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U.S. House of Representatives

COMMITTEE ON VETERANS' AFFAIRS

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March 9, 2012

The Honorable Paul Ryan
Chairman
The Honorable Chris Van Hollen
Ranking Democratic Member
Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Ryan and Ranking Member Van Hollen:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), and with the approval of the undersigned Members of the Committee on Veterans' Affairs (Committee), we write to provide our 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 (FY) 2013, including the Department of Veterans Affairs (VA) request for medical care advance appropriations for FY 2014.

General Comments

We are all aware of the tremendous challenges facing our nation. Although the economy is showing signs of improvement, far too many Americans remain unemployed; annual deficits and debt remain too high; and even though we are in the midst of a drawdown of our military engagements overseas, the need for a strong national defense to protect Americans at home and abroad remains. Notwithstanding the many partisan battles over these and other issues Congress has engaged in over the course of the last year, we remain united in placing the welfare of the men and women who have served our country in uniform as our top priority.

One expression of the priority veterans have earned is the funding of programs that serve their needs, principally through programs administered by VA. Although the Budget Control Act of 2011 (BCA) (P.L. 112-25, 125 Stat.240) instituted discretionary spending caps on all of government for the next decade, programs affecting veterans will continue to take special precedence. The Administration's proposed 4.3% increase in VA discretionary spending for FY 2013, relative to what is proposed in other areas of government, is an example of that precedence, and one that we, with a few caveats, endorse.

The Committee's ability to judge the sufficiency of the Administration's budget request and whether the budget responds to the real needs of veterans depends, in large measure, on the accuracy and timeliness of the resource-related information provided to the Committee, and the

transparency and detail with which this information is conveyed to Congress. The Committee raises concerns regarding the following three issues, and how they relate to the provision of information to Congress.

Sequestration: All of us agree that sequestration is a poor tool to achieve necessary budgetary savings. The present reality, however, is that absent Congressional intervention there will be painful, automatic cuts made to defense and other programs beginning January 2, 2013.

Due to a conflict in law governing sequestration rules, one that only the Office of Management and Budget (OMB) can clarify immediately, it is unclear whether VA programs are a part of the sequestration conversation. Section 905(b) of title 2, United States Code, was amended in 2010 to clarify that “[a]ll programs administered by the Department of Veterans Affairs” are exempt from any order of sequestration. However, section 906(e) of title 2, United States Code, added originally as part of the Balanced Budget and Emergency Deficit Control Act of 1985 (Title II of P.L. 99-177, 99 Stat.1037, 1088), permits a maximum 2% reduction in budget authority under a sequester order for, among other things, “veterans’ medical care.” The Committee has attempted to get clarity from OMB about how the BCA interacts with these two, seemingly contradictory sections of law. To date, although the ambiguity has been acknowledged by the Administration, no definitive answer regarding sequestration and its potential inclusion of VA has been received by the Committee.

We believe the intent of Congress was for all VA programs to be exempt from the threat of sequester, and a bill is pending before the Budget Committee (H.R. 3895) to make that explicit. Lawyers with both the Government Accountability Office (GAO) and the Congressional Research Service (CRS) have provided legal opinions to the Committee arguing that, in their judgment, VA is exempt under existing law. However, should OMB not agree, the implications of sequestration on VA healthcare would be profound. This is an area of great uncertainty surrounding the FY 2013 request, one that the Committee will be following closely. The Committee is requesting that OMB make a determination as soon as possible to enable VA to better forecast its future resource needs.

Revisions to Estimates: In February of 2011 the Administration submitted its budget request for FY 2012 and the FY 2013 advance appropriation for VA medical care. That request had a degree of specificity regarding how health care appropriations were planned to be expended. It was that request that veterans’ organizations, the Committee, the Appropriations Committee, and this Congress relied upon as the blueprint of how money provided would be spent. The Committee only learned last month, with the submission of the Administration’s budget, that there had been a significant revision to both the FY 2012 and FY 2013 estimates of resource requirements for VA medical care. This revision occurred after VA ran its Enrollee Healthcare Projection Model (the Model) in the Spring of 2011 using updated information, nearly nine months before the Committee was notified. The result of the Model update was a lowering of the resource requirements for VA medical care in FY 2012 by nearly \$3 billion, and a lowering of the resource requirements for medical care in FY 2013 by nearly \$2 billion. VA subsequently made an internal decision to reallocate those resources to fund a variety of initiatives.

Although we understand that forecasting resource needs for a medical care system far in advance of the year being funded presents challenges, it is unacceptable that VA kept important information internal for so long. Congress has the ultimate responsibility and obligation to make final funding decisions with regard to the Executive Branch. Especially in a tight fiscal climate, decisions about how best to allocate an overestimation of resources should be made in a transparent fashion and with Congressional involvement, even if these resource overestimations and adjustments are expended within the appropriations account in which they were originally provided. This is essential to ensure that Congressional responsibilities are met and competing priorities can be balanced.

We note that in two months VA will, again, run its Model to update its resource requirements for FY 2013 and FY 2014. It could be that the Model forecasts another overestimation of resources; it could be that the Model forecasts a need for additional resources. Regardless of the outcome, the Committee expects to be notified regarding any substantial revisions to these forecasts.

Operational Improvements: As discussed, the Administration's budget request for VA medical care is an effort to reflect an accurate accounting of the resource needs of the healthcare system. The resource needs are influenced by a variety of factors, including the degree to which improvements to internal operations obviates the need for appropriated resources. For FY 2012 and FY 2013, the Administration asserts that certain operational improvements will reduce the resource need by a combined \$2.4 billion. These operational improvements include making VA fee-care payments for certain services consistent with Medicare payment rates, improving VA's acquisition process, and making unspecified administrative changes.

We applaud efficiency and improved operations; however, we are concerned about VA claiming savings without any real way of transparently measuring whether they, in fact, occurred. GAO released a report last month on VA's claimed operational improvements and raised the same concern. The report noted that "VA's estimated savings from two of its six operational improvements lacked analytic support and estimated savings from another were flawed. Without a sound methodology for estimating these savings, VA runs the risk of not achieving them."

Again, transparency regarding claimed operational savings, resource re-estimations, and sequestration is essential going forward.

I. Summary

For VA programs, we support the Administration's request of \$60.998 billion in total discretionary spending in FY 2013, a 4.3% increase above the FY 2012 enacted level (excluding medical collections). \$52.541 billion of the FY 2013 request has already been provided in advance for VA medical care. The Administration requests an additional \$165 million for VA medical care on top of the advance appropriation provided in the Consolidated Budget Act, FY 2012 (P.L. 112-74, 125 Stat. 786). The Committee believes that at this time, this additional \$165 million would better be used to increase funding levels for other high priority VA accounts. The Committee stands ready, as more recent data becomes available and if an immediate need is demonstrated, to work to provide any additional medical care resources required to provide

health care to our veterans. The Committee recommends that this \$165 million be used in the following manner:

- +\$17 million above the Administration's request for Medical Research
- +\$5 million above the Administration's request for the Veterans Benefits Administration
- +\$3 million above the Administration's request for General Administration to provide an increase for the Board of Veterans' Appeals (BVA)
- +\$5 million above the Administration's request for the VA Office of the Inspector General
- +\$135 million above the Administration's request for VA's construction programs (Construction, Major Projects; Construction, Minor Projects, and non-recurring maintenance within the Medical Facilities account)

We, at this point, also endorse the Administration's request of \$54.462 billion (excluding collections) in FY 2014 advance appropriation for VA medical care. We reserve the right to revisit this recommendation as more information is revealed this year and next about the actual resource requirements necessary for FY 2014.

We further endorse the overall discretionary requests for other programs in the Committee's jurisdiction, including the American Battle Monuments Commission (ABMC), the U.S. Court of Appeals for Veterans Claims (CAVC), and the Veterans' Employment and Training Service (VETS).

Finally, although we do not request additional resources beyond those listed above, we do have recommendations on how funding should be allocated within specific appropriation accounts. Those recommendations will be outlined in the body of the letter.

II. Discretionary Spending

1. VA Medical Care

For FY 2013, the Administration requests \$52.7 billion (excluding estimated medical collections) for the three VA medical care appropriation accounts – Medical Services (\$41.5 billion), Medical Support and Compliance (\$5.7 billion), and Medical Facilities (\$5.4 billion). This request, which represents a 4.1% increase over the FY 2012 enacted appropriations for medical care, is \$165 million higher than what the Administration requested one year ago through the FY 2013 advance appropriations request. VA states that the increase is the result of updated estimates from the Enrollee Health Care Projection Model (the Model). The Administration also requests an FY 2014 advance appropriation of \$54.4 billion (excluding estimated medical collections), a 3.3% increase above the Administration's FY 2013 medical care request.

In addition, the Administration assumes the availability of \$3 billion in medical care collections in FY 2013, including receipts from pharmacy and other first-party copayments including inpatient, outpatient and nursing home care and third-party insurance payment collections associated with care provided for non service-connected conditions. This estimate represents a

7.2% increase over the FY 2012 collections estimate. In FY 2014, the Administration assumes the availability of \$3.1 billion in collections, a 2.9% increase over the FY 2013 estimate.

Finally, the Administration assumes the ability to carry over, from FY 2012 to FY 2013, \$500 million in unobligated balances.

At this time we will defer any judgment on the additional \$165 million the Administration requests for medical care to supplement the \$52.541 billion that has already been provided in advance for FY 2013. As discussed above, the Administration announced \$5 billion in overestimation for the FY 2012 and FY 2013 periods, and will soon run its Model again in early spring. The Committee needs time to gather more information before updating our views.

We do, however, applaud the broad goals outlined in the Administration's request, including initiatives to eliminate veteran homelessness, increase access to mental health care, expand access to care for rural veterans, overcome barriers to care for female veterans, and prevent suicides among veterans.

We remain concerned about the Administration's rising administrative costs. From FY 2011 to FY 2012, the Medical Support and Compliance account grew nearly 8%. The Administration's FY 2013 budget request would increase this account, which provides funds for expenses related to the administration of VA medical facilities, by an additional 3.8%. We question the continued significant increase in funding directed towards Departmental bureaucracy rather than direct services to veterans and their families. In prior Committee testimony the Administration has agreed to reassess the size and functional make up of its Veterans Integrated Service Network (VISN) headquarters staff. We will continue our oversight of that effort and assess its impact on budgetary resources going forward.

We also remain concerned about two aspects of the Medical Facilities portion of this request. First, non-recurring maintenance needs identified in VA's Strategic Capital Investment Plan total \$20 to \$25 billion. However, the Administration requests only \$710 million in FY 2013 to meet this need. If that amount of funding is carried forward each year it will take approximately 30 to 35 years to fund all identified projects. We will discuss this further in the "VA Construction Programs" heading below, but, needless to say, this is an obvious area of strategic concern.

The second aspect of the Medical Facilities account we will conduct additional oversight on is VA's medical facility lease program. According to a status report within VA's budget submission, there are 55 major medical facility leases that have been authorized in recent years with a total start-up cost of \$442 million, but only 5 of those facilities are now open (meaning a contractor has built a suitable clinic for VA to lease with the money Congress has authorized and appropriated). Completion schedules contained in the original lease authorization requests to Congress suggest that many more of these facilities should be at, or nearing, completion at this point. The Committee will investigate the funding, justification, and timely completion of these and other lease projects going forward and their implications for VA budget levels.

2. VA Medical Research

For FY 2013, the Administration requests \$583 million for medical and prosthetic research, an increase of approximately \$2 million above the FY 2012 enacted level. The Bureau of Economic Analysis in the U.S. Department of Commerce estimates a 2.8% increase in the Biomedical Research and Development Price Index for FY 2013. To reflect this increase due to inflation would require an increase above the Administration's request of \$14 million. The medical and prosthetic research program improves the day-to-day lives of the veteran population and makes significant contributions to the advancement of medicine by conducting research into the injuries, illnesses, and conditions related to military service. In addition, the program serves as an effective recruitment and retention tool to attract high quality clinician-investigators. We recommend a funding level of \$600 million for this account, \$17 million above the requested level. In particular, we support increased research into the provision of cutting-edge orthotic and prosthetic care and the long-term health effects of environmental exposures.

Improvements in the efficacy and efficiency of battlefield medicine have resulted in a growing population of veterans surviving with catastrophic injuries, including, in some cases, multiple limb loss. Data from the Department of Defense (DOD) indicates that more servicemembers lost limbs in 2011 than in any previous year of the Global War on Terror (GWOT). We are increasingly concerned about the Administration's ability to effectively meet the needs of the growing number of younger and more active veterans with amputations. Servicemembers returning from combat typically receive state-of-the-art prosthetic technology, rehabilitation, and care at specialized military treatment facilities in Bethesda, Maryland; San Antonio, Texas; and San Diego, California. These servicemembers eventually transition to and receive prosthetic care from VA. Increased outcomes-based research into the latest prosthetic technology, treatment, and best practices must become a priority in the coming years. It is vital to ensure system wide access to consistent and coordinated evidence-based care and standardized performance measures to enable our veterans to achieve maximum function. Of note is the need for focused research regarding upper limb amputations. Less common and less studied than lower limb amputations, upper limb amputations are becoming more prevalent in the veteran population as a result of blast-related injuries. We recommend increased research into the unique needs of veteran with multiple amputations.

In addition to increased research regarding limb loss, there is an identified need for increased research into the long-term health effects of exposure to environmental hazards, including burn pits and other chemical pollutants, during military service. On October 31, 2011, the Institute of Medicine (IOM) released a report showing so-called "limited or suggestive" evidence of an association between exposure to combustion products and reduced pulmonary function for veterans of Iraq and Afghanistan. The IOM study further raised the question as to the need for additional research into deployment exposure to particulate matters. Coupled with increased anecdotal evidence suggesting a link between wartime service in the GWOT and chronic health conditions including respiratory disease gastrointestinal disorders, we believe the Administration must leverage lessons learned from previous conflicts in Vietnam and the Gulf War and take a proactive approach to addressing the long-term consequences of war-related exposure to environmental hazards.

3. VA Information Technology

For FY 2013, the Administration requests \$3.327 billion for the Office of Information and Technology (OI&T), \$216 million more than the FY 2012 level. While the Committee supports a funding level sufficient to meet the considerable Information Technology (IT) needs of the Department, concerns remain in several areas.

One of these concerns is a continued lack of a clearly defined IT strategy, including how VA intends to address weaknesses in information security. From very basic breaches in data security to outstanding questions about information security going forward with an integrated Electronic Health Record (iEHR), veterans and taxpayers need to know that those past problems have been taken seriously and addressed. We believe that resolving these security issues and better defining a long-term IT strategy, as well as placing priority on developing a comprehensive IT architecture, will not only help VA better address the needs of veterans, it will also enable better coordination between VA and the Department of Defense in transitioning service members to veteran status.

VA's failure of due diligence in IT contracting continues to worry the Committee. The discovery of contracting problems in the middle of a system's development not only delays its implementation, but adds to its ultimate cost. As VA moves ahead with plans for implementing cloud computing, it is vital that it employs thorough contracting methods. The recent cancellation of a large IT contract directly involved with the iEHR fails to provide assurance that contracting personnel are providing necessary attention to detail at the front end of the contracting process, resulting in lost time and taxpayer dollars on an already overdue project.

The Committee also remains concerned about the effective utilization of all human capital within OI&T. Given a recent large influx of personnel over the past year, it remains unclear what the long-term plan is for these employees once IT milestones have been reached. The Administration's FY 2013 budget includes a staffing level of 7,435 FTE, an increase of nearly 10 percent over FY 2010 staffing levels. A clearer definition of the job roles, titles, and locations of both existing employees, as well as the significant number of new employees, would greatly increase transparency and accountability for VA's IT performance and accomplishments.

Lastly, the Committee remains concerned about a lack of cost-benefit analyses being provided before VA undertakes major IT projects. Given a history of several multimillion dollar programs being cancelled after a period of time with no result to show for the expenditure, a cost-benefit analysis provided in advance of undertaking large-scale IT programs would provide better stewardship of taxpayer dollars and clearly identify intended goals and milestones.

4. General Operating Expenses, Veterans Benefits Administration

The Veterans Benefits Administration account funds the operation of VA's benefit programs, broadly categorized within the following service lines: Compensation and Pension, Education, Housing, Insurance, and Vocational Rehabilitation and Employment. We recommend an increase of \$5 million above the Administration's request. Below are selected highlights of service lines funded through this account.

Compensation and Pension Service

We continue to be deeply troubled by the growing size of the backlog of claims for VA disability compensation. VA has stated its goal of eliminating the disability claims backlog by 2015. Although we commend VA for its bold assertion and agree that steps to eliminate the backlog must be taken, we remain skeptical of this goal. Since 2005, the number of annual claims receipts by VBA has increased 95 percent, from 674,000 in 2001 to 1,311,091 in 2011. Further, VA anticipates that the growth in disability claims volume will continue, with an expectation that approximately 1,250,000 claims will be filed in 2013. This number is well over the approximately 1,000,000 claims VA processed in 2011. This budget continues to assert that VA will address the backlog by hiring more FTEs, stating that “our employees are the key to our success.” However, despite the large number of FTEs VBA has hired since 2007, the backlog has continued to increase rather than decrease.

In addition, VA has stated that its backlog will greatly decrease as a result of national deployment of the Veterans Benefits Management System (VBMS). VA anticipates that this system will be fully implemented by the end of 2013. However, the budget fails to address how the full implementation of this system will initially impact both the budget and the backlog. For example, while learning the new system, employees will be required to take time away from processing claims. Further, at this time, VA does not have a long term solution in place to address how documents relating to claims processing will be scanned and incorporated into VBMS. Thus, although we support the \$35,711,000 allocated to the VBMS initiative, VA must dedicate an adequate percentage of this funding to the long-term use of this system, to include a long-term scanning solution.

We continue to believe that a multi-faceted approach is necessary for the Veterans Benefits Administration to overcome the challenges it faces. To this end, VA has allocated \$18,440,000 to its transformation plan, which includes a paradigm shift that involves placing a high level of priority on quality of work as well as quantity. We support this request and will conduct vigorous oversight of the transformation process to ensure that VA places the required emphasis on reducing the backlog, accuracy in claims processing, and employee training and accountability, including as it relates to using VBMS.

Vocational Rehabilitation and Employment Service

We also draw attention to the needs of veterans being served under the Vocational Rehabilitation and Employment (VR&E) program. Unlike other VA benefit programs, VR&E is a “high touch” program that begins with a detailed evaluation of the impact a service-connected disability has on a veteran’s ability to obtain and maintain satisfactory employment. The process consists of formal testing and evaluation by professional counselors who hold advanced degrees in vocational rehabilitation-related fields. Evaluation is followed by development and implementation of a rehabilitation plan focused on maximizing the veteran’s employability. Nearly 90 percent of VR&E participants are attending formal training including college degree programs.

For FY 2013, the Administration requests resources to support 1,672 direct FTE to provide vocational rehabilitation services, an increase of 145 FTE above the FY 2012 direct FTE level for the VR&E program. However, given that VA projects an increase of 5,437 veterans to the total VR&E caseload over the FY 2012 estimate, the FTE increase is welcome, but still insufficient. The Committee believes it is imperative to reduce the average caseload from the current 135 to 150 veterans per counselor, to a level approaching an average caseload of about 100 per counselor, which is roughly the private sector standard. Therefore, we recommend an additional \$5.5 million above the Administration's request to support an additional 50 professional VR&E counselors and counseling psychologists. Such an increase would shorten both the time needed to begin receiving VR&E services and would increase the quality of those services to disabled veterans in need of employment assistance.

Education Service

The Administration has proposed reducing Education Service FTE by 189 from FY 2012 levels despite a projected increase of 43,385 veterans and dependents participating in the various GI Bill programs. The increase in workload includes an estimated 54,000 unemployed veterans who will receive up to a year of Montgomery GI Bill benefits as a result of the Public Law 112-56, the VOW to Hire Heroes Act of 2011. VA bases the proposed staffing reduction primarily on increased automation of the new system used to process Post-9/11 GI Bill claims. The Committee does not agree with the reduction in FTE at this point for the following reasons.

VA intends to implement Release 6 of the Post 9/11 GI Bill Long Term Solution processing system in mid-summer 2012. Unfortunately, VA does not plan to activate all of the extensive automation features in that release pending resolution of several remaining integration issues that involve other VA information technology programs. Without the additional automation functions available to claims processors, the Committee is not convinced that VA's projected improvements in claims processing productivity will be realized.

The reduction in Education Service FTE would come from experienced claim processors whose absence will immediately impact education claims processing. Therefore, rather than risk a service deterioration at so critical a juncture, the Committee recommends funding in the amount of \$15 million be shifted from other accounts within General Operating Expenses to retain those experienced claims processors until such time as the technology integration issues are solved.

5. General Administration

The General Administration account funds the operation of the Office of the Secretary, six Assistant Secretaries' offices, and three VA staff offices. We recommend an increase of \$3 million in this account to provide additional staffing for one of the VA-level staff offices, the BVA.

BVA is the final VA decision-maker with respect to all benefits matters on appeal, to include disability compensation claims. BVA's workload has risen significantly in recent years along with the increase in claims filings overall. As was stated by Mr. Jeffrey C. Hall, Assistant National Legislative Director for the Disabled American Veterans, at the Committee's February

15, 2012 hearing, “[t]he IBVSOs are concerned that unless additional resources are provided to the Board, its ability to produce timely and accurate decisions will be constrained by an inadequate budget, and either the backlog will rise or accuracy will fall.” Mr. Hall, on behalf of the other authors of the *Independent Budget*, recommended a staffing increase of 40 FTE. According to VA’s budget submission there is “[a] direct and proportional correlation [that] exists between the number of employees and decisional output.” Because reducing the backlog of claims at the BVA remains a priority, we encourage the BVA to not only hire the additional staff it requires, but to use the remainder of its resources to ensure that any new staff are trained properly to produce timely, accurate decisions.

6. VA Construction Programs

For FY 2013, the Administration requests a total of \$1.271 billion for VA’s four construction accounts: Major Construction (\$532.5 million); Minor Construction (\$607.5 million); State Extended Care Facility Construction Grants (\$85 million); and State Cemetery Construction Grants (\$46 million). In addition, the Administration requests \$710 million for non-recurring maintenance needs for its medical facilities (funded through the Medical Facilities account). Given that the stated needs of the VA healthcare system are vast and growing, we recommend an additional \$135 million above the Administration’s request to support VA’s capital and maintenance needs.

To identify and prioritize system-wide capital needs and address gaps in safety, security, utilization, access, seismic protection, facility condition, space, parking and energy, the Administration relies on the Strategic Capital Investment Planning (SCIP) process. For FY 2013, SCIP identified 4,043 capital projects, which, based on a 10-year resource need, require between \$51 and \$62 billion (excluding activation and operational costs).

We believe that the Administration failed to request sufficient funding for non-recurring maintenance (NRM). Funded out of the Medical Facilities account, the Administration has requested \$710 million in FY 2013 and \$464.7 million in the FY 2014 advance appropriation for NRM, a decrease of \$158.4 million and \$245.8 million respectively. We believe that NRM is a vital part of ensuring the safe, effective, and efficient function of the Administration’s medical facilities and support increased funding for NRM projects. Funding requests which put scheduled completion of SCIP-identified projects on a 30 to 40 year timetable is worrisome.

7. National Cemetery Administration

The Administration requests a budget for the National Cemetery Administration (NCA) of \$258 million. We concur with the Administration’s request for NCA.

Although funded in different accounts, NCA has administrative control over funds within VA’s major and minor construction accounts. Considerable sums have been spent in the last several years from all NCA-controlled accounts to advance VA’s National Shrine Commitment, an effort to enhance the appearance of VA’s national cemeteries. The National Shrine Commitment effort began largely in response to a contractor-provided assessment in 2002 identifying over 900 projects at a cost of \$280 million. The Committee will be following up with VA to discern

exactly where NCA is in its current funding for this initiative, how much of the funding going forward is for cyclical repair needs, and VA's methodology for deciding which projects will receive priority for funding.

8. VA Office of the Inspector General

For FY 2013, the Administration requests \$117.881 million for the Office of the Inspector General (OIG). This represents a .5% requested increase in funding over the FY 2012 request, with a decrease from 649 FTE in FY 2012 to 644 FTE in FY 2013. The Committee believes that the proposed funding level will not allow the OIG to maintain the level of quality in its work and proposes an additional \$5 million.

The OIG is responsible for the audit, investigation, and inspection of all VA programs and operations. Investigations conducted by the OIG and other agencies, as well as this Committee, substantiate a need for the work conducted. Reports produced by the OIG consistently show areas needing improvement both in services delivered to veterans and stewardship of taxpayer dollars by VA. Over the past year, OIG reports have also chronicled mismanagement by VA employees, failure to follow acquisition regulations, and negligent IT project development, in addition to reviewing Regional Offices and VA medical facilities.

These reports and other work conducted by OIG directly result in veterans getting their benefits faster and receiving a higher standard of care while ensuring that taxpayer dollars are not misused. With the expansion of VA's budget comes a clear need for additional resources in the OIG's office to continue sufficient and sustained internal oversight of VA.

Increased funding for the OIG will be used to strengthen its ability to conduct investigations in all facets of VA, review healthcare facilities, examine Departmental practice and procedure, and make recommendations on how VA can improve utilization of its resources and better serve veterans.

9. U.S. Court of Appeals for Veterans Claims

Although the U.S. Court of Appeals for Veterans Claims (CAVC) is independent of VA and therefore not included in VA's FY 2013 budget submission, we encourage you to also closely consider the CAVC's budget request as it closely relates to the priorities of VA. The Court's FY 2013 budget request totals \$32,480,700. This request is comprised of two parts – the Court's necessary operating expenses of \$29,754,700, and a request by the Veterans Consortium Pro Bono Program for \$2,726,000. This amounts to an increase of \$1,710,700 over the CAVC's FY 2012 appropriation and is mainly attributed to (1) an increase of \$1.443 million in contributions to the CAVC Retirement Fund (*see* 38 U.S.C. § 7298); (2) an increase of \$455,000 in payroll compensation and benefits; and (3) a decrease of almost \$190,000 in the Court's other operation expenses. Although we support the Court's increase in funding for its payroll compensation and benefits, we are not convinced that over \$1.4 million is required for the CAVC's retirement fund. Pursuant to 38 U.S.C. § 7298, contributions to this fund are "subject to the availability of appropriations" and the Chief Judge may direct the fund to be examined by an actuary for

evaluation. We would encourage the Chief Judge of the CAVC to undertake such an evaluation by an actuary before appropriating such a large sum to the CAVC Retirement Fund.

10. American Battle Monuments Commission

Although the American Battle Monuments commission (ABMC) is independent of VA and therefore not included in VA's FY2013 budget submission, we encourage you to also consider the ABMC's budget request as it closely relates to the priorities of NCA. ABMC requests \$73.6 million in total budget authority and a 400 full time equivalent employment level for FY 2013. We fully concur with this request. For FY 2013, ABMC's request for Salaries and benefits is \$2.7 million below the funding provided in FY 2012, in addition to a \$700,000 reduction in travel expenses. We commend ABMC's leadership under Secretary Cleland in this area as a fine example of responsible and prudent stewards of tax payer money.

11. Veterans Employment and Training Service

We agree with the Administration's request of \$258,870,000 for the Veterans Employment and Training Service. This would represent a \$5,567,000 reduction from FY 2012 levels, which reduction is principally explained by the proposed elimination of \$14.5 million for the Veterans Workforce Investment Program (VWIP). The Administration proposes allocating \$9 million of that amount among other VETS programs, including an additional \$5 million for the Local Veteran Employment Representative (LVER) and Disabled Veteran Outreach Program (DVOP) specialist state grant programs.

Rather than allocate \$5 million to the LVER and DVOP programs, we recommend only a \$2 million allocation. We recommend investing \$3 million above the Administration's request for the Homeless Veterans Reintegration (HVRP) programs. This balanced allocation will enable states to still make necessary improvements to employment services to veterans through the state workforce development system, and it will also increase the number of homeless veterans served by community providers under HVRP.

III. Mandatory Spending

We support the Administration's request for appropriated mandatory budget authority of \$74.638 billion in FY 2013. Included in that amount is an expected 3.6% cost-of-living-adjustment (COLA) applied towards disability and indemnity compensation payments for veterans and certain survivors of veterans effective December 1, 2012.

The Administration seeks an additional \$1 billion on top of the \$74.638 billion to fund a Veterans Job Corps proposal. In the absence of the Committee having any details on this proposal, to include how it would be paid for, we must defer views on it at this time.

Veterans have earned their benefits by virtue of honorable military service. Any cost-saving efforts must be sobered by that essential fact. Similar to our message to you in last year's Views and Estimates letter, should the Budget Committee choose to look to VA mandatory spending programs for budgetary savings in a reconciliation instruction, we ask that you limit the

instruction to the modest savings proposals that have advanced out of the Committee on a bipartisan basis in past times of severe fiscal restraint.

Conclusion

These views reflect the best judgment of the undersigned Members of the Committee as of this date. We will submit additional questions regarding the Administration's budget proposal and will conduct a series of oversight hearings in the coming months on other facets of the request. If we, or the Committee staff, can provide assistance regarding the views contained in this letter, please don't hesitate to contact us.

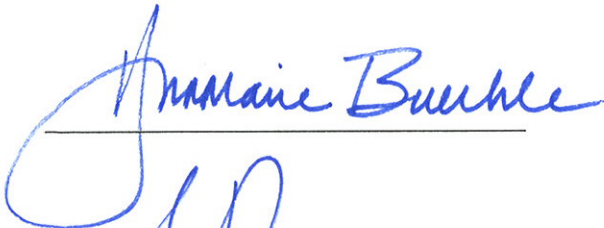
Sincerely,



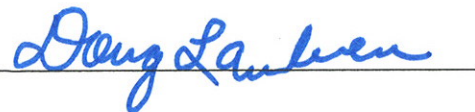
JEFF MILLER
Chairman




BOB FILNER
Ranking Democratic Member





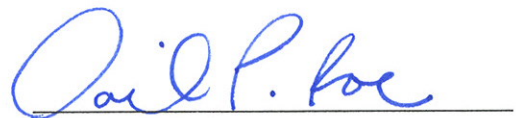




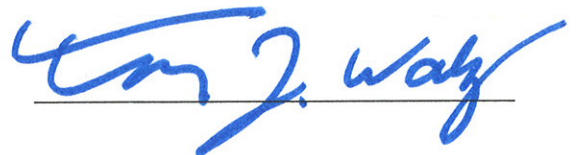












~~John~~

Bill Johnson

Mark K. Amodeo

Michael H. Michael

Bruce Bury

Joe Donnelly

Jo M. Ny

~~John R.~~

John Bar

Cornie Bann

Linda J. Jones
