these programs run smoother.

I am also concerned about the significant disparity in performance among the various Regional Offices. For example, the San Diego Regional Office takes about 18 days to determine whether a veteran is eligible for Vocational Rehabilitation. Unfortunately, the Washington Regional Office takes over 180 days. Now I know that some variation is inevitable, but a factor of 10 is totally out of line. The entire system averages about 62 days to determine entitlement, so anyway you look at it, something is wrong.

I have to believe that staffing levels play a role in this. Therefore, I request VA to provide the Subcommittee with an analysis of the disparity between the best and worst performers in making timely Voc Rehab entitlement decisions including the number of Voc Rehab staff by position for each RO. Mr. Aument, if you would, please provide us with a date when that information would be available to the Subcommittee.

I'm sure all of you know that Chairman Buyer has expressed his support for modernizing the GI Bill and I want to again state my enthusiastic support for that initiative. I look forward to working with Ms. Herseth and her staff to craft a bill that will reflect how today's military operates.

I now recognize our Ranking Member, Ms. Herseth.

Opening Statement of Ranking Member Herseth
Subcommittee on Economic Opportunity
House Committee on Veterans Affairs
February 14, 2006

Good afternoon Mr. Chairman. I am very pleased to be here today to examine the President's fiscal year 2007 budget request as it pertains to VA programs that fall within the jurisdiction of the Economic Opportunity Subcommittee.

For many years Education benefits, vocational rehabilitation services and VA home loans have been a hallmark for the types of services a grateful nation provides to the men and women who serve and sacrifice in defense of the country. These earned benefits are critical to Servicemembers, veterans and their families as they attempt to successfully transition from military service to civilian life.

I am particularly interested in hearing about the VA's efforts to, address the growing education claims workload; progress in implementing the 2003 VR&E task force report, including any special efforts to reach out to rural areas; and the Loan Guaranty Service's consolidation efforts while maintaining high quality service for veterans and thorough oversight over property management contractors.

In recent years, much progress has been made in these programs, however, I think everyone would agree that we must remain vigilant to maintain against any decline is top-quality benefits and customer service.

Mr. Chairman, I look forward to hearing from the witnesses today and I want to thank you again for holding this hearing.

Statement of Representative Ginny Brown-Waite
Veterans Affairs Subcommittee on Economic Opportunity Hearing
Oversight hearing on the VA's budget request for Fiscal Year 2007
2/14/2006
10:00 AM

Thank you Mr. Chairman.

I would like to thank Secretary Aument for testifying before the committee today.

As you may be aware, my district is home to nearly 107,000 veterans, the most of any Member of the House of Representatives. I have an extraordinary charge to advocate for policies and legislation that best care for veterans' needs.

With thousands of soldiers returning from Iraq, Afghanistan, and other parts of the world, it is essential that Congress assist them in making the transition from the frontlines to the home front. There is no doubt that the VA will see a surge in the number of individuals seeking assistance through educational, vocational, and home loan programs. Given this increased workload, it is essential that we continue to direct funds and resources to areas in need, while bringing greater efficiency and transparency to the Department of Veterans Affairs. I look forward to hearing your plans to cope with these developments.

The men and women of our armed forces have made substantial sacrifices to ensure that we can all enjoy our freedom. These individuals answered the call in our time of need; it is only fitting that we take care of them in theirs. As members of Congress, we have an obligation to ensure that this happens.

Once again, I would like to thank Secretary Aument for being here today. I look forward to hearing your thoughts and proposals on this important issue.

Opening Statement of Rep. Lane Evans
Ranking Democratic Member
House Committee on Veterans' Affairs
Subcommittee on Economic Opportunity
Fiscal Year 2007 Budget Hearing
February 14, 2006

Chairman Boozman, thank you for holding this hearing. I appreciate your efforts and leadership on this subcommittee. I also want to thank the Ranking Democratic Member of the Subcommittee, Representative Stephanie Herseth from South Dakota for her good work and great advocacy on behalf of the Nation's veterans.

I am very pleased the Subcommittee on Economic Opportunity is holding this hearing today to examine the President's budget submission for fiscal year 2007 and how it will affect the Department of Veterans Affairs (VA) Education Service, Vocational Rehabilitation and Employment program, and the Loan Guaranty Service. I want to thank the witnesses today for their testimony, and all of the VA career staff throughout these business lines who work so hard to fulfill the VA's mission: "...to care for him who shall have borne the battle and for his widow and his orphan..." VA home loans, education, training and vocational benefits, as well as self-employment assistance have provided millions of veterans and their families a means to success.

Last year marked the 20th anniversary of the implementation of the Montgomery GI Bill, a landmark piece of legislation that provided education and training benefits to many veterans. I believe 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 any necessary changes to provide servicemembers, veterans and their families relevant education and training benefits that meet their educational and vocational goals for success. I have suggested a number of options to improve and modernize the GI Bill in H.R. 2248, legislation developed and introduced by Rep. John Dingell of Michigan and myself. Additionally, I look forward to working with the full committee Chairman, Steve Buyer, the Chairman and Ranking Member of this Subcommittee, as well as other interested Members and veterans' advocates to improve and modernize the current Montgomery G.I. Bill.

Thank you again Mr. Chairman and I yield back the balance of my time.

STATEMENT OF
RONALD R. AUMENT
DEPUTY UNDER SECRETARY FOR BENEFITS
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
HOUSE COMMITTEE ON VETERANS' AFFAIRS

FEBRUARY 14, 2006

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Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss VA's 2007 budget requests for the Education, Vocational Rehabilitation and Employment (VR&E), and Loan Guaranty programs. My testimony will highlight VA's commitment to meeting the needs of our nation's veterans and key initiatives that are included in the 2007 budget requests for these three programs. I am pleased to be accompanied by Mr. Dennis Douglass, Acting Director of the Education Service, Ms. Judith Caden, Director of the Vocational Rehabilitation and Employment Service, and Mr. Keith Pedigo, Director of the Loan Guaranty Service.

We are pleased with the 2007 budget authority requests for each of these programs. The funding levels for Education and VR&E support significant increases in staffing, which will allow us to address the growing workload. Although the Loan Guaranty staffing levels will be reduced slightly, the numbers are sufficient in light of the program's continued operational improvements. VA's budget will allow these three programs to improve overall performance and fulfill our mission to help veterans receive the benefits they deserve.

Education

VBA's Education programs provide veterans, service members, members of the Selected Reserve, eligible survivors and eligible dependents of veterans with educational assistance, generally in the form of monthly benefits, to assist them in reaching their educational or vocational goals. These programs assist in the readjustment to civilian life, support the armed services' recruitment and retention efforts, and enhance the Nation's competitiveness through the development of a more highly educated and productive workforce. The educational opportunities are wide-ranging, from traditional degree attainment to vocational programs such as commercial flight training and on-the-job and apprenticeship training.

We are requesting $92.3 million[1] to fund the discretionary portion of the Education program in 2007. This funding level will support 930 FTE and associated expenses, and the Education portion of the VBA-wide skills certification initiative.

Workload and Resource Needs

The education claims processing workload has increased over the past several years, both in terms of the number of claims received and in the number of students using their benefits. In 2005, VA received over 1.5 million benefit claims, an increase of 5.6 percent over the prior year and an increase of 67.6

[1] Due to the new IT appropriation, 2007 budget estimates do not include non-payroll IT funding requests.

percent over 2000. The number of students rose to nearly 500,000 in 2005 from 490,000 in 2004 and 300,000 in 2000, an increase of 66.7 percent over a six year period. We expect these workload levels will be sustained in 2006 and 2007.

To handle the additional claims work, we have increased direct FTE assigned to the field. The 2007 request includes 758 direct FTE, an increase of 71 FTE since 2005 and 167 FTE since 2000. With this FTE level, we expect to increase productivity in 2007, processing close to 1.6 million benefits claims. Productivity improvements will be realized as new staff become more experienced, thus enabling them to complete claims more quickly and accurately.

The Montgomery GI Bill – Active Duty (Chapter 30 of title 38, United States Code), Survivors and Dependents' Educational Assistance (Chapter 35 of title 38, United States Code), and the net increase between the Montgomery GI Bill – Selected Reserve (Chapter 1606 of title 10, United States Code) and Reserve Educational Assistance (Chapter 1607 and title 10, United States Code) programs account for most of the increased workload. Chapter 1607 is a new education benefit being implemented in 2006 for National Guard and reserve personnel called to active service for contingency operations or a national emergency declared by the President. By the end of 2006, VA expects to pay about 40,000 individuals under this program, 13,000 of whom are expected to be new benefit claimants.

Other factors contributing to the increased workload include higher benefit rates and enhanced outreach. Educational assistance payments have increased due to legislative adjustments and annual increases based on the Consumer Price Index. For example, the MGIB - Active Duty monthly full-time training rate has risen from $650 in 2001 to $1034 today. These higher rates have served as an attractive incentive for beneficiaries to pursue an education program.

VBA continues to expand its outreach activities for military service members. In 2005, VBA conducted over 8,000 transition assistance briefings with an audience of nearly 326,000 attendees. In response to our Nation's increased reliance on members of the National Guard and reservists in the global war on terrorism, we have greatly expanded our outreach efforts to ensure we are reaching these groups. Informational brochures are readily available and targeted mailings are regularly sent to active-duty service members, members of the Selected Reserve, and veterans at key points during and after military service to enhance awareness and understanding of their education benefits.

Program Highlights

In 2007, we will continue our effort to migrate all claims processing work from the Benefits Delivery Network legacy system into the new corporate environment. The Education Expert System (TEES) initiative, which is included in VA's 2007 IT appropriation, is a claims processing system designed to receive

application and enrollment information and process that information electronically in VBA's corporate environment. This system will dramatically improve the timeliness and quality of Education claims processing. The requested FY 2007 IT funding level for TEES is $3 million.

As part of the VBA-wide skills certification initiative, the Education Service plans to develop a certification module for Education Veteran Claim Examiners (VCEs). The initiative supports the development of an instrument for testing and assuring the knowledge level of current and future VCEs. The certification tool will verify the VCE's skill level prior to promotion to the journey level grade, and identify systemic knowledge deficits through the testing process that can be used to focus training efforts. The total VBA 2007 initiative cost is $2,000,000, of which the Education portion is $600,000.

Vocational Rehabilitation and Employment

The Vocational Rehabilitation and Employment (VR&E) Program provides necessary services and assistance to enable veterans with service-connected disabilities to become employable, obtain and maintain suitable employment, and achieve independence in daily living to the maximum extent feasible.

We are requesting $149.3 million[2] to fund the discretionary portion of the VR&E program in 2007. This funding level will support 1,255 FTE and

[2] Due to the new IT appropriation, 2007 budget estimates do not include non-payroll IT funding requests.

associated expenses, and implementation of the VR&E Task Force recommendations.

Workload and Resource Needs

The VR&E workload is expected to grow at a steady pace over the next two years, increasing by 2.75 percent in 2006 to just over 100,000 program participants, and by 2.5 percent in 2007 to over 102,000 program participants. The increases in workload can be attributed to four key factors:

1) Expansion of outreach activities;
2) Increased focus on employment and the new Five-Track Employment Model;
3) Increases in the disability compensation claims workload, including seriously injured veterans from Operations Iraqi and Enduring Freedom.

VBA is committed to expanding outreach efforts for separating service members and veterans. As part of this effort, the VR&E program is working to improve the quality and increase the consistency and regularity of the Disabled Transition Assistance Program (DTAP). The goal of DTAP is to inform potentially eligible service members about VR&E benefits and facilitate their participation in the program. With greater participation by members of the Guard and Reserve forces in current conflicts, we have increased our outreach efforts to ensure they receive this vital benefit information.

As a result of an increased focus on employment and the new Five-Track Employment Model, we expect there will be a higher demand for Job Ready Services. A veteran is eligible for Job Ready Services once the veteran has acquired the skills necessary to obtain employment. At this point, veterans will work directly with an Employment Coordinator to develop or improve job seeking skills and identify employers in the local community.

Combat deployments in Afghanistan and Iraq, in addition to other deployments related to the Global War on Terrorism, will likely result in more seriously injured service members being discharged from the military. As evidenced by the increase in the disability compensation workload and beneficiaries on the rolls, we expect to see an increase in the number of individuals seeking and qualifying for VR&E benefits.

VR&E is poised to meet the additional demands of an increasing workload through implementing the VR&E Task Force recommendations as outlined in *"The Vocational Rehabilitation and Employment Program for the 21st Century Veteran."* VR&E has already implemented over half of the Task Force recommendations, and there are on-going plans to implement additional recommendations in the future.

The increased staffing in 2007 will be utilized to fully implement the Employment Coordinator position for the Job Resource Labs. We currently have four Job Resource Labs in operation where the Job Resource Lab concept was successfully piloted. Job Resource Labs will be implemented nationwide over the next year. The establishment of the Job Resource Labs will facilitate the implementation of the nationwide Five-Track Employment Model program as recommended by the Task Force.

Additional resources are also required for contracting specialists as identified in the Task Force recommendations. The establishment of more contracting specialists allows for the realignment of functions within the VR&E program to improve oversight of our contract activities and better focus case managers' efforts on working directly with veterans.

Program Highlights

In addition to the increased FTE request, VBA is requesting funding for continuing implementation of the VR&E Task Force recommendations. We are requesting $682,000 in General Operating Expenses to support this initiative. This VR&E initiative combines three Task Force recommendations into one project: 1) Five-Track Employment Model (VetSuccess.gov), 2) Study of Veterans Receiving Independent Living, and 3) Employment Coordinator Training.

The initiative allows for the continued development, customization, and deployment of VetSuccess.gov, a new information technology software application solution that facilitates the delivery of the Five-Track Employment Model. VR&E developed a strategic plan to implement the Task Force recommendations and this initiative covers the continued technical upgrades and customization of the Web-based employment resources deployed to support the Five-Track Employment Model. This portion of the initiative is funded within the new IT appropriation.

As part of this initiative, VR&E will conduct a "Study of Veterans Receiving Independent Living Services" to facilitate the comprehensive analysis of the veterans, services, and outcomes provided by the Independent Living program. Another portion of this initiative will cover continued training for the new Employment Coordinators so they may obtain skill sets required to support the Five-Track Employment Model.

Loan Guaranty Service

The Loan Guaranty Program provides a guaranty to lenders making loans to veterans to purchase homes. Other important program benefits include making direct loans to Native American veterans living on trust lands, and providing Specially Adapted Housing (SAH) grants to severely disabled veterans. Additionally, services and assistance are provided in coordination with the

Vocational Rehabilitation and Employment (VR&E) program for disabled veterans eligible for Independent Living Services and SAH benefits.

We are requesting budget authority of $127.2 million[3] to fund the discretionary portion of the Loan Guaranty Program. This funding level will support 971 FTE.

Workload and Resource Needs

In 2005, VA guaranteed over 150,000 loans totaling $22.5 billion. In each of 2006 and 2007, we estimate the loan volume will increase to 230,000 as more veterans find that guaranteed loan financing is more attractive when compared with interest-only loans and one-year adjustable rate mortgages. We also expect defaults and foreclosures will rise from the near historic lows experienced in 2005.

While our budget request includes a reduction in program FTE, 17 FTE program-wide including 12 direct FTE, we believe it provides sufficient resources to effectively manage the Loan Guaranty program. The reduced FTE level for the program reflects operational efficiencies gained from improved information technology, which increased productivity and quality of services to veterans.

[3] Due to the new IT appropriation, 2007 budget estimates do not include non-payroll IT funding requests.

Program Highlights

Like other homeowners, some veterans experience financial hardships that affect their ability to make loan payments. When this occurs, we help veterans retain their homes through supplemental loan servicing efforts. VA offers financial counseling, and may even intervene directly with the lender on behalf of the veteran to work out a repayment plan. In limited circumstances, we buy the loan from the holder and allow the veteran to make payments directly to VA. In the event of foreclosure, VA usually acquires the property from the mortgage loan holder. A private contractor then lists, manages, and sells the property on VA's behalf.

Successful interventions help veterans and save the Government substantial amounts of money by avoiding claim payments. In 2005, VA avoided claim payments totaling $175 million through supplemental servicing efforts. It should be noted that while this savings is not part of the Discretionary Budget, it exceeds the total amount requested for 2007.

While the budget request does not include funding for new initiatives, we will continue the implementation of previously funded operational improvements, such as the VA Loan Electronic Reporting Interface (VALERI). This information technology service will support a new business environment developed through an extensive internal business process reengineering initiative.

VALERI will expedite our ability to intervene on veterans' behalf when they become delinquent on their loans, and will allow us to monitor the performance of those who service VA loans. The new service will be accessible to VA employees from any location on a 24 hour, 7 days a week basis. Other significant benefits of the VALERI service include the ability to track defaults on the 31st day of delinquency (versus the 105th day); the ability to move workloads electronically overnight; paperless access to VA servicing notes and data; and an unlimited capability for oversight of servicers and VA employees. The project is scheduled for implementation in March 2007.

Mr. Chairman, this concludes my testimony. I greatly appreciate being here today and look forward to answering your questions.

Veterans Benefits Administration

Hearing on VA's 2007 Budget Request

Education, Vocational Rehabilitation and Employment, and Loan Guaranty

HVAC Subcommittee on Economic Opportunity
February 14, 2006

Review of VA Budget Request

- Education, Vocational Rehabilitation & Employment, and Loan Guaranty Programs
  - Program Highlights
  - Workload
  - Performance
  - Initiatives

Education Program Highlights

	2005 (Actual)	2006 (Current Estimate)	2007 (Estimate)
Total Obligations ($M)*	$84.1	$88.0	$92.3
• Direct FTE	687	724	758
• IT/Mgmt. FTE	165	160	172
Total FTE	**852**	**884**	**930**

*** 2005 includes non-payroll Information Technology obligations of $6.3 million. 2006 and 2007 do not include non-payroll IT funding which has been transferred to the new VA IT appropriation.**

Education Workload

- Increases in workload 2000 – 2005
  - Receipts
    - 1.5 million received in 2005
    - 5.6% increase over 2004
    - 67.6% increase over 2000
  - Students
    - 500,000 in 2005
    - 2.0% increase over 2004
    - 66.7% increase over 2000
- Increases are the result of:
  - Higher benefit rates
  - Enhanced outreach
  - New education benefit (CH 1607)

Education Performance

	2005	2006 Targets	2007 Targets
Avg. days to complete original claims	33	27	25
Avg. days to complete supplemental claims	19	13	12
MGIB Usage Rate	71%	72%	72%

Education Initiatives

- Skills Certification (VBA-Wide Initiative)
  - Development of a certification module for Education Veteran Claim Examiners (VCEs)
  - $600 thousand requested
- The Education Expert System (TEES)
  - Migration of claims processing system to corporate environment
  - On-going initiative
  - $3 million requested under IT budget request

VR&E Program Highlights

	2005 (Actual)	2006 (Current Estimate)	2007 (Estimate)
Total Obligations ($M)*	$133.5	$138.8	$149.3
▪ Direct FTE	945	956	1,063
▪ IT/Mgmt. FTE	170	169	192
Total FTE	**1,115**	**1,125**	**1,255**

*** 2005 includes non-payroll Information Technology obligations of $9.9 million. 2006 and 2007 do not include non-payroll IT funding which has been transferred to the new VA IT appropriation.**

VR&E Workload

- Increase in program participation expected
  - 2.75% in 2006 to over 100,000 participants
  - 2.5% in 2007 to over 102,000 participants
- Key factors
  - Expanded outreach to separating servicemembers
  - Increased focus on employment and Five-Track to Employment Model
  - More seriously injured veterans
  - Increases in disability compensation claims

VR&E Performance

	2005	2006 Targets	2007 Targets
Rehabilitation Rate	63%	*69%	*69%
Speed of Entitlement Decisions	62 days	58 days	56 days
Accuracy of Decisions	87%	90%	90%

*** Targets adjusted based on implementation of new rehabilitation rate formula.**

Rehabilitation Rate Formula

- The rehabilitation rate is calculated by:
  - Dividing the number of cases Rehabilitated by
  - Total number of Rehabilitations and Discontinued cases
  - The Maximum Rehabilitation Gain (MRG) is subtracted from the number of Discontinued cases prior to performing the calculation

$$\frac{\text{Rehabilitations}}{\text{Rehabilitations} + (\text{Discontinued} - \text{MRG})}$$

VR&E Case Status

Case Status	Average Days in Status	Number of Veterans/ Service Persons
Applicant Status	59	6,423
Evaluation and Planning Status	124	14,317
Independent Living Status	293	4,147
Rehabilitation to Employability Status	610	48,164
Job Ready Status	214	6,720

As of 2/1/06

VR&E Initiatives

- VR&E Task Force Recommendations
  - Five-Track Employment Model (VetSuccess.gov)
    - Portion of funding included in IT budget request
  - Study of Veterans Receiving Independent Living
  - Employment Coordinator Training
  - $682 thousand requested

Loan Guaranty Program Highlights

	2005 (Actual)	2006 (Current Estimate)	2007 (Estimate)
Total Obligations ($M)*	$148.8	$130.7	$127.2
▪ Direct FTE	773	774	762
▪ IT/Mgmt. FTE	276	214	209
Total FTE	**1,049**	**988**	**971**

*** 2005 includes non-payroll Information Technology obligations of $20.4 million. 2006 and 2007 do not include non-payroll IT funding which has been transferred to the new VA IT appropriation.**

LGY Workload

- Over 150,000 loans guaranteed in 2005
- Workload increases expected
  - Loan volume to 230,000 in 2006 and 2007
  - Increase in defaults and foreclosures
    - Near historical lows in 2005

LGY Performance

	2005	2006 Targets	2007 Targets
Foreclosure avoidance through servicing ratio (FATS)	48%	47%	47%
Statistical quality index	98%	97%	98%

LGY Initiatives

- VA Loan Electronic Reporting Interface (VALERI)
  - Leading edge information technology service that:
    - Supports reengineered business rules and
    - Significantly improves loan servicing activities
  - On-going initiative; no new funding requested
  - Implementation March 2007
- No new initiative funding requested

STATEMENT OF
JOY ILEM
ASSISTANT NATIONAL LEGISLATIVE DIRECTOR
OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
UNITED STATES HOUSE OF REPRESENTATIVES
FEBRUARY 14, 2006

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you on behalf of the Disabled American Veterans (DAV), which is one of the four member organizations of *The Independent Budget* (IB). We are grateful for the opportunity to comment on, and compare, the President's proposed fiscal year (FY) 2007 budget for the Department of Veterans Affairs (VA) Education Service, Vocational Rehabilitation and Employment (VR&E), and Loan Guaranty programs with the recommendations of the 2007 IB. As you know, the IB is a budget and policy document that sets forth the collective views of the DAV, AMVETS, the Paralyzed Veterans of America (PVA), and the Veterans of Foreign Wars of the United States (VFW). Because the Subcommittee has jurisdiction, I will also include the IB recommendations for specially adapted housing grants for severely injured veterans.

This statement highlights some of our recommendations for ways to improve education, vocational rehabilitation, home loan, and specially adapted housing grant programs. Along with recommendations, we include recommended staffing levels to administer the respective programs.

We view adequate staffing levels for the Veterans Benefits Administration (VBA) business lines as an important issue for consideration. Clearly, an efficient benefits delivery system is necessary for VA to fulfill its mission. The IB is a needs based budget. The 2007 IB recommendations builds on our 2006 IB and uses commonly accepted percentages to make staffing and inflation adjustments. We believe sufficient staffing levels for VBA are more closely reflected by the following IB recommendations regarding VBA services.

For Education Service, the President's budget seeks funding for 44 additional FTE. This recommendation would bring the total number of FTE to 930. While we appreciate the additional support, we believe the President's recommended staffing level for Education Service falls short of what is needed. As it has with its other benefit programs, VA has been striving to provide more timely and efficient service to its claimants for education benefits. Though the workload (number of applications and recurring certifications, etc...) increased by 11 percent during FY 2004 and FY 2005, direct program FTE were reduced from 708 at the end of FY 2003 to 675 at the end of FY 2005. Based on experience during FY 2004 and FY 2005, it is very conservatively estimated that the workload will increase by 5.5 percent in FY 2007. VA must

increase staffing to meet the existing and added workload, or service to veterans seeking educational benefits will decline. Based on the number of direct program FTE at the end of FY 2003 in relation to the workload at that time, VBA must increase direct program staffing in its Education Service in FY 2007 to 873, 149 more direct-program FTEs than authorized in FY 2006. In total, the IB recommends that Education Service should be provided 1,033 FTE for FY 2007.

The education benefits provided to veterans have served them well throughout generations. History illustrates that when our veterans have educational opportunities, the entire nation gains the benefits. Following WWII, veterans using the GI Bill became a catalyst in the economic and social development of our country. Today's veterans carry the same potential and we should grant them the highest level of resources possible to reward them for their service and ensure our nation's economic vitality. To improve education benefits the IB makes the following recommendations:

- Congress should remove the restriction on eligibility for the Montgomery GI Bill (MGIB) to those who first entered the service after June 30, 1985
- Congress should change the law to permit refund of an individual's MGIB contributions when his or her discharge was characterized as "general" or "under honorable conditions" because of minor infractions
- Congress should make education benefits more equitable for National Guard and Reservists

For VR&E Service, the President's budget seeks funding for 1,255 FTE. The IB recommends 1,375 FTE for this business line. VR&E's workload is expected to continue to increase primarily as a consequence of the war in Iraq and ongoing hostilities in Afghanistan. Also, given its increased reliance on contract services, VR&E needs approximately 50 additional FTE dedicated to management and oversight of contract counselors and rehabilitation and employment service providers. As a part of its strategy to enhance accountability and efficiency, the VA Vocational Rehabilitation and Employment Task Force recommended in its March 2004 report the creation of new staff positions and training for this purpose. Other new initiatives recommended by the Task Force also require an investment of personnel resources. To implement reforms to improve the effectiveness and efficiency of its programs, the Task Force recommended VA add approximately 200 new FTE positions to the VR&E workforce. The FY 2006 total of 1,125 FTEs should be increased by 250, 1,375 total FTEs.

The VR&E program is responsible for providing services and assistance to service-connected disabled veterans that will enable them to obtain and maintain stable, gainful employment. By helping disabled veterans help themselves, we not only serve them, we serve the nation as a whole. Like the MGIB, VR&E benefits can have a direct impact on the country's economic and social development. To improve VR&E benefits the IB makes the following recommendations:

- VR&E should continue efforts to improve case management techniques and use state-of-the-art information technology

- VR&E must place higher emphasis on academic training, employment services, and independent living services for severely disabled veterans
- VR&E should rewrite operational policies and procedures manuals
- VR&E should develop plans and partnerships to enhance entrepreneurial opportunities for disabled veterans
- VR&E should monitor the progress of disabled veterans for at least two years to ensure rehabilitation is successful
- VR&E should reduce the caseload for managers from the current 145 to 100 cases per counselor to allow closer monitoring of progress
- VR&E should have an employment coordinator at each VA Regional Office
- VR&E should employ a results-based criteria to evaluate and improve services
- VR&E must become an employment-driven program to successfully return disabled veterans to the workforce.

Veterans who are entitled to compensation for certain permanent and total service-connected disabilities are eligible for a grant to adapt their home with fixtures made necessary by the nature of their disabilities. The Specially Adapted Housing (SAH) program provides 50 percent of the cost of an adapted home. Veterans who sacrificed so dearly in the name of freedom have earned any measure we can provide to make their lives as normal as possible. The SAH program is intended for this purpose. To improve SAH benefits the IB makes the following recommendations:

- Congress should increase specially adapted housing grants and provide for future automatic adjustments indexed to the rise in the cost of living
- Congress should establish a grant to cover the costs of home adaptation for veterans who replace their specially adapted homes with new housing

With regard to Loan Guaranty, the IB has just one recommendation that Congress should refrain from increasing home loan fees and should, as soon as possible, repeal such fees entirely.

Closing

In preparing the IB, the four partners draw upon their extensive experience with the workings of veterans' programs, their firsthand knowledge of the needs of America's veterans, and the information gained from their continual monitoring of workloads and demands upon, as well as the performance of, the veterans' benefits system. Historically, this Committee has acted favorably on many of our recommendations to improve services to veterans and their families, and we hope you will give our recommendations full and serious consideration again this year.

EXECUTIVE SUMMARY OF
JOSEPH C. SHARPE JR., DEPUTY DIRECTOR
ECONOMIC COMMISSION
THE AMERICAN LEGION
BEFORE THE
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

FEBRUARY 14, 2006

VOCATIONAL REHABILITATION AND EMPLOYMENT SERVICE

The mission of the VR&E program is to help qualified, service-disabled veterans achieve independence in daily living and, to the maximum extent feasible, obtain and maintain suitable employment. The American Legion fully supports these goals. Therefore, The American Legion supports the Veterans' Benefit Administration recommendation that $149 million is needed to fund the discretionary portion of the Vocational Rehabilitation and Employment program in 2007. Additional FTE requirements along with an increased workload of veterans expected to use the program services requires additional funding.

THE HOME LOAN GUARANTY PROGRAM

VA'S Home Loan Guaranty program has been in effect since 1944 and has afforded approximately 17 million veterans the opportunity to purchase homes. The home loan program has been so successful, over past years that it is the only federal program turning a profit. Therefore The American Legion recommends that a cost savings should be passed on to veterans in the form of a reduction in funding fees which can add approximately $8,000 to $13,000 for a first or second time buyer. The American Legion strongly recommends that the VA funding fee on home loans be reduced or eliminated for all veterans whether active duty, reservist, or National Guard. The American Legion recommends a funding level of $27.2 million for VA Home Loan program.

VA EDUCATION PROGRAM

In the twenty years since the Montgomery GI Bill went into effect on June 30, 1985, the nation's security has changed radically from a fixed cold war to a dynamic "Global War on Terror". In 1991 the Active Duty Force (AF) of the Military stood at 2.1 million; today it stands at 1.4 million. Between 1915 and 1990 the reserve force (RF) was involuntarily mobilized only nine times. Since 9/11 more than 480,000 members of the 860,000-member Selected Reserve (SelRes) have been activated. Today approximately 40% of troops in Iraq are Guardsmen and Reservists. As the distinctions between the active and reserve forces continue to diminish, the difference between the active and reserve forces of the GI Bill should decline accordingly. Therefore, The American Legion recommends updating the GI Bill to accept the new security realities of the open-ended Global War on Terror, the recruiting and retention issues which arise from it, and the expanded role that the RF plays in this modern era. The American Legion supports and has a history of advocating increasing education benefits to members of our Armed Forces.

The American Legion supports recommendations by the Veterans' Benefits Administration for a funding level of $90.1 million to fund the discretionary portion of the education program in 2007.

STATEMENT OF
JOSEPH C. SHARPE JR., DEPUTY DIRECTOR
ECONOMIC COMMISSION
THE AMERICAN LEGION
BEFORE THE
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
VA'S FISCAL YEAR 2007 BUDGET REQUEST FOR THE EDUCATION, VOCATIONAL REHABILITATION AND LOAN GUARANTY PROGRAMS

FEBRUARY 14, 2006

Mr. Chairman and distinguished members of the Subcommittee, thank you for the opportunity to express the views of The American Legion regarding the VA's Home Loan Guaranty, Vocational Rehabilitation (Voc Rehab) and Education (VR&E) programs.

VOCATIONAL REHABILITATION AND EMPLOYMENT SERVICE

The mission of the VR&E program is to help qualified, service-disabled veterans achieve independence in daily living and, to the maximum extent feasible, obtain and maintain suitable employment. The American Legion fully supports these goals. As a nation at war, there continues to be an increasing need for VR&E services to assist Operations Iraqi Freedom and Enduring Freedom veterans in reintegrating into independent living, achieving the highest possible quality of life, and securing meaningful employment. To meet America's obligation to these specific veterans, VA leadership must focus on marked improvements in case management, vocational counseling, and -- most importantly — job placement.

The successful rehabilitation of our severely disabled veterans is determined by the coordinated efforts of every Federal agency (DoD, VA, DoL, OPM, HUD etc.) involved in the seamless transition from the battlefield to the civilian workplace. Timely access to quality health care services, favorable physical rehabilitation, vocational training, and job placement play a critical role in the "seamless transition" of each and every veteran, as well as his or her family.

Administration of VR&E and its programs is a responsibility of the Veterans Benefits Administration (VBA). Historically, VBA has placed emphasis on the processing of veterans' claims and the reduction of the claims backlog, which is commendable. However, providing effective employment programs through VR&E must become a priority. Until recently, VR&E's primary focus has been providing veterans with skills training, rather than providing assistance in obtaining meaningful employment. Clearly, any employability plan that doesn't achieve the ultimate objective-a -job-is falling short of actually helping those veterans seeking assistance in transitioning into the civilian workforce.

Vocational counseling also plays a vital role in identifying barriers to employment and matching veterans' skills with those career opportunities available for fully qualified candidates. Becoming fully qualified becomes the next logical objective towards successful transition.

Veterans Preference in Federal hiring plays an important role in guiding veterans to career possibilities within the Federal Government and must be preserved. There are scores of employment opportunities within the Federal government that educated, well-trained, and motivated veterans can fill-given a fair and equitable chance to compete. Working together, all Federal agencies should identify those vocational fields, especially those with high turnover rates, suitable for VR&E applicants. Career fields like information technology, claims adjudications, debt collection, etc., offer employment opportunities and challenges for career-oriented applicants that also create career opportunities outside the Federal government.

Several reports published by the Government Accountability Office (GAO) have cited VA as lacking in its efforts to find employment for disabled veterans. Employment programs have historically been marketed to veterans as an education program and not an employment program. Many veterans attend universities and colleges with few enrolled in training programs, such as apprenticeships and on-the-job training that can lead to direct job placement. However, in FY 04 the VR & E service program instituted a number of recommended changes to re-focus the program to become more employment oriented. A five-track employment pilot project was initiated in October 2004 and completed on September 2005. Four areas of the country participated in this project called the "5-Tracks Employment Model". This model includes a "Job Resource Lab" comprised of:

- An Employment Resource Center for:
  - Veterans
  - Employment Coordinators
  - Vocational Rehabilitation Counselors and Counseling Psychologist
- Resource for Labor Market Information
- Resource for Job Readiness Assistance
- Internet-Based Employment Resource
- An on-line employment services system to support;
  - Veterans
  - VR&E staff
  - Working Partners
- Virtual one-stop employment network

The VR&E's Job Resource Labs are to be placed in all VA regional offices by the end of 2006. The American Legion applauds this initiative and will be monitoring the implementation phase of the Job Resource Labs.

GAO has also cited exceptionally high workloads for a limited number of staff members at VR&E offices. This increased workload hinders the staff's ability to effectively assist individual veterans with identifying employment opportunities. In April FY 05, the average caseload of a typical VR&E counselor approached 160 veterans. The President's FY 2006 budget request included an additional 21 management Directors and Support FTE's to be redirected from other business lines. Currently, VA representatives report the numbers of FTE have increased and the average case load has dropped slightly over the past six months. The American Legion is pleased that an additional number of FTEs will be hired and we applaud the President's request for an increase of $10.5 million and 130 FTEs for FY 07. It is vital that Congress approve this request to adequately address the expected increase of veterans needing assistance.

VETERANS' EMPLOYMENT AND TRAINING SERVICE

The 2004 VA Vocational Rehabilitation and Employment Task Force report further cited that VR&E had made no significant improvements since the 1996 GAO report. In FY 05 and earlier, many states did not refer veterans from the VR&E program to the Veterans Employment and Training Service (VETS) for assistance in obtaining employment. Veterans with high-tech skills and advanced education were referred to expensive commercial placement agencies that do not specialize in employment assistance for veterans. VETS representatives in Michigan reported seeing "more referrals then we can handle" due to the shortages of DVOPs and LVERs and the worsening employment situation in the state. In Texas, the VETS program and the VR&E program are still completely separate. Previously, The American Legion has stated that some VR&E counselors had not effectively communicated with their VETS counterparts. That situation has improved in a number of states. Some VETS representatives have commended their VR&E counterparts for their willingness to improve communication process in order to increase services to veterans.

REHABILITATION AND EMPLOYMENT OUTCOMES

Numbers of Rehabilitated/Employed Veterans

Year	Veterans successfully rehabilitated	YEAR	Veterans successfully employed with suitable jobs
FY 03	9,549	FY 03	7,525
FY 04	11,129	FY 04	8,392
FY 05	12,013	FY 05	9,279

The above demonstrates the improved outcomes for the VR&E program.

The American Legion recommends exploring possible training programs geared specifically for VR&E Counselors through the National Veterans Training Institute (NVTI). Contracting for standardized or specialized training for VR&E employees could very well strengthen and improve the overall program performance. NVTI serves as a valuable resource for VETS employment specialists and has contributed to a marked improvement in VETS performance.

We are pleased to note that VETS and VR&E representatives report that VR&E counselors began training at the NVTI site in January 06.

PERFORMANCE STANDARDS

The American Legion applauds the efforts of VR&E to create and publish national performance standards for both the VR&E Officer position and the Vocational Rehabilitation Counselor/Counseling Psychologist positions. The progress that management is making will go a long way in ensuring an adequate system for evaluating the effectiveness of the VR&E Service in place.

It seems that the VR&E program has remained in a perpetual state of transition for the past 25 years, according to countless GAO and VA reports. The 2004 Task Force report stated that the VR&E system must be redesigned for the 21st Century employment environment. The American Legion continues to support strong leadership and continued verification of the recommendations made in the 2004 task force report. However, additional funding is needed to assist the management staff of VR&E to continue its implementation of the recommended. Therefore, The American Legion supports the VBA recommendation that "$149 million is needed to fund the discretionary portion of the Vocational Rehabilitation and Employment program in 2007." Additional FTE requirements along with an increased workload of veterans expected to use the program services requires additional funding.

THE HOME LOAN GUARANTY PROGRAM

VA's Home Loan Guaranty program has been in effect since 1944 and has afforded approximately 17 million veterans the opportunity to purchase homes. The home loan program offers veterans a centralized, affordable and accessible method of purchasing homes in return for their service to this nation. The program has been so successful over the past years due to outstanding leadership, management, technological advances, and efficiency savings, that not only has the program paid for itself but has also shown a profit in recent years.

The American Legion recommends that a cost savings should be passed on to veterans in the form of a reduction in funding fees which can add approximately $8,000 to $13,000 for a first or second time buyer. The VA funding fee was initially enacted to defray the costs of the VA guaranteed home loan program. This funding fee has had a negative effect on many veterans who choose not to participate in this highly beneficial program. Therefore, The American Legion strongly recommends that the VA funding fee on home loans be reduced or eliminated for all veterans whether active duty, reservist, or National Guard. The American Legion recommends a funding level of $127.2 million for VA Home Loan Program.

VA EDUCATION PROGRAM

In the 20 years since the Montgomery GI Bill went into effect on June 30, 1985, the nation's security has changed radically from a fixed cold war to a dynamic "Global War on Terror." In 1991 the Active Duty Force (AF) of the Military stood at 2.1 million; today it stands at 1.4 million. Between 1915 and 1990 the Reserve Force (RF) was involuntarily mobilized only nine

(9) times. There is now a continuum of service that individuals have, beginning with those who serve in the reserve only, extending through those in the reserve who are called to active duty for a considerable period of time, and ending with those who enlist in the active armed forces and serve for a considerable period of time. Since 9/11 more than 480,000 members of the 860,000-member Selected Reserve (SelRes) have been activated.

Today approximately 40 percent of troops in Iraq are Guardsmen or Reservists. Despite this the Montgomery GI Bill (MGIB) and the Montgomery GI Bill--Selected Reserve (MGIB-SR) still reflect benefits awarded 20 years ago. The members of the Selected Reserve rarely served on active duty at that time. The idea that any projection of U.S. power would require the activation of at least some reservists was never considered in creating these programs. Because most reservists have both careers and families, which are embedded in towns and cities across the country, these activated citizen soldiers face additional burdens as financial and career obligations mount, while their families, employers, and communities frequently face significant sacrifices and hardships as well. This has led to inequitable situations.

First, Selected Reserve members and members of the Individual Ready Reserve (IRR) may be called to active duty for considerable periods, but less than two years. When they return to civilian life, what is available to help them readjust? They either have the same $288 per month benefit as those members of the Selected Reserve who never serve on active duty, or they may have nothing at all if their active duty is at the end of their six-year commitment to the Selected Reserve.

As the distinctions between the active and reserve forces continue to diminish, the difference between the active and reserve forces of the GI Bill should decline accordingly. Benefits should remain commensurate with sacrifice and service. The American Legion recommends updating the GI Bill to accept the new security realities of the open-ended Global War on Terror, the recruiting and retention issues which arise from it, and the expanded role that the RF plays in this modern era. The current members of the RF are being asked to perform in a manner literally unprecedented since WWII.

The American Legion supports and has a proud history of advocating for fair and equitable education benefits to members of the armed forces.

The American Legion supports recommendations by the Veterans' Benefits Administration for a funding level of $90.1 million to fund the discretionary portion of the Education program in 2007.

SUMMARY

America asks her young people to serve in her armed forces to guard and defend this great nation and its way of life. Their selfless service provides millions of their fellow Americans with the opportunity to pursue their educational, employment and homeowner's endeavors. The successful transition of that service member back into the civilian workforce must be a shared responsibility, especially if that service member has suffered service-connected disabilities.

The American Legion reaffirms its strong support of the Education, Vocational Rehabilitation And Employment Service, and the Home Loan Program.

RESPONSE OF JOY J. ILEM
ASSISTANT NATIONAL LEGISLATIVE DIRECTOR
DISABLED AMERICAN VETERANS
TO FOLLOW-UP QUESTION FROM
HOUSE VETERANS' AFFAIRS COMMITTEE
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
CHAIRMAN JOHN BOOZMAN
FEBRUARY 14, 2006 HEARING

Question:

"The IB contains a statement supporting giving the VBA business line directors line authority over their field operations. In short, that means Judy Caden, Rene Szybala, Dennis Douglas, and Keith Pedigo would determine how many people were assigned to each RO, training funds, etc. VA does not like the idea because it reduces the power of the RO directors.

In Navy terms, the VA ROs operate like Navy ships: the captain is responsible for everything. However the CO of a Navy shore base is more like a hotel operator responsible for making sure the lights are on and the restaurant is open, and has no operational control over the tenant commands."

Answer:

The Independent Budget (IB) does not recommend that program directors be given "authority over . . . field *operations*." (Emphasis added.) It recommends that program directors be given line authority over "employees." The Department of Veterans Affairs Central Office (VACO) already has authority over field office employees; however, that line authority is with Veterans Benefits Administration (VBA) executives and not program directors. The IB states in part:

> VBA's current management structure presents a serious obstacle to enforcement of accountability . . . because program directors lack line authority over those who make claims decisions. Of VBA management, program directors have the most hands-on experience with and intimate knowledge of their benefit lines and have the most direct involvement in day-to-day monitoring of field office compliance. Program directors are therefore in the best position to enforce quality standards and program policies within their respective benefit programs. While higher level VBA managers are properly positioned to direct operational aspects of field offices, they are indirectly involved in the substantive elements of the benefit programs. To enforce accountability for technical accuracy and to ensure uniformity in claims decisions, program directors logically should have authority over the decision-making process and should be able to order remedial measures when variances are identified.

Regional office (RO) directors would still have operational control over employees, but program directors would have authority to enforce program standards. That authority would be exercised down the management chain through RO directors and service center managers, just as it does under current conditions. The difference is that program directors would be in that line of authority, rather than outside of it.

Questions for the Record
Chairman, John Boozman
House Committee on Veterans' Affairs
Subcommittee on Economic Opportunity

February 14, 2006

Hearing on VA's Fiscal Year 2007 Budget Request for Education, Vocational Rehabilitation, and Loan Guaranty Programs

Question 1: Recent legislation required DOL VETS to perform TAP briefings wherever the VA was located overseas. In the past two years DOL has exceeded VA in locations and personnel. Do you plan to place more VA employees overseas at more locations to stay in line with DOL?

Response: The Department of Veterans Affairs (VA) does not plan to place more employees overseas. However, the Veterans Benefits Administration (VBA) has taken action to expand coverage over the last two years. In fiscal year (FY) 2004, employees stationed at our Benefits Delivery at Discharge (BDD) Office in Korea began conducting benefit briefings at US military installations throughout the Republic of Korea. Using the BDD employees to cover Korea allowed VBA to expand coverage in Japan. VBA now has two employees assigned to mainland Japan and one to Okinawa. In FY 2005, VBA established coverage in Bahrain.

Military services coordinators are assigned to host military sites in Germany, Italy, England, Japan, Okinawa, and Korea. These employees provide coverage in the host countries as well as Spain, the Azores, Bahrain, Iceland, and Belgium.

OVERSEAS BRIEFINGS

Fiscal Year	*Briefings*	*No. Attendees*
2003	472	12,943
2004	624	15,183
2005	686	17,156

Question 2: When looking through the VBA discretionary appropriations highlights tables, we see a line for other services, which in some instances, is decreasing quite significantly for FY 07. What is contained in this category?

Response: This category funds contractual services for consulting, management and professional support services such as contract counseling, permanent change of station property management services, maintenance and repair of equipment, upkeep of buildings, roads, etc.

The significant decrease in 2007 funding for Other Services is primarily due to the following:

- 2006 includes $18.9M from the Hurricane Katrina supplemental
- 2006 includes $16.1M in carryover from 2005
- 2006 includes $3.3M more in non-information technology initiatives than in 2007

Question 3: When a VBA program proposes an IT initiative, at what point is the total funding requirement for that initiative identified?

Response: VBA IT projects are first identified by the various program offices and business lines who submit proposals to the VBA Information Technology Investment Board (ITIB). The VBA ITIB reviews the various proposals and prioritizes them. VBA ITIB submits the prioritize list to the VBA Chief Financial Officer and the VBA Planning and Budget Board. The VBA Chief Financial Officer and VBA Planning and Budget Board review the list and select those projects which they will recommend to the Undersecretary for Benefits who make the final decision on which projects will go forward. Initiatives approved by the Under Secretary for Benefits are then incorporated into the IT Exhibit 300 Process for review and approval by the VA Chief Information Officer. (See Attachment A)

Question 4: The Partnership for Veterans Education has proposed the Total Force GI Bill concept. Has VA looked at the proposal and had any discussions with DoD on how the concept would work? What are the big issues other then funding?

Response: A working group comprised of VA and Department of Defense (DoD) subject matter experts has been formed to assess the merits of the proposal. The group has met six times.

Among the primary issues being considered are:

- Can three separate programs, with three distinct purposes and serving three different but similar populations, be seamlessly melded into one smooth flowing program?
- Can the resulting program, presently codified in titles 10 and 38, be codified successfully into one title?
- Should a single program offer all the best features of each currently existing benefit program? For example, should "buy up" be available to all?

Question 5: Please describe how each Service's direct service professional employees spend their time. Please describe the positions such as "counselor" or "ELR" and the percentage of time they devote to various functions.

Response:

Education. Professional employees in the education business line include claims examiners who make up 55 percent of the staff, case managers who make up 24 percent of the staff, education liaison representatives, and education compliance survey specialists who together make up the remaining 21 percent.

- **Claims Examiners** devote their time almost exclusively to making decisions on claims for education benefits.
- **Case Managers** devote their time to resolving customer inquiries.
- **Education Liaison Representatives (ELR)** and **Compliance Survey Specialists** perform oversight and liaison activities with education and training institutions and State approving agencies, which are contracted to review and approve programs that veterans and other eligible beneficiaries wish to pursue.

Vocational Rehabilitation and Employment Professional employees in the vocational rehabilitation and employment business line include vocation rehabilitation counselors and employment coordinators.

- **Vocational Rehabilitation Counselors (VRCs)** provide and coordinate a wide range of rehabilitation counseling and case management services for disabled veterans and other eligible persons. The principal duties are:
- Performing initial evaluations, including the administration and interpretation of vocational tests when appropriate
- Making entitlement determinations
- Developing and monitoring rehabilitation plans leading to suitable employment or increased independence in daily living
- Case-managing veterans' rehabilitation programs, including coordination of all rehabilitation services, case documentation, and employment services

In addition, VRCs determine entitlement to and authorize monetary assistance for:

- Subsistence allowance
- Reimbursement to service providers
- Special transportation allowance
- Payment for books, supplies, and other equipment
- Revolving fund loans

The percentage of time that a vocational rehabilitation counselor devotes to each of the above tasks depends upon various factors including the overall staffing level and resources available for the individual office, availability of program support staff and individual counselor caseload size.

- **Employment Coordinator** Spends 100 percent of their time providing or coordinating the following services leading toward suitable employment.
- Comprehensive vocational assessment, case management, and placement services
- Marketing to potential employers throughout the community

- Employment exploration and readiness services

Loan Guaranty Professional employees in the loan guaranty business line include appraisers who make up 20 percent of the work force, loan specialists make up 75 percent (which includes loan production 26 percent of the work force and loan management 49 percent of the work force), and specially adapted housing agents make up 5 percent of the work force.

- **Appraisers - Construction & Valuation** perform the following services:
- Property value determinations
- Field reviews of appraisals
- Foreclosure appraisals

- **Loan Specialists - Loan Production** perform the following services:
- Eligibility determinations
- Loan reviews
- Release of liability
- Native American direct loans

Loan Specialists - Loan Management performs the following services:
- Supplemental servicing
- Successful interventions
- Process alternatives to foreclosure

- **Specially Adapted Housing (SAH) Agents** perform the following services:
- Veteran interviews
- Grant approvals
- Contractor meetings
- Review of construction plans

Question 6: When evaluating Chapter 30 and Chapter 1606 programs through the Program Assessment Rating Tool, or PART, OMB rated the programs as "Results Not Demonstrated." OMB's primary reason for this rating was a lack of a strong, long-term outcome measure and the need for refinement of the Chapter 30 usage measure. What steps has education service taken towards these recommendations and what are some measures you may think appropriate?

Response: VBA agrees that some type of successful completion measure would address the deficiency the Office of Management and Budget (OMB) identified through the program assessment rating tool (PART) process. VBA hopes to exchange some test data with an organization that specializes in tracking student performance and successes to determine if this data can be used to develop an appropriate outcome measure.

Question 7: Would you please provide the Subcommittee with a table showing the percentage of counselors and other professional level employees by RO and the percentage of the national workload assigned to that office?

Response: Attachment B provides a table showing the percentage of counselors and other professional level employees by regional office (RO) and the percentage of the national workload assigned to that office. It should be noted that the ROs also use contractors to supplement and complement the delivery of benefits to veterans, so a direct correlation can not be drawn from the two percentages.

Question 8: According to the budget, 99% of VR&E costs are for books, tuition, and supplies. Is this number expected to change as all the ROs implement the five-track system and more participants are encouraged to go the rapid employment route?

Response: Since the five-track model is currently being deployed, it is too early to know if 99 percent of VR&E costs will continue to be for books, tuition and supplies. However, VBA anticipates an increase in the number of veterans entering direct employment, which will reduce budget and resources allocated to formal training and potentially increase costs for direct employment services, such as job readiness classes, job search support, job placement, functional capacity evaluations, job site accommodations/assistive technology, and post-placement adjustment services.

Question 9: Will your job resource labs be open to all veterans or just those seeking vocational rehabilitation?

Response: The job resource labs were specifically developed to support the five-tracks to employment process and facilitate the selection, job readiness, and suitable job placement of veterans eligible for VA's Vocational Rehabilitation Program. The job resource labs are also available to veterans receiving career or educational counseling through Vocational Rehabilitation and Employment (VR&E) staff under the provisions of Title 38, Chapter 36.

Veterans who complete the initial evaluation for the Vocational Rehabilitation Program, but are determined not to be entitled to vocational rehabilitation benefits may use the job resource labs to assist with identification of direct job opportunities or to obtain referrals to other employment services. (DOL-VETS, State vocational rehabilitation, faith-based and community agencies)

Question 10: How many rehabilitation counselors will be hired out of the additional 130 FTE?

Response: The number of additional full time employees (FTE) assigned directly to VR&E is 107. The remaining 23 FTE will be assigned to elements supporting VR&E operations (Finance, IT, etc.). Employment coordinator positions will be the first priority, followed by rehabilitation counselors and contract specialists. Exact numbers will be determined based on staffing acquisitions and losses in the interim.

Question 11: What is the cost of the OCWEN contract?

Response: In FY 2003, VA paid Ocwen approximately $6 million. This represents phase-in costs that were part of awarding the contract.

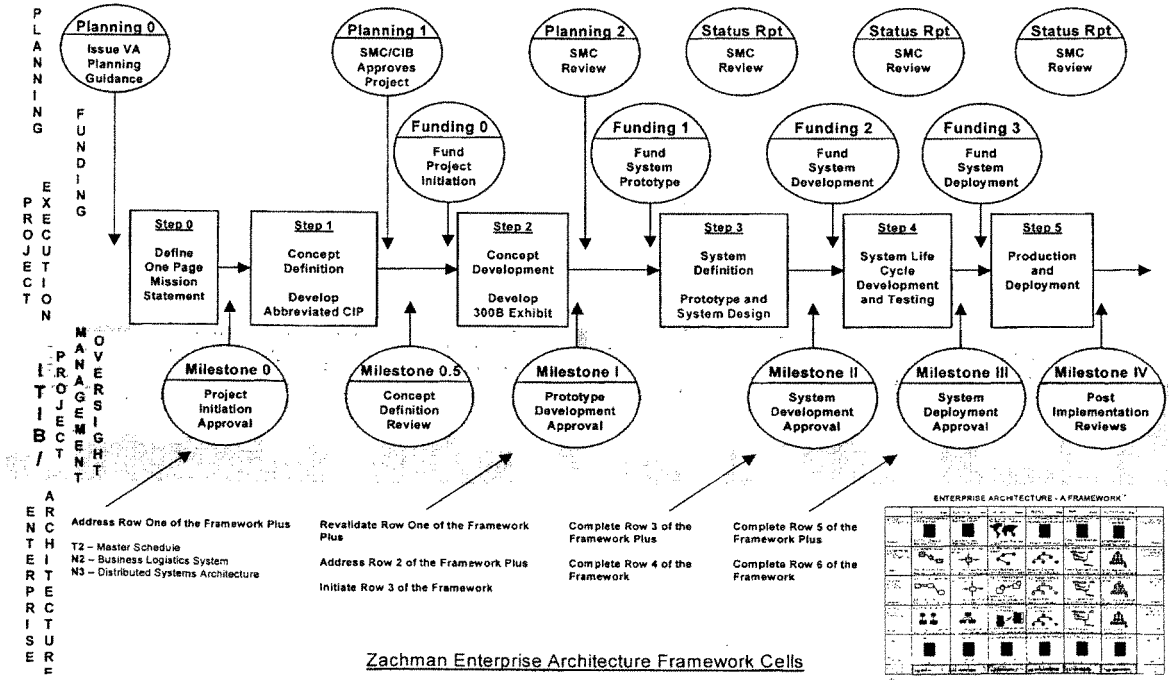
VA paid Ocwen $650,000 in FY 2004, and over $21 million in FY 2005. The contract does not have a specified fiscal year cost. Rather, costs are calculated based on a rate per property managed and sold. Ocwen receives a partial fee up-front, and the remainder when the property is sold. Since the average holding time is approximately 10 months, costs overlap fiscal years. Oversight costs are approximately $1.8M per year.

Question 12: Would you please describe the IT project approval and funding process within VBA.

Response: During the annual budget formulation process, business lines and staff offices submit proposals for budget-year initiatives through appropriate VBA leadership to VBA's Information Technology Investment Board (ITIB) in accordance with the annual budget instructions. The VBA ITIB leverages the results of strategic planning efforts and performs a broad-based analysis to provide recommendations for support and prioritization. The VBA ITIB performs Milestone 0 reviews and forwards a prioritized list of IT initiatives to the VBA Chief Financial Officer for budget development and the VBA Planning and Budget Board (PBB) for consideration in making recommendations to the Under Secretary for Benefits. Initiatives approved by the Under Secretary for Benefits are then incorporated into the IT Exhibit 300 Process for review and approval by the VA Chief Information Officer.

Attachment A

Integrated Process Flow For VA IT Projects
Role of VBA ITIB



Zachman Enterprise Architecture Framework Cells

Attachment B

EMPLOYEES by RO and CLASSIFICATION STAFF PERCENTAGE/ COIN PAI 12/31/05

RO	# Per RO	# Per Group	Position Description	Wkload (2/28/06)	% of Total VR&E FTE	% Nat'l Wkload
ALBUQUERQUE	9	7	VRC, CP	1,303	1.0%	1.4%
		2	OTHER			
ANCHORAGE	6	5	VRC, VRS	642	0.7%	0.7%
		1	OTHER			
ATLANTA	39	26	VRC, CP	3,148	4.3%	3.4%
		10	PROGRAM (8) EMPLOYMENT (2) SPECIALIST			
		3	OTHER			
BALTIMORE	14	10	VRC, CP	1,521	1.6%	1.6%
		1	EMPLOYMENT SPECIALIST			
		3	OTHER			
BOSTON	16	11	VRC, CP	1,209	1.8%	1.3%
		4	PROGRAM (3) EMPLOYMENT (1) SPECIALIST			
		1	OTHER			
BUFFALO	8	6	VRC, CP	947	0.9%	1.0%
		1	EMPLOYMENT SPECIALIST			
		1	OTHER			
CHICAGO	21	14	VRC, CP	1,934	2.3%	2.1%
		2	PROGRAM (1) EMPLOYMENT (1) SPECIALIST			
		5	OTHER			
CLEVELAND	21	16	VRC, CP	2,506	2.3%	2.7%
		4	PROGRAM (2) EMPLOYMENT (2) SPECIALIST			
		1	OTHER			
COLUMBIA	21	17	VRC, CP	2,526	2.3%	2.7%
		1	EMPLOYMENT SPECIALIST			
		3	OTHER			
DENVER	27	21	VRC, CP, VRS	2,290	3.0%	2.7%
Cheyenne		1	EMPLOYMENT SPECIALIST	199		
		5	OTHER			

Attachment B

RO	# Per RO	# Per Group	Position Description	Wkload (2/28/06)	% of Total VR&E FTE	% Nat'l Wkload
DES MOINES	8	6	VRC, CP	690	1.1%	0.7%
		2	PROGRAM SPECIALIST			
DETROIT	19	14	VRC, CP	2,174	2.1%	2.3%
		2	EMPLOYMENT SPECIALIST			
		3	OTHER			
FARGO	6	5	VRC, CP	602	0.7%	0.6%
		1	OTHER			
FT HARRISON	7	6	VRC, CP, CP (Consult)	479	0.8%	0.5%
		1	OTHER			
HARTFORD	7	4	VRC, CP	945	0.8%	1.0%
		2	PROGRAM (1) EMPLOYMENT (1) SPECIALIST			
		1	OTHER			
HONOLULU	16	12	VRC, CP	1,211	1.8%	1.3%
		1	EMPLOYMENT SPECIALIST			
		3	OTHER			
HOUSTON	46	30	VRC, CP, VRS	5,203	5.1%	5.5%
		3	EMPLOYMENT SPECIALIST			
		13	OTHER			
HUNTINGTON	7	5	VRC, CP	791	0.8%	0.8%
		2	OTHER			
INDIANAPOLIS	13	7	VRC, CP	1,526	1.4%	1.6%
		6	PROGRAM (4) EMPLOYMENT (2) SPECIALIST			
JACKSON	8	5	VRC, CP, VRS	625	0.9%	0.7%
		3	OTHER			
LINCOLN	7	4	VRC, CP	842	0.8%	0.9%
		1	EMPLOYMENT SPECIALIST			
		2	OTHER			
LITTLE ROCK	10	8	VRC, CP	1,108	1.1%	1.2%
		2	OTHER			

Attachment B

RO	# Per RO	# Per Group	Position Description	Wkload (2/28/06)	% of Total VR&E FTE	% Nat'l Wkload
LOS ANGELES	22	13	VRC, CP, VRS	2,820	2.5%	3.0%
		2	EMPLOYMENT SPECIALIST			
		7	OTHER			
LOUISVILLE	18	13	VRC, CP	1,766	2.0%	1.9%
		3	PROGRAM (1) EMPLOYMENT (2) SPECIALIST			
		2	OTHER			
MANCHESTER	6	5	VRC, CP	388	0.7%	0.4%
		1	PROGRAM SPECIALIST			
MANILA	3	2	VOCATION REHAB COUNSELOR	165	0.3%	0.2%
		1	OTHER			
MILWAUKEE	17	13	VRC, CP, VRS	1,260	1.9%	1.3%
		4	OTHER			
MONTGOMERY	34	29	VRC, CP, VRS	3,392	3.8%	3.6%
		1	EMPLOYMENT SPECIALIST			
		4	OTHER			
MUSKOGEE	19	13	VRC, CP	1,610	2.1%	1.7%
		3	PROGRAM (1) EMPLOYMENT (2) SPECIALIST			
		3	OTHER			
NASHVILLE	20	15	VOCATION REHAB COUNSELOR	2,038	2.2%	2.2%
		2	EMPLOYMENT SPECIALIST			
		3	OTHER			
NEW ORLEANS	12	7	VRC, CP	1,402	1.3%	1.5%
		1	EMPLOYMENT SPECIALIST			
		4	OTHER			
NEW YORK	17	12	VRC, CP, VRS	1,659	1.9%	1.8%
		3	PROGRAM (2) EMPLOYMENT (1) SPECIALIST			
		2	OTHER			
NEWARK	10	8	VRC, CP, VRS	1,180	1.1%	1.3%
		1	EMPLOYMENT SPECIALIST			
		1	OTHER			

Attachment B

RO	# Per RO	# Per Group	Position Description	Wkload (2/28/06)	% of Total VR&E FTE	% Nat'l Wkload
OAKLAND	22	16	VRC, CP, VRS	2,128	2.5%	2.3%
		2	PROGRAM (1) EMPLOYMENT (1) SPECIALIST			
		4	OTHER			
PHILADELPHIA	17	13	VRC, CP, VRS	1,564	1.9%	1.7%
		1	EMPLOYMENT SPECIALIST			
		3	OTHER			
PHOENIX	30	20	VRC, CP	2,892	3.3%	3.1%
		3	EMPLOYMENT SPECIALIST			
		7	OTHER			
PITTSBURGH	6	4	VRC, CP	524	0.7%	0.6%
		1	PROGRAM SPECIALIST			
		1	OTHER			
PORTLAND	20	15	VRC, CP	2,476	2.2%	2.6%
		1	EMPLOYMENT SPECIALIST			
		4	OTHER			
PROVIDENCE	6	5	VRC, CP, VRS	363	0.7%	0.4%
		1	EMPLOYMENT SPECIALIST			
RENO	7	6	VOCATION REHAB COUNSELOR	677	0.8%	0.7%
		1	OTHER			
ROANOKE	25	14	VRC, CP	2,918	2.8%	3.1%
		8	PROGRAM (5) EMPLOYMENT (3) SPECIALIST			
		3	OTHER			
SALT LAKE CITY	14	12	VRC, CP	1,049	1.6%	1.6%
Boise		2	OTHER	455		
SAN DIEGO	16	10	VRC, CP	1,625	1.8%	1.7%
		1	EMPLOYMENT SPECIALIST			
		5	OTHER			
SAN JUAN	13	8	VRC, CP	810	1.4%	0.9%
		1	EMPLOYMENT SPECIALIST			

Attachment B

RO	# Per RO	# Per Group	Position Description	Wkload (2/28/06)	% of Total VR&E FTE	% Nat'l Wkload
		4	OTHER			
SEATTLE	31	23	VRC, CP, VRS	3,125	3.5%	3.3%
		1	EMPLOYMENT SPECIALIST			
		7	OTHER			
SIOUX FALLS	6	5	VRC, CP	870	0.7%	0.9%
		1	OTHER			
ST. LOUIS	13	8	VRC, CP	1,341	1.4%	1.4%
		1	EMPLOYMENT SPECIALIST			
		4	OTHER			
ST. PAUL	10	7	VOCATION REHAB COUNSELOR	1,353	1.1%	1.4%
		3	OTHER			
ST. PETERSBURG	42	35	VOCATION REHAB COUNSELOR	4,660	4.7%	5.0%
		6	PROGRAM (5) EMPLOYMENT (1) SPECIALIST			
		1	OTHER			
TOGUS	6	5	VRC, CP	763	0.7%	0.8%
		1	OTHER			
WACO	44	33	VRC, CP	6,117	4.9%	6.5%
		1	EMPLOYMENT SPECIALIST			
		10	OTHER			
WASHINGTON	18	12	VRC, CP	2,851	2.0%	3.0%
		5	PROGRAM (4) EMPLOYMENT (1) SPECIALIST			
		1	OTHER			
WHITE RIVER JUNCTION	2	2	VRC, CP	147	0.2%	0.2%
WICHITA	8	7	VRC, CP, VRS	638	0.9%	0.7%
		1	OTHER			
WILMINGTON	4	3	VOCATION REHAB COUNSELOR	304	0.4%	0.3%
		1	OTHER			
WINSTON-SALEM	23	13	VRC, CP, VRS	2,112	2.6%	2.3%
		6	EMPLOYMENT SPECIALIST			
		4	OTHER			
VR&E FIELD STAFF TOTAL:		**897**		93,863		

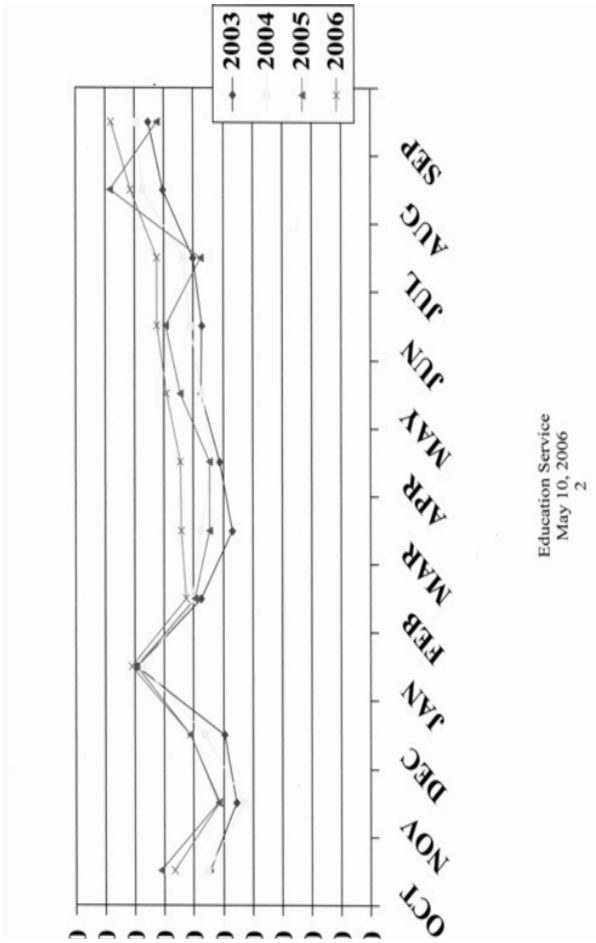
BUDGET HEARING FOLLOW-UP

The House Veterans Affairs Committee, Subcommittee on Economic Opportunity, conducted a budget hearing on February 14, 2006. Following are two items that required follow-up actions by Education Service.

REAP System Deployment
As discussed during the hearing, VA was scheduled to deploy a payment processing system to handle claims under the Reserve Educational Assistance Program (REAP) the weekend following the hearing. Members asked to be updated on the success of that deployment.

- Payment processing system installed during the weekend of February 18, 2006.
- System was ready for use on February 22, 2006.
- Significant progress on reducing the inventory of REAP claims began.
- Telephone calls to HVAC staff February 24, 2006 reported successful deployment.

Variations in Claim Receipts
The cyclical nature of education claims processing was discussed during the hearing. The committee was interested in data that speaks to those cycles. The following chart plots the volume (in thousands) of claims received each month since 2003. Actual numbers were used through March 2006. April through September 2006 numbers are estimates.


2003
2004
2005
2006
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
Education Service
May 10, 2006
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