

Mr. Brian Lawrence, Assistant National Legislative Director, Disabled American Veterans

STATEMENT OF
BRIAN LAWRENCE
ASSISTANT NATIONAL LEGISLATIVE DIRECTOR
OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE
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Mr. Chairman and Members of the Committee:

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 comment on, and compare, the President's proposed fiscal year (FY) 2007 budget for veterans' 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). Each organization has a principal responsibility for a major component of the budget. My testimony focuses on Department of Veterans (VA) benefit programs, which are administered by the Veterans Benefits Administration (VBA). VBA is further divided into the following services: Compensation and Pension (C&P), Vocational Rehabilitation and Employment (VR&E), Education, Loan Guaranty, and Insurance. VBA and its constituent departments are funded under the General Operating Expenses (GOE).

The level of funding sought in the President's 2007 budget would increase VBA operating expenses by nearly \$114 million, a 10.8 percent increase over last year's level. We are greatly encouraged that the Administration has proposed a substantial increase in resources for VBA. The need for such an increase has become critical, and we deeply appreciate the President's bearing on this issue.

We view adequate staffing levels for the VBA business lines as the most important issue for consideration in this component of the VA budget. While the Administration's move is in the right direction, we believe sufficient staffing levels for VBA are more closely reflected by the following IB recommendations regarding VBA services.

C&P Service

With the Administration's proposed budget, VBA staffing would be increased in FY 2007 by 173 full-time employees (FTE). C&P Service would be authorized 9,445 FTE, which is a total increase of 14; however, the number of FTE under the subcategory, Direct Compensation, would be reduced by 149. The net gain of FTE would be as a result of increases in other VBA activities.

This recommendation is somewhat perplexing since one of the Administration's stated goals is to decrease the number of backlogged compensation claims. Additionally, ongoing hostilities in

Iraq and Afghanistan and an aging veteran population will almost certainly increase the number of claims for compensation. In the 5-year period from the end of FY 2000 to the end of FY 2005, the volume of disability claims increased 36 percent, or an average of 7.2 percent annually. However VA projects that the number of disability claims will increase by only 3 percent during 2006 and 2 percent in 2007. Even with such modest projections for increased work, the Administration's budget request for fewer direct program FTE will result in a greater amount of pending claims. What makes this proposed reduction in staffing all the more questionable is VA's estimate that, above these projected increases in regular claims work, it will receive an additional 98,000 claims from its outreach to veterans in the six states with the lowest average compensation payments, as mandated by last year's legislation. VA admittedly anticipates increases in the already unacceptable claims backlogs in these two years, despite the fact that VA projects it will increase its 2005 production by 75,102 completed claims in 2006 and 85,740 completed claims in 2007. The backlog of pending rating cases would grow from 346,292 at the end of FY 2005 to 417,852 cases at the end of FY 2006, and 396,834 in FY 2007.

The IB recommends 10,820 FTE for C&P Services. In its budget submission for FY 2006, VA projected production based on an output of 109 claims per direct program FTE. The IB organizations have long argued that VA's production requirements do not allow for thorough development and careful consideration of disability claims, resulting in compromised quality, higher error and appeal rates, and even more overload on the system. In addition to recommending staffing levels more commensurate with the workload, we have maintained that VA should invest more in training adjudicators and that it should hold them accountable for higher standards of accuracy. In response to survey questions from VA's Office of Inspector General, nearly half of the adjudicators responding admitted that many claims are decided without adequate record development. They saw an incongruity between their objectives of making legally correct and factually substantiated decisions and management objectives of maximizing decision output to meet production standards and reduce backlogs. Nearly half reported that it is generally or very difficult to meet production standards without sacrificing quality. Fifty-seven percent reported difficulty meeting production standards if they make sure they have sufficient evidence for rating each case and thoroughly review the evidence. Most attributed VA's inability to make timely and high quality decisions to insufficient staff. They indicated that adjudicator training had not been a high priority in VA.

To allow for more time to be invested in training, we believe it prudent to recommend staffing levels based on an output of 100 cases per year for each direct program FTE. Based on an estimated 930,000 claims in FY 2007, 9,300 direct program FTE would be required to handle the caseload efficiently. With the FY 2006 level of 1,520 support FTE added, this would require C&P to be authorized 10,820 total FTE for FY 2007.

For Education Service, the President's budget seeks funding for 34 additional direct program FTE and 10 additional support 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 by 149 for direct-program FTE. In total, the IB recommends that Education Service should be provided 1,033 FTE for FY 2007.

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 meet its increasing workload and implement reforms to improve the effectiveness and efficiency of its programs, it is projected that VR&E will need a minimum of 1,375 direct program FTE in FY 2007.

Other Suggested Benefit Improvements

The benefit programs are effective for their intended purposes only to the extent VBA can deliver benefits to entitled veterans and dependents in a timely fashion. However, in addition to ensuring that VBA has the resources necessary to accomplish its mission in that manner, Congress must also make adjustments to the programs from time to time to address increases in the cost of living and needed improvements. The IB makes a number of recommendations to adjust rates and improve the benefit programs administered by VBA. Some of those recommendations are:

? cost-of-living-adjustments for compensation, specially adapted housing grants, and automobile grants, with provisions for automatic annual increases in the housing and automobile grants based on increases in the cost of living

? a presumption of service connection for hearing loss and tinnitus for combat veterans and veterans who had military duties involving high levels of noise exposure who suffer from tinnitus or hearing loss of a type typically related to noise exposure or acoustic trauma

? removal of the provision that makes persons who first entered service before June 30, 1985, ineligible for the Montgomery GI Bill, along with other improvements to the program

? no increase in, and eventual repeal of, funding fees for VA home loan guaranty

? increase in the maximum coverage and adjustment of the premium rates for Service-Disabled Veterans' Life Insurance

? increase in the maximum coverage available on policies of Veterans' Mortgage Life Insurance

? legislation to restore protections for veterans' benefits against awards to third parties in divorce actions

We invite the Committee's attention to the section of the IB addressing the Benefit Programs for details on these and other IB recommendations for improvement.

Another important component of our system of veterans' benefits is the right to appeal VA's benefits decisions to an independent court. The IB includes recommendations to improve the processes of judicial review in veterans' benefits matters. Again, we invite the Committee's attention to the IB for the details of these recommendations. In addition, the IB recommends that Congress enact legislation to authorize and fund construction of a courthouse and justice center for the United States Court of Appeals for Veterans Claims.

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.