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***STATEMENT FOR THE RECORD OF***
***DAV (DISABLED AMERICAN VETERANS)***
***ON BEHALF OF THE INDEPENDENT BUDGET***
***TO THE***
***COMMITTEE ON VETERANS' AFFAIRS***
***U.S. HOUSE OF REPRESENTATIVES***
***MAY 24, 2017***

Mr. Chairman and Members of the Committee:

As one of the co-authors of *The Independent Budget* (IB), along with Veterans of Foreign Wars (VFW) and Paralyzed Veterans of America (PVA), DAV is pleased to present our views regarding fiscal year (FY) 2018 funding requirements to support the Department of Veterans Affairs (VA) ability to process and deliver benefits to veterans, their families and survivors.

## GENERAL OPERATING EXPENSES (GOE)

**Veterans Benefits Administration** **$3.135 billion**

The Veterans Benefits Administration (VBA) account is comprised of six primary divisions. These include Compensation; Pension; Education; Vocational Rehabilitation and Employment (VR&E); Housing; and Insurance. The increases recommended for these accounts primarily reflect current services estimates with the impact of inflation accounting for most of the increase. However, the IB recommendations for Compensation and VR&E also reflect a significant increase in requested staffing to meet the rising demand for those benefits. The *IB* recommends approximately $3.135 billion overall for VBA for FY 2018, an increase of approximately $279 million over the enacted FY 2017 appropriations level. The IB recommendation includes an increase of $183 million above current services in the Compensation account, and approximately $32 million above current services in the VR&E account to provide for approximately 2,000 new full-time equivalent employees (FTEE) to address rising workload.

**Compensation Service Personnel** **1750 New FTEEs** **$183 million**

VBA continues to produce record numbers of claims while maintaining an emphasis on quality. Over the past few years, VBA has made significant progress in reducing the disability compensation backlog, which at its peak, stood at over 600,000 claims in March 2013. Today, the claims backlog stands at just over 90,000 claims, a decrease of more than 85 percent from its peak. There has also been a troubling rise in the overall disability claims inventory and the amount of time it takes to process both claims and appeals. These increases can be attributed to multiple factors, including an increase in the number of claims and appeals being filed, the lack of adequate resources to keep pace with demand and the curtailing of mandatory overtime to reduce the claims backlog.

In 2009, VBA issued claims decisions on 2.74 million medical issues; that number more than doubled to 5.76 million in FY 2016, but was less than FY 2015 when it issued 6.35 million decisions on medical issues. In March of 2013, VBA required roughly 282 days to process a claim. At the close of FY 2016, VBA reported that on average, it took 123 days to process a claim; however, in FY 2015, VBA reported that it took, on average, 92 days to complete a claim. In FY 2015, total inventory stood at about 352,000 claims; today VBA has a total inventory close to 400,000 claims. Furthermore, VBA has an inventory of nearly 584,000 non-disability rating claims, for example, claims for changes in dependent or marital status.

It will require a combined focus on technology and staffing levels to enable VBA to provide veterans and their dependents with more timely and accurate claims decisions. For FY 2018, the *Independent Budget* veterans service organizations IBVSOs recommend an additional 1,750 FTEE to manage VBA's overall rising workload. Furthermore, since VBA stopped utilizing mandatory overtime for claims processing, the true need for additional personnel has become more evident. Of the overall increase in personnel, we recommend 1,000 FTEE be dedicated to processing appeals pending at VBA in an effort to eliminate the backlog of 380,000 appeals in VBA over the next three years. Depending on progress this year, further personnel increases may be necessary to reduce the appeals backlog at VBA. In addition, we recommend 350 FTEE be dedicated to addressing the growing backlog of non-rating related work, such as dependency claims. An additional further 300 FTEE should be dedicated for claims processing to address the incremental rise in the claims inventory and backlog and 100 FTEE dedicated to staffing the Fiduciary program to meet the growing needs of veterans participating in VA's Caregiver Support programs. This recommendation is based on a July 2015 VA Inspector General report on the Fiduciary program that found, "…Field Examiner staffing did not keep pace with the growth in the beneficiary population, [and] VBA did not staff the hubs according to their staffing plan…."

**VR&E Service Personnel 266 New FTEEs $32 million**

The Vocational Rehabilitation and Employment Service (VR&E), also known as the VetSuccess program, provides critical counseling and other adjunct services necessary to enable service disabled veterans to overcome barriers as they prepare for, find, and maintain gainful employment. VetSuccess offers services on five tracks: re-employment; rapid access to employment; self-employment; employment through long-term services; and independent living. VR&E also operates its VetSuccess on Campus (VSOC) program at 94 college campuses.

Over the past few years, program participation has increased by 15 percent overall: increasing by 7.3 percent in FY 2015, 3.8 percent in FY 2016, and an estimated 4 percent in FY 2017. As VBA continues to expand VR&E eligibility to more veterans, due to increased claims processing and the award of new service-connected disabilities due to new presumptive disabilities, we project that total program participation for FY 2018 will grow by at least 5 percent for total caseload of close to 155,000.

Last year, Congress enacted Public Law 114–223, which authorizes the Secretary to use appropriated funds to ensure the ratio of veterans to full-time employment equivalents does not exceed 125 veterans to one full-time employment equivalent, a goal that VA has not met for many years. In July 2015, VR&E reported that its average Vocational Rehabilitation Counselor (VRC)-to-client ratio had risen to 1:139. However, in both FY 2016 and FY 2017, the Administration flat-lined the VR&E request for direct personnel at 1,442. In order to achieve and sustain a 1:125 counselor-to-client ratio in FY 2018, we estimate that VR&E would need 266 new FTEE, for a total workforce of 1,550 FTEE, to manage an active caseload and provide support services to 155,000 VR&E participants. At a minimum, three-quarters, of the new hires should be VRCs dedicated to providing direct services to veterans. This increase in personnel would address expected growth in VR&E claim filings and program participation, as well as collateral duties performed by VRCs outside of general case management. It is also essential that these increases be properly distributed throughout all of VR&E to ensure that VRC caseloads are equitably balanced among VA Regional Offices.

## GENERAL ADMINISTRATION

**Board of Veterans' Appeals** **$158 million**

Faced with a rising appeals backlog that could no longer be ignored, Congress last year authorized the Board of Veterans' Appeals (Board) to increase its FTEE by 242 over FY 2016 levels, bringing their total authorized staffing to 922 FTEE for FY 2017; however, the Board currently has only about 860 FTEE. For FY 2018, the IBVSOs recommend no additional increases in FTEE; but note, the Board must be permitted to hire its full complement of 922 FTEE. Further, as the number of claims processed annually continues to rise as a result of the increased capacity of VBA, the number of appeals filed annually will grow commensurately. In order for the Board to keep pace with this new incoming workload alone, not including those appeals already in the system, FTEE levels will have to be adjusted accordingly, though appeals reform legislation could alleviate some of that need in the future.

The VA Appeals Improvement and Modernization Act of 2017 (H.R. 2288), legislation that would fundamentally reform and streamline the overall appeals process has been introduced in the 115th Congress and is moving forward. This measure includes provisions that reflect significant efforts and the consensus of a working group formed in March 2016 that consisted of the IBVSOs, other VSO stakeholders, and leaders within VBA and the Board. Regardless of potential passage of this legislation the Board will continue to require resources commensurate with workload, especially to process legacy appeals remaining at the time of enactment of new appeals reform legislation. Further, the Board must be funded and empowered to continue pursuing IT modernization solutions that best meet the specific workflow needs of the Board, while ensuring it also supports seamless integration with VBMS and other IT systems used by VBA and the Court of Appeals for Veterans Claims.

## COST OF LIVING ROUND DOWN

The Administration's budget proposal released on May 23, 2017, contains a provision that would round down cost-of-living adjustments (COLAs) for our nation's injured and ill veterans and their families for a period of 10 years. DAV and our IB partners are opposed to this rounding down provision. Veterans and their survivors rely on their compensation for essential purchases such as food, transportation, rent, and utilities. It also enables them to maintain a marginally higher quality of life.

Rounding down veterans' COLAs unfairly targets disabled veterans, their dependents and survivors to save the government money or offset the cost of other federal programs. The cumulative effect of this provision of law would, in essence, levy a 10-year tax on disabled veterans and their survivors, reducing their income each year. When multiplied by the number of disabled veterans and recipients of Dependency and Indemnity Compensation or DIC, hundreds of millions of dollars would be siphoned from these deserving individuals annually. All totaled, VA estimates, this proposed COLA round down would cost beneficiaries close to $2.7 billion over 10 years.

## INDIVIDUAL UNEMPLOYABILITY AND SOCIAL SECURITY OFFSET

We also note there is a new proposal included in the President's budget that would impact the VA's Individual Unemployability or IU program which allows VA to pay certain veterans disability compensation at the 100 percent rate, even though VA has not rated their service-connected disabilities at the total level. Specifically, the proposal would terminate existing IU ratings for veterans when they reach the minimum retirement age for Social Security purposes, or upon enactment of the proposal if the veteran is already in receipt of Social Security retirement benefits. DAV and our IB partners oppose this proposal.

We oppose any measure that proposes to offset the payment of any other federal benefit, or earned benefit entitlement by VA compensation payments made to service-connected disabled veterans. Benefits received from the VA, or based on military retirement pay and other federal programs have differing eligibility criteria as compared with the earned payments of Social Security. Reducing a benefit provided to a disabled veteran in receipt of IU due to receipt of a different benefit offered through separate federal benefit program is simply an unjust penalty.

Likewise, we are opposed to limiting a compensation benefit due to a veteran's age. Some veterans might not have income replacement available—especially those who had been on IU for an extended period in advance of reaching retirement age.

Mr. Chairman, thank you for the opportunity to submit testimony and to present our views regarding FY 2018 funding requirements to support the VA's ability to process and deliver benefits to veterans, their families and survivors. I would be happy to respond to any questions that you or members of the Committee may have regarding this statement or our recommendations.