

**STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
HOUSE COMMITTEE ON VETERANS' AFFAIRS**

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

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

Education

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

We are requesting \$92.3 million¹ to fund the discretionary portion of the Education program in 2007. This funding level will support 930 FTE and associated expenses, and the Education portion of the VBA-wide skills certification initiative.

Workload and Resource Needs

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

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

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

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

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

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

Program Highlights

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

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

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

Vocational Rehabilitation and Employment

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

We are requesting \$149.3 million² to fund the discretionary portion of the VR&E program in 2007. This funding level will support 1,255 FTE and

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

Workload and Resource Needs

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

The increases in workload can be attributed to four key factors:

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

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

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

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

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

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

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

Program Highlights

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

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

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

Loan Guaranty Service

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

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

We are requesting budget authority of \$127.2 million³ to fund the discretionary portion of the Loan Guaranty Program. This funding level will support 971 FTE.

Workload and Resource Needs

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

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

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Program Highlights

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

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

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

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

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