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REPORT

TO THE

COMMITTEE ON THE BUDGET

FROM THE

COMMITTEE ON VETERANS' AFFAIRS

SUBMITTED PURSUANT TO SECTION 301 OF THE CONGRESSIONAL BUDGET ACT OF 1974

ON THE

BUDGET PROPOSED FOR FISCAL YEAR 2008

MARCH 1, 2007.—Printed for the use of the Committee on Veterans' Affairs of the House of Representatives

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DEMOCRAT LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC, March 1, 2007.

Hon. JOHN SPRATT,
Chairman, Committee on the Budget,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: Pursuant to section 301(d) of the Congressional Budget Act of 1974, clause 4(f) of rule X of the Rules of the House of Representatives, and Rule 7 of the Rules of the Committee on Veterans' Affairs, the Committee on Veterans' Affairs hereby submits its views and estimates, along with Additional Views and Estimates with regard to programs and matters within the jurisdiction of the Committee to be set forth in the concurrent resolution on the budget for fiscal year 2008. The Minority will be submitting Additional and Dissenting Views under separate cover.

Caring for our veterans is an ongoing cost of war, and a continuing cost of our national defense. As a Congress, and a nation, we must fulfill our obligations to the men and women who have served. We hope that you will carefully consider these Committee views and estimates. We have a lot of work ahead of us if we are to keep our promises to veterans. Working together, we can make sure that our veterans are not forgotten, and that we meet our obligations to them as a nation.

Sincerely,

Bob Filner, *Chairman*; Corrine Brown, Vic Snyder, Michael H. Michaud, Stephanie Herseth, Harry E. Mitchell, John J. Hall, Phil Hare, Michael F. Doyle, Shelley Berkley, John T. Salazar, Ciro Rodriguez, Joe Donnelly, Jerry McNerney, Zachary T. Space, Timothy J. Walz.

Committee on Veterans' Affairs

U.S. House of Representatives

110th Congress

Views and Estimates

March 1, 2007

SECTION 1—DISCRETIONARY ACCOUNTS

DEPARTMENT OF VETERANS AFFAIRS

The Committee[1] is recommending a total of $41.028 billion for discretionary accounts for the Department of Veterans Affairs (VA). This recommendation is $4.562 billion, or 12.5 percent, above FY 2007 levels, and $1.611 billion above the Administration's FY 2008 request. This recommendation includes an increase in appropriated dollars for VA medical care of $3.254 billion over FY 2007, and $1.310 billion above the Administration's request. The Committee believes these additional resources are necessary if we are to provide adequate funding for veterans' health care.

VA Medical Care

We are recommending a total of $35.512 billion in appropriated dollars for the three accounts comprising VA medical care (Medical Services, Medical Administration, and Medical Facilities). This amount is $1.310 billion above the Administration's FY 2008 budget request of $34.202 billion, and is a 10.1 percent increase over the FY 2007[2] levels, compared to the Administration's increase of 6 percent over FY 2007 levels. This recommended level is less than the $36.348 billion (which represents a 12.7 percent increase over FY 2007 levels) recommended by the *Independent Budget,* co-authored by AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and the Veterans of Foreign Wars. The Committee is recommending a total for the Veterans Health Administration (VHA) (which includes Medical Care accounts and Medical and Prosthetic Research) of $35.992 billion, $3.320 billion over FY 2007 levels and $1.379 billion above the Administration's FY 2008 request.

[1] While the Views and Estimates reflect a consensus effort, the Committee wishes to note that not all Members of the Committee necessarily agree with every aspect of the report. Accordingly, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

[2] Amounts for FY 2007 are from P.L. 110–5, H.J. Res. 20, a joint resolution making further continuing appropriations for the fiscal year 2007, and for other purposes. This measure was signed into law on February 15, 2007.

This recommended increase would better enable the VA to meet high-priority needs in the coming fiscal year. These increases would provide additional dollars for increased patient workload, including estimated increases due to servicemembers returning from Iraq and Afghanistan, mental health, long-term care, homeless programs, prosthetics, and Traumatic Brain Injury (TBI) and Polytrauma Centers, which care for our most grievously wounded veterans. The Committee's medical care recommendation also includes additional funding for the VA to begin to address urgent non-recurring maintenance needs at VA facilities.

MEDICAL SERVICES

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
25,512,000,000	27,167,671,000	28,979,000,000	28,407,975,000	+1,240,304,000

The Medical Services appropriation provides for medical services of eligible veterans and beneficiaries in VA medical centers, outpatient clinic facilities, contract hospitals, State homes, and outpatient programs on a fee basis.

The Medical Services account comprises the majority of funding for VA health care—nearly 80 percent of the total of the three accounts that make up "VA medical care." The Committee is recommending a total increase in appropriated dollars, above the Administration's request, of $1.240 billion.

WORKLOAD INCREASES

The Committee is concerned that the Administration may have once again underestimated the total number of unique patients it expects to see in FY 2008. Over the five-year period from FY 2002 through FY 2007, the VA saw an average annual increase in unique patients of 4 percent, or approximately 203,000 additional patients per year.

The VA's FY 2008 budget request estimates a total of 5,819,176 total unique patients, a 134,030 increase above FY 2007 estimates of 5,685,146. This estimate is 2.4 percent above the FY 2007 level. Out of the 134,030 increase in patients, the VA estimates that 54,037 are attributable to an increase in Operation Enduring freedom and Operation Iraqi Freedom (OEF/OIF) veterans.

The Committee is recommending increased funding to care for an additional 25,000 OEF/OIF veterans. In the FY 2007 VA budget submission, the VA estimated that it would see 110,566 OEF/OIF veterans in FY 2006 and 109,191 in FY 2007. In the current submission, the VA now estimates 155,272 for FY 2006 and 209,308 for FY 2007. The Committee believes it is prudent to provide additional resources to account for increased OEF/OIF demand in case the Administration's estimates prove as divergent in the coming year as these estimates have been in the past.

The Committee has also requested additional funds to fully fund the level of the average annual increase the VA has experienced over the last five years (FY 2002–FY 2007). We note that we have estimated costs separately for our estimate of an additional 25,000 OEF/OIF veterans (which are a component of the overall increase

of 70,000 additional patients). The committee has also included resources for an additional 30,000 patients (for a total overall increase including OEF/OIF veterans of 100,000), recognizing the inherent volatility of these estimates and the cost of health care, for a total recommended increase for additional workload of $534 million.

The Committee notes that a possible reason for the VA estimating a lower increase in workload may be attributable to the Administration's proposal to increase the pharmacy copayment from $8 to $15 for priority 7 and 8 veterans. The Administration's proposal to institute an annual enrollment fee would, if enacted, begin in FY 2009.

The Committee recommends an additional $534 million to account for increased workload and to bring the VA's estimates up to the average increase over the past five years.

- Increase attributable to additional demand from OEF/OIF veterans—$71 million
- Increase attributable to overall health care demand—$463 million

PRIORITY PROGRAMS

Mental Health

VA Secretary R. James Nicholson testified before the Committee regarding the VA's FY 2008 budget request on February 8, 2007, and stated:

> The President's request includes nearly $3 billion to continue our effort to improve access to mental health services across the country. These funds will help ensure VA provides standardized and equitable access throughout the Nation to a full continuum of care for veterans with mental health disorders. The resources will support both inpatient and outpatient psychiatric treatment programs as well as psychiatric residential rehabilitation treatment services. We estimate that about 80 percent of the funding for mental health will be for the treatment of seriously mentally ill veterans, including those suffering from post-traumatic stress disorder (PTSD).

Colonel Charles W. Hoge, M.D., stated in testimony before the Subcommittee on Health on September 28, 2006 "[t]here are now robust data from different sources that indicate that approximately 10–15% of Soldiers develop PTSD after deployment to Iraq and another 10% have significant symptoms of PTSD, depression, or anxiety and may benefit from care. Alcohol misuse and relationship problems add to these rates. Conditions often overlap."

An article in the Miami Herald, Combat Stress Takes its Toll, But VA's Response Falls Short, from February 11, 2007, calls into question VA's response to the mental health crisis it faces, finding that mental health care is "wildly inconsistent from state to state" and that the "lack of adequate psychiatric care strikes hard in the western and rural states that have supplied a disproportionate share of the soldiers in the wars of Iraq and Afghanistan[.]"

Not only is the VA facing a surge in mental health needs due to servicemembers returning from Iraq and Afghanistan, but soldiers from previous conflicts are seeking more mental health treatment.

The Committee believes that the VA needs additional resources in this area, and believes that the VA should fully allocate resources dedicated to mental health. The Committee is recommending a $125 million increase to address increasing demand, as well as an additional $13 million for VA's Vet Centers. The VA currently operates 207 Vet Centers, community-based counseling centers that provide readjustment counseling and outreach services to all veterans who served in any combat zone. Vet Center services are also available for family members for military related issues. The Committee's recommendation for Vet Centers would provide for $125 million for Vet Centers, and enable the hiring of 100 veterans to provide outreach services, as mandated by P.L. 109–461.

VA's ability to treat veterans with substance abuse problems has continued to diminish. It has been reported that many veterans who suffer from mental illness also suffer from substance abuse. Also, early reports suggest that alcohol misuse will have a profound impact on the reintegration efforts of returning OEF/OIF veterans. The VA needs to be able to handle not only the increase, but the veterans of past wars who are on VA waiting lists to get into a substance abuse program.

The Committee recommends an additional $148 million for mental health, to enhance capacity to meet the needs of new veterans and veterans from previous conflicts who bear the psychological wounds of war.

- Increase to address the increasing demand on VA's mental health services—$125 million
- Increase funding for Vet Centers—$13 million
- Increase VA's capacity to provide substance abuse treatment—$10 million

Long-Term Care

The Administration is in violation of its statutory responsibility to maintain FY 1998 levels for the Average Daily Census (ADC) for VA nursing home care, as mandated by P.L. 106–117, the Veterans Millennium Health Care and Benefits Act. The VA's FY 2008 budget submission requests resources to support an estimated 11,000 ADC, an amount 2,391 below the 1998 figure.

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

The Committee estimates that it would cost $567 million to bring the VA up to compliance with P.L. 106–117. We recommend increasing the VA's capacity to provide additional ADC in nursing home care over the next three years. We believe that this will en-

able veterans who need nursing home care to receive it and enable this Committee to better analyze the VA's argument that these nursing home beds are unnecessary. We therefore recommend an increase of $189 million to enable the VA to add an additional 800 ADC to its budget request of 11,000 and to begin to meet its statutory obligations.

While increasing the funding for VA to meet the statutory requirements of VA operated nursing home care, we also recommend that VA develop a long-term plan to meet the extended care needs of its patient population. VA projects that in FY 2008, the demand for VA-sponsored institutional care will be nearly 87,000 ADC. Neither VA, nor Congress, can ignore the urgent and increasing needs consequent to the exponential growth in the population of veterans who are frail and aging.

- Increase for VA long-term care—$189 million

Prosthetics

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

- Increase for prosthetics—$62 million

Homeless Veterans

VA is the largest single provider of direct service to homeless veterans, reaching 100,000 or 25 percent of the homeless veterans a year through their various programs. Like their non-veteran counterparts, veterans are at high risk of homelessness due to extremely low or no livable income, extreme shortage of affordable housing, and lack of access to health care. But these factors combined with their military service put them at even greater risk of homelessness.

Last Congress, P.L. 109–461, the Veterans Benefits, Health Care, and Information Technology Act of 2006, increased the authorization level for the VA's homeless grant and per diem program to $130 million. The VA estimates that it will spend $107 million in FY 2008. The Committee recommends that an additional $23 million be made available to fund this program.

- Increase in VA's grant and per diem program—$23 million

TBI/Polytrauma

VHA Directive 2005–024, Polytrauma Rehabilitation Centers, dated June 8, 2005, states that:

> While serving in Operations Iraqi and Enduring Freedom, military service members are sustaining multiple severe injuries as a result of explosions and blasts. Improvised explosive devices, blasts, landmines and fragments account for 65 percent of combat injuries. Congress recognized this newly emerging pattern of military injuries with the passage of Public Law 108–422, Section 302, and Public Law 108–447.
>
> Of these injured military personnel, 60–62 percent have some degree of traumatic brain injury (TBI). Operating under a national Memorandum of Agreement with the Department of

Defense (DOD), the four current Department of Veterans Affairs (VA) TBI Lead Rehabilitation Centers have provided rehabilitation care to the majority of the severely combat injured personnel requiring inpatient rehabilitation. Consequently, they have developed the necessary expertise to provide the coordinated interdisciplinary care required. This experience has demonstrated that treatment of brain injury sequelae needs to occur before or in conjunction with rehabilitation of other disabling conditions.

Recognizing the specialized clinical care needs of Polytrauma patients, VA has established four Polytrauma Rehabilitation Centers (PRCs). The mission of the PRCs is to provide comprehensive inpatient rehabilitation services for individuals with complex cognitive, physical and mental health sequelae of severe and disabling trauma and provide support to their families. Intensive clinical and social work case management services are essential to coordinate the complex components of care for polytrauma patients and their families. Coordination of rehabilitation services must occur seamlessly as the patient moves from acute hospitalization through acute rehabilitation and ultimately back to his or her home community.

The Committee notes that TBI is considered by many to be the signature injury of this war. We must ensure that the VA has the resources it needs to begin tackling the issues surrounding TBI, as well as the resources it needs for VA Polytrauma centers to treat our most grievously wounded veterans.

- Increase funding for TBI/Polytrauma—$285 million

OTHER AREAS OF CONCERN

Priority 8 Veterans

The Committee believes that all veterans should have access to VA health care. In January, 2003, the Administration banned the enrollment of new Priority 8 veterans. The VA currently estimates that lifting this ban would result in approximately 1.6 million veterans seeking health care at a cost of $1.7 billion. The Independent Budget estimates a total expenditure of $366 million, but the Independent Budget's calculation uses a utilization rate and subtracts out estimated collections. Last year, in the Democratic Views and Estimates, the estimate was $341 million, which included subtracting estimated collections. The Committee will explore ways to re-open access to all veterans.

We note that the authority of the Administration to deny enrollment to an entire class of veterans was never meant to extend ad infinitum, but was provided to the VA as a management tool in order for it to address unexpected shortfalls that might arise during the course of the year. Finally, we note that these veterans are not necessarily "high income" veterans, as they are often described by some. These veterans, who may be combat-decorated, can make as little as $27,000 per year and be categorized as Priority 8 veterans and be shut out of the system.

Recruitment and Retention of Health Care Professionals

Over the past few years, VA has received accolades for the quality of health care it provides as an institution. To maintain that quality, it is essential that VA develop and execute an effective recruitment and retention program for highly qualified medical personnel.

Through the VA's affiliations with 107 medical schools and over 1,200 educational institutions, VA trains over 76,000 medical and associated health students, residents and fellows.

The Committee believes that it is essential that the VA address recruitment and retention issues in order to ensure that veterans receive quality health care not only today, but in the coming years.

Efficiencies

The VA, in its FY 2008 budget submission, claims it will achieve "clinical and pharmacy cost avoidance." The VA does not provide any estimates as to the totals of these "cost avoidances."

The VA's FY 2007 budget submission, estimated a base level of "efficiencies" of $884 million for FY 2006, and estimated additional "efficiencies" of $197 million ($107 million in clinical efficiencies and $90 million in pharmaceutical efficiencies) for a total level of "efficiencies" of $1.1 billion. The GAO last year found that the VA was unable to document previous claims of "efficiencies." The VA's clinical and pharmacy "efficiencies" language from the FY 2007 budget submission is remarkably similar to the language on "cost avoidance" in the FY 2008 budget submission.

The Committee is concerned that the VA is still relying on "efficiencies" without providing cost estimates for the level of "efficiencies" it is relying upon, nor justifications demonstrating that it is achieving "efficiencies" it has claimed to achieve.

MEDICAL ADMINISTRATION

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
3,177,000,000	3,442,000,000	3,378,067,000	3,442,000,000	0

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

The Committee is proposing the same level of funding for Medical Administration as requested by the VA.

MEDICAL FACILITIES

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
3,569,000,000	3,592,000,000	3,991,152,000	3,661,974,000	+69,974,000

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

The Committee is recommending an additional $70 million in order to provide for a 25 percent increase for non-recurring maintenance.

• Provide additional resources to equal a 25 percent increase for Non-Recurring Maintenance obligations over FY 2007 level—$70 million

The Committee notes that the VA's FY 2008 request transfers $400 million and 5,689 FTE for Food Services from this account to the Medical Services account. The Committee hopes that this transfer does not obfuscate the resource requirements of either the Medical Facilities or Medical Services accounts, and will be monitoring these accounts to ensure that adequate resources are in place to meet the needs of veterans.

MEDICAL AND PROSTHETIC RESEARCH

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
413,700,000	411,000,000	480,000,000	480,000,000	+69,000,000

This account includes medical, rehabilitative and health services research. Medical research is an important aspect of the Department's programs, providing complete medical and hospital services for veterans. The prosthetic research program is also essential in the development and testing of prosthetic, orthopedic and sensory aids for the purpose of improving the care and rehabilitation of eligible disabled veterans, including amputees, paraplegics and the blind. The health service research program provides unique opportunities to improve the effectiveness and efficiency of the health care delivery system. In addition, budgetary resources from a number of areas including appropriations from the medical care accounts; reimbursements from the Department of Defense; and grants from the National Institutes of Health, private proprietary sources, and voluntary agencies provide support for the Department's researchers. The Committee recommends $480 million, an increase of $69 million above the Administration's FY 2008 request of $411 million. The Administration is seeking a $2.7 million cut below the FY 2007 level.

The Committee recommends $2.7 million to restore the Administration's proposed cut in its FY 2008 request. The Committee also recommends $15.3 million to account for the effects of biomedical inflation on VA research. The Biomedical Research and Development Price Index, which was developed by the Department of Commerce's Bureau of Economic Analysis for use by the National Institutes for Health (NIH) estimates a 3.7 percent increase to account for inflation. By restoring funds cut from the FY 2007 level and by more accurately projecting the impact of inflation on VA's research dollars we signal a strong commitment to VA's research program and achieve stability for ongoing projects.

The Committee also recommends $3.5 million to restore proposed cuts to VA's Centers of Excellence. The Administration proposes $45.8 million in obligations for these Centers, down from a level of $49.3 million for FY 2007.

The Committee also recommends an additional $47.5 million in order for VA research to advance its efforts in areas such as deployment health, genetic medicine, and chronic disease management.

Deployment health includes prospective research to get baseline information on the health status of military personnel being deployed in combat zones. Research funding is needed to collect predeployment health information to assist researchers and clinicians in better assessing the health needs of returning personnel. Deployment health is also responsive to conflict-related conditions faced by returning military from Iraq and Afghanistan. Such health needs currently include TBI, PTSD, and injuries related to multiple-blast wounds.

Research into genetic medicine recognizes the need to unlock the potential of applying genetics to improving individual patient care and systems of care for veterans. Funding is needed to understand the genetic composition of individual veterans and how unique genetic profiles need to change the way health care is provided. For example, genetic information could help prevent adverse drug reactions known to happen with individuals with unique genetic profiles. Additionally, veterans with known genetic predisposition to certain diseases could be monitored before diseases develop, placed on preventative therapy where it exists, be closely monitored and provided earlier intervention when appropriate. Not only does genetic medicine have the ability to improve individual patient care, it has the potential to improve systems of care for our veterans.

Veterans of all ages and theaters of conflict suffer from long-term chronic diseases. These diseases include mental health disorders, lung diseases, diabetes, and heart conditions. Research is needed to both improve clinical tools to treat and cure these chronic diseases but also to research how systems of care can improve both individual patient care and care of the veterans' population.

The Committee notes that the VA's expectation of receiving additional federal dollars outside of monies appropriated in this account may not be realized with the Administration's proposed flat FY 2008 budget request for the National Institutes of Health (NIH). This makes increased appropriated dollars in the Medical and Prosthetic Research account even more vital to this important program. There was a concerted effort to double the research budget of the NIH. The Committee would like to see a similar effort undertaken for VA research.

The Committee recommendation of $480 million, an increase of $69 million above the Administration's request, is comprised of the following increases:

- Restore the proposed cuts from the FY 2007 level—$2.7 million
- Provide a 3.7 percent increase to account for estimates of biomedical research inflation—$15.3 million
- Restore proposed cuts to VA's Centers of Excellence—$3.5 million

• Provide additional resources for VA research to address high priority projects—$47.5 million

GENERAL OPERATING EXPENSES

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
1,480,764,000	1,471,837,000	2,233,841,000	1,668,925,000	+197,088

The General Operating Expenses appropriation provides for the administration of all VA non-medical benefits and support functions for the entire VA. The account is subdivided into two activities; the Veterans Benefits Administration (VBA) and General Administration.

VETERANS BENEFITS ADMINISTRATION

VBA consists of five programs: Disability Compensation, Pensions and Burial; Education; Housing; Vocational Rehabilitation and Employment; and Insurance.

Compensation and pension service

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

Education service

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

Housing (Loan Guaranty Service)

VA assists veterans and servicemembers to purchase and retain homes in recognition of their service to the Nation. VA's partial guarantee on loans made by private lenders enables veterans and servicemembers to purchase homes with little or no down payment, thereby making home ownership affordable to many veterans.

Vocational Rehabilitation and Employment (VR&E)

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

Insurance

The Insurance Program provides servicemembers and their families with universally available life insurance, as well as traumatic injury protection insurance. It also provides for the conversion to a renewable term insurance policy after a servicemember's separation from service and provides life insurance to veterans who have lost the ability to purchase commercial insurance at standard (healthy) rates due to lost or impaired insurability resulting from military service.

The Administration's request would provide resources for 13,065 FTE (9,559 in Disability Compensation, Pensions and Burial; 894 in Education; 893 in Housing; 1,260 in Vocational Rehabilitation and Employment, and 459 in Insurance).

GENERAL ADMINISTRATION

General Administration funds the Office of the Secretary, six Assistant Secretaries, the Board of Veterans' appeals, and the Office of the General Counsel.

RECOMMENDATION

The Administration's request for the GOE account is comprised of $1,198,294,000 for VBA, an increase of $30.4 million over the FY 2007 level, and $273,543,000 for General Administration, a decrease of $39.4 million from the FY 2007 level.

The Committee is recommending $1.628 billion for this account, an increase of $156 million over the Administration's FY 2008 request. This increase would restore the proposed cuts to the General Administration component of GOE, while adding an additional 1,370 FTE, in line with the recommendation of the Independent Budget for FTE, in order for the VA to begin to address its enormous claims backlog. The Committee notes that funding for the Board of Contract Appeals, effective January 7, 2007, was transferred to the General Services Administration (GSA) as part of a government-wide plan to consolidate contract appeals within GSA. The Committee has restored proposed cuts in General Administration, but believes that any resources not fully needed by the VA for this activity should be made available to VBA in order to address the claims backlog.

As of February 17, 2007, the total number of compensation and pension claims pending at the VA was 626,429, an increase of 5,107 from the previous week (Source: *VA Monday Morning Workload Report, February 17, 2007*). The number of pending claims last year at this same time was 573,597 (Source: *VA Monday Morning Workload Report, February 18, 2006*). The Administration's request provides for 8,320 "direct labor FTE" and an "output per FTE" of 101. The VA also estimates that it will receive the same number of claims in FY 2008 as it projects it will receive in FY 2007. Based on the VA's estimates, an additional 1,000 FTE should decrease the claims backlog in FY 2008 by 100,000 claims. The Committee recommends that an adequate number of FTE be added to the VBA Education Services Program to ensure that timely and accurate service claims processing is provided at the educational services Regional Processing Centers.

• Provide for an additional 1,370 FTE to begin to address claims backlog—$153 million

• Restore proposed cuts in General Administration from FY 2007 level—$44 million

INFORMATION TECHNOLOGY SYSTEMS

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
1,213,820,000	1,859,217,000	1,340,098,000	1,832,517,000	−26,700,000

The Information Technology Systems account was first instituted in the FY 2006 VA appropriations bill (P.L. 109–114). The VA is undergoing a significant change in its information technology (IT) activities, consolidating all IT staffing and budgetary resources under a Chief Information Officer. The VA's FY 2008 request reflects staff transfers for maintenance and operations but does not include costs for development employees, who are expected to be transferred at a later date. Of the request, $1.3 billion is non-pay, and $555 million is pay. The VA's base request represents an increase of $90 million over the FY 2007 level—the additional monies are attributable to the transfer of $555 million and 5,529 FTE into the IT account.

The Committee is recommending $26.7 million less than the Administration's request. We are recommending decreases in funding for the Financial and Logistics Integrated Technology Enterprise (FLITE) program, and Compensation and Pension Maintenance and Operations program.

The VA requested $35 million for FLITE. The Committee believes that $20 million is sufficient for this program for FY 2008. The FLITE program is the successor to the VA's Core FLS program. In an article last year, a spokesman for Pricewaterhouse Coopers, which was hired by the VA after the VA had spent $342 million on Core FLS, stated that "business standardization is the first step. IT comes later." "VA plans CoreFLS Successor," *Government Computer News*, March 2, 2006. The Committee believes that there is much the VA must accomplish first before it should be spending $35 million on this program.

The Committee is also recommending a decrease of $11.7 million for the VA's Compensation and Pension Maintenance and Operations activities. The VA is seeking an increase from $6 million, the FY 2007 level; to $31.7 million, a total increase of $25.7 million. The Committee believes that this increase is sought without sufficient supporting documentation and is therefore recommending a FY 2008 level of $20 million, an increase of $14 million above FY 2007 levels and a decrease of $11.7 million below the FY 2008 requested level.

• Decrease in funding for FLITE and Maintenance and Operations funding—$26.7 million

NATIONAL CEMETERY ADMINISTRATION

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
160,733,000	166,809,000	217,910,000	166,809,000	0

The National Cemetery Administration was established in accordance with the National Cemeteries Act of 1973. It has a fourfold mission: to provide for the interment in any national cemetery with available grave space the remains of eligible deceased servicepersons and discharged veterans, together with their spouses and certain dependents, and to permanently maintain their graves; to mark graves of eligible persons in national and private cemeteries; to administer the grant program for aid to States in establishing, expanding, or improving State veterans' cemeteries; and to administer the Presidential Memorial Certificate Program. This appropriation provides for the operation and maintenance of 125 national cemeteries and 33 other cemeterial installations in 39 states, the District of Columbia, and Puerto Rico.

The Administration's requested level for FY 2008 of $167 million represents a 3.8 percent increase over the FY 2007 level of $161 million.

The Committee concurs with the Administration's request.

OFFICE OF INSPECTOR GENERAL

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
69,500,000	72,599,000	73,233,000	84,445,000	+11,846,000

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

In testimony before the Subcommittee on Oversight and Investigations on February 15, 2007, the VA Inspector General George J. Opfer stated that from FY 2001–2006: OIG delivered a return on investment of $31 for every dollar invested in OIG operations. We produced $11.6 billion in monetary benefits from recommended better use of funds, savings, costs avoidances, recoveries, questioned costs, restitutions, and civil judgments. We issued 1,169 audit and inspection reports with 6,601 recommendations to improve services to veterans and to improve the economy and efficiency of VA programs, operations, and facilities. Almost 90 percent of these recommendations have been implemented by VA to date.

The Administration has requested $72.6 million for FY 2008, an increase of $3.1 million above FY 2007 levels. The VA's request assumes a total FTE level of 470, 13 fewer than FY 2007. The Committee recommends $84.4 million for FY 2008, an increase of $11.8 million, or 21.5 percent over FY 2007 levels and $11.8 million, or 16.3 percent, above the VA's FY 2008 request.

The Committee believes that as the OIG is being expected to do more, and the economic benefit of investment in the OIG has been clearly demonstrated, that an increase in FTE is necessary. The Committee recommends restoring the proposed cut in FTE and adding an additional 87 FTE, to provide for a total FTE of 570.

- Increase to restore proposed FTE cut of 13—$1.5 million

• Provide for an additional 87 FTE—$10.3 million

CONSTRUCTION, MAJOR PROJECTS

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
399,000,000	727,400,000	1,602,000,000	727,400,000	0

The Construction, Major Projects, appropriation provides for constructing, altering, extending, and improving any VA facility, including planning, architectural and engineering services, assessments, and site acquisition, where the estimated cost of a project is $10 million, or where funds for a project were made available in a previous appropriation under Construction, Major Projects.

For FY 2008, the Administration is requesting $727.4 million, an increase of $328.4 million, or 82.3 percent, over FY 2007 levels. This recommendation includes $560 million for VHA-related construction and $167.4 million for National Cemetery Administration (NCA).

The NCA portion of the request seeks funds for Phase 1 Development for cemeteries in the Columbia/Greenville-area; Sarasota-area; Jacksonville-area; Southeastern Pennsylvania-area; Birmingham-area; and Bakersfield-area. The request also seeks funding for Gravesite Development for the Ft. Sam Houston National Cemetery and the Advance Planning Fund.

The VHA-related construction request, totaling $560 million, seeks funding for the following projects:

Pittsburgh, PA—Consolidation of Campuses

• Total Estimated Cost—$248 million; Funded through FY 2006—$102.5 million; FY 2008 Request—$40 million

Denver, CO—New Medical Center Facility

• Total Estimated Cost—$646 million; Funded through FY 2006—$55 million; FY 2008 Request—$61.3 million

Orlando, FL—New Medical Facility, Land Acquisition

• Total Estimated Cost—$553.9 million; Funded through FY 2006—$25 million; FY 2008 Request—$35 million

Las Vegas, NV—New Medical Center Facility

• Total Estimated Cost—$600.4 million; Funded through FY 2006—$259 million; FY 2008 Request—$341.4 million

Syracuse, NY—Spinal Cord Injury (SCI) Center

• Total Estimated Cost—$77.7 million; Funded through FY 2006—$53.9 million; FY 2008 Request—$23.8 million

Lee County FL—Outpatient Clinic

• Total Estimated Cost—$109.4 million; Funded through FY 2006—$10.5 million; FY 2008 Request—$9.9 million

The Additional $48.6 million is for various components of the Major Construction account, such as the Advanced Planning Fund, Claims Analysis, Asbestos, Hazardous Waste Abatement, and other activities.

CONSTRUCTION, MINOR PROJECTS

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
198,937,000	233,396,000	541,000,000	248,396,000	+15,000,000

The Construction, Minor Projects, appropriation provides for constructing, altering, extending, and improving any VA facilities, including planning, assessment of needs, architectural and engineering services, site acquisition and disposition, where the estimated cost of a project is less than $10 million, with a minor improvement component costing $500,000 or more.

The Administration has requested $233.4 million, an increase of $34.5 million, or 17.3 percent, over FY 2007 levels.

The Committee notes that the VA's 5–Year Capital Plan 2007–2012, submitted as part of the Administration's FY 2008 budget request, lists over 1,200 "FY 2008–2012 Potential Department-wide Minor Construction Projects." The Committee hopes that the VA is prioritizing these projects and is seeking sufficient funding to meet these needs and other needs that arise and can be best addressed through the Minor Construction account.

The Committee is recommending an additional $15 million above the VA's FY 2008 request to provide funding to upgrade and modernize research facilities. The Subcommittee on Health, in a hearing on the VHA's FY 2008 budget request held on February 14, 2007, received testimony from the Friends of VA Medical Care and Health Research (FOVA). FOVA recommended "an annual appropriation of $45 million in the minor construction budget dedicated to renovating existing research facilities[.]" The Committee notes that the FY 2007 VA appropriations bill as passed by the House of Representatives included $12 million in the minor construction account "to be used solely for a program of upgrade and modernization of research facilities to ensure they maintain or attain state-of-the-art status." H.Rept. 109–464, to accompany H.R. 5385, the Military Quality of Life and Veterans Affairs and Related Agencies Appropriations Bill, at 64. The Committee on Appropriations directed the VA to conduct a comprehensive review of its research facilities and to report to Congress by March 1, 2007. The VA has indicated that this review may take three years to complete.

• Increase to upgrade and modernize research facilities—$15 million

GRANTS FOR CONSTRUCTION OF STATE EXTENDED CARE FACILITIES

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
85,000,000	85,000,000	150,000,000	120,000,000	+35,000,000

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

State homes play an important role in VA's long-term care strategy by filling the gap of available beds for elderly and sick veterans who need them. In FY 2006, there were 80 priority group 1 projects for a total of $420 million. Priority group 1 projects are those projects that already have the State funding to start construction. In FY 2007, VA's priority group 1 projects totaled $491 million with 22 of the top 23 needing life safety corrections.

• Increase for Construction of State Extended Care Facilities—$35 million

GRANTS FOR CONSTRUCTION OF STATE VETERANS CEMETERIES

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
32,000,000	32,000,000	37,000,000	32,000,000	0

This program provides grants to states for 100 percent of the cost for the establishment, expansion or improvement of state cemeteries. The states are responsible for on-going maintenance. State cemeteries provide a last resting place for veterans who live in areas not reasonably served by a national cemetery.

DEPARTMENT OF LABOR

VETERANS EMPLOYMENT AND TRAINING

DEPARTMENT OF LABOR—VETERANS EMPLOYMENT AND TRAINING SERVICE (VETS)

The Assistant Secretary for VETS serves as the principal advisor to the Secretary of Labor on all policies and procedures affecting veterans' employment matters. VETS furnishes employment and training services to servicemembers and veterans through a variety of programs, including providing grants to States, public entities and non-profit organizations, including faith-based organizations, to assist veterans seeking employment. VETS also investigates complaints filed under veterans' preference and re-employment laws. Specifically, VETS administers the following programs: DVOP/LVER state grant program; Transition Assistance Program; Veterans' Preference and Uniformed Services Employment and Re-employment Rights Act (USERRA); Homeless Veterans' Reintegration Program (HVRP); Veterans Workforce Investment Program (VWIP); Federal Contractor Program; and the National Veterans' Training Institute (NVTI). The Administration requested a total of $228.1 million in FY 2008 to support the staffing and grant-making ability of VETS. This is a $5.1 million, or 2.3 percent, increase over FY 2007. For FY 2008, the Committee recommends an increase of $5 million for VETS, for a total of $233.1 million. This recommended level would provide an additional $3 million for HVRP, bringing that program up to $26.6 million; $1 million for NVTI; and $1 million for additional FTE, including one additional FTE in each of the six regional offices to address complaints and investigations arising under USERRA.

OTHER AGENCIES

AMERICAN BATTLE MONUMENTS COMMISSION

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
41,988,000	53,300,000	N/A	53,300,000	0

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

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

The ABMC is seeking a total of $53.3 million for FY 2008, consisting of $42.1 million for salaries and expenses, and $11.2 million for costs associated with foreign currency fluctuations.

U.S. COURT OF APPEALS FOR VETERANS CLAIMS

FY 2007 Enacted	FY 2008 Request	Independent Budget	FY 2008 Recommendation	Recommendation vs. Request
20,100,000	21,217,000	N/A	21,217,000	0

The Veterans' Judicial Review Act, P.L. 100–687, established the U.S. Court of Appeals for Veterans Claims. The Court has exclusive jurisdiction to review decisions of the Board of Veterans' Appeals. The court, one of four Article I courts in the federal judicial system, may affirm, vacate, reverse, or remand decisions of the Board of Veterans' Appeals. Out of the total denials from the Board in FY 2006 of 18,107, the Court received 3,729 filings, or 21 percent of the number of total denials from the Board.

The Court's request for FY 2008 includes $1,120,000 for the Pro Bono Representation Program. This program is administered by the Legal Services Corporation. The Court includes the Program's FY 2008 request as an appendix to its submission, and applauds the "Program's high success in providing, along with others, counsel to reduce the percentage of unrepresented appellants before the Court. Since 1997, the percentage unrepresented appellants at the decision point of their appeals has dropped from 48–percent in FY 1997 to 24–percent or less in FY 2006."

SECTION 2—MANDATORY ACCOUNTS

FULL EQUITY FOR WORLD WAR II FILIPINO VETERANS WHO SERVED IN THE U.S. ARMY

Many World War II Filipino veterans, who served and fought alongside American servicemembers during World War II, do not receive veterans' benefits. Shortly after the war, Congress passed the Rescission Acts which stripped away many veterans' benefits for Filipino service members who served in the U.S. Army. For the past 60 years, Congress has taken a piece-meal approach to restoring these benefits.

We recommend an additional $900 million be included to complete the last step of the process of restoring these veterans' benefits.

• Increase for Filipino World War II veterans who served in the U.S. Army—$900 million

BELATED THANK YOU TO MERCHANT MARINERS

World War II Merchant Mariners suffered the highest casualty rate of any of the branches of service while they delivered troops, tanks, food, airplanes, fuel and other needed supplies to every theater of the war. Despite their efforts during the war, Merchant Mariners were not covered by the original G.I. Bill of Rights. No legislation to benefit merchant seamen was passed by Congress until 1988 when the Seaman Acts of 1988 finally granted them a "watered down" G.I. Bill of Rights. To make up for lost benefits and opportunities, we recommend an additional $400 million be included in the budget resolution to permit Merchant Mariners, and their surviving spouses, to receive a monthly benefit of $1,000.

• Increase for Merchant Mariners—$400 million

OTHER AREAS OF CONCERN

There are several mandatory veterans' programs where there is room for improvement. These are programs that provide monetary assistance to disabled veterans and their families.

Compensation and pension benefits

Dependency and Indemnity Compensation (DIC) for survivors with dependent children under 18

DIC is a monthly benefit paid to eligible survivors of a military service member who died while on active duty, a veteran whose death resulted from a service-related injury or disease, or a veteran whose death resulted from a non service-related injury or disease, and who was receiving, or was entitled to receive, VA Compensation for service-connected disability that was rated as totally disabling for at least 10 years immediately before death, or since the veteran's release from active duty and for at least five years immediately preceding death, or for at least one year before death if the veteran was a former prisoner of war who died after September 30, 1999.

In May of 2001, the *Program Evaluation of Benefits for Survivors of Veterans with Service-connected Disabilities* recommended that surviving spouses with dependent children receive an additional amount per month for the first five years after the veterans' death. Public Law 108–422 provided an increase, but only for the first two years of eligibility.

Pension and death pension benefits for veterans and surviving spouses and children

Veterans who have honorably served the Nation during a period of war and who have reached age 65 or who are under age 65 and are totally and permanently disabled as the result of nonservice-connected disabilities are eligible to receive a pension benefit if they meet certain income criteria. Surviving spouses and children

of such wartime veterans, including adult disabled children are eligible for a death pension. According to a 2004 evaluation of VA's pension program, the pension program is not meeting Congressional intent because it is not allowing veterans and their survivors to live in dignity.

Insurance

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

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

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

SDVI maximum insurance

In May of 2001, the *Program Evaluation of Benefits for Survivors of Veterans with Service-connected Disabilities* recommended that SDVI coverage limits should be increased. The basic amount of SDVI available has not been increased from $10,000 since 1951.

Veterans Mortgage Life Insurance (VMLI)

VMLI is a type of mortgage life insurance available only to those veterans disabled enough by a service-connected disability to qualify for a specially adapted housing grant. Today, VMLI covers only about 55 percent of the mortgages of these veterans. The mortgage coverage has been the same since 1992.

Readjustment benefits

Total Force GI Bill

The Montgomery GI Bill (MGIB), implemented over 20 years ago, was a landmark piece of legislation that provided education and training benefits to many veterans. The time has come to update, modernize, and provide greater flexibility within the VA's educational assistance programs. For GI Bill education benefits to remain a relevant recruitment, retention, as well as readjustment benefit, we must ensure that VA's education and training programs reflect the manner in which individuals earn and learn in the 21st Century.

Congress, other than providing benefit increases, has not significantly modified administrative or process provisions of the GI Bill since 1985. Due to advances in technology, recognition of the lifetime learning concept, dynamic workforce changes, and ever-in-

creasing demands on military recruiting efforts, Congress should review the current veterans' education system and make necessary changes to provide servicemembers, veterans and their families relevant education and training benefits that meet their educational and vocational goals for success.

The Committee plans, on a bipartisan basis, to explore a number of options to improve and modernize the GI Bill. The VA's Advisory Committee on Education and the Partnership for Veterans Education—a group made up of traditional veterans and military service organizations, as well as higher education advocates all have endorsed a proposal termed the "Total Force GI Bill." The proposal has three features: one, a clearer alignment of education benefit rates according to service rendered; two, establishment of a readjustment element to reservists' MGIB benefits earned during activation for a contingency operation (presently, activated reservists eligible for the new 'Chapter 1607' MGIB can only retain unused entitlement by remaining in the Selected Reserve—there is no portability of benefits after completion of a Selected-Reserve service contract; three, to achieve the first and second objectives and to ensure future correlation of active duty, veterans, and National Guard and Reserve benefits in an equitable and proportional manner, Chapters 1606 and 1607 in Title 10 and Chapter 30 in Title 38 need to be reorganized together under Title 38.

State Approving Agencies/Montgomery GI Bill

State Approving Agencies (SAA) have partnered with the VA in the administration of veterans educational and training programs for nearly 60 years. Through the program approval and supervision process, they ensure that money spent on the Montgomery GI Bill is money well spent. Moreover, SAA provide critical assistance in reducing the opportunities for fraud, waste and abuse throughout the system. For FY 2006 and 2007 the VA's Education Service was allocated $19 million from the Readjustment Benefits Account to enter into contracts with SAA for purposes of approving courses of education under the Montgomery GI Bill and other related activities. Per section 301 of P.L. 107–330 at the end of fiscal year 2007, the SAA funding will decrease to $13 million. The Committee believes that Congress must find a way to restore this proposed cut to this activity.

SECTION 3—CHART

Department of Veterans Affairs—FY 2008—Discretionary Accounts—March 1, 2007

(in thousands)

Account	FY 2007	FY 2008 President's Request	FY 2008 Request vs. FY 2007	FY 2008 Independent Budget	FY 2008 Committee Recommendation	FY 2008 Committee vs. FY 2007	FY 2008 Committee vs. FY 2008 Request
Medical Services	25,512,000	27,167,671	1,655,671	28,979,220	28,407,975	2,895,975	1,240,304
Medical Administration	3,177,000	3,442,000	265,000	3,378,067	3,442,000	265,000	0
Medical Facilities	3,569,000	3,592,000	23,000	3,991,152	3,661,794	92,794	69,794
Total, Medical Care	32,258,000	34,201,671	1,943,671	36,348,439	35,511,769	3,253,769	1,310,098
Medical and Prosthetic Research	413,700	411,000	-2,700	480,000	480,000	66,300	69,000
Total, Veterans Health Administration	32,671,700	34,612,671	1,940,971	36,828,439	35,991,769	3,320,069	1,379,098
General Operating Expenses	1,480,764	1,471,837	−8,927	2,233,841	1,668,925	188,161	197,088
Information Technology Systems	1,213,820	1,859,217	645,397	1,340,098	1,832,517	618,697	-26,700
National Cemetery Administration	160,733	166,809	6,076	218,335	166,809	6,076	0
Office of Inspector General	69,500	72,599	3,099	73,233	84,445	14,945	11,846
Construction, Major Projects	399,000	727,400	328,400	1,602,000	727,400	328,400	0
Construction, Minor Projects	198,937	233,396	34,459	541,000	248,396	49,459	15,000
Grants for Construction of State Extended Care Facilities	85,000	85,000	0	150,000	120,000	35,000	35,000
Grants for Construction of State Veterans Cemeteries	32,000	32,000	0	37,000	32,000	0	0
Total Departmental Administration	3,639,754	4,648,258	1,008,504	6,195,507	4,880,492	1,240,738	232,234
Other Discretionary	154,548	155,572	1,024	158,629	155,572	1,024	0
Total Discretionary	36,466,002	39,416,501	2,950,499	43,182,575	41,027,833	4,561,831	1,611,332

REPUBLICAN LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC, March 1, 2007.

Hon. JOHN SPRATT,
Chairman, Committee on the Budget
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: Pursuant to the Congressional Budget Act of 1974 and House Rule X, clause 4(f), I herewith submit to the Committee on the Budget the Views and Estimates of the Republican Members of the Committee on Veterans' Affairs regarding the Administration's FY 2008 budget request for veterans' programs.

In recommending record discretionary funding for veterans' health care and benefits, the Republican Budget Views and Estimates reflects our enduring priorities: to care for veterans who have service-connected disabilities, those with special needs, and the indigent; to ensure a seamless transition from military service to the care of the Department of Veterans Affairs (VA); and to provide veterans every opportunity to live full, healthy lives.

Reflecting the cost of war, Republican Members recommend funding that honors our returning servicemembers with truly seamless transition from the military to quality VA health care and benefits. Our recommendations further increase access to VA health care and preserve the high quality of care for which VA has justly become the envy of the medical community. Funding recommended by Republican Members will resource VA to slash the backlog in disability claims with a progressive blend of personnel increases, leveraged technology, and an energized network of intergovernmental collaboration.

The Republican views and estimates take into consideration information provided to the Committee in February 2007 during hearings on the budget at which written and oral testimony was provided by the Secretary of Veterans Affairs, the national leadership of some veterans' service organizations (VSOs), and other authorities.

These views and estimates consider insights gathered in the 109th Congress, during which the Committee enhanced input from VSOs and military service organizations (MSOs) by holding hearings during development of the views and estimates and boosting the number of these groups which testified. In February 2006, 19 of these organizations testified on the budget, and in September 2006, 20 testified in a fiscal-year review. Many of these views retain their validity. Contending with the Majority's decision to restrict the hearing process and curtail the opportunity for veterans'

groups to testify early in the budget cycle, the Republican views and estimates continue to implement insights of last year.

In developing these views and estimates, we commend the President and the Secretary of Veterans Affairs for sending to the Congress a strong request. The Administration's FY 2008 budget submission reflects the priorities of a nation at war and the commitment of Americans to care for their veterans. The President has proposed substantial increases in the budgets of agencies focused on fighting the war on terror, the Department of Defense and the Department of Homeland Security. Consistent with his focus, the Department of Veterans Affairs, with its mission of caring for those who have borne the battle, again this year received a substantial increase. Much of the rest of government received very modest, if any, augmentation.

Medical services funding recommended within this Budget Views and Estimates strengthens our ability to respond directly to the needs of servicemembers returning from the global war on terror. Many of these warriors have suffered traumatic brain injury and other grievous and complex injuries requiring the most advanced treatments and rehabilitation. Veterans and the families at their side will see dramatic increases in medical care accounts, mental health care, and funding for polytrauma care. Republicans recommend increases in research, prosthetics, sensory aids, and blind rehabilitation. As we expand current access to quality health care and long-term care, our recommendations will dramatically improve VA's future ability to care for veterans with aggressive construction spending on the kind of medical facilities that veterans need, where they need them.

Sports at all levels of skill provide the opportunity for service-disabled veterans to accelerate their rehabilitation and improve their overall lives. In 2005, VA joined with the U.S. Olympic Committee to provide increased opportunities for service-disabled veterans to participate in sports and we recommend funding to defray the program's modest expenses.

The backlog of disability compensation and pension claims continues to climb. It is now well past 600,000, with another 137,000 appeals awaiting decision. Just since the beginning of February 2007, nearly 10,000 claims have been added to the backlog. Each claim is a veteran waiting for the government to act, and possibly dying before that happens. We recommend funding 1,000 additional full-time employee equivalents over the Administration's request, 600 for compensation and pension adjudication, and 400 for education and veterans' rehabilitation and employment programs. We would also increase hiring for the Board of Veterans' Appeals above the Administration's request.

Additional hiring is only part of the solution to improving quality, accuracy, and timeliness in claims processing. Republican Members recommend funds for mobile claims offices, training and performance support systems, and skills certification and improved processes. Innovations such as rules-based technology could help speed accurate decision making, as will closer partnerships with municipal, county and state veterans offices and veterans groups; our recommendations include funding for pilot projects in these areas.

Our young men and women returning from military service are a national treasure. During the 109th Congress, the Committee determined the need to modernize the Montgomery GI Bill for both active duty and reserve component servicemembers. Consequently, we propose additional mandatory spending to improve these education and training benefits, which have proven since 1944 to be one of our nation's greatest investments.

The nation lost some 688,000 veterans in 2006, with similar numbers projected for the near future, most from our "Greatest Generation." More than 1,600 veterans pass from us each day, most of whom served during World War II and the Korean War. To assure our veterans a final resting place in a national shrine, the Republican Membership recommends additional funds for operations, maintenance and minor construction of National Cemeteries, and for an accelerated expansion of some existing cemeteries which are near or at capacity.

The cause of America's veterans has long been a bipartisan cause calling forth the best efforts within the community of legislators. The Republican Membership looks forward to working with the Committee's Majority Members and the Budget Committee on this salutary basis as we develop a FY 2008 veterans' budget that continues to honor this nation's commitment to those who have borne the battle and to their families.

Sincerely,

Steve Buyer, Ranking Republican Member; Cliff Stearns, Committee Member; Dan Burton, Committee Member; Jerry Moran, Committee Member; Richard H. Baker, Committee Member; Henry E. Brown, Jr., Committee Member; Jeff Miller, Ranking Republican Member, Subcommittee on Health; John Boozman, Ranking Republican Member, Subcommittee on Economic Opportunity; Ginny Brown-Waite, Ranking Republician Member, Subcommittee on Oversight & Investigations; Michael R. Turner, Committee Member; Brian P. Bilbray, Committee Member; Doug Lamborn, Subcommittee on Disability Assistance and Memorial Affairs; Gus M. Bilirakis, Committee Member.

REPUBLICAN VIEWS AND ESTIMATES FOR FY 2008

March 1, 2007

OVERVIEW

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

VETERANS BENEFITS ADMINISTRATION

MANDATORY FUNDING

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

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

DISCRETIONARY FUNDING

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

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

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

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

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

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

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

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

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

The loss of experienced staff from retirements, increased workloads, and the pending backlog of claims convince us that an addi-

tional 100 FTE are needed for the Education Service with a projected discretionary cost of $7.8 million.

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

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

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

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

BOARD OF VETERANS' APPEALS

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

NATIONAL CEMETERY ADMINISTRATION

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

$24.4 million in minor construction to address cemetery infrastructure improvements.

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

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

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

VETERANS HEALTH ADMINISTRATION

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

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

Medical Patient Workload—We recommend a $100 million increase to provide timely and accessible high-quality health care to core constituency veterans—the service-connected disabled, injured and indigent;

Operation Iraqi Freedom and Operation Enduring Freedom (OIF/OEF)—We recommend a $100 million increase to provide medical care to military personnel who served in OIF/OEF;

Prosthetic and Sensory Aids—We recommend a $65 million increase to cover the increased costs of providing, repairing and replacing prosthetics and sensory aids;

Polytrauma System of Care—We recommend a $50 million increase to enhance specialized treatment in VA's polytrauma rehabilitation centers for servicemembers and veterans with traumatic brain injuries;

Mental Health—We recommend a $200 million increase to continue implementation of mental health initiatives begun in 2005 to address deficiencies and gaps in services. While this amount is substantial, last September, the Government Accountability Office (GAO) reported that VA had not used all of the mental health funds Congress allocated. We expect better performance in VA's use of these resources to meet the emerging demand for mental health services, especially post traumatic stress disorder (PTSD). VA must plan for and fund those programs that have been identified as particularly relevant to the needs and requirements of our servicemembers;

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

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

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

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

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

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

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

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

Medical and Prosthetic Research—The Administration requests $411 million in appropriations for medical and prosthetic research, a decrease of $2.7 million below the FY 2007 appropriated level. We place a high premium on conducting research into injuries and illnesses related to military service that benefit the clinical treatment needs of veterans. While the Department intends to place additional reliance on outside federal grants to realize a net gain in research funding, we recommend a $51 million increase above the Administration's request. This increase includes an additional $20 million for research to promote the successful rehabilitation, psychological adjustment and reintegration of veterans who suffer with traumatic brain injuries.

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

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

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

OFFICE OF INFORMATION AND TECHNOLOGY

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

Reduced funding: We recommend reducing funding in the amount of $20 million to the Financial and Logistics Integrated Technology Enterprise (FLITE), due to poor performance.

Reduced funding: In the amount of $20 million to the Compensation & Pension Maintenance and Operations fund that was to be allocated to VETSNET.

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

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

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

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

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

OFFICE OF THE INSPECTOR GENERAL

The VA Office of Inspector General (OIG) is responsible for the audit, investigation, and inspection of all VA programs and operations. For FY 2008, the Administration requests $72.6 million and 445 Full Time Equivalent Employees (FTEE) to support the activi-

ties of the OIG. This compares with the FY 2007 request of $69.5 million for administrative expenses and 458 FTEE. However, this FY 2008 funding level would result in a reduction of 40 FTEE from current staffing levels. Major audits, reviews and investigations would have to be cancelled should this reduction in staffing occur. During FY 2006, OIG identified over $900 million in monetary benefits, for a return of $12 for every dollar expended on OIG oversight. The Republican Members of the Committee recommend adding $4.153 million to the FY 2008 funding request, in order to provide for a total of 558 FTEE.

U.S. DEPARTMENT OF LABOR—VETERANS' EMPLOYMENT AND TRAINING SERVICE

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

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

USERRA Training and Enforcement—The Veterans Employment and Training Service has primary responsibility for enforcing veterans' employment and reemployment rights under USERRA. VETS federal staff located in each of the six regions are responsible for administration and training VETS staff located in each state. With the high operational tempo of members of the Selected Reserve, case loads are climbing and additional resources are required to ensure timely resolution of USERRA-related cases. Therefore, we recommend an additional $1 million to fund six additional professional investigators.

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

PROPOSED LEGISLATION

GI Bill—During the 109th Congress, the Economic Opportunity Subcommittee conducted a series of hearing and site visits to determine the need to modernize the Montgomery GI Bill for both active duty and members of the Selected Reserve. MGIB benefit levels for active duty members have not nearly kept pace with the increasing cost of higher education, and extensive utilization of the Reserve Components in the Global War on Terror justifies increases in the basic levels of their benefits. Therefore, we propose an additional

$1.5 billion in mandatory spending to improve education benefits. This includes indexing the basic payment at 100% of the Department of Education average four year public school cost.

ADDITIONAL VIEWS AND ESTIMATES

HONORABLE STEVE BUYER

The Administration's requested FY 2008 budget for veterans' programs includes legislative proposals to change the Department of Veterans Affairs (VA) fee structure for health care. The proposals for certain fees and co-payments are more fully described in the Republican Views and Estimates for FY 2008. According to the legislative proposals, the revenue generated by these fees and co-payments would be mandatory receipts to be deposited in the U.S. Treasury, rather than retained by the VA for the benefit of veterans. I strongly believe that any revenue generated from enrollment fees and co-payments should be retained by the VA for its veterans programs.

The Administration's proposal includes fees, copayments related to enrollment of category 7 and 8 veterans in medical care. The Administration proposed a tiered enrollment fee based on income. The fees would range from $250 per year for a veteran with an income of $50,000 to $750 per year for a veteran with an income of $100,000 or greater. Copayments for pharmaceuticals would rise from the current $8 to a new level of $15 per 30-day supply. VA would also be authorized to discontinue the current practice of offsetting or reducing a patient's first party co-payment debt from funds received from third-party insurance for non service-connected treatment. I support these initiatives that would generate $355.2 million in the first year and $4.866 billion over 10 years, if the revenues generated were retained by the VA.

The first priority should be to improve the GI Bill education and training benefits for members of the National Guard and Reserves. These dedicated men and women are bulwarks in the Global War on Terror who are serving shoulder to shoulder with their active duty counterparts in Iraq, Afghanistan and wherever they are needed. However, their GI Bill education and training benefits are significantly less. They should have greater parity with the active duty forces in these benefits. The application of the revenues from the Administration's proposed fees and copayments to GI Bill increases for the Reserve Components would be a fitting way to recognize their service to our Nation.

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