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STATEMENT OF
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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 come before you today to present the views of the Disabled American Veterans (DAV) and its Auxiliary on the President's fiscal year (FY) 2006 budget for veterans' programs. In addition to our assessment of the President's budget recommendations, I will also provide the Committee with our own budget and program recommendations as contained in The Independent Budget (IB). 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).

The budget for veterans' programs, and therefore this hearing, is one of the most important activities of the Committee. In our view, this Committee has some of the most important responsibilities of any in Congress. Before discussing the budget, I want to congratulate you, Senator Craig, on your selection as Committee Chairman, and you, Senator Akaka, on your selection as Ranking Member. DAV's staff and members look forward to our work and association with you.

The President's FY 2006 budget requests $70.8 billion in budget authority for the Department of Veterans Affairs (VA). This total consists of $37.4 billion for mandatory spending in the benefit programs and $33.4 billion for discretionary funding. The mandatory funding includes $478.3 million to cover the 2.3% cost-of-living adjustment (COLA) the budget recommends for disability compensation. The discretionary funding includes $30.7 billion for veterans' medical care, of which $2.6 billion would be from projected copayments, enrollment fees, and other collections. The remaining $2.7 billion in discretionary funding would cover general operating expenses, some construction costs, and medical research.

The President's budget seeks no improvements in the benefits programs other than an annual COLA for compensation. Based on a projected increase in the cost of living as measured by the Consumer Price Index, disability compensation, as well as dependency and indemnity compensation (DIC) and the annual clothing allowance, also included in the compensation account, would be increased 2.3%. Increases in monthly benefits for compensation and DIC would be effective December 1, 2005. As we observe in the IB, these benefits must be adjusted periodically to keep pace with inflation. Veterans whose earning power is limited or completely lost due to service-connected disabilities must rely on compensation for the necessities of life. Similarly, surviving spouses and dependent children of veterans who died of service-connected causes often have little or no income other than DIC. The rates are modest, and any erosion due to inflation has a direct detrimental impact on recipients with fixed incomes. We therefore recommend in the IB and support the Administration's recommendation that Congress enact legislation to increase the rates of these benefits.

In the IB, we also recommend that Congress reject any suggestion or move to permanently extend provisions that, for the next several years, require rounding down of compensation COLAs to the nearest whole dollar amount. Congress has historically increased disability compensation and DIC rates each year to keep these benefits even with the cost of living. However, as a temporary measure to reduce the Federal budget deficit, Congress enacted legislation to require monthly payments, after adjustment for increases in the cost of living, to be rounded down to the nearest whole dollar amount. Finding this a convenient way to meet budget reconciliation targets and fund spending for other purposes, Congress seemingly has become unable to break the habit of extending this round-down provision and has extended it even in times of budget surpluses. Inexplicably, VA budgets have recommended in previous years that Congress make the round-down requirement a permanent part of the law. While rounding down compensation rates for 1 or 2 years may not seriously degrade its effectiveness, the cumulative effect over several years will substantially erode the value of compensation. Moreover, extended rounding down is entirely unjustified. It robs monies from the benefits of some of our most deserving veterans and dependents, who must rely on their modest compensation for basic needs.

In the IB, we make several other recommendations for legislation to improve the compensation program, and we take positions against certain detrimental proposals that have been offered or entertained in the past. We recommend adjustments in the grants for specially adapted housing and home adaptations provided to certain veterans with the more serious service-connected disabilities. Similarly, we recommend an increase in the grant for purchase of specially equipped automobiles provided to veterans with service-connected disabilities that require certain adaptations. Due to a lack of regular adjustments for inflation, these special benefits have lost much of their value. We recommend legislation to authorize use of modern mortality tables in setting premium rates for Service-Disabled Veterans' Insurance (SDVI). The intended benefit of offering life insurance to disabled veterans at standard rates is defeated by the continued use of 1941 mortality tables as a basis for premiums. We recommend that Congress increase the $10,000 maximum to $50,000 for SDVI policies to more meaningfully correspond to today's income replacement needs of survivors. We also recommend improvements for the education, vocational rehabilitation, and home loan programs. We ask the Committee to refer to the IB for these recommendations and give them full consideration.

The administrative expenses for the benefit programs are included in the discretionary funding for the VA's Veterans Benefits Administration (VBA), which together with funding for Departmental Administration, traditionally made up the General Operating Expenses (GOE) appropriation. Because Congress has resisted adopting the new budget account structure for VA employed in the President's budget beginning with FY 2004, we continue to observe in the IB the traditional account structure under GOE.

The level of funding sought in the President's budget would reduce VBA staffing again for the third consecutive year. In FY 2006, VBA would have 76 fewer fulltime employees (FTE) under the President's budget than it had in FY 2005, and 539 fewer than it had in FY 2003. Even this net reduction of 76 FTE does not present a true picture of the impact of the President's budget because it would cannibalize other benefit lines to partially alleviate critical staffing shortages in the Compensation and Pension (C&P) and Vocational Rehabilitation and Employment (VR&E) Services. Loan Guaranty Service would lose 205 FTE, Education Service would lose 14 FTE, and Insurance Service would lose 6 FTE.

According to the ?Budget Highlights? in the President's Budget Submission, one of VA's highest priorities is to ?[i]mprove the timeliness and accuracy of claims processing.? The Budget Submission states: ?Funds are included in the Veterans Benefits Administration to sustain progress made under the Secretary's priority of improving timeliness and accuracy of claims.? We assume the intent was to say that the funds requested are sufficient to continue the course of improving claims processing timeliness and accuracy. In another statement, the Budget Submission declares: ?As a Presidential initiative, improving the timeliness and accuracy of claims processing remains the Department's top priority associated with our benefit programs.? However, it appears that this budget abandons efforts to improve on the intolerable situation in which VA has large backlogs of pending claims and in which benefits awards to veterans are delayed as a consequence. The Budget Submission for FY 2004, for example, set a goal of reducing the average processing time for compensation and pension claims from a projected 165 days in FY 2003 to 100 days in FY 2004, with a strategic target of 90 days. The Budget Submission for FY 2005 set a goal of reducing the average processing time for compensation and pension claims from a projected 145 days in FY 2004 to 100 days in FY 2005, with a strategic target of 90 days. The FY 2006 Budget Submission revises these figures to show that average was actually 166 days in FY 2004, that the time will be reduced to 145 days in FY 2005, and that the goal for FY 2006 is also 145 days. The strategic target has been increased from 90 days to 125 days. This demonstrates that the resources requested are insufficient to meet a goal that VA portrays as a ?top priority.? These figures call into question the genuineness of this stated goal.

The IB has recommended that C&P Service be authorized 8,929 FTE, the FY 2004 staffing level. In addition, C&P Service had 174 FTE for adjudication of burial benefit claims, making the FY 2004 total 9,103 FTE. The President's budget requests 9,087 FTE for C&P. While this is an increase over the 8,959 FTE authorized for FY 2005, the failure to meet timeliness goals demonstrates that the President's request for FY 2006 is insufficient. At a minimum, C&P Service should be authorized 9,103 FTE.

For Education Service, the IB recommended staffing of 770 direct program FTE, an increase of 33 FTE over the FY 2005 staffing level. 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. However, with the inability to hire new employees during FY 2004, Education Service timeliness in processing original and supplemental education claims declined during FY 2004. In addition, legislation authorizing a new education benefit for members of the National Guard and Reserve pressed into active service for 90 or more days will add to the existing workload during FY 2005 and future years, making it even more difficult to address the education caseload in a timely manner. In FY 2003, the average time to process original education claims was 23 days. The strategic target was 10 days. The Budget Submission estimates that the average time to complete original education claims in FY 2006 will have grown to 27 days. Without an increase in staffing adequate to meet the existing and added workload, service to veterans seeking educational benefits will continue to decline. The President's budget would reduce direct program FTE from 737 in FY 2005 to 717 in FY 2006. The President requests 53 fewer FTE than the IB recommends. Based on experience with the average number of claims decisions a claims examiner can process and the average number of telephone and Internet contacts an employee can handle, to meet its workload demands in a satisfactory fashion, VBA must increase direct program staffing in its Education Service in FY 2006 to 770 FTE.

For VR&E Service, the President's budget seeks funding for 963 direct program FTE. The IB recommends 1,017 direct program FTE for this business line. During FY 2005 and continuing into FY 2006, VR&E's workload is expected 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 60 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 1,017 direct program FTE in FY 2006, 54 more than the President requested.

The IB recommends funding for continued development and deployment of modern information technology (IT). The President's budget appears to have abandoned many of VA's IT initiatives. We recommend that Congress provide $4 million for predeployment testing of new IT applications at VA's Hines Information Technology Center. Automated testing of new IT at the Hines test center avoids diverting field office staff from their regular duties to test the new applications and avoids the pitfalls of deploying untested software to VA field offices. We recommend $1 million for training to keep VA's IT staff abreast of changes in IT systems.

For new subsystems in C&P Service to be integrated into VETSNET, we recommend that Congress provide $12 million. To continue document preparation and scanning at VA's pension maintenance centers and to continue evaluating VA's electronic imaging system, ?Virtual VA,? for eventual nationwide deployment, we recommend an appropriation of $2 million in FY 2006.

We recommend that Congress provide $2 million to cover the costs of necessary enhancements of Education Service's Imaging Management System (TIMS). TIMS is Education Service's system for electronic education claims files, storage of imaged documents, and workflow management. VA needs to consolidate four separate TIMS databases into one database accessible by the Internet and add capacity to meet increased workload demands. This will make the system fully interactive nationwide and will include the critical additional capacity necessary for continued viability of the system.

To allow for more efficient award processing and sharing of information with contractors, employment services, and outside partnership entities by deploying a Web-based version of VR&E's case management system, WINRS, we recommend that Congress provide $3 million. To allow it to receive enrollment information from schools and to enable it to have online contact between veterans and case managers, we recommend that VR&E be provided $2 million for its ?Internet Application? initiative.

We recommend a $2 million appropriation for upgrading and expansion of the ?Loan Servicing System? to allow claimants direct access to Loan Guaranty Service's Automated Certificate of Eligibility application. As we noted, the President's budget would reduce staffing in Loan Guaranty Service by 205 FTE in FY 2006. An annotation to budget briefing documents provided to congressional staff and veterans organizations states: ?FTE decreases are offset by productivity improvements such as information technology, training, management efficiencies, etc.? Yet the President's budget provides no money to allow claimants access to an Automated Certificate of Eligibility, an initiative that would be consistent with some reduction of FTE. Experience would suggest that management efficiencies can only be quantified accurately and can only be counted on to increase productivity after they have been attained. It appears that when requested resources fall short of what is necessary to meet workload demands, VA simply declares that it can achieve management efficiencies in the amount of savings necessary to fill the obvious gap between resources needed and appropriations requested. In short, the amount of savings projected appears to correspond to the funding shortfall rather than being derived from any actual calculation based reasonably on expected new efficiencies.

In connection with the funding request for medical care, the President's budget assumes savings of $590 million in management efficiencies. Again, we believe such a convenient assumption is unjustified. As another means to bridge the gap between the resources requested and the resources necessary, the budget would shift the shortfall onto veterans themselves. It would impose a $250 annual enrollment fee for ?all? Priority 7 and 8 veterans. It would increase pharmacy copayments to 214% of the current amount, from $7 to $15. A veteran would be required to pay this copayment on each of his or her prescriptions for a 30-day supply of medications. Such user fees are nothing more than a disguised tax upon veterans' benefits. In addition, the budget would continue the suspension of enrollment of new Priority 8 veterans.

These initiatives would accommodate lower appropriations by bringing revenues from collections into the system, by driving large numbers of veterans away from VA, and by preventing any growth in patient load from priority 8 veterans. VA projects that the enrollment fee and higher copayments will increase collections by $424 million and repulse 213,000 veterans from the VA medical care system. Assuming all of these changes, the FY 2006 budget would provide for the Veterans Health Administration only a 2.41% increase over FY 2005 budget authority in constant, or nominal, dollars. Appropriated dollars would account for only 0.4% of this increase. According data in the Budget Submission, VA experienced a 4.1% growth rate in patients treated in FY 2004, and VA projects a 7% growth of enrollees between fiscal years 2004 and 2006. The Budget Submission for VA states that it includes policy changes to ?assure sufficient resources? are available to continue to provide care to all enrolled veterans.

We often hear Government officials repeating Lincoln's words to communicate its solemn mission, ?to care for him who shall have borne the battle . . . .? Many veterans in Priority Groups 7 and 8 have borne the battle with the good fortune not to be wounded, and some have service-connected disabilities, but this budget does not care for them. It employs verbal extenuation to masquerade as an honorable and positive action its efforts to abandon these veterans and drive them from the system. The Budget Submission for VA states that the budget supports a continued focus on health care needs of VA's ?core group of veterans.? Unlike Lincoln's positive words urging the nation to honor its moral obligation to veterans, this statement of exclusion seeks to disavow the Nation's obligation for political expedience. A medical care system that treats only the sickest of the sick and the poorest of the poor is not sustainable and would be undesirable. Such restricted focus would in the end seriously erode the quality of care for today's and tomorrow's veterans.

Though we wanted to express our concerns about the glaring inadequacy and obvious bad policy of this budget for veterans' medical care, we will defer to our partners from PVA to present more specifically the IB's views and recommendation of mandatory funding for veterans' medical care. To avoid unnecessary duplication, we also defer to our IB colleagues from AMVETS and the VFW to cover the budget for the National Cemetery Administration and construction.

We should not forget veterans in times of peace following conflicts, but this is certainly a time that our national commitment to veterans should be at its highest, a time that providing adequately for them should be foremost in the minds of members and on the agenda of Congress. This budget does not provide adequately for veterans programs. We urge this Committee and Congress to correct its deficiencies and fulfill our commitment to veterans.