

**U.S. DEPARTMENT OF VETERANS AFFAIRS
FY 2012 BUDGET FOR THE VETERANS BENEFITS
ADMINISTRATION, NATIONAL CEMETERY
ADMINISTRATION, AND RELATED AGENCIES**

HEARING
BEFORE THE
SUBCOMMITTEE ON DISABILITY ASSISTANCE
AND MEMORIAL AFFAIRS
OF THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
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**U.S. DEPARTMENT OF VETERANS AFFAIRS
FY 2012 BUDGET FOR THE VETERANS
BENEFITS ADMINISTRATION, NATIONAL
CEMETERY ADMINISTRATION, AND
RELATED AGENCIES**

THURSDAY, MARCH 17, 2011

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON DISABILITY ASSISTANCE
AND MEMORIAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 1:04 p.m., in Room 334, Cannon House Office Building, Hon. Jon Runyan [Chairman of the Subcommittee] presiding.

Present: Representatives Runyan, McNerney, Barrow, and Walz.

OPENING STATEMENT OF CHAIRMAN RUNYAN

Mr. RUNYAN. Good afternoon. I want to welcome everyone to the first hearing of the Subcommittee on Disability Assistance and Memorial Affairs for the 112th Congress. Before I begin, I would like to extend a warm welcome to all of our Members and especially Ranking Member McNerney. Mr. McNerney has been on the Committee on Veterans' Affairs since he came to Congress in 2007 and has proven himself to be a strong advocate for veterans and their families. I congratulate him on his appointment as this Subcommittee's Ranking Member.

It is my intention for the Subcommittee to continue its tradition of bipartisan communication and collaboration as I look forward to working with all Members in the months ahead. We are here today to examine the fiscal year 2012 budget for the Veterans Benefit Administration (VBA), the National Cemetery Administration (NCA), and related agencies. There is no secret that veterans are facing difficult times and we must do everything we can to ensure that programs and benefits administered by the U.S. Department of Veterans Affairs (VA) are being done as efficiently and as effectively as possible.

The elephant in the room, as everyone knows, is the growing size of the backlog of claims for disability benefits. Since President Obama has taken office, the backlog of disability benefit claims has grown by 103 percent and the VA's budget projects that the average date to complete a claim will rise from 165 days in fiscal year 2010 to 230 days in fiscal year 2012. This increase and the continued low quality rating is unacceptable to me, and I know it is unac-

ceptable to Secretary Shinseki, and most of all it is unacceptable to our veterans who are our Nation's heroes.

I am not here to point fingers. However, it is imperative that the VA improve accuracy and timeliness in this area. Congress has provided large sums of money to hire additional claims workers over the past few years, but it clearly is not making a big enough dent. I am encouraged to find that the resources were allocated in the VA's budget request for the final development and implementation of the Veterans Benefit Management System (VBMS), which should bring the VA into the 21st century with a paperless claims processing system. However, this new system is still in the testing stages and is years away from full implementation.

While VBMS should bring substantial improvements to the claims processing system, it is not a silver bullet that can single-handedly end the backlog once and for all. I believe the only way to truly address this problem is to facilitate a cultural shift in embracing greater accountability and innovation at VBA. For far too long, the VA has focused on quantity at the expense of quality, and this must end. The culture of greater accountability and innovation must be embraced and practiced by all at the VA, from its most junior file clerk all the way to Secretary Shinseki himself. It will be this Committee's job in providing oversight to ensure that greater accountability is happening at every corner of the VA, from the VBA headquarters to the regional offices and throughout the Board and the Court of Appeals for Veterans Claims (CAVC) as well. This Subcommittee will also pursue policy and legislation to help develop and foster a new climate of innovation and accountability at the VA.

I also want to briefly comment that while they do not seem to have as many challenges as the Court and the VBA we will also be looking at the budgets of the American Battle Monuments Commission (ABMC) and the NCA. And I look forward to hearing from them on ways they intend to reduce costs and improve performance.

I appreciate everyone's attendance at this hearing and would now like to call on Ranking Member McNerney for his opening statement.

[The prepared statement of Chairman Runyan appears on p. 35.]

OPENING STATEMENT OF HON. JERRY MCNERNEY

Mr. MCNERNEY. Thank you, Chairman Runyan. I want to congratulate you on your appointment to Chair and I look forward to working with you over the next 2 years and maybe longer. We all have the same goal in mind. We want to serve our vets. We want to make sure that they get the services that they have earned. And we want to work on this backlog.

The goal of today's hearing is to examine the various fiscal year 2012 budget requests of agencies over which the Disability Assistance and Memorial Affairs Subcommittee exercises jurisdiction, including the U.S. Department of Veterans Affairs, Veterans Benefits Administration, the National Cemetery Administration, the Court of Appeals for Veterans Claims, and the American Battle Monuments Commission. These organizations oversee many major benefits, services, and protections for our Nation's veterans, their fami-

lies, and survivors ranging from providing compensation, pension and burial benefits, to ensuring appellate rights, and maintaining our National Shrine monuments both here and abroad.

I look forward to hearing how these benefits and services will be administered with the optimum levels of efficiency and effectiveness with the new budget request. Today's hearing, our Subcommittee's first in the 112th Congress, is an important one. As all of you know, Congress is working hard to balance our budget and reduce the deficit while at the same time provide earned and needed benefits to veterans and their families.

Over the past 4 years Congress has provided more funding, resources, and access to VA benefits and care in the 4 years than in the previous 12 years. The overall fiscal year 2012 VA budget request is \$132 billion. Of the total Department budget request, \$70.3 billion is designated for mandatory funding to pay for benefits to veterans, their families, and survivors. This represents almost a 6 percent increase from the 2011 level of \$66 billion.

This Administration has shown that supporting the troops and our veterans is not just a slogan, it is a mandate. Like many of the veterans service organizations (VSOs) and other stakeholders who represent our veterans, one of my top priorities will be addressing problems that veterans face in the claims process. We have a large backlog of claims and it is an insult to the veterans who serve our Nation. Personally, it drives me crazy. There is no reason that we still process claims with 20th century technology. I agree with Secretary Shinseki that we need to get our claims process under control to deliver these benefits in a 21st century paperless manner. Get the claim right the first time and do not sacrifice quality for quantity.

I think this budget reflects the work that the VA is doing to move the claims process in the right direction. However, I know that many of the VSOs agree with me that while the VBA is making some progress with its numerous claims processing initiatives and with the roll out of the Veterans Benefits Management System, more needs to be done. I believe that the Virtual Lifetime Electronic Record Effort, along with other collaborations between the U.S. Department of Defense (DoD) and Veterans Affairs, will assist greatly in this 21st century transformation.

I hope that we can continue to exercise strenuous oversight over these areas to ensure that these ideas are actually materialized and make a real difference for our veterans. I want to make sure that they do not confuse activities with progress.

I also believe that we need to continue the reform work and oversight from the past 4 years, particularly as included in the claims process transformation roadmap laid out in Public Law 110-389, the Veterans' Benefits Improvement Act of 2008. It is going to take a sustained effort of all the stakeholders to figure out how to transform the VA claims processing system. The way that we transformed the Veterans Health Administration (VHA) in the 1990's with everyone at the table, with a focused commitment to leadership, vision, and resources is the same way that we need to proceed to transform the VBA today. Our veterans, their families, and survivors deserve no less.

As the new Ranking Member of the Disability Assistance and Memorial Affairs Subcommittee, I look forward to working with Chairman Runyan and all of our stakeholders on these and other priorities. I would like to congratulate the Honorable Bruce E. Kasold for his ascendancy to Chief Judge of the U.S. Court of Appeals for Veterans Claims. I also look forward to hearing from all our eyewitnesses today. Your input is critical to our oversight and informs our legislative efforts. Thank you, Mr. Chairman. I yield back.

[The prepared statement of Congressman McNerney appears on p. 36.]

Mr. RUNYAN. Thank you, Mr. McNerney. I know at some point during this hearing we are going to be called to the floor to have some votes and I wanted to give other Members of the Committee an opportunity to make an opening statement if they wish. Mr. Walz.

OPENING STATEMENT OF HON. TIMOTHY J. WALZ

Mr. WALZ. Thank you, Mr. Chairman. And again, congratulations to joining this Committee. And Ranking Member McNerney, your tireless advocacy for veterans is really appreciated. All of you being here, I continue to sound like the broken record on this, seamless transition is the key to many of these issues. I still believe it is the fundamental root cause of many of these issues.

I do applaud and Mr. Chairman, I certainly do not want to get started on the wrong foot. But I want to be very clear on the backlog of claims. You made a note that it has increased since January 21, 2009. I have never seen anyone make that being the date where the backlog of claim issues started. I have been at this for 30 years and it has been an issue. And since President Obama has come into office, too, I want to make note of why maybe there is a backlog of claims. We reinstated Priority 8 veterans who were excluded. That is a Vietnam veteran making \$29,000 a year. That added tens of thousands of back to the rolls. We ended decades of excluding Agent Orange cases from the rolls. We have an unprecedented outreach to educate veterans about the benefits they have earned and to come back into the system. And we are fighting two wars and there are unprecedented numbers coming back.

I will certainly not make excuses for the backlog. It is unacceptable, as you both have said. It is disgraceful to this country. But we are going to have to come together to solve it. And it starts with that seamless record. It starts with making sure we transition to a 21st century way of doing these things, and to make sure we get the right people in the right jobs. I have to tell you, and we are going to hear from the Judge here in a minute. I am certainly very comfortable with the Administration right now in terms of Secretary Shinseki's work. But we have to get together.

I look forward to your leadership, Mr. Chairman, to push them on it, push us on every issue. Push us on the issues to get this done. We will be there. But let us make sure, this thing has been around decades. The one thing that we can change is, it can end under our watch. We can get it back under control. We can shorten those times. We can make the system fair and more responsive and I think that is what the public asks. So I yield back my time.

Mr. RUNYAN. Mr. Barrow, do you wish to give a statement?

OPENING STATEMENT OF HON. JOHN BARROW

Mr. BARROW. Thank you, Mr. Chairman. I want to amplify what my colleagues have said, and just in the interests of clarification exaggerate a little bit for the sake of emphasis. Because while I think a seamless transition is a huge component of this it will not by itself do very much. And I understand the point you made about how we need to do more. You know, to be handed off effortlessly from one bureaucracy that takes too long to do something to another bureaucracy that takes too long to do something may seem like a great advance. But it is not a great advance to folks who are still waiting too long to get something done.

What I want to do is explore with witnesses today what we can do to actually change the system itself to make it more efficient. So that as we do move from one bureaucracy to another we can get the services that folks need as quickly as possible. And with that I will yield back the balance of my time. Thank you.

Mr. RUNYAN. Thank you. At this time I would like to invite Mr. Agg and Mr. Hall up to the witness table. I thank both of you for coming. First of all, we have Mr. Jay Agg from AMVETS and Mr. Jeff Hall who is the Assistant National Legislative Director of the Disabled American Veterans (DAV). All of your complete written statements will be entered into the hearing record. And Mr. Agg, we will start with you. You are now recognized for 5 minutes.

STATEMENTS OF JAY AGG, NATIONAL COMMUNICATIONS DIRECTOR, AMERICAN VETERANS (AMVETS); AND JEFFREY C. HALL, ASSISTANT NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

STATEMENT OF JAY AGG

Mr. AGG. Thank you, Mr. Chairman. Chairman Runyan, Ranking Member McNerney, Mr. Walz, our Sergeant Major who has been such a fantastic advocate for our veterans, distinguished Members of the Subcommittee, on behalf of AMVETS I would like to extend our gratitude for being given the opportunity to share with you our views and recommendations regarding the President's budget request for fiscal year 2012, the Department of Veterans Affairs National Cemetery Administration, and VA's compensation and pension (C&P). Since you have our full written testimony for the record today I will focus on our recommendations regarding NCA.

The most important obligation of the NCA is to honor the memory of America's brave men and women who served in the armed forces. Many of the individual cemeteries within the system are steeped in history and the monuments, markers, grounds, and related memorial tributes represent the very foundation of the United States. AMVETS believes that with this understanding the grounds, monuments, and individual sites of interment represent a national treasure that must be protected through proper upkeep and funding.

While AMVETS notes there has been significant progress made over recent years, NCA is still struggling to remove decades of blemishes and scars from military burial grounds across the coun-

try. Visitors to National Cemeteries are still likely to encounter sunken graves, misaligned or dirty grave markers, and other evidence of decay that have been accumulating for decades. AMVETS applauds NCA's dedication to correcting these problems and notes that NCA has worked tirelessly to improve the appearance of our National Cemeteries, investing \$45 million into the National Shrine Initiative in fiscal year 2010 and approximately \$25 million per year for the 3 previous years.

AMVETS believes NCA has done an outstanding job thus far in improving the appearance of our National Cemeteries. However, there is still much work to be done in restoring the grounds and monuments and being prepared to care for new interments, which are projected to rise over the next 10 years. VA estimates nearly 23 million veterans are living today. As of late 2010, NCA maintained more than 3 million graves at 131 National Cemeteries in 39 States and Puerto Rico. With the anticipated opening of several new National Cemeteries, annual interments are projected to increase to approximately 116,000 in 2013 and are expected to remain at this level through 2015.

As an author of *The Independent Budget* (IB) sections regarding NCA, AMVETS has recommended a total operating budget of \$275 million for NCA for fiscal year 2012 so that they may meet the increasing demands of interments, gravesite maintenance, and related essential elements of cemetery operations.

Another critical part of NCA's mission is the State Cemeteries Grant Program (SCGP). SCGP complements NCA's mission through establishing and maintaining interments for veterans in areas not currently served by NCA. Over the years the demand for SCGP services has risen significantly. Thus, we recommend that \$51 million be appropriated to SCGP in order to assist with the challenges they are experiencing in meeting the growing demand from States to provide burial services in the areas not currently served by NCA. Furthermore, this funding level will allow SCGP to establish new State Cemeteries at the current rate of need and to continue providing burial options for veterans that would otherwise have no reasonable access to State or National Cemeteries.

NCA honors veterans with a final resting place that commemorates their service to this Nation. More than 3 million servicemembers who died in theater or later, from every war and conflict that this Nation has been a part of are honored through interments and monuments at VA National and State Cemeteries. AMVETS calls on the Administration and Congress to provide the resources required to meet the critical nature of NCA's mission and fulfill the Nation's commitment to all veterans who have served their country so honorably and faithfully. This concludes my testimony. Thank you.

[The prepared statement of Mr. Agg appears on p. 37.]

Mr. RUNYAN. Thank you. Mr. Hall.

STATEMENT OF JEFFREY C. HALL

Mr. HALL. Thank you, Mr. Chairman. Good morning, or good afternoon, to you Chairman Runyan, and Ranking Member McNerney, and Members of the Subcommittee. It is a privilege for me to be here on behalf of the Disabled American Veterans so that

we can offer our views and recommendations regarding the budget for fiscal year 2012 in the areas of veterans benefits.

First, I want to congratulate you, Chairman Runyan, for being selected to lead this great Subcommittee, and Congressman McNerney for being chosen as the Ranking Member. DAV looks forward to working with both of you as well as all the Members of the Subcommittee and your respective staffs as we try to improve the lives of our Nation's disabled veterans, their families, and their survivors.

Mr. Chairman, it is with gratitude that we note during the past couple of years with strong support from Congress VBA's Compensation and Pension Service has received significant increases in personnel to address the rising workload of claims for benefits. For fiscal year 2012, DAV is recommending only modest increases in personnel levels for the Veterans Benefits Administration, targeted primarily at Vocational Rehabilitation and Employment Service as well as the Board of Veterans' Appeals.

Vocational rehabilitation is one of the most beneficial programs for disabled veterans and due to the workload demands, we support an increase of 100 new counselors and an additional 50 employees dedicated to the management and oversight of the growing number of contract counselors and service providers.

With respect to the Board of Veterans' Appeals, their workload has consistently averaged about 5 percent of the total number of claims before the VBA. And with the number of claims continuing to rise dramatically, so too will the number of appeals. In order to meet this demand and avoid creating an even larger backlog of appeals, DAV recommends staffing increases at the Board commensurate with the increasing workload.

Mr. Chairman, VBA is at a critical juncture in its efforts to reform an outdated, inefficient and overwhelmed claims processing system. Secretary Shinseki, as we have heard, has made clear his intention to break the back of the backlog as a top priority. While we certainly welcome the Secretary's optimistic goal of deciding all claims within 125 days with a 98 percent accuracy rating, we would caution that eliminating the backlog is not necessarily the same goal as reforming the claims processing system. To achieve real and lasting success, VBA must focus on creating a veterans claims processing system built around quality and accuracy and designed to consistently decide claims right the first time.

Undoubtedly the most important new initiative underway in the VBA is the Veterans Benefits Management System, or VBMS, with their new information technology (IT) program currently being developed, which will provide a paperless, rules-based method of processing and awarding claims. While replacing an antiquated IT system is long overdue, VBA cannot be driven simply to satisfy self-imposed deadlines. Instead, they must ensure VBMS is created right the first time. With this in mind, we urge this Subcommittee to carefully monitor and oversee this vital initiative and recommend considering an independent outside review of the VBMS while it is still in the development stages.

Along with the VBMS, other important initiatives well underway in VBA include the use of Disability Benefits Questionnaires, or DBQs, and the Fully Developed Claims program, or FDC. While we

fully support the use of the Disability Benefits Questionnaires and the Fully Developed Claims program, VBA must bring forward comprehensive and credible plans to adopt the best practices needed to achieve a lasting reform not just short-term increases in production directed at reducing the backlog of claims.

Regardless of the IT solutions or any of the ongoing pilot programs in VBA, they must ensure that they have a properly trained workforce and a comprehensive quality control system. Training, testing, and accountability must be uncompromising requirements for all VBA employees. Anything less is unacceptable.

Mr. Chairman, we realize that VBA is taxed with many problems and challenges. Yet despite these difficulties, we have seen some positive signs of change. VBA leadership has been refreshingly open and candid with DAV and other VSOs about problems and the need for reform. We are especially encouraged by the new attitude towards VSOs being demonstrated by many key VBA leaders, including Acting Under Secretary Mike Walcott and C&P Director Tom Murphy. DAV feels both are strongly committed to building a true partnership with VSOs and we are hopeful that this positive attitude will be adopted throughout the entire VA.

In closing, Mr. Chairman, DAV once again calls on Congress to completely end the inequitable prohibition on concurrent receipt for all disabled veterans and eliminate the unfair offset between Survivor Benefit Plan and Dependency and Indemnity Compensation for veterans' widows and their dependents.

Mr. Chairman, once again DAV thanks you for allowing us to come before this Committee and testify. And I will be happy to answer any questions you may have.

[The prepared statement of Mr. Hall appears on p. 43.]

Mr. RUNYAN. Thank you, Mr. Hall. I will begin the questioning and will recognize the Ranking Member after that and alternating Members as they come in. But starting in the budget crisis we are in as a Nation, the President's Commission on Fiscal Responsibility and Reform issued a report in 2010 basically saying that everything is on the table, but to include the elimination of redundant, wasteful, and ineffective spending that may exist in every single Federal agency. And we know it is out there. With your close relationship with the VA and your members would any of you like to comment on where we can root out the waste of the taxpayers' money in the VA? It has to be there. You guys having gone through the process and knowing where we can draw these back, it is a start. Because we know the fiscal constraints we have. But we also have a commitment to take care of our heroes that are struggling. And we have to be able to define this stuff so we can continue to support them, especially in this fiscal crisis we are in. Mr. Hall.

Mr. HALL. Thank you, Mr. Chairman. Before I delve too deep into that I would like to say I know one place that is not. And that should not be, they should not find it on the backs of our veterans or their families. With the immense amount of money included in the budget VA has to be innovative not only in reforming the claims process, but also in ways at looking at additional ways that they can save on their own accord without relying on a veterans service organization to bring to their attention where excess money is being spent, or where they could save money.

I know in VA's budget as an example they had indicated that they were reducing their budget under the VA by I believe \$130 million. And we as part of *The Independent Budget* are I believe around \$110 million more. So that is a large gap. One thing that we can tell you about the \$130 million apparently it comes from, by VBA's admission, through cost saving measures in training or the hiring of new employees which is not going to take place over the next year or so. And we, simply do not agree with the fact that they are saving money in travel or training costs because the training remains to DAV woefully inadequate within the VA. There still has to be a stricter accountability regarding implementation of training at all levels, managers included. So whether or not they can save money, or different areas that they can, I would simply say that our *Independent Budget* that we have co-written with AMVETS and the other organizations does outline where we believe the VA is inadequate in their monetary, or where we feel that they are sufficient.

Mr. RUNYAN. With that being said, we talk about oversight. Is it enough to really sit here and have these discussions? Or are we going to have to push legislation to hold the VA accountable to really getting this backlog out of the way?

Mr. HALL. I agree that discussing it is one thing. And we are, as has been mentioned already here today, you know activities are not necessarily progress. And that is true. And the same thing holds, you know, in this regard with your question. Is it going to take legislation enacted to hold them accountable? I would certainly hope to think not. That we could hold them accountable without the need for enacting some sort of legislation to hold them accountable. But yes, specifically we can talk about it. I can come here before this Committee or with other organizations and we can tell you. And I think we are all in full agreement as I have heard all four of you gentlemen say. That accountability is a must. VA by their own admission says accountability is one of their top priorities, or one of their focuses, a cultural change.

So I guess the best way to answer the question is, I hope that we do not have to enact legislation but if that is what it takes to hold them accountable so that the veterans that we are taking care of can be cared for then that is what it would have to take.

Mr. RUNYAN. Thank you. And I agree with you. I have had several conversations with Secretary Shinseki about it. And it is creating a new climate, a climate of accountability. And making sure that you do your job to the best of your ability. Because that lack of accountability is what keeps this backlog, keeps piling it up. And we really do need to move on. It is a matter of taking pride in what they are doing for our heroes. So with that, I yield to Ranking Member McNerney.

Mr. MCNERNEY. Thank you, Mr. Chairman. Thank you for coming and testifying today, Mr. Agg and Mr. Hall. I am going to ask both of you the same question. I will start with Mr. Hall. Do you think that the fiscal year 2012 budget is sufficient to address the needs of the claims processing? Or, I know that it is not just about money. I know that there are other things involved. But is that component sufficient in your opinion?

Mr. HALL. Well as I had stated earlier, and along with *The Independent Budget* that we have written, it is sufficient in many aspects. And no, we simply do not believe that throwing more money at a situation is what anyone is looking for. Leaner times, all of those things considered. We do believe that there is a lot of progress going on in the VA. You know, with their initiatives, and different things like that. One hundred forty-eight million dollars being spent, approximately, I think is the figure. One hundred forty-eight million dollars being spent on the Veterans Benefits Management System, VBMS. I do not know if that is an adequate resource for that particular type of thing. I am not an IT guy. But I do know that the system itself has to be built right and it has to be built one time, or that should be the intended goal, and not a repeated effort as so many different things have occurred over the years, at least in my career which spans 17 years. That you have seen them introduce a particular type of program. And I do not know what a cost measure attached to that is as an end user. I just know that with the budget overall, and it does cover a lot of areas that I am not particularly familiar with. But for the most part, I have to rely on what *The Independent Budget* is and simply defer to that. If you would like a more detailed explanation, I can certainly get back to you in writing on that.

Mr. MCNERNEY. Okay. Thank you, Mr. Hall. Mr. Agg, what about the National Shrines? Did we put enough, or did the Administration put enough money in the budget for the National Shrines, do meet their responsibilities?

Mr. AGG. Well, like Mr. Hall has said, we do stand behind the recommendations in *The Independent Budget*. Our colleagues at the DAV, Paralyzed Veterans of America, and Veterans of Foreign Wars have put a lot of time and effort into creating a roadmap for Congress to sufficiently fund the VA, and take care of our veterans, and you know, the myriad of needs within the VA. And we do stand behind the recommendations in the IB.

Mr. MCNERNEY. Thank you.

Mr. AGG. Yes, sir.

Mr. MCNERNEY. Mr. Hall, you know, I know a lot of new employees were added in the last couple of years because of the resources that were allocated. And there is an average of 24 months in the training period before these new hires are considered journeymen. Do you think that that training is sufficient? And could you remark, give me a few remarks about the trainings of the VSOs that prepare the claims in the first place before they are submitted?

Mr. HALL. Absolutely, thank you. As far as the training period in the VBA? No, I do not think it is adequate. I do not think it is adequate because it is a drastic contrast in our own training program. And I had the privilege of testifying before this Subcommittee last September regarding examination of the training requirements in the VBA. While I think that the training is intended, the intent is there. However, it is not being followed through with by admission of their own employees, who feel that training itself is simply a check the box. Because again, not being accountable, or whether it be the manager that is making sure that they have the training, they have an 85-hour training program that they are required to complete annually.

Now the initial employees I think, which is how you are alluding to, or the question is more directly towards the newer employees, once they complete their initial, I believe it is 6-month phase, and it takes approximately 2 years for them to get up to that independent or journeyman's level. We don't really think that it is, and again I have to rely heavily on just the several employees that I have talked to who are rating cases that do not feel confident in the fact that they have been provided adequate information or training or the testing being required. A new employee is required to take testing. But again, an accountability level, they do not feel that it is there. That there is no support network for it.

Mr. MCNERNEY. Mr. Hall, I did want you to make a comment on the training and adequacy of VSOs that prepare the claims before they are submitted to the VA?

Mr. HALL. Well regarding—

Mr. MCNERNEY. With the indulgence of the Chairman.

Mr. HALL. With regard to VSOs preparing a claim for submission to the VA? Am I understanding you correctly? When we receive a claim based off of our expertise and the training program and, you know, the experience that we gain at the initial phase, which is a 16-month training program just to kind of recap. It is a 16-month training program, on the job training program. It takes them 5 months before they start handling their own or getting exposure to claims themselves. Beyond that there is testing throughout to measure their knowledge, their retention and understanding of the material. So before they even, that is our initial employees, so even before preparing and submitting those claims, they have an experience or a knowledge level commensurate with even the earliest level employees of the Department of Veterans, or the VBA rather.

So once we submit a claim, or prepare that claim for submission to VBA, what really happens and what we have, you know, what we have seen happen based off of my personal account, is we can submit the claim and oftentimes we are, our service officers, find ourselves in a discussion with the rater or a veterans service representative, a VSR and RVSR, kind of educating them on what the components are or the requirements. And they come to us. And I mean, we do enjoy a professional rapport with those employees. It is not like it is a negative situation. We are there to help them as much as our clients. You know? And I do believe that the employees when they come to us they feel sort of, in my personal experience, they feel sort of bad like they are going around the, in the back alley to talk to you about something that they should already know or should have been taught. And we do not really feel that way. We want to make sure that the veteran is taken care of. So our claims, when we submit them, we try to prepare them as fully and complete as possible for the VBA.

Mr. MCNERNEY. Thank you. I have exceeded my time. Thank you for your indulgence.

Mr. RUNYAN. Thank you, Mr. McNerney. Mr. Walz.

Mr. WALZ. Yes. Thank you both for your testimony and the work that you have done on this. Just a couple of things that I want to hit on and in looking at the budget are we able to adequately prepare for the influx, as I was talking about earlier, the Agent Orange claims, the preemptive, and going back to get those Gulf War

changes, stressors on post-traumatic stress disorder (PTSD), all the things. There have been significant additions of folks into this even with the preparation. Are they preparing for that correctly? And the number we are going to see as the combatants come out of the theaters in Iraq and Afghanistan? In your opinions, and I know I go back and I applaud both of you on this. My Bible for this is the *The Independent Budget*. Were those things taken into consideration in terms of the claim backlogs and things? In looking at the number that are going to be entered into the system fairly significant?

Mr. HALL. I believe for the most part it did. And since you referred to *The Independent Budget*, yes, it did take into account a lot of those things. It obviously cannot take into account, even as well as we can project with it, it cannot take into account something that might occur tomorrow.

Mr. WALZ. That is correct.

Mr. HALL. That is going to become a product or a part of the system. But with the changing laws and things that we are adding this, or three new presumptives, with Agent Orange as an example, yes, those types of things that we knew well in advance and in the year-long preparation of *The Independent Budget*, yes, we do take that into account.

Mr. WALZ. So this year your estimates on that, you believe that is the right number? For us to have the resources to start tackling this in a realistic manner?

Mr. HALL. I believe so. Yes, sir.

Mr. WALZ. Do you think the public has a perception on what the backlog means? When is a case considered backlogged? Is it the day after it is filed?

Mr. HALL. I do not know what the general public perceives as what the backlog is. I have over the course of the last few years when we started talking about the backlog, I am not even sure that a lot of the people in the system knew, client or veteran or VA employee or VSO, knew what backlog really meant. But I can assure you that over the course of the years, as much as we have been talking about it from all parties considered, the backlog of claims, when it starts, and please understand. As a service officer and telling my clients for 17 years, you will hear something, you probably will not get a decision within 8 to 12 months. It has been, that figure we have been using for my whole tenure.

Mr. WALZ. Yes, me too.

Mr. HALL. So as an example, when it becomes backlogged? I do not really know. I think it really depends on the person that you talk to. To me, I think when it becomes, again I am speaking me personally, when it becomes a year, it is backlogged.

Mr. WALZ. Yes.

Mr. HALL. I think it, with the necessary time in the system producing, yes, there are things to go along with that that can help—

Mr. WALZ. Are we setting a goal on this, like most of us? As you say, setting a goal. If 120 days, or whatever we agree upon, is the right time. I know for some folks 1 day is too long. I understand that. And we have to become realistic where that is at. Do you feel like the VA is setting a plan of attack here to say this is what our

goal is, here is how we are going to. And I see the curve bending but I think many of us worry that it is bending too slowly. Can we set up realistic expectations, funded accordingly, and change the system accordingly to reach those? And then maintain that over the long period with influxes that may come in? Do you believe we can do that?

Mr. HALL. I believe it is going to be extremely difficult at the peril of quality.

Mr. WALZ. Okay. Very good. Two more quick ones. I have a State that has county veterans service officers (CVSO) that augment and they are wonderful resources. They have no access to be able to help on claims, in terms of being able to know where the claim is at, getting certified to be able to help the way you folks. Do you think that would be helpful, to use them?

Mr. HALL. We actually have a memorandum of agreement with the National County of Veterans Service Officers. In the States, various States that I have worked in, most recently New York, we had a close relationship with the CVSOs. I am not sure in your particular State, sir, but I can assure you, yes, they are a valuable resource. Because as an example I think your regional office is only in St. Paul?

Mr. WALZ. Yes.

Mr. HALL. I think is the only one in your State. And having said that, it is a big State.

Mr. WALZ. Yes.

Mr. HALL. And so for them to actually go or work directly with that regional office, there is only one location. So CVSOs in that type of a setting are extremely important, absolutely.

Mr. WALZ. Okay. Very good. And I am going to get back on this. And I would reiterate this. I will go into it more with my colleague a little bit on some of the seamless transition, but I still do not know why we do not get this right. The Chairman is absolutely right, in finding where there is fraud, waste, and abuse, absolutely significant. Why do we continue to cut the Office of General Counsel (OIG) budget, then? The OIG comes to me 3 years ago and sits here and testifies that there was, this was May of 2007, \$371 million in fraud, waste, and abuse to contractors outside the system. I said, "Is that war profiteering?" He said, "Yes." I said, "Are they not being prosecuted?" "I do not have the resources to get them all." Do you think that increasing the OIG budget in the long run would save this country money and provide better services?

Mr. HALL. Well I do not think OIG itself is, that there are a lot of people that are fans of it. They do not really maybe understand the purpose or the intent of it. And to kind of go with the Chairman's question of the fraud, waste, and abuse, I think they were designed to look into those particular situations. Any wrongdoings and different things like that. I absolutely think it is imperative that the OIG not only exist that they are provided that adequate resources to do the necessary that they have. Otherwise we are going to be trying to hold people accountable without an accountability mechanism.

Mr. AGG. I am glad I deferred the service officer question. I did not realize you were so experienced. And not being an inspector general either I think it is counterintuitive if you have identified

fraud, waste and abuse as being a problem you would not want to take away resources to combat it. Just my opinion.

Mr. WALZ. Yes, very good. I yield back, Mr. Chairman.

Mr. RUNYAN. Mr. Barrow.

Mr. BARROW. Thank you, Mr. Chairman. I want to follow up on the Chairman's confidence that there has to be waste out there somewhere and talk about the waste that drives me the craziest. It is not the acts of commission, it is not the petty theft, it is not the grand larceny. It is the sins of omission. Of doing things in a hard and tedious way rather than in an efficient way. This is the waste that hides in plain sight, of dealing with complicated questions of the sort we have today and of the sort they did not have back in the 1950's with substantially the same model, basically substantially the same approach as they were trying to answer such questions back in the 1950's. The model that I think seemed to make sense in those days, who needs, let us get efficiency. Let us get one person to cut through all the red tape. Let's not have someone wearing the hat of being a prosecutor and an advocate, and somebody else wearing the hat of being a judge, and somebody else wearing the hat of being a medical examiner. Let us give one person the information they need to be able to make all those decisions. Put all those hats on one person and let us get straight to it and cut through the red tape. That seemed to make sense given the complexity of the issues back in the 1950's.

Fast forward three or four decades and you have very subtle, very difficult questions of medical causation and effect, which are beyond the ken of a lot of laypeople. Which causes me to think if we are going to spend massive sums of money training more and more people to try and do all of these different jobs at once, be both advocate, judge, jury and medical examiner all at once, you are going to get somebody who is not really good at doing any of them trying to do all of them.

Now if that is the nature of the problem challenging us it seems to me that we ought to look for places where folks do make these kinds of decisions on a snap basis all the time, and they have a lot on the line, and they make these decisions very effectively precisely because they have the expertise and they have a lot on the line. I look at doctors as having to make decisions like this all the time. Every time a doctor cuts on a patient or prescribes a medicine they are taking their career in their hands. And if they do it negligently they can get sued. If they intentionally misprescribe or mistreat they can go to jail. So there are very, very severe consequences for people who make these life and death decisions all the time. Now a death decision is a pretty good analogy, because we actually let doctors make the most awesome decision about whether or not to turn life support off when someone is no longer living, when they are brain dead. Now it seems to me if we can give doctors the awesome power to turn life support off, we ought to give them the authority to turn life support on. Now I recognize the challenge of taking a massive bureaucracy that has just grown over the years doing the same thing the same way, just grown. I understand the challenge of trying to rip that all out and build something new. In an industrial setting you might be trying to decide whether or not to get rid of a certain problem by basically

redoing the whole system, ripping it out and starting all over again. Or just bolting something on, some technology they could bolt on to an existing apparatus. I kind of like the idea of trying to bolt onto the existing bureaucracy.

For those folks who do have access to a medical doctor who will certify that somebody has a condition that in their opinion is service related, and in their opinion results in a certain degree of disability, if those guys are willing to put it in writing and under oath in a streamlined, efficient fashion. They can make that decision in order to decide whether to operate on somebody, they ought to be able to turn the life support on. It seems to be that will be binding on the VA.

Now that is not a panacea. It is not an answer. It is not a cure for what ails all veterans who do not have a doctor to do that, either in the system or outside. But for those who can, it could provide a quick detour around the bureaucracy and go straight to the benefits. Consider how the Internal Revenue Service (IRS) decides whether or not someone owes some taxes and if so how much? The presumption is that what the guy is telling you is true when he says, "I claim that I made this much, and I claim I owe this much. Here is my money." Uncle Sam does not make you wait 2 years to adjudicate that claim. They take your money right away. And they reserve the right to argue about it later on. We ought to have at least as much efficiency when it comes to turning on life support as the IRS uses when it comes to taking in the money that runs the whole government. And yet we do not do that.

And so I would encourage you all, what can we do in the way of system reform that can allow folks who have access to the expertise, the bottom line opinion that this is what they have got, and this is what they deserve. What can we do to go around the existing bureaucracy? And leave it in place for those folks who do not have that, but for those who do let them go straight to the head of the line and turn on the benefits. Is there something we can do along those lines? It is a long way around the barn to get to the question, but I want to give you all a sense of the frustration I have with the way we are doing things now.

Mr. HALL. I certainly understand your frustration. And again, over the course of my career I have seen a lot of different things. And I will just start with just prior to my career life and death decisions that I did make during the Gulf War in combat. I understand. And we are not dealing with life and death situations in the Department of Veterans Affairs in these programs and reform. It is not the same thing. So my frustration or anxiety level does go up when I feel that it is just a lot of activity and no progress. I believe you had said that earlier.

Having said that, there, again, while there are a lot of good things, and I am extremely, and DAV shares that, extremely optimistic about a lot of these programs, innovations, things like that that they are doing. At some point when do we say enough is enough and let us fix it? Once and for all?

One of the things that I guess, me, that I go back to, and I always wished it at every regional office that I worked in. And that is the simple answer, or to me was simple, was simple and direct communication. And who are you going to go to? Your own people

in your own department who maybe work in a position under you? Or something to get those types of answers? I think they are getting a lot of those things with a lot of these think tank projects that they have going on, and that is great. But they often eliminate veterans service organizations as a primary resource and really bringing them to the table. I do not know how many years, and this may be exceeding my knowledge about it, but how many years did the Veterans Administration, before they became the Department of Veterans Affairs and were invited to the table? How long did that go on? And now they are finally recognized as a progressive voice for an agency for the veterans.

The same thing has to occur. And again, whether it is a cultural shift, I do not really know what the magic, if there is a magic pill for it, or a magic bullet for it. But when the Department of Veterans Affairs, and again we are seeing some renewed or refreshing openness that they are having, I want to see more of that. I hope it continues. It only makes their job easier. And in the end the job being easier for them means better for veterans.

So I would say just accountability is going to be strung throughout any statement that I make simply because I do not believe over the course of my career I have seen a high level of accountability. So having said that, I will leave it with the communication or the open lines and using the veterans service organization as a valuable resource, especially with things like the Fully Developed Claims Process. Which is one of the, as a service officer, again, is one of the most promising things that they have. And this kind of goes to Congressman Walz's talk about, you know, reducing the time, or what is an acceptable time. Fully developed claims, 90 days or less. Imagine the world, 90 days or less. But it is not going to work unless the Department of Veterans Affairs, VBA, reaches out to the veterans service organization and utilizes us as the free service that we are to the clients that are represent.

Mr. BARROW. Thank you.

Mr. RUNYAN. I actually am going to open it up for another round of questions. And I just have a quick one. You talked about your relationship from your VSOs doing the applications for your members and the communication back and forth. I kind of look at the backlog as a, I guess a massive wall of stone. And just a question, because of that relationship, and you guys have some insight into that, on this big wall, on this big backlog, as we look at the cracks and fissures in it, where do we hit, what is the first blow of the hammer to really get this and start moving in the direction of solving this problem? Where do we have a solid idea of a point to start? We talk about it as a massive problem. But there has to be an "in" somewhere, and that is really where you have to look to get your foot in the door.

Mr. HALL. I will tell you, I guess really from a personal perspective more than maybe an organizational, when that wall is there what could be a hurdle sometimes may be a complete barrier. And I hope it is not taken the wrong way, but it is often because of the people. Lack of communication, more importantly. You know, that there is you, and there is us, but really what is at stake is the veteran. Okay? So we are just trying to get to the table, or submit that claim, whatever it is, advocating for the veteran.

VA, a lot of times it gets stopped right there because if you walk into the triage area, which is designed by virtue of its very title. Triage, triage is not, is really what I want to say. It is not necessarily true. Maybe they need to change the name to holding area, or something more accurate. Because triage means there is an expedience. Let us triage it and get it to the right track, the right lane, the right department, the right member. Whoever it is, let us get it there and get it done. And it takes them approximately 45 days to even recognize a service organization as a power of attorney. We cannot answer your question, the veteran's question, unless they recognize us as the representative. And oftentimes that means there is a human being handling the paperwork.

And again, I do not want it to be taken the wrong way. I am certainly not advocating to replace people with machinery, or computers, or things like that. But when the Department of Veterans Affairs, when this VBMS system gets up and running, the way I feel, I do not think I am far off by saying that it is going to revolutionize the way that they do those things which by rights will then certainly make it much better and we can start depleting or tearing down these barriers, these stone walls. Because if they graduate that into what I perceive it to be, as a system to where I deal with you the client. I can submit the claim electronically. It is in the system. It is there. It is data. There is no 30 days. There is no 45 days. So when we can finally modernize the IT system in the VA, I think it is going to have a dramatic impact on the overall process.

Mr. RUNYAN. Well I thank you, and I think we all agree on that. But we have a lot of work to do before we get there. And I think that is one of the biggest issues. Mr. Agg.

Mr. AGG. Again, I do not have the 17 years of claims work that Mr. Hall has. You know, 5 years ago I was an enlisted guy in the Marine Corps, a communications guy. I had an opportunity recently to tour kind of behind the scenes at the VA Center in Louisville, Kentucky, and was really very impressed by the workflow. The way claims were handled went from one expert to the next, and it seemed incredibly efficient to me as a layman. It would seem that perhaps all, and from what I have heard anecdotally, all VA Centers are not operated the same. Maybe there are best techniques, tactics, and procedures at some locations that could be implemented across the board. Perhaps the answer to improved efficiency already lies at some of these regional centers.

But what I can say organizationally from AMVETS is that we have been incredibly impressed with Secretary Shinseki, with his work since coming aboard. You know, in this one man you have someone who is a proven military leader. He himself a combat wounded and decorated veteran, an amputee, a medical professional. And we have tremendous confidence in his abilities to lead this organization forward. VA under Secretary Shinseki has been incredibly responsive to us and from what I am hearing, you know, our coworkers, our other organizations in the veterans service organization community. So if there is a leader who can pull VA forward into the future we believe it is Secretary Shinseki. It is in good hands.

Mr. RUNYAN. Thank you. Mr. McNerney, do you have any further questions?

Mr. MCNERNEY. Basically all I want to say is that, you know, it has been frustrating. And everyone I have met in the Veterans Administration is dedicated. They care a lot about the veterans. But there seems to be a culture there that is obtuse and difficult to penetrate. And I do not know if throwing more money at it is the answer. It does not sound like it is. The prior Ranking Member of the full Committee suggested that we have more political appointees in the Administration, because there are too many bureaucrats to political appointees. That might be an idea. But whatever it is, I am open minded. I want to hear from this panel and from other panels today, and in the future, what we can do to do this.

Now maybe your optimism, Mr. Hall, about the communication and moving forward with the new system is warranted. I hope so. We are going to watch it. And with that, I am just going to yield back. And I will let the Chairman move forward.

Mr. RUNYAN. Thank you. I agree with what Mr. McNerney says. We are all in this together. We are here to take care of our heroes. They gave us the opportunity, quite frankly, to sit down and have these discussions. And it is something we are all on board with. But it is adversely affecting many, many of them. I have several in my family that have been through the process. It needs to be fixed, and that is why we are here having these discussions.

So on behalf of the Committee, I thank both of you for your testimony. I look forward to working with you. And you are excused.

Judge Kasold, would you come up to the table, please? I now welcome Judge Bruce Kasold of the United States Court of Appeals for Veterans Claims. We appreciate your attendance today. And I now recognize you for 5 minutes for your testimony.

**STATEMENT OF HON. BRUCE E. KASOLD, CHIEF JUDGE,
UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS**

Judge KASOLD. Thank you, Mr. Chairman, Mr. Ranking Member. On behalf of the Board of Judges and the Court it is indeed an honor to have the opportunity to discuss our budget and the Court's activities with you and your distinguished colleagues. Before addressing the main topics I would first like to note that in the spirit of the day my alias is Chief Judge O'Kasold.

Second, I noticed that the Battle Monuments Commission is scheduled to testify today. I had the great privilege of visiting the beaches of Normandy this past fall. And you cannot help but leave with admiration for the courage and discipline of our soldiers and that of our allies, and have awe at the magnitude of their challenge and accomplishment, peaking at the height of the hills overlooking Omaha Beach. And at the top of Omaha Beach is the most sacred place, laid out and maintained impeccably under the supervision of the Battle Monuments Commission. Anyone visiting this American cemetery in a foreign country will know how much Americans cherish freedom and how much we respect our veterans for the sacrifices they make. In many respects, there can be no greater warning to those who would seek to harm our Nation. I commend the Commission for its dedication to their mission and outstanding work of this Committee and Congress, and its continued support. I am reminded of Vice President Biden's words at the Veterans Day ceremonies at Arlington Cemetery this past fall. That while

our Nation has many obligations, it has only one sacred obligation. And that is to care for and protect those who serve and have served, and their families.

With that, Mr. Chairman, I will turn to our budget. As I noted in my statement it is really three categories, or best looked at that way. The pro bono funding, our operating budget, and the Veterans Courthouse. I will speak to the Veterans Courthouse and defer to my statement for the others. The amount that we requested is that needed to continue toward construction of a Veterans Courthouse. In these fiscally constrained times, the priority attached to this project can only be made by you and Congress as a whole. We are not privy to the needs of the other entities that share your portfolio or the needs of the Nation. Moreover, the need for a stand alone courthouse is not driven by space, equipment, or supply needs alone. It is driven by the sense of major veterans groups and the sense of Congresses over the past several years that veterans, who only recently in the grand scheme of American history have been granted the right to judicial review of their claims, should have a courthouse at least as equal to the courthouses provided to hear the claims of everyday citizens.

As you know, working in the grand house of the people, Congress, buildings, particularly government buildings, represent more than just a place to work. They speak to the respect our Nation has for the work that is being done within them. Courthouses reflect respect for the rule of law and particularly in the case of our veterans, a Veterans Courthouse, as so aptly stated in H.R. 3936 would be, and I quote, "symbolically significant of the high esteem the Nation holds for its veterans," and would, "express the gratitude and respect of the Nation for the sacrifices of those serving, those who have served in the Armed Forces, and their families."

Whether a dedicated Courthouse is to be funded now or at some later date is a decision the Committee and Congress must make, weighing this project against others. Although belts must be tightened, some buildings will be funded. As noted in my written statement, if a Courthouse is to be built we support those who suggest it should be a Veterans Courthouse.

As to the specific budget request, which is \$25 million, it is the amount that GSA has advised can prudently be spent over the next year. I hasten to add that in addition to reexamining the latest projected costs of the Courthouse there remain two significant contingencies to constructing it on the currently identified location at 49 L Street. One is whether the City will close or restrict traffic on a side street to accommodate the security needs of the Court. And the second is, can the additional property needed to properly site the Courthouse be purchased within the estimated amount. So those are two contingencies that still exist.

I would like to turn to the Court activities and our caseload. It remains high. The processing times for many cases is longer than might be expected. And since becoming Chief Judge about 7 months ago I have reviewed that processing time. Much of it is simply reflective of the transition from the claims processing that takes place at VA and the Board, which is the actual processing of the claim, to the adversarial appellate judicial review that takes place in an appellate court. A record needs to be compiled for re-

view. Briefs need to be prepared by the parties. We have instituted across the board mandatory conferencing in 65 percent to 75 percent of the cases, which are those represented by counsel. And while this adds some time to the overall processing there have been tremendous results such that in 50 percent of the cases going through the conferencing process, the parties come to an agreement, usually a remand for the Board to address some issues that were not addressed adequately. Overall, the required conferencing is well worth any time added to the processing of those cases that do not ultimately get resolved there.

There are also many motions for additional time but I would like to note that the Secretary has focused on this and his requests for motions are now less than for the other parties.

Some cases will take longer because they are sent to panel, and other cases are stayed pending a panel decision, or a decision from the Federal Circuit, or a decision from the Supreme Court. And each of those is a pyramid, if you can imagine, coming down. In sum, judicial review of an appeal takes about a year, even when there are no unprogrammed delays. And most of the unprogrammed delays are tied to the parties' need for additional time, or the fact that a case has been sent to panel, or stayed pending another decision. Nevertheless, since becoming Chief I have noticed two unprogrammed delays within the Court. One arises after cases go through the conferencing process, and after the briefing is in. And the second is within chambers. I had at first thought I would focus on that time period between the conferencing and briefing process and getting a case to chambers, which is about 3 months. But, on becoming Chief I saw the caseload over the entire Court and what is in chambers, and I noticed a significant number of cases in chambers. Three months ago, we also by the way had the retirement of Judge Greene. So we are down to six of our nine authorized judges. I have now focused on those cases in chambers. Those are the ones now being handled by the Senior Judges when we recall them. Central Legal Staff (CLS) are assisting in preparing them. And we have also redistributed some of the cases to try and move them out of chambers, and as we reduce the number of cases in chambers, we will go back to the flow within CLS.

To sum it up, if we get the three additional judges and the staff to support them, I believe we can take care of those unprogrammed delays. But you are still going to have about a year plus for every single-judge case and somewhat longer for the panel cases.

I will just make a note that I commented on the possibility of a commission to look into whether or not the Federal Circuit should still remain within the appellate review. And I will leave it at that, Mr. Chairman, except for questions.

[The prepared statement of Judge Kasold appears on p. 49.]

Mr. RUNYAN. Well, thank you very much. It is down to me and Ranking Member McNerney for questions, so. I see where you are talking about a new court. But as far as functionality, is the space you now have, does it work for you?

Judge KASOLD. Yes, sir. It does without the new judges. But I have programmed if we do have the funding this year, money for certain renovations to our current space. VA is supposed to move out of the building. We would then move into a good portion of the

sixth floor. I would move some of our Central Legal Staff, if you will, down so that we could put the two new chambers on the secured top two floors. And so that type of construction, movement expenses, we would have to undertake with the additional chambers coming in. Short of that, yes sir. We have, we can perform our mission. The reason that we have a number of cases pending decision is because we are three judges down right now.

Mr. RUNYAN. Yes. And nothing personal, but I think we would all love for you to have a very light caseload. That is the purpose of us really being here, and working towards that. But as we talked to the last panel, you deal with your Court on a daily basis. Where do you think you can find your efficiencies and your cost cutting? Because a lot of times we talk about them. We never grab hold of it and run with it. And you know, I had the example before. You start that process and it starts to turn other things up that, "I never thought about that." And we know, again, the fiscal constraints we are in. And we have to do this for ourselves. It is not the nature of being in Washington, we always want more, we want more. And it is crucial at this time to find how we are going to create these efficiencies and holding ourselves accountable as heads of departments to make our offices, our people that work with us, our colleagues, run an efficient and an accountable process. Are there areas that you have looked into to try to accomplish some of this?

Judge KASOLD. Well the two unprogrammed delays that I mentioned are ones that I have identified and have tried to focus on. We have in the past 3 years, under the guidance of Chief Judge Greene, authorized this very extensive consultation process, conferencing process if you will. And it has been very successful with 50 percent of those cases, which is ultimately about a third of the cases that come to Court being remanded before they get judicial review. Beyond that, in all fairness, with the number of cases we have, we will not be able to dent any further without replacement of the judges. I think if we got at least one judge back, to bring us to seven, we could make some dent, now that we have identified these areas. But the fact of the matter is, there is a significant number of cases in the chambers.

As far as costs, we did go through the budget this year. We do have some increases but some of that is identifying costs that have not been identified in the past, with the retirement fund for example. And the construction and moves that I identified; they were previously funded in 2009 but not spent because it was not done. So that is back on the agenda at this time.

Mr. RUNYAN. You included in one of your operating expense line items "other objects." I just want to know why the request includes a \$2 million increase?

Judge KASOLD. That other objects does include \$1 million in the retirement fund and that is a statutorily required funding amount. There is about \$20 million in there. It's growth has been estimated on the standard estimate of 5 percent a year; it is invested in Treasuries. Five percent a year is \$1 million. In reality, it has been earning .25 percent and every year we have been running short. So I put that up front. So that is an automatic, up front addition. There is somewhere in the neighborhood of \$600,000, I believe, in all these relocation costs, the build-out of the chambers, and every-

thing else. There is \$400,000 associated with the 125 employees and the step increases, and some normal promotions that would take place. And so that is getting close to the \$2 million. There is another \$250,000 I believe for IT. And that is a normal, standard industry, 3-year replacement program on the computers. I can assure you, as we get there, if my IT staff tell us not to replace, we would not do it. But in a budgeting process that is 2 years out, they convinced me that that was worth putting in at this time.

Mr. RUNYAN. Thank you. Ranking Member McNerney.

Mr. MCNERNEY. Thank you, Mr. Chairman.

Judge KASOLD. Thank you.

Mr. MCNERNEY. In your testimony you explain that there was a serious underestimation of the judges' retirement fund.

Judge KASOLD. Yes, sir.

Mr. MCNERNEY. Monies had to be taken from other programs. What were some of the other programs that were raided? That is not the right—

Judge KASOLD. We have been funded at 125 employees but we have not had the chambers. So personnel budget would be one area that it was taken from. This was not money that was needed anywhere else. It just happened that we had it left over.

Mr. MCNERNEY. Okay.

Judge KASOLD. So it was not a degradation.

Mr. MCNERNEY. What is the more significant cause of your backlog? Is it the facilities? Or is it the lack of the appointees?

Judge KASOLD. I think now it is the lack of appointees. About 6 months prior to a judge's retirement they actually go off the wheel (stop taking new cases) so that at the end they do not have cases just sitting in the chambers. Those cases, then, get spread among the remaining six judges. And at 200 cases a year, you spread that out, you have another, what 35 cases, or whatever it comes out to be, going to each of the other judges. There also is variation in how fast individual judges can decide cases. But overall the number of cases that the Senior Judges are in chambers, so those older cases that have been sitting in chambers are now being taken care of.

That does create an unprogrammed delay, if you will, between the Central Legal Staff and the chambers. And there is only so much that you can get through. Once the parties get beyond that conferencing stage, if the two parties can't agree on how to handle the case, you are now into that dispute phase. And that takes the judge to make a determination.

Mr. MCNERNEY. Would you say, of the cases that are in front of your body, are those the result of just being hard cases? Or is there incompetence in a lot of them that have caused them to come up to you? Or what would you say is—

Judge KASOLD. I have to say first that I do not know how many of these cases result in an award when they go on back to VA. I did talk to Secretary Shinseki a year ago and I suggested that that be an area he might want to look at. It might be important to the Committee, for example. The case adjudication is done down below at VA. We are doing an appellate review of that process. So it is a review to ensure that the veteran was provided all of his rights, if you will. There are very few cases that get actually reversed by the court with an award. Because to do so we need to have all the

evidence in the file, and have a clear conviction that it is wrong down below.

About 70 percent, though, are remanded. And they are remanded for various reasons. The Board has a reasons and basis requirement, whereby they have to address all the favorable evidence. If some favorable evidence is in the record and they did not address it, it may not result in a change on remand but that has to be weighed by the Board in the first instance because they are doing a regular de novo, balancing review, and ours is a clear error review. You have a number of cases that are remanded because questions are left when you review the medical records and they were not explained by the Board. Or you cannot tell from the doctor's statement.

So there are a number of cases like that. Again, I do not know how many result in an award versus a denial. The veteran may then be satisfied with the better explained denial, or he may come back on another appeal.

Mr. MCNERNEY. Well, one last question.

Judge KASOLD. Yes, sir?

Mr. MCNERNEY. This may be a softball, actually. What do you think are the most pressing needs of the Court? And do you have adequate funding in the 2012 budget to meet those needs?

Judge KASOLD. The most pressing need is the appointment three judges and their staff. I believe if we get them, we can take care of those unprogrammed delays that I have mentioned. It will take some time, because it is a tremendous caseload to have to get through and it is 6 months to a year for judges to become fully acclimated to the whole judicial review process. But I do believe we could take care of that if they were provided. As far as funding, yes, the budget that we requested would fully fund that. And then we have the Courthouse and that is a bigger decision, I know.

Mr. MCNERNEY. What is the hold up on the appointment?

Judge KASOLD. I have spoken to White House staff. And I believe that the nomination, the names going to the President is very close. I am hopeful and believe that we will get nominations and very hopefully—

Mr. MCNERNEY. This year?

Judge KASOLD [continuing]. Confirmed this year.

Mr. MCNERNEY. Okay. Perhaps the Committee can tell the President in a kind of nonthreatening way that we need these appointments. I yield back.

Judge KASOLD. Thank you, sir.

Mr. RUNYAN. Thank you. With that, do you have any further questions? Because I think in the interest of time, and trying to get everybody's statement heard, I think if we have any further questions we will submit them to you, and look forward to your responses. And with that, I thank you. Thank you for all you do for our veterans. You are excused.

Judge KASOLD. Thank you, Mr. Chairman, Ranking Member.

Mr. RUNYAN. I would like to ask the members of the third panel to please come up?

First we have the Honorable Max Cleland, Secretary of the American Battle Monuments Commission. Secretary Cleland, I want to extend a special welcome to you and thank you for your

service to our country and your steadfast support of our veterans. It is truly an honor to have you here. Thank you.

Next would be Mr. Ronald Walters, Director of the Office of Finance and Planning for the National Cemetery Administration. And finally, we will hear from Mr. Michael Walcoff, the Acting Under Secretary for Benefits of the Veterans Benefit Administration. Mr. Walcoff will be accompanied by Ms. Diana Rubens, the Deputy Under Secretary for Field Operations, and Mr. Jamie Manker, who is the Chief Financial Officer (CFO) of the VBA. Welcome to each of you. And I will start with yielding Secretary Cleland 5 minutes.

STATEMENTS OF HON. MAX CLELAND, SECRETARY, AMERICAN BATTLE MONUMENTS COMMISSION; RONALD E. WALTERS, ACTING DEPUTY UNDER SECRETARY FOR MEMORIAL AFFAIRS, NATIONAL CEMETERY ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS; MICHAEL WALCOFF, ACTING UNDER SECRETARY FOR BENEFITS, VETERANS BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY JAMIE MANKER, CHIEF FINANCIAL OFFICER, VETERANS BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS; AND DIANA M. RUBENS, DEPUTY UNDER SECRETARY FOR FIELD OPERATIONS, VETERANS BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF MAX CLELAND

Secretary CLELAND. Thank you very much, Mr. Chairman. I am sorry we did not get a chance to meet before now, otherwise I would have tried to convince you to submit yourself to the NFL Draft and become an offensive lineman for the Falcons. We need you.

Mr. RUNYAN. Years ago they had the opportunity and passed.

Secretary CLELAND. We blew it. The American Battle Monuments Commission is a unique agency in the Federal Government. We are the overseas people, for one thing. We handle all the American cemeteries abroad, none in the United States. Secondly, we concentrate on our burials from veterans from World War I and World War II, that is it. We have an open cemetery in Panama but that is only because about eight times a year there are family members from the Panama Canal era that are buried there. But we are not like the VA, or the Army that runs Arlington, we do not actively bury people. We actually are more a monument and memorial entity.

It is called the American Battle Monuments Commission, basically set up by General Pershing after World War I. We just went through losing the last American to serve in World War I. He was buried at Arlington just a few days ago. So for us we live in World War I. We live in World War II.

We have 24 American cemeteries and 25 monuments in 14 different Nations. We just had to pull out our superintendent and his family in the dark of night from Tunisia when it kind of went up in riots. But he is back there now. But basically we are an overseas agency. We are focused on World War I and World War II.

In terms of burials, we have 125,000 Americans buried overseas that in effect never made it back. After World War I and after World War II, families were given the irrevocable choice: bring your loved one home, which the United States Government would do in World War I and World War II, or as in the famous words of Teddy Roosevelt when his son went down in an aircraft in World War I, leave him where he fell. So 40 percent of the time the families said leave them where they fell. So the United States Government runs these cemeteries abroad from World War I and World War II.

In terms of managing our resources, we have about 409 authorized Full-Time Equivalent (FTE). We have lived under that ceiling for a long time. We do not necessarily need more people to do our work. As a matter of fact when I got there on June 3, 2009, we began a process of tightening up and making more rational the operation. So we let go a number of consultants, a number of part-time employees, and we closed down our office in Rome. That saved us close to \$2 million. And on a \$61 million budget, you know, for us that is pretty substantial.

For fiscal year 2012, we are actually requesting a little bit under the fiscal year 2010 authorization. The budget process has tightened up on us with a \$1.5 million reduction. So we are somewhere between where we were in 2009 and 2010 fiscal years in terms of our budget. We can sustain that for a while.

So we feel like we have tightened up. That we have made more rational our organization. That we have consolidated offices so they need not be duplicative of what we have going on. And so we think we are in pretty good shape. Our budget request this year will be for about \$61 million and we will maintain our levels. Thank you very much, Mr. Chairman.

[The prepared statement of Secretary Cleland appears on p. 53.]
Mr. RUNYAN. Thank you. Mr. Walters.

STATEMENT OF RONALD E. WALTERS

Mr. WALTERS. Thank you very much, Mr. Chairman. Chairman Runyan, Ranking Member McNerney, and Members of the Subcommittee. I am pleased to be here today to provide an overview of the fiscal year 2012 budget for the National Cemetery Administration.

NCA is responsible within the Department of Veterans Affairs for administering burial and memorial programs to meet the needs of veterans and their survivors. Our mission is a noble one, that of honoring veterans and their families with final resting places that commemorate their sacrifice and service to our Nation. Our National Cemeteries are the final milestone along the continuum of care VA provides to those who have served. Our specific responsibilities include management of 131 National Cemeteries; furnishing headstones, markers, and medallions for the graves of veterans around the world; administering the Presidential Memorial Certificate Program; and overseeing the Federal grants program for construction of State and tribal veterans cemeteries.

VA's burial memorial programs are funded from both discretionary and mandatory accounts. I will focus my comments today on NCA's discretionary funding, specifically for operations and

maintenance of our National Cemeteries, major and minor construction, and the Veterans Cemetery Grants Program.

The President's 2012 budget request includes a total of \$376 million for these programs. Our operations and maintenance request for \$250 million sustains significant investments in National Cemeteries provided by the President and Congress in the past several years. The base budget includes nearly \$33 million for gravesite repairs as part of our ongoing effort to maintain National Cemeteries as National Shrines. Our request also includes \$3 million to continue NCA's commitment to energy efficiency and renewable energy initiatives, such as use of wind turbines and solar panel systems. The budget request will permit NCA to hire an additional 10 FTE to address expected increases in burials and to provide contract funding for additional maintenance requirements.

VA's 2012 major construction request of \$38.2 million for NCA will allow us to address our top construction priority, keeping existing National Cemeteries open. This includes a gravesite expansion project at the National Memorial Cemetery of the Pacific in Hawaii.

The Secretary of Veterans Affairs recently approved new burial policies which changed the threshold veteran population required to construct a new National Cemetery to 80,000 within 75 miles of a proposed site. This change will result in the construction of new National Cemeteries in Florida, Nebraska, New York, and Colorado. NCA is actively searching for land at these locations and plans to request related construction funding in future budgets.

Included in VA's 2012 minor construction request is \$41.6 million for gravesite expansion, cemetery infrastructure repairs, and the construction of a columbarium-only satellite cemetery in the Chicago area as part of an urban initiative associated with the new burial policies.

Finally, the 2012 request provides \$46 million for the Veterans Cemetery Grants Program. These funds will allow NCA to address the highest priority projects, including those submitted by tribal governments. VA will also continue to offer operating grants to assist States in achieving and maintaining standards of appearance commensurate with National Shrine status.

Mr. Chairman, the 2012 budget request builds upon NCA's previous success. In 2012, NCA will provide nearly 90 percent of the veteran population, about 20 million veterans, with a burial option in a State or National Veterans Cemetery within 75 miles of their homes. We expect to inter more than 115,000 veterans and family Members next year, maintain over 8,700 developed acres, and provide perpetual care for 3.2 million gravesites. NCA expects to maintain unsurpassed levels of customer satisfaction in 2012. We achieved the top rating in the Nation four consecutive times over the past decade on the prestigious American Customer Satisfaction Index sponsored by the University of Michigan. Our own internal surveys confirm this exceptional level of performance. For 2010, 98 percent of survey respondents rated the appearance of National Cemeteries as excellent; 95 percent rated the quality of service as excellent. Our 2012 targets for these categories are 99 percent and 98 percent respectively.

Mr. Chairman, this concludes my remarks. I appreciate the opportunity to come before you today. We are grateful for your support and the support of the Subcommittee. I would be happy to answer any questions.

[The prepared statement of Mr. Walters appears on p. 56.]

Mr. RUNYAN. Thank you. Mr. Walcoff.

STATEMENT OF MICHAEL WALCOFF

Mr. WALCOFF. Chairman Runyan, Ranking Member McNerney, thank you for the opportunity to appear before you today to discuss the Veterans Benefits Administration 2012 budget request. We look forward to continuing our strong collaboration and partnership with this Subcommittee to enhance the delivery of benefits and services to our Nation's veterans. I am accompanied today by Mr. Jamie Manker, our CFO; Ms. Diana Rubens, the Deputy Under Secretary for Field Operations; and also sitting in the first row, Mr. Tom Pamperin, the Deputy Under Secretary for Disability Assistance.

VBA provides an integrated program of benefits and services to veterans, their families, and survivors. Of the total VA budget request for fiscal year 2012 of \$132 billion, 53 percent, or \$70.3 billion, is designated for VBA to pay benefits to veterans and their families. The Disability Compensation Program is by far our largest benefit program. In 2012, funding for compensation is estimated at nearly \$52.9 billion. An estimated four million veterans and survivors will receive compensation in 2012.

Additionally, VA will provide an estimated \$4.9 billion in income-based pension benefits to needy wartime veterans and their survivors. More than 507,000 veterans and survivors will receive pension benefits in 2012.

VBA's compensation workload continues to dramatically increase due to the unprecedented volume of disability claims being filed. In 2009, for the first time, we received over 1 million disability claims, during the course of a single year. During 2010, we received approximately 1.2 million disability claims, nearly an 18 percent increase. With the increasing claims receipts we are also providing historic numbers of veterans with decisions on their claims. In fiscal year 2010, we completed nearly 1.1 million rating claims. Claim receipts are expected to approach 1.5 million in 2011. This includes nearly 230,000 claims expected as a result of the approval of three new Agent Orange presumptive conditions. The majority of Agent Orange claims will be received in 2011, so receipts in 2012 are projected to be less than the receipts in 2011, or approximately 1.3 million.

Many of the over 200,000 Agent Orange claims we will process this year are covered by the *Nehmer* settlement in that they were previously denied. These claims are very complex and take much more than twice the resource levels and time to complete, which is significantly slowing production this year.

However, the impact is only in the near term as we work through the Agent Orange claims. Our claims transformation plan includes new businesses process and technologies that will enable us to increase production in 2012. We project decision output to

outpace claims receipts beginning in 2013, allowing us to stay on track for achieving our 2015 goals.

We administer the pension programs through three pension management centers in Philadelphia, Milwaukee, and St. Paul with a workforce of about 1,000 or so employees. Consolidation of the pension programs has enabled VA to achieve a 96 percent accuracy level in 2010.

In 2010, VBA completed the consolidation of all survivors claims to the pension management centers to focus expertise on this vital area and achieve similar performance improvements. VA's fiduciary program supervises more than 110,000 Compensation and Pension beneficiaries with a combined estate value in excess of \$3.2 billion. Our fiduciary responsibilities include prevention, identification, and investigation of misuse of benefits. We have taken a number of steps to improve the fiduciary program, including hiring a new management staff, clarifying procedures, and deploying standardized training. We consolidated fiduciary activities for the Western Area Regional Offices, establishing a fiduciary hub in the Salt Lake City Regional Office as a pilot initiative. We are planning on expanding that hub to the Southern Area this year.

Our funding request for 2012 is essential to meeting the increasing Compensation and Pension workload and putting us on a path to achieving our ultimate goal of having no veteran wait more than 125 days to receive a quality decision on a claim. And our definition of a quality decision would be 98 percent accuracy. The budget supports ongoing and new initiatives to improve quality and reduce disability claims processing time, including developing and implementation of redesigned business processes. Our request funds 14,320 direct FTE for the Compensation and Pension programs. We increased our workforce in 2010 by converting 2,400 temporary employees funded through the American Recovery and Reinvestment Act (ARRA) to full-time employees and hiring an additional 600 new employees.

However, we recognize that continuing to increase our FTE levels is not a sufficient solution. The need to better serve our veterans requires bold and comprehensive business process changes to transform VBA into a high performing 21st century organization that provides the best services available to our Nation's veterans, survivors, and their families. This is exactly the effort currently underway in VBA.

Our Claims Transformation Plan is a series of business process and technology centered improvements designed to eliminate the claims backlog. We are changing our culture to one that is centered on accountability to and advocacy for veterans. We are reviewing and reengineering our business processes to collaborate with both internal and external stakeholders, including the veterans service organizations and Congressional partners to constantly improve our claims process using best practices and ideas. We are relying heavily on technology and infrastructure by employing leading edge, powerful, 21st century IT solutions to create a smart, paperless claims system, which simplifies and improves claims processing for timely and accurate decisions the first time.

The cornerstone of our Claims Transformation Strategy is the Veterans Benefits Management System, or VBMS. VBMS inte-

grates our business transformation strategy with its Web-based, 21st century paperless processing system. By eliminating our dependence on paper, VBA will be better positioned to make use of available resources regardless of geographical location. In 2011, we are conducting two of three phased development programs to test VBMS. Each phase will depend on the success of the first phase by adding additional software components. VBMS phase one is now being field tested in the Providence Regional Office. Phases two and three will be undertaken at two additional regional offices, and deployment of the system to all regional offices begins in 2012.

We are also focusing on improving our client interactions. The Veterans Relationship Management, or VRM, initiative provides veterans with direct, easy, and secure access to information on the full range of VA programs through a multichannel program that includes phone and Web services. VRM will provide employees with up to date tools to better serve our veterans clients and empower veterans through enhanced self-service capabilities to the eBenefits portal.

The Secretary recently approved a new organizational structure for VBA headquarters. The new structure realigns the responsibilities for VBA's major benefit programs currently assigned to the Associate Deputy Under Secretary for Policy and Program Management under two distinct positions: the Deputy Under Secretary for Economic Opportunity and the Deputy Under Secretary for Disability Maintenance. Under this new structure we are separating the fiduciary and pension program functions from the compensation program, creating a separate pension and fiduciary service. This will allow us to increase oversight and management attention to our fiduciary and pension programs while also allowing us to give a greater focus to the complex and challenging workload and policy issues in our compensation program.

Mr. Chairman and Members of the Subcommittee, this concludes my remarks. I will be happy to respond to any questions.

[The prepared statement of Mr. Walcoff appears on p. 58.]

Mr. RUNYAN. Thank you, Mr. Walcoff. Mr. Manker, Ms. Rubens, do not have anything? I wanted to start off the questioning with Secretary Cleland. First of all I want to commend you for the work you are doing. There are not many people that come before us and do not ask for more money. It is a tribute to your leadership and who you are. But as your testimony states, you reduced the maintenance and infrastructure account by \$3.6 million. This cut, is this going to affect your mission of maintaining our National Shrines around the globe in the long term?

Secretary CLELAND. We can do this for a while, Mr. Chairman. But we cannot do it for the long term. So we are responding to the impetus by the American people and the Congress to tighten up what we do, to be more accountable, and to watch our dollars. So as I mentioned, we eliminated about \$2 million up front. That has allowed us some flexibility. And with our realignment of responsibility we have given the Paris office the responsibility for managing the day-to-day operations worldwide. We have some economies of scale there. So we can do this for a while. But we could not live forever with, under the 2010 fiscal year budget.

So we will be okay. We will be able to do our maintenance and infrastructure programs because we are better organized and more accountable for what we do. And the decisions are left for maintenance and infrastructure up to Paris to do the day-to-day maintenance and we are able to do that. But, you know, 2 or 3 years down the road we might be singing a little bit different tune. But for now we are okay in terms of maintenance and infrastructure.

Mr. RUNYAN. Thank you. But I think you will probably agree with this statement when you say, "We are okay." I worry sometimes when we move forward that, you know, as conditions decline we create a bigger problem, if you know where I am going with that. So it is—

Secretary CLELAND. Mr. Chairman, I do know where you are going. As far as I know, we are not really postponing maintenance and infrastructure improvements. We have some projects underway. But we cannot just stay where we are forever. We are making adjustments. We are looking at whether or not day to day we should bring on or increase some travel or whether or not we ought to decrease some travel. I think we have decreased some travel. We have tightened up there. There are other areas of the budget where we are looking to tighten up so that we can continue our maintenance and infrastructure program. We will not let the shrines of American life deteriorate. That is our commitment. We will not let that happen. And were it to begin to happen, I would scream bloody murder to your Committee and to others. But for this year's budget, for coming up on what, on the next year and a half or so calendar wise, we should be okay.

Mr. RUNYAN. Thank you very much and I appreciate your testimony.

Secretary CLELAND. Yes, sir.

Mr. RUNYAN. Mr. Walters, I had a question, the reasoning of your increase of the appropriations for headquarters staff operations by \$327,000 from fiscal year 2010 to fiscal year 2012. Why is there that big an increase in the request?

Mr. WALTERS. Well usually, sir, the comparison is to the 2011 level. The convention for this year's budget was compared to the 2010 level. The increase reflects primarily changes in grades and step increases for support staff in the field and Central Office. These adjustments would account for the increase.

Mr. RUNYAN. And to the same tone there is an increase in employee travel budget by \$191,000 in that same time period.

Mr. WALTERS. Yes, sir. Our travel increases are necessary because we have a very large scale operation that encompasses 39 States, as well as Puerto Rico. We have numerous responsibilities that require our Central Office and field personnel in our regional offices to travel to cemeteries for oversight, for example. We have also our annual conference and training sessions where we bring in managers, usually once a year, to share best practices and to review our operational standards and measures. The comparison to 2010 reflects an inflationary increase additional travel requirements.

Mr. RUNYAN. Ranking Member McNerney, I yield you 5 minutes.

Mr. MCNERNEY. Mr. Cleland, I had the honor of meeting you shortly after I was elected in 2006 and I certainly appreciate your

service to the country and the various ways that you have done that. Now I know that in the U.S. Government Accountability Office (GAO) report, in 2010, indicated some serious concerns about the accounting. Does your budget for 2012 give you the leeway to address those in a meaningful way, those concerns?

Secretary CLELAND. Yes, sir. We, in fiscal year 2010, I had just gotten there. I brought on the new Chief Financial Officer. And we got a substantially better GAO report this time than last time. So we got a clean bill of health in fiscal year 2010. But there are some things more and more now that are administrative in nature that we can clean up.

So we got a clean bill of health the last two GAO reports, and each report successively has seen an improvement in our operation. However, we are not perfect. And the discrepancies that the GAO is finding now are more administrative in nature than operational. So we are all right. We are okay. And we are in good synch with GAO. As a matter of fact, our Chief Financial Officer used to work with GAO. So we feel very much that we are getting better and better and that we are able to address their concerns.

Mr. MCNERNEY. Thank you. Mr. Walcoff, I am really glad I got to hear your testimony for two reasons. Or for one reason, really. I saw a lot of urgency both in your words and in your voice. So I think you are clearly taking the backlog seriously and you are taking serious steps to address that. I certainly appreciate that. Do you feel like your budget is adequate to meet the needs that are in front of you in terms of processing these claims?

Mr. WALCOFF. Sir, I will tell you that I do believe the budget is adequate. There are two items in there that I want to particularly talk about. One is the budget as it applies to the VBMS initiative. It is \$170 million in there for VBMS. And I have to tell you that, as you heard my testimony and I think that some of the earlier witnesses referred to this, this really is to me the key to getting us to get that wall that is in front of us that the Chairman referred to and finding the place that really is a vulnerable point, and really being able to make the progress.

Congress has been very generous with us over the last couple years. And I think it is well known that we have added several thousand people. And what is happening is, by having those people we are doing more work every year. The problem is that as fast as we increase staffing, the receipts increase even faster. I mentioned we went up 18 percent last year. The year before that we went up 14 percent. So that is 2 years, 14 percent and 18 percent increases in receipts.

What I believe is that by continuing to just add people we will never be able to catch up with what is coming in. And the truth is we need something that is going to blast us, in effect, way over the current pace so that we are increasing output to the point where we can overtake this backlog. And that to me is the technology.

The technology will allow us not only to do more work, which obviously is important, but will also address some of the issues involving quality. What I see in this new technology is a rules based system that is going to guide our employees through the process to the point where they are making correct decisions going through

the process. Right now they may be choosing the wrong path to go down when they are following through. We are going to have a rules based system that is going to guide them to the right answer and make it so that it is much more difficult to make a wrong decision. That is the way I hope this technology works. So I would argue that I think that is important.

The other thing in the budget is something called the Veterans Relationships Management initiative, or VRM.

Mr. MCNERNEY. Mm-hmm.

Mr. WALCOFF. There is \$128 million in there for that. It is also an IT initiative. And this initiative deals with the way veterans contact us. Right now if a veteran wants to contact us they basically have a choice of calling one of our call centers from 8:00 to 5:00 every day. If they want to call us at any other time they have to wait until the next day. We need to set a system up where we are available to veterans whenever and however they want to get in touch with us.

Mr. MCNERNEY. Yes.

Mr. WALCOFF. The fact is many veterans want to get in touch with us, you know, at 11:00 at night, getting on the computer, and getting in and saying, "I want to change my address. I am going to do it myself." Or, "I want to change my direct deposit account. I can do it myself." Or, "I want to just see the status of my claim." They can do it themselves. Right now each one of those things requires a phone call. We have about 800 people on the phones right now. If you look at savings, one of the things that I see—

Mr. MCNERNEY. You are not outsourcing those phone call jobs, right?

Mr. WALCOFF. Pardon me?

Mr. MCNERNEY. You are not outsourcing those phone call—

Mr. WALCOFF. No, we are not. What we are trying to do is make it easier for the veteran so he does not have to call during our office hours and possibly have to wait to get to somebody, possibly occasionally get a busy signal. Why not allow him to be able to do it through self-service? And that frees up our employees to be used for other purposes.

Mr. MCNERNEY. Thank you. Does the Chairman intend to have another round of questions?

Mr. RUNYAN. You can continue.

Mr. MCNERNEY. Thank you.

Mr. RUNYAN. Go ahead.

Mr. MCNERNEY. I have one other question. How many veterans have used the Fully Developed Claims initiative?

Mr. WALCOFF. We are going to have to get back to you. I can tell you that the number has been disappointing in terms of the response. I agree with the statement of the DAV representative that this is a very promising program. What it basically says is that if a veteran submits all the evidence that we need to process the claim that we will be able to guarantee him that we will get it processed within a certain number of days. If the claim has all the medical evidence then we can probably process it in around 30 days. It would take a little bit more if we have to order an exam.

We find that this has been very successful in the places that we have used it. But what we have not been able to do is get enough

support, get enough people participating in it. And one of the things that we are trying right now is advertising, actual media advertising in two markets, Los Angeles and Waco, Texas, to see if we can get veterans interested in this. We believe it is to their advantage, and frankly it is to our advantage also, if people use this program. So we are trying to get interest involved in it. We have been working with the service organizations and we will continue to work with them to the point where hopefully that will catch on and veterans will begin using that program.

[The VA subsequently provided the following information:]

Since the pilot started in June 2010, 5,193 claims have been completed through the Fully Developed Claims programs as of March 9, 2011.

Mr. MCNERNEY. Okay, thank you. One more question?

Mr. RUNYAN. Sure.

Mr. MCNERNEY. How successful has the new Disability Benefits Questionnaire been in gathering, you know, useful information?

Mr. WALCOFF. It is a great question. It is very similar to the last one. This is another program that we think is really going to have a major impact on our ability to process claims more quickly and also help our quality. Right now we have three Disability Benefit Questionnaires that are in use, and they are for the three presumptive conditions that were recently added under the Agent Orange legislation. We are going to have 76 total when they are finished, but they have to go through the Office of Management and Budget (OMB) because they wind up being considered like a survey. It is a form so it has to be approved by OMB. We have an emergency approval for the three because of the Agent Orange cases coming in.

Again, there are so many advantages to this. We have often heard from veterans, "Why will you not let me go to my private doctor?" That is a good question. What happens often is that they will go to their private physician. The private physician will examine them, send the information in to us, but unfortunately it does not have the information we need to rate the case so then we have to go out and set up an exam with the VHA. What this does, these templates, these questionnaires are designed to specifically have the information that we need to rate the case so that if a veteran goes to his private physician and has it filled out, we know that is going to be adequate for us to rate the case. And the best thing is that it is faster for the veteran and it makes it so that we do not have to give VHA another exam to do which, with all the cases we have coming in, they are getting a little bit backed up in their exams. And this lightens the load a little bit on them. So we think it is, again, a win-win for veterans and for us. The challenge has been getting veterans to use it. And—

Mr. MCNERNEY. That is a challenge. How do we get, how do we get veterans aware of these tools that are now becoming available? That is a challenge for us and it is a challenge for the Veterans Administration. Thank you; I am going to yield back.

Mr. RUNYAN. Very good timing. I just had one question. Mr. Walcoff, we kind of talked about it a little bit throughout the other panels. We realize the end game is an electronic system. But in the same light, the people that we have, it typically takes 2 years to

get them up to speed to be able to do their job. What are we going to do in the short term to facilitate us getting through this backlog?

Mr. WALCOFF. Certainly having VBMS implemented next year is going to be a start. But I agree with you. We cannot say we are going to sit here and do nothing until the end of the year 2012 and then we will start working on these claims. I think some of the things that we are doing or some of the initiatives that we have talked about here, the Fully Developed Claim, the Disability Benefit Questionnaires, and we have some of what we call calculators. These are applications that have been developed by some of our employees that will enable them to process claims faster. There is a recent application that was developed that helps us on hearing loss claims. It saves about 20 minutes on every claim that we do for hearing loss. These are the kinds of things that we are trying to implement and get veterans to participate in that will absolutely help us process claims faster.

The one thing that I want to make sure of is that we do not, as has been said here, that we do not sacrifice quality in the name of speed. Producing more claims that are incorrect is not the answer. You know? If we are going to produce more claims we have to make sure that they are correct. And that is something that myself and everybody who has testified before I think are on the same page on.

Mr. RUNYAN. Thank you. On behalf of the Subcommittee I want to thank each of you for your testimony. I look forward to working with you in the future. We have a wide range of challenges, as we have seen today, facing our Nation and our veterans. And these discussions are the first step, but we really do have to work to solve these problems. Mr. McNerney, would you like to make any closing remarks?

Mr. MCNERNEY. I just want to thank you, the witnesses. And I agree with the Chairman, we have a lot of challenges. But there is a lot of optimism from Mr. Walz's statement, and Mr. Barrow's, and mine, and the Chairman's. We clearly want to solve this problem and we want to work together. I hear some good things out there but we are going to keep our eye on you. So thank you for coming today.

Mr. RUNYAN. Based on what we have heard today, there is no small amount of work to be done. I repeat my earlier desire to work with the Members on both sides of the aisle to ensure America's veterans receive the benefits they have earned in a timely and accurate manner. I ask unanimous consent of all Members that they have 5 legislative days to revise and extend their remarks and include extraneous material. Hearing no objection, so ordered. I thank the Members for their attendance today and this hearing is now adjourned.

[Whereupon, at 2:58 p.m., the Subcommittee was adjourned.]

A P P E N D I X

Prepared Statement of Hon. Jon Runyan, Chairman, Subcommittee on Disability Assistance and Memorial Affairs

Good afternoon. I want to welcome everyone to the first hearing of the Subcommittee on Disability Assistance and Memorial Affairs for the 112th Congress. Before we begin, I would like to extend a warm welcome to all of our members and especially to Ranking Member McNerney. Mr. McNerney has been on the Committee on Veterans' Affairs since he came to Congress in 2007 and he has proven himself to be a strong advocate for veterans and their families. I congratulate him on his appointment as this Subcommittee's Ranking Member.

It is my intention for this Subcommittee to continue its tradition of bipartisan communication and collaboration and I look forward to working with all Members in the months ahead.

We are here today to examine the FY 2012 budget for the Veterans Benefit Administration, National Cemetery Administration, and Related Agencies.

It is no secret that veterans are facing difficult times and we must do everything we can to ensure that programs and benefits administered by the Department of Veterans Affairs are being done as efficiently and effectively as possible.

The elephant in the room, as everyone knows, is the growing size of the backlog of claims for disability benefits. Since President Obama has taken office, the backlog of disability claims has grown by 103 percent, and VA's budget projects that the average days to complete a claim will rise from 165 days in FY 2010 to 230 days in FY 2012.

This increase and the continued low quality rating is unacceptable to me, I know it is unacceptable to Secretary Shinseki, and most of all it is unacceptable to our Nation's heroes.

I am not here to point fingers; however, it is imperative that VA improve accuracy and timeliness in this area. Congress has provided large sums of money to hire additional claims workers over the past few years, but this is clearly not making a big enough dent.

I am encouraged to find that resources were allocated in the VA's budget request for final development and implementation of the Veterans Benefit Management System (VBMS), which should bring VA into the 21st century with a paperless claims processing system.

However, this new system is still in the testing stage and is years away from full implementation. While VBMS should bring substantial improvements to the claims processing system, it is not a silver bullet that can singlehandedly end the backlog once and for all. I believe that the only way to truly address this problem is to facilitate a cultural shift embracing greater accountability and innovation at VBA.

For too long VA has focused on quantity at the expense of quality—this must end. The culture of greater accountability and innovation must be embraced and practiced by all at VA from the most junior file clerk all the way up to Secretary Shinseki himself. It will be this Committee's job in providing oversight to ensure that greater accountability is happening in every corner of the VA, from the VBA headquarters, to the regional offices, and throughout the Board and the Court of Appeals for Veterans' Claims as well. This Committee will also pursue policy and legislation to help develop and foster a new climate of innovation and accountability at the VA.

I also want to briefly comment that while they don't seem to have as many challenges as the Court and VBA, we will also be looking at the budgets of the ABMC and NCA and I look forward to hearing from them on ways they intend to reduce costs and improve performance.

I appreciate everyone's attendance at this hearing and I would now call on the Ranking Member for his opening statement.

**Prepared Statement of Hon. Jerry McNerney, Ranking Democratic
Member, Subcommittee on Disability Assistance and Memorial Affairs**

Thank you, Mr. Chairman.

I would like to thank you for holding today's hearing. The goal of today's hearing is to examine the various FY 2012 budget requests of agencies over which the Disability Assistance and Memorial Affairs Subcommittee exercises jurisdiction, including the U.S. Department Veterans Affairs' Veterans Benefits Administration (VBA) and National Cemetery Administration (NCA); the Court of Appeals for Veterans Claims (CAVC); and the American Battle Monuments Commission (ABMC).

These organizations oversee many major benefits, services and protections for our Nation's veterans, their families, and survivors—ranging from providing compensation, pension and burial benefits to ensuring appellate rights and maintaining our National Shrine requirements both here and abroad. I look forward to hearing how these benefits and services will be administered with the optimal levels of efficiency and effectiveness with the new budget request.

Today's hearing, our Subcommittee's first of the 112th Congress, is an important one. As all of you know, Congress is working hard to balance our budget and reduce the deficit while at the same time provide earned and needed benefits to veterans and their families.

Over the past 4 years, Congress has provided more funding, resources and access to VA benefits and care in 4 years than in the previous 12 years. The overall FY 2012 VA budget request is \$132.2 billion. Of the total Department Budget request, \$70.3 billion (53 percent) is designated for mandatory funding to pay benefits to veterans, their families and survivors. This represents almost a 6 percent increase from the 2011 level of \$66 billion.

This Administration has shown that supporting the troops *and* our veterans is not just a slogan—it's a mandate.

Like many of the VSOs and other stakeholders who represent our veterans, one of my top priorities will be addressing the problems that continue to plague our disability claims process. It is a disgrace that we have such a large claims backlog, and it is an insult to the veterans who have served our Nation.

There is no reason that we are still processing claims with 20th century technology. I agree with Secretary Shinseki that we need to get our claims process under control to deliver these benefits in a 21st century, paperless manner. Get the claim right the first time, and don't sacrifice quality for quantity.

I think this budget reflects the work that VA is doing to move the claims process in the right direction. However, and I know that many of the VSOs agree with me, that while VBA is making some progress with its numerous claims processing initiatives and with the rollout of the Veterans Benefits Management System (VBMS), more needs to be done. I believe that the Virtual Lifetime electronic Record effort, along with other collaborations between DoD and VA will assist greatly with this 21st century transformation. I hope that we can continue to exercise strenuous oversight over these areas to ensure that these ideas actually materialize and make a real difference for our veterans. We want to make sure that we do not confuse activity with progress.

I also believe that we need to continue the reform work and oversight from the past 4 years, particularly as included in the claims process transformation roadmap laid out in P.L. 110-389, the Veterans' Benefits Improvement Act of 2008. It is going to take the sustained efforts of all stakeholders to figure out how to transform the VA's claims processing system. The way that we transformed the VHA in the 1990's, with everyone at the table, with a focused commitment of leadership, vision, and resources—is the same way that we need to proceed to transform the VBA today. Our veterans, their families and survivors deserve no less.

As the new Ranking Member of the Disability Assistance and Memorial Affairs Subcommittee, I look forward to working with Chairman Runyan and all of our stakeholders on these and other priorities.

I would like to congratulate the Honorable Bruce E. Kasold for his ascendency to Chief Judge of the U.S. Court of Appeals for Veterans Claims. I also look forward to hearing from all of our witnesses today—your input is very critical to our oversight and informs our legislative efforts.

Thank you Mr. Chairman, I yield back.

**Prepared Statement of Jay Agg,
National Communications Director, American Veterans (AMVETS)**

Chairman Runyan, Ranking Member McNerney and distinguished Members of the Subcommittee, on behalf of AMVETS, I would like to extend our gratitude for being given the opportunity to share with you our views and recommendations regarding the President's budget request for Fiscal Year 2012 for the Department of Veterans Affairs National Cemetery Administration and ways to improve accountability and efficiency regarding Compensation and Pension.

AMVETS feels privileged in having been a leader, since 1944, in helping to preserve the freedoms secured by America's Armed Forces. Today our organization prides itself on continuing this tradition, as well as our undaunted dedication to ensuring that every past and present member of the Armed Forces receives all of their due entitlements. These individuals, who have devoted their entire lives to upholding our values and freedoms, deserve nothing less.

By way of background, the stated mission of The National Cemetery Administration (NCA) is to honor veterans with final resting places in National Shrines and with lasting tributes that commemorate their service to our Nation. Their vision is to serve all veterans and their families with the utmost dignity, respect, and compassion and ensure that every National Cemetery will be a place that inspires visitors to understand and appreciate the service and sacrifice of our Nation's veterans. Furthermore, many States have established State veterans cemeteries. Eligibility is similar to that of the Department of Veterans Affairs (VA) National Cemeteries, but may include residency requirements. Even though they may have been established or improved with government funds through VA's State Cemetery Grants Program, State veterans cemeteries are run solely by the States.

As of late 2010 the Department of Veterans Affairs National Cemetery Administration (NCA) maintained more than 3 million graves at 131 National Cemeteries in 39 States and Puerto Rico. Of these cemeteries, 71 are open to all interment; 19 will accept only cremated remains and family members of those already interred; and 41 will only perform interments of family members in the same gravesite as a previously deceased family member.¹

VA estimates nearly 23 million veterans are living today. They include veterans from World Wars I and II, the Korean War, the Vietnam War, the Gulf War, the conflicts in Afghanistan and Iraq, the Global War on Terrorism, as well as peacetime veterans. With the anticipated opening of the newly planned National Cemeteries, annual interments are projected to increase to approximately 116,000 in 2013, and are projected to maintain that level through 2015.

Historically, only 12 percent of veterans opt for burial in a State or National Cemetery, although these numbers are steadily rising.

The most important obligation of the NCA is to honor the memory of America's brave men and women who served in the armed forces. Therefore, the purpose of these cemeteries as National Shrines is one of NCA's top priorities. Many of the individual cemeteries within the system are steeped in history and the monuments, markers, grounds and related memorial tributes represent the very foundation of the United States. With this understanding, the grounds, including monuments and individual sites of interment, represent a national treasure that must be protected, respected and cherished.

Furthermore, AMVETS would like to acknowledge the dedication and commitment of the NCA staff who continue to provide the highest quality of service to veterans and their families. We call on the Administration and Congress to provide the resources needed to meet the changing and critical nature of NCA's mission and fulfill the Nation's commitment to all veterans who have served their country honorably and faithfully.

In FY 2010, \$250 million was appropriated for the operations and maintenance of NCA, with approximately \$2 million in carryover. This constitutes less than 1 percent of the total Operations and Maintenance budget. NCA awarded 47 of its 50 planned minor construction projects, and the three unobligated projects will be obligated in FY 2011. The States Cemetery Grants Program awarded \$48.5 million to fund 12 State Cemeteries.

The NCA has done an exceptional job of providing burial options for 90.5 percent of veterans who are part of the 170,000 veterans within a 75-mile radius threshold model. The NCA realized that, without adjusting this model, only one area, St. Louis, would qualify for a cemetery within the next 5 years and that the five highest veteran population centers would never qualify.

¹ <http://www.cem.va.gov/cem/cems/listcem.asp>

AMVETS is pleased, as were the 2011 *Independent Budget* (IB) authoring organizations, to see that the NCA has adjusted its model and will begin using the model of 80,000 veterans within a 75-mile radius for future cemetery placement. This modification will allow the NCA to continue to provide burial options for veterans who would otherwise be limited geographically for this benefit.

As the author of the NCA section of the 2011 IB, we recommended an operations budget of \$275 million for NCA for FY 2012 so it can meet the increasing demands of interments, gravesite maintenance and related essential elements of cemetery operations.

This funding level will allow NCA to perform their five primary missions:

1. To inter, upon request, the remains of eligible veterans and family members and to permanently maintain gravesites.
2. To mark graves of eligible persons in national, State, or private cemeteries upon appropriate application.
3. To administer the State grant program in the establishment, expansion, or improvement of State veterans cemeteries.
4. To award a presidential certificate and furnish a United States flag to deceased veterans.
5. To maintain National Cemeteries as National Shrines sacred to the honor and memory of those interred or memorialized.

However, NCA still continues to face serious challenges. Though there has been significant progress made over recent years, NCA is still struggling to remove decades of blemishes and scars from military burial grounds across the country. Visitors to National Cemeteries are still likely to encounter sunken graves, misaligned and dirty grave markers, deteriorating roads, spotty turf and other patches of decay that have been accumulating for decades. If NCA is to continue its commitment to ensure National Cemeteries remain dignified and respectful settings that honor deceased veterans and give evidence of the Nation's gratitude for their military service, there must be a comprehensive effort to greatly improve the condition, function, and appearance of all our National Cemeteries.

Furthermore, to correct these problems NCA has worked tirelessly to improve the appearance of our National Cemeteries, investing \$45 million in the National Shrine Initiative in FY 2010 and approximately \$25 million per year for the three previous years. NCA has done an outstanding job thus far in improving the appearance of our National Cemeteries, but we have a long way to go to get us where we need to be. In 2006 only 67 percent of headstones and markers in National Cemeteries were at the proper height and alignment. By 2009 proper height and alignment increased to 76 percent. NCA is on target to reach 82 percent this fiscal year. However, AMVETS believes all of our National Cemeteries should be nothing less than perfect to properly memorialize the brave men and women who have served, and in many cases died for, this great Nation. This is why AMVETS made the recommendation in the FY 2012 IB for NCA's operations and maintenance budget be increased by \$20 million per year until the operational standards and measures goals are reached and all of these sacred grounds are properly maintained.

In addition to the management of National Cemeteries, NCA is responsible for the Memorial Program Service. The Memorial Program Service provides lasting memorials for the graves of eligible veterans and honors their service through Presidential Memorial Certificates. Public Laws 107-103 and 107-330 allow for a headstone or marker for the graves of veterans buried in private cemeteries who died on or after September 11, 2001. Prior to this change, NCA could provide this service only to those buried in national or State Cemeteries or to unmarked graves in private cemeteries. Public Law 110-157 gives VA authority to provide a medallion to be attached to the headstone or marker of veterans who are buried in a private cemetery. This benefit is available to veterans in lieu of a government-furnished headstone or marker.

Another critical part of NCA's mission is The State Cemeteries Grant Program (SCGP). SCGP complements NCA's mission to establish gravesites for veterans in areas where it cannot fully respond to the burial needs of veterans. Several incentives are in place to assist States in this effort. For example, NCA can provide up to 100 percent of the development cost for an approved cemetery project, including design, construction, and Administration. In addition, new equipment, such as mowers and backhoes, can be provided for new cemeteries.

Since implemented in 1978, VA has more than doubled the available acreage and accommodated more than a 100-percent increase in burial through the SCGP. With the enactment of the Veterans Benefits Improvements Act of 1998, the NCA has been able to strengthen its partnership with States and increase burial service to veterans, especially those living in less densely populated areas not currently served

by a National Cemetery. Currently there are 48 State and tribal government matching grants for cemetery projects.

The SCGP currently is facing the challenge of meeting a growing interest and need from States to provide burial services in areas that are not currently served. Due to this overwhelming need for SCGP services AMVETS and our fellow IB partners recommend an operating budget of \$51 for FY 2012 for SCGP. This funding level would allow SCGP to establish new State Cemeteries at their current rate that will provide burial options for veterans who live in regions that currently has no reasonably accessible State or National Cemeteries. AMVETS believes it is crucial to maintain and establish our State Cemeteries, so that veterans who may otherwise not have access to a National Cemetery still have the earned option of being buried with their fellow brothers and sisters at arms.

Finally, another part of NCA's responsibilities is burial benefits. Burial allowance was first introduced in 1917 to prevent veterans from being buried in potter's fields. In 1923 the allowance was modified. The benefit was determined by a means test, and then in 1936 the means test was removed. In its early history the burial allowance was paid to all veterans, regardless of their service-connectivity of death. In 1973 the allowance was modified to reflect the status of service-connection. The plot allowance was introduced in 1973 as an attempt to provide a plot benefit for veterans who did not have reasonable access to a National Cemetery.

In 1973, NCA established a burial allowance that provided partial reimbursements for eligible funeral and burial costs. The current payments are:

- \$2,000 for burial expenses for service-connected (SC) death,
- \$300 for non-service-connected (NSC) deaths, and
- \$300 for plot allowance.

At its inception, the payout covered 72 percent of the funeral cost for a service-connected (SC) death, 22 percent for a non-service-connected death, and 54 percent of the burial plot cost. However, by 2007 these benefits eroded from 72 percent to 23 percent, from 22 percent to 4 percent and from 54 percent to 14 percent respectively. AMVETS strongly believes it is time to restore the original value of the benefit.

And while AMVETS is pleased that the 111th Congress acted to improve the benefits, raising the plot allowance to \$700 as of October 1, 2011, we still believe that there are serious deficits in original value of the benefit when compared to the current value. While the cost of a funeral has increased by nearly 700 percent, the burial benefit has only increased by 250 percent.

To restore both the burial allowance and plot allowance back to their 1973 values AMVETS recommends:

- SC benefit payment should be \$6,160,
- NSC benefit value payment should be \$1,918, and
- Plot allowance should increase to \$1,150.

Based on accessibility and the need to provide quality burial benefits, AMVETS and our IB partners recommend the following:

1. VA should separate burial benefits into two categories: veterans who live inside the VA accessibility threshold model and those who live outside the threshold.
2. For veterans who live outside the threshold, the SC burial benefit should be increased to \$6,160, NSC veteran's burial benefit should be increased to \$1,918, and plot allowance should increase to \$1,150 to match the original value of the benefit.
3. For veterans who live within reasonable accessibility to a State or National Cemetery that is able to accommodate burial needs, but the veteran would rather be buried in a private cemetery, the burial benefit should be adjusted. These veterans' burial benefits will be based on the average cost for VA to conduct a funeral.
4. The benefit for a SC burial should be \$2,793, the amount provided for a NSC burial should be \$854, and the plot allowance should be \$1,150. This will provide a burial benefit at equal percentages, but based on the average cost for a VA funeral and not on the private funeral cost that will be provided for those veterans who do not have access to a State or National Cemetery.
5. In addition to the recommendations we have mentioned, AMVETS also believes that Congress should enact legislation to adjust burial benefits to accurately reflect inflation annually.

AMVETS calls upon the Administration and Congress to provide the resources required to meet the critical nature of the NCA mission and fulfill the Nation's commitment to all veterans who have served their country so honorably and faithfully.

NCA honors veterans with a final resting place that commemorates their service to this Nation. More than three million servicemembers who died in every war and conflict are honored through internment in a VA National Cemetery. Each Memorial Day and Veterans Day we honor the last full measure of devotion they gave for this country. Our National Cemeteries are more than the final resting place of honor for our veterans; they are hallowed ground to those who died in our defense and a memorial to those who survived.

By way of background, VA has two programs for disability compensation and disability pension (C&P). Disability compensation is a benefit paid to a veteran because of injuries or diseases that happened while on active duty, or were made worse by active military service. It is also paid to certain veterans disabled from VA health care. The benefits are tax-free.² Eligibility for disability compensation is based on an honorable discharge and a service-connected disability. The benefits paid are based on the severity of a veteran's disability and their percentage rating. In addition a veteran may be eligible for additional amounts if they have very severe disabilities or loss of limb(s), have a spouse, child(ren), or dependent parent(s) or have a seriously disabled spouse.³

AMVETS believes the current C&P formulas used to define eligibility need to be simplified and reflect the true needs of disabled veterans, survivors and their families. We also believe the pension benefits need to more accurately reflect a veteran's financial needs.

The following charts illustrate the current rate of disability compensation:

10–20 Percent (No Dependents)

Percentage	Rate
10%	\$123
20%	\$243

30–60 Percent Without Children

Dependent Status	30%	40%	50%	60%
Veteran Alone	\$376	\$541	\$770	\$974
Veteran with Spouse Only	\$421	\$601	\$845	\$1,064
Veteran with Spouse and One Parent	\$457	\$649	\$905	\$1,136
Veteran with Spouse and Two Parents	\$493	\$697	\$965	\$1,208
Veteran with One Parent	\$412	\$589	\$830	\$1,046
Veteran with Two Parents	\$448	\$637	\$890	\$1,118
Additional for A/A spouse (see footnote b)	\$40	\$54	\$68	\$81

70–100 Percent Without Children

Dependent Status	70%	80%	90%	100%
Veteran Alone	\$1,228	\$1,427	\$1,604	\$2,673
Veteran with Spouse Only	\$1,333	\$1,547	\$1,739	\$2,823
Veteran with Spouse and One Parent	\$1,417	\$1,643	\$1,847	\$2,943
Veteran with Spouse and Two Parents	\$1,501	\$1,739	\$1,955	\$3,063
Veteran with One Parent	\$1,312	\$1,523	\$1,712	\$2,793
Veteran with Two Parents	\$1,396	\$1,619	\$1,820	\$2,913
Additional for A/A spouse (see footnote b)	\$95	\$108	\$122	\$136

² <http://www.vba.va.gov/bln/21/compensation/index.htm>

³ <http://www.vba.va.gov/bln/21/compensation/index.htm>

30–60 Percent With Children

Dependent Status	30%	40%	50%	60%
Veteran with Spouse and Child	\$453	\$644	\$899	\$1,129
Veteran with Child Only	\$406	\$581	\$820	\$1,034
Veteran with Spouse, One Parent and Child	\$489	\$692	\$959	\$1,201
Veteran with Spouse, Two Parents and Child	\$525	\$740	\$1,019	\$1,273
Veteran with One Parent and Child	\$442	\$629	\$880	\$1,106
Veteran with Two Parents and Child	\$478	\$677	\$940	\$1,178
Add for Each Additional Child Under Age 18	\$22	\$30	\$37	\$45
Each Additional Schoolchild Over Age 18 (see footnote a)	\$72	\$96	\$120	\$144
Additional for A/A spouse (see footnote b)	\$40	\$54	\$68	\$81

70–100 Percent With Children

Dependent Status	70%	80%	90%	100%
Veteran with Spouse and Child	\$1,409	\$1,643	\$1,837	\$2,932
Veteran with Child Only	\$1,298	\$1,507	\$1,694	\$2,774
Veteran with Spouse, One Parent and Child	\$1,493	\$1,730	\$1,945	\$3,052
Veteran with Spouse, Two Parents and Child	\$1,577	\$1,826	\$2,053	\$3,172
Veteran with One Parent and Child	\$1,382	\$1,603	\$1,802	\$2,894
Veteran with Two Parents and Child	\$1,466	\$1,699	\$1,910	\$3,014
Add for Each Additional Child Under Age 18	\$52	\$60	\$67	\$75
Each Additional Schoolchild Over Age 18 (see footnote a)	\$168	\$192	\$216	\$240
Additional for A/A spouse (see footnote b)	\$95	\$108	\$122	\$136

- a. Rates for each school child area shown separately. They are not included with any other compensation rates. All other entries on this chart reflecting a rate for children show the rate payable for children under 18 or helpless. To find the amount payable to a 70 percent disabled veteran with a spouse and four children, one of whom is over 18 and attending school, take the 70 percent rate for a veteran with a spouse and 3 children, \$1,513, and add the rate for one school child, \$168. The total amount payable is \$1,681.
- b. Where the veteran has a spouse who is determined to require A/A, add the figure shown as “additional for A/A spouse” to the amount shown for the proper dependence code. For example, veteran has A/A spouse and 2 minor children and is 70 percent disabled. Add \$95, additional for A/A spouse, to the rate for a 70 percent veteran with dependence code 12, \$1,461. The total amount payable is \$1,556.

Pension benefits are meant as assistance for eligible veterans, surviving spouses and children who demonstrate financial need. Pension is a benefit paid to wartime veterans who have limited or no income and who are age 65 or older, or, if under 65, who are permanently and totally disabled. Veterans who are more seriously disabled may qualify for Aid and Attendance or Housebound benefits. These are benefits that are paid in addition to the basic pension rate.⁴ Eligibility for VA pension is usually contingent upon a veteran being honorably discharged from the military, has served at least 90 days of active military service 1 day of which was during a war time period. If you entered active duty after September 7, 1980, generally you must have served at least 24 months or the full period for which called or ordered to active duty (there are exceptions to this rule), and your countable family income is below a yearly limit set by law and finally, you are age 65 or older, or, you are permanently and totally disabled, not due to your own willful misconduct.⁵ In other words, pension is usually based on a veterans need and net worth.

In 2007, the Institute of Medicine (IOM) Committee on Medical Evaluation of Veterans for Disability Compensation published a report, “A 21st Century System for

⁴ <http://www.vba.va.gov/bln/21/pension/vetpen.htm>

⁵ <http://www.vba.va.gov/bln/21/pension/vetpen.htm>

Evaluating Veterans for Disability Benefits,” recommending that the current VA disability compensation system be expanded to include compensation for nonwork disability and loss of quality of life.⁶ The report touches upon several systems that could be used to measure and compensate for loss of quality of life, including the World Health Organization-devised International Classification of Functioning, Disability, and Health, the Canadian Veterans’ Affairs disability compensation program, and the Australian Department of Veterans Affairs disability compensation program. The report went on to distinguish between the purpose of disability benefits and the operational basis for those benefits. Under the current VA disability compensation system, the purpose of the compensation is to make up for average loss of earning capacity, whereas the operational basis of the compensation is usually based on medical impairment. Neither of these models generally appears to incorporate noneconomic loss or quality of life into the final disability ratings, though special monthly compensation (SMC) does in some limited cases.⁷

The IOM report stated:

“In practice, Congress and VA have implicitly recognized consequences in addition to work disability of impairments suffered by veterans in the Rating Schedule and other ways. Modern concepts of disability include work disability, nonwork disability, and quality of life (QOL). . . .” [and that] “This is an unduly restrictive rationale for the program and is inconsistent with current models of disability.”⁸

The Congressionally-mandated Veterans Disability Benefits Commission (VDBC), established by the National Defense Authorization Act of 2004 (P.L. 108–136), spent more than 2 years examining how the rating schedule might be modernized and updated.

Reflecting the recommendations of a comprehensive study of the disability rating system by the IOM, the VDBC in its final report issued in 2007 recommended:

The veterans disability compensation program should compensate for three consequences of service-connected injuries and diseases: work disability, loss of ability to engage in usual life activities other than work, and loss of quality of life.⁹

The IOM report, the VDBC (and an associated Center for Naval Analysis study), and the Dole-Shalala Commission (President’s Commission on Care for America’s Returning Wounded Warriors) all agreed that the current benefits system should be reformed to include noneconomic loss and quality of life as a factor in compensation. Once this principle is established in statute, only then shall Congress and VA be able to fully and accurately address the question of whether such compensation should be provided through immediate changes to the rating schedule that would modify or include additional compensation paid for average loss of earnings capacity or whether it should come from a separate compensation program, such as SMC.¹⁰

AMVETS and the other IB authoring VSOs recommend Congress amend Title 38 to clarify disability compensation, in addition to providing compensation to service-connected disabled veterans for their average loss of earnings capacity, must also include compensation for their noneconomic loss and for loss of their quality of life.

AMVETS believes there also must be an immediate change to the level of oversight given to the C&P medical exams program. AMVETS believes that the overall lack of timely and complete exams by trained medical professionals is significantly adding unnecessary burdens and extensive waiting periods for veterans seeking these benefits.

In 2008, GAO published their findings on VA’s C&P programs. They found over 500,000 VA pensioners had nonpension incomes well below the Federal poverty level, were beyond retirement age, and had multiple impairments, and the population has been decreasing in number. The average annual reported income of these pensioners, excluding their VA pensions, was less than \$5,000. GAO went on to state, “VA policies and procedures are not sufficient to ensure sound decisions on new pension claims.”

⁶ Committee on Medical Evaluation of Veterans for Disability Compensation, Institute of Medicine of the National Academies, *A 21st Century System for Evaluating Veterans for Disability Benefits* (2007) [hereinafter IOM Report].

⁷ *Ibid.*, 117–18.

⁸ *Ibid.*, 3.

⁹ Veterans’ Disability Benefits Commission, *Honoring The Call To Duty: Veterans’ Disability Benefits in the 21st Century* (2007), 76.

¹⁰ FY 2012 *The Independent Budget, Benefits Programs*.

AMVETS is aware of the recent changes to the C&P programs but still believes they are falling short of where they should be. AMVETS believes the current processes in place at VA to assess whether pensioners continue to receive the proper benefits have significant limitations and are outdated. Although the agency requires pensioners to report changes that might affect their pensions, VA does not require documentation such as bank or asset statements when pensioners report financial changes.

AMVETS believes there are still several policies and procedures that need to be developed and implemented in order to improve the services and benefits our veteran community receives. For example, AMVETS believes the rating process quality must be improved to prevent unnecessary appeals. AMVETS also believes better and more frequent training of staff will improve the chances of a claim being evaluated correctly the first time. Periodic testing to identify deficiencies will help ensure a successful program, as well as helping to identify best practices.

AMVETS also believes there needs to be a re-evaluation of the work credit system. AMVETS strongly believes there needs to be immediate corrections of weaknesses within the VA C&P system, so that veterans will receive timely and accurate ratings and benefits.

Chairman Runyan and distinguished Members of the Subcommittee, this concludes my testimony and I stand ready to address any questions you may have for me.

**Prepared Statement of Jeffrey C. Hall,
Assistant National Legislative Director, Disabled American Veterans**

EXECUTIVE SUMMARY

- In order to reform the veterans benefits claims processing system, VBA must undergo a cultural shift away from “breaking the back of the backlog” to focusing on processing disability claims right the first time.
- VBA must change how it measures progress and success, as well as revise employee and management incentives and performance and accountability standards so that quality and accuracy are at least as important as speed and production.
- While DAV is fully supportive of most of VBA’s on ongoing pilot programs, including the Disability Benefits Questionnaires (DBQ) and Fully Developed Claims (FDC), VBA must now begin to bring forward comprehensive and credible plans to adopt the best practices needed to achieve lasting reform, not just short term increases in production.
- VBA must complete the ongoing information technology (IT) modernization, which includes the Veterans Benefits Management System (VBMS), Veterans Relationship Management (VRM) and Veterans Lifetime Electronic Record (VLER) programs. In particular, the VBMS pilot testing and development needs aggressive Congressional oversight to ensure it develops into a comprehensive, paperless and rules-based system for processing disability compensation claims. VBA must be provided sufficient time and resources to ensure that these vital IT initiatives are successfully completed.
- Equally important to the process and technology reforms underway will be the people who work within the system, and VBA must place greater emphasis on employee training and quality control programs. Training materials must be updated and relevant to current law, practice and policies, and all employees and management should have testing requirements. Quality control must be integrated into the VBMS and should guide and inform future training requirements.
- Congress should provide equity to all disabled veterans who retire from the armed forces after serving more than 20 years by passing legislation removing the prohibition on concurrent receipt for those who are rated 40 percent or less.
- Congress should also approve legislation repealing the offset currently required for payments made under the Survivor Benefit Plan (SBP) and the Dependency Indemnity Compensation (DIC) programs.

Chairman Runyan, Ranking Member McNerney and Members of the Committee: On behalf of the Disabled American Veterans and our 1.2 million members, all of whom are wartime disabled veterans, I am pleased to be here today to offer our views regarding the fiscal year (FY) 2012 budget in the area of veterans’ benefits.

Mr. Chairman, let me first congratulate you for being selected to lead the Subcommittee, as well as Congressman McNerney being chosen the Ranking Member. DAV looks forward to working with you, as well as all of the Members of the Subcommittee, to protect and strengthen the benefits programs that serve our Nation's veterans, especially disabled veterans, their families and survivors.

In reviewing the budget request for the Veterans Benefits Administration (VBA), DAV recommends only modest increases in funding, and increases are primarily directed to Vocational Rehabilitation and Employment (VR&E) and the Board of Veterans' Appeals (BVA). Over the past couple of years, with strong support from Congress, VBA's Compensation and Pension (C&P) Service has received significant increases in personnel to address the rising workload of claims for benefits. It is important to note that this large increase in claims processors could actually result in a short-term net decrease in productivity, due to experienced personnel being taken out of production to conduct training, and the length of time it takes for new employees to become fully productive. While we do not recommend additional staffing increases at this time, we do recommend that VBA conduct a study on how to determine the optimum number of full-time employees necessary to manage the growing number of claims both accurately and in a timely manner.

We do, however, recommend Congress authorize at least 160 additional full-time employees for the VR&E Service for FY 2012, primarily to reduce current case manager workload. A 2009 study by the Government Accountability Office (GAO) found that 54 percent of Department of Veterans Affairs Regional Offices (VAROs) reported they had fewer counselors than they needed and 40 percent said they had too few employment coordinators. VR&E officials indicated that the current caseload target is 1 counselor for every 125 veterans, but that ratio is reported to be as high as 1 to 160 in the field. An increase of 100 new counselors would address that gap. Given its increased reliance on contract services, VR&E also needs an additional 50 full-time employee equivalents (FTEE) dedicated to management and oversight of contract counselors and rehabilitation and employment service providers. In addition, VR&E has requested at least 10 FTEE in FY 2012 to expand its college program—"Veteran Success on Campus," and we support that request.

With the number of claims for benefits increasing over the past several years, so too is the number of appeals to the BVA. On average, BVA receives appeals on 5 percent of all claims, a rate that has been consistent over the past decade. With the number of claims projected to rise significantly in the coming years, so too will the workload at BVA, and thus the need for additional personnel. Funding for the BVA must rise at a rate commensurate with its increasing workload so it is properly staffed to decide veterans' appeals in an accurate and timely manner.

The VBA is at a critical juncture in its efforts to reform an outdated, inefficient, and overwhelmed claims-processing system. After struggling for decades to provide timely and accurate decisions on claims for veterans' benefits, the VBA over the past year has started down a path that may finally lead to essential transformation and modernization, but only if it has the leadership necessary to undergo a cultural shift in how it approaches the work of adjudicating claims for veterans benefits.

The number of new claims for disability compensation has risen to more than 1 million per year and the complexity of claims have also increased as complicated new medical conditions, such as traumatic brain injury, have become more prevalent. To meet rising workload demands Congress has provided significant new resources to the VBA over the past several years in order to increase their personnel levels. Yet despite the hiring of thousands of new employees, the number of pending claims for benefits, often referred to as the backlog, continues to grow.

As of January 31, 2011, there were 775,552 pending claims for disability compensation and pensions awaiting rating decisions by the VBA, an increase of 289,081 from 1 year ago. About 41 percent of that increase is the result of the Secretary's decision to add three new presumptive conditions for Agent Orange (AO) exposure: ischemic heart disease, B-cell leukemia, and Parkinson's disease. Even discounting those new AO-related claims, the number of claims pending rose by 171,522, a 37 percent increase of pending claims over just the past year. Overall, there are 331,299 claims that have been pending greater than VA's target of 125 days, which is an increase of 147,930, up more than 80 percent in the past year. Not counting the new AO-related conditions, over 50 percent of all pending claims for compensation or pension are now past the 125-day target set by the VBA.

Worse, by the VBA's own measurement, the accuracy of disability compensation rating decisions continues to trend downward, with their quality assurance program, known as the Systematic Technical Accuracy Review (STAR) reporting only an 83 percent accuracy rate for the 12-month period ending May 31, 2010. Moreover, VA's Office of Inspector General found additional undetected or unreported errors that increased the error rate to 22 percent. Complicating the Department's

problems is its reliance on an outdated, paper-centric processing system, which now includes more than 4.2 million claims folders.

Faced with all of these problems, VA Secretary Shinseki last year set an extremely ambitious long-term goal of zero claims pending more than 125 days and all claims completed to a 98 percent accuracy standard. Throughout the year he repeatedly made clear his intention to “break the back of the backlog” as his top priority. While we welcome his intention and applaud his ambition, eliminating the backlog is not necessarily the same goal as reforming the claims-processing system, nor does it guarantee that veterans are better served.

As we have consistently maintained, the backlog is not the problem, nor even the cause of the problem; rather, it is only one symptom, albeit a very severe one, of a much larger problem: too many veterans waiting too long to get decisions on claims for benefits that are too often wrong. If the VBA focuses simply on reducing the backlog of claims, it can certainly achieve numeric success in the near term, but it will not necessarily have addressed the underlying problems nor taken steps to prevent the backlog from eventually returning. To achieve real success, the VBA’s benefits claims-processing system must be designed to “get each claim done right the first time.” Such a system would be based upon a modern, paperless information technology and workflow system focused on quality, accuracy, efficiency, and accountability.

Recognizing all of the problems and challenges discussed above, we have seen some positive and hopeful signs of change. VBA leadership has been refreshingly open and candid in recent statements on the problems and need for reform. Over the past year, dozens of new pilots and initiatives have been launched, including a major new IT system that is now being field-tested. The VBA has shared information with the veterans service organizations (VSOs) about its ongoing initiatives and sought feedback on these initiatives. These are all positive developments and we are hopeful this practice will continue and become even more open and candid in the future.

VSOs not only bring vast experience and expertise about claims processing, but our service officers hold power of attorney for hundreds of thousands of veterans and their families. In this capacity, DAV and other VSOs are an integral component of the claims process who undeniably make the VBA’s job easier by helping veterans prepare and submit better claims, thereby requiring less time and resources to develop and adjudicate them.

We are especially pleased with the new attitude towards VSOs demonstrated by many key VBA leaders, including Acting Under Secretary Mike Walcott and C&P Director, Tom Murphy. Both have made good on their commitments to building a true partnership with VSOs, and we hope they are now able to infuse this positive attitude throughout the VBA from central office down to each of the 57 regional offices.

Mr. Chairman, to be successful, VBA must also change how it measures success and rewards performance in a manner designed to achieve the goal of “getting it right the first time.” Unfortunately, most of VBA’s methodology used today, whether for the organization as a whole or for regional offices or employees, are based primarily on production measurement, which reinforces the goal of ending the backlog. VBA must modify how it measures and reports progress and success with reliable indicators of quality and accuracy. It is imperative for VBA to review employee performance standards with incentives and accountability directed at achieving quality and accuracy, not just increased speed or production.

As VBA moves forward with the myriad of pilot programs and initiatives designed to modernize and streamline the claims-processing system, it is imperative that they have a systematic method for analyzing and integrating “best practices” that improve quality and accuracy, rather than just those that may increase production. One of the more important new initiatives is the use of templates, which VBA calls Disability Benefits Questionnaires (DBQs), designed to gather medical information specific to rating criteria contained in the VA Schedule for Rating Disabilities (VASRD). DBQs are designed to alleviate the time consuming burden of sorting through often voluminous unrelated medical evidence and instead focusing on pertinent information.

There are currently three DBQs that have been approved for use in claims for the three new presumptive conditions associated with Agent Orange exposure: ischemic heart disease, Parkinson’s disease, and B-cell leukemia. An additional 76 DBQs are in various stages of the development and approval process. We support the use of DBQs as a method to streamline and improve the quality and timeliness of decisions; however, it is crucial that DBQs are properly completed, either by VA or private medical examiners. VBA employees must be properly trained so they understand that DBQs are but one piece of evidence that must be considered in the devel-

opment and decisionmaking process. VBA's rating specialists must properly consider the evidentiary weight and value of all evidence related to the claim, while adequately addressing it in the reason and bases of the subsequent decision.

One of the major initiatives toward reforming the claims process is the Fully Developed Claims (FDC) program, which began as a pilot program mandated by Public Law 110-389, and was rolled out to all VAROs last year. We were pleased that VBA modified the FDC application process allowing claimants to submit informal notification to the VBA of his or her intention to file a FDC claim, thereby protecting the earliest effective date for receipt of benefits. There have been reports from the field that local Regional Offices (ROs) were not allowing such informal claims to be made and that participation in the FDC program was extremely low. We have held numerous discussions with the C&P Director and his staff to address both issues. We have been pleased both with the collaborative process, as well as the plans being developed to address these problems. Although we still have concerns about particular aspects of the FDC program we appreciate VBAs openness with DAV and other VSOs, and for providing us with opportunities to exchange information and ideas to improve the FDC program. While DAV remains optimistic about the FDC program, we urge this Committee to closely monitor the coming improvements to the FDC program and work with us and VBA to address the obstacles to its success.

In order to synthesize the "best practices" from all of the ongoing pilot programs, VBA recently started a new Integration Laboratory at their Indianapolis RO. Although we have not yet visited, nor been briefed on this pilot, given the current focus on "breaking the back of the backlog", we have concerns about whether the VBA will successfully extract and then integrate "best practices" focused on quality and accuracy, not just production and speed. Congress must continue to provide aggressive oversight of the VBA's myriad ongoing pilots and initiatives to ensure the practices adopted and integrated into a cohesive new claims process are judged first and foremost on their ability to help VA get claims "done right the first time."

Two longstanding weaknesses of VBA's claims adjudication process are training and quality control. These two essential cornerstones of claims process reform must be linked to create a single continuous improvement program, both for employees and for the claims process itself. Quality control programs can identify performance areas and subject matter requiring new or additional training for VBA employees; better training programs for employees and managers should improve the overall quality of the VBA's work.

VBA's primary quality assurance program is the STAR program. The STAR program was last evaluated by the VA Office of Inspector General (OIG) in March 2009, with the OIG finding that STAR does not provide a complete assessment of rating accuracy. Although the STAR reviewers found the national accuracy rate was about 87 percent, the OIG found additional errors and projected an overall accuracy rate of only 78 percent. In addition to rectifying errors found by the OIG, we recommend the VBA establish a true quality control program that looks at claims "in-process" in order to determine propriety of a decision and how it was arrived at in order to identify ways to improve the system. The data analysis from all such reviews should be incorporated into the VBA's new information technology systems being developed to provide management and employees vital acumens regarding processes and decisions. This in turn would lead to quicker and more accurate decisions on benefits claims, and more importantly, the timely delivery of all earned benefits to veterans, particularly disabled veterans.

Essential to the professional development of an individual, comprehensive training is unquestionably tied directly to quality of work produced, as well as the quantity of work produced with accuracy and consistency. DAV National Service Officers (NSOs) have often been told by many VBA employees that meeting production goals is the primary focus of management, whereas fulfilling training requirements and increasing quality is still perceived as being secondary. An overemphasis on productivity must not interfere with the training of any employee, especially new employees who are still learning their job.

Mr. Chairman, Public Law 110-389, the "Veterans' Benefits Improvement Act of 2008," required the VBA to develop and implement a certification examination for claims processors and managers; however, today there are still gaps in the implementation of these provisions. While tests have been developed and piloted for Veterans Service Representatives (VSRs) and Rating Veterans Service Representatives (RVSRs), additional tests need to be developed and deployed for Decision Review Officers (DROs) and supervisory personnel. None of these certification tests are mandatory for all employees, nor are they done on a continuing basis.

VBA cannot accurately assess its training or measure an individual's knowledge, understanding, or retention of the training material without regular testing. It is important, however, for all testing and certification to be applied equally to all em-

ployees, including managers and coaches. All VBA employees, coaches, and managers should undergo regular testing to measure job skills and knowledge, as well as the effectiveness of the training.

Equally important, testing must properly assess the skills and knowledge required to perform the work of processing claims. Many VBA employees report that the testing does not accurately measure how well they perform their jobs, and there have been reports that significant numbers of otherwise qualified employees who are not able to pass the tests. VBA must ensure certification tests are developed to accurately measure the skills and knowledge needed to perform the work of VSRs, RVSRs, DROs, coaches and other managers.

DAV has consistently maintained that successful completion of training by all employees and managers must be an absolute requirement for every VARO and a requisite, shared responsibility of both employees and management. Moreover, managers must be responsible for ensuring that training is offered and completed by all of their employees and held accountable when this requirement is not met. However it is also the responsibility, as well as part of the performance standard, for all employees to complete their training requirements. Managers are obligated to provide employees with the necessary time for training and employees must faithfully complete the training. Neither the employee nor manager should be able to, or feel pressured to, simply just “check the box” when it comes to training.

Unquestionably one of the more important new VBA initiatives underway is the highly anticipated Veterans Benefits Management System (VBMS), which is designed to provide the VBA with a comprehensive, paperless, and ultimately rules-based method of processing and awarding claims for VA benefits, particularly disability compensation. Following initial design work, the VBMS had its first phase of development in Baltimore last year where a prototype system was tested in a virtual regional office environment. The first actual pilot of the VBMS system began in November 2010 at the Providence, Rhode Island Regional Office. The 6-month pilot program began with simulated claims and moved to “live” claims early this year. Although they are still in the early stages, we have seen great promise from this program. Building on the progress in Providence, a second 6-month pilot is expected to begin in May 2011 at the Salt Lake City Regional Office. A third phase of the VBMS pilot program is scheduled to begin in November 2011 at an undesignated location, with the final national rollout of the VBMS scheduled to take place in May of 2012.

Modernizing the VBAs antiquated information technology (IT) system to process claims in a paperless environment is long overdue, however we do have concerns about whether the VBMS is being rushed to meet self-imposed deadlines in order to show progress toward “breaking the back of the backlog.” While we have long believed VBA’s IT infrastructure is inadequate, outdated, and constantly falling further behind modern software, as well as Web, and cloud-based technology standards, we would be equally concerned about a rushed solution that ultimately produces an IT system incapable of sustaining itself well into the future.

Given the highly technical nature of modern IT development, we urge Congress to fully explore these issues with the VBA. To aid in this process, it may be helpful to have an independent, outside, expert review of the VBMS system while it is still early enough in the development phase to make course corrections, should they be necessary.

To be successful, the VBMS must include the maximum level of rules-based decision support feasible at the earliest stages of development in order to build a system capable of providing accurate and timely decisions, as well as include real-time, quality control as a core component of the system. VBA must also commit to incorporating all veterans’ legacy paper files into the paperless environment of the VBMS within the minimum amount of time technically and practically feasible.

Beyond fixing the process of determining veterans’ claims for benefits, Congress and VA must also address inequities in the level of benefits afforded to disabled veterans. In 2007, the Institute of Medicine (IOM) Committee on Medical Evaluation of Veterans for Disability Compensation published a report entitled, “A 21st Century System for Evaluating Veterans for Disability Benefits.” The IOM recommended that the current VA disability compensation system be expanded to include compensation for non-work disability (also referred to as “noneconomic loss) and loss of quality of life. Non-work disability refers to limitations on the ability to engage in usual life activities other than work. This includes ability to engage in activities of daily living, such as bending, kneeling, or stooping, resulting from the impairment, and to participate in usual life activities, such as reading, learning, socializing, engaging in recreation, and maintaining family relationships. Loss of quality of life refers to the loss of physical, psychological, social, and economic well-being in one’s life.

The IOM report stated, “[C]ongress and VA have implicitly recognized consequences in addition to work disability of impairments suffered by veterans in the Rating Schedule and other ways. Modern concepts of disability include work disability, non-work disability, and quality of life (QOL). . .”

In addition, the Congressionally-mandated Veterans Disability Benefits Commission (VDBC), established by the National Defense Authorization Act of 2004 (Public Law 108–136), spent more than 2 years examining how the rating schedule might be modernized and updated. Reflecting the recommendations of the IOM study, the VDBC in its final report issued in 2007 recommended that the, “[v]eterans disability compensation program should compensate for three consequences of service-connected injuries and diseases: work disability, loss of ability to engage in usual life activities other than work, and loss of quality of life.”

The IOM Report, the VDBC (and an associated Center for Naval Analysis study) and the Dole-Shalala Commission (President’s Commission on Care for America’s Returning Wounded Warriors) all agreed that the current benefits system should be reformed to include noneconomic loss and quality of life as a factor in compensation.

DAV calls on Congress to finally address this deficiency by amending title 38, United States Code, to clarify that disability compensation, in addition to providing compensation to service-connected disabled veterans for their average loss of earnings capacity, must include compensation for their noneconomic loss and for loss of their quality of life. Congress and VA should then determine the most practical and equitable manner in which to provide compensation for noneconomic loss and loss of quality of life and then move expeditiously to implement this updated disability compensation program.

Mr. Chairman, as you know, the amount of disability compensation paid to a service-connected disabled veteran is determined according to the VA Schedule for Rating Disabilities (VASRD), which is divided into 15 body systems with more than 700 diagnostic codes. In 2007, both the VDBC, as well as the IOM Committee on Medical Evaluation of Veterans for Disability Compensation in its report “A 21st Century System for Evaluating Veterans for Disability Benefits,” recommended that VA regularly update the VASRD to reflect the most up-to-date understanding of disabilities and how disabilities affect veterans’ earnings capacity. In line with these recommendations, the VBA is currently engaged in the process of updating the 15 body systems, beginning with mental disorders and the musculoskeletal system and has committed to regularly updating the entire VASRD every 5 years.

In January 2010, the VBA held a Mental Health Forum jointly with the Veterans Health Administration (VHA), which included a VSO panel. In August 2010, the VBA and VHA held a Musculoskeletal Forum, which also included a VSO panel. Just a couple of months ago, a series of four public forums were held in Scottsdale, Arizona over the course of 2 weeks on four additional body systems. The Arizona sessions in particular, were far removed from the public and offered little opportunity for most VSOs to observe, much less offer any input.

While we are appreciative of any outreach efforts, we are concerned that but for these initial public forums, VBA is not making any substantial efforts to include VSO input during the actual development of draft regulations for the updated rating schedule. Since the initial public meetings, the VBA has not indicated it has any plans to involve VSOs at any other stage of the rating schedule update process other than what is required once a draft rule is published, at which time they are required by law to open the proposed rule to all public comment. We strongly believe VBA would benefit greatly from the collective and individual experience and expertise of VSOs and our service officers throughout the process of revising the VASRD. Moreover, since VBA is committed to continual review and revision of the VASRD, we believe it would be advantageous to conduct reviews of the revision process itself so future body system rating schedule updates can benefit from “lessons learned” during prior body system updates.

Two other matters we believe Congress must finally address to provide equitable benefits to all disabled veterans and their survivors. Under current law, many veterans retired from the armed forces based on longevity of service must forfeit a portion of their retired pay, earned through faithful performance of military service, before they receive VA compensation for service-connected disabilities. This is inequitable—military retired pay is earned by virtue of a veteran’s career of service on behalf of the Nation, careers of usually more than 20 years. Conversely, monetary compensation for disability resulting from military service is awarded by VA, regardless of the length of service.

A disabled veteran who does not retire from military service, instead electing to pursue a civilian career after completing a service obligation, can receive full VA compensation and full civilian retired pay (including retirement from any Federal civil service) without any offset. A veteran who retires from the military after serv-

ing honorably for 20 or more years and suffers from service-connected disabilities should have the same right.

Presently, military longevity retirees are able to receive their full retirement pay and VA compensation, provided their disability is rated 50 percent or higher. Congress should finally enact legislation to repeal the inequitable requirement that veterans' military longevity retired pay be offset by an amount equal to their rightfully earned VA disability compensation if rated less than 50 percent.

A similar inequity remains for certain survivors of disabled veterans. When a disabled veteran's death is the result of service-connected causes, or following a substantial period of total disability from service-connected causes, eligible survivors or dependents receive Dependency and Indemnity Compensation (DIC) from VA. This benefit indemnifies survivors, in part, for the losses associated with the veteran's death from service-connected causes or after a period of time when the veteran was unable, because of total disability, to accumulate an estate for inheritance by survivors.

Career members of the armed forces earn entitlement to retired pay after 20 or more years' service. Unlike many retirement plans in the private sector, survivors of military retirees have no entitlement to any portion of the member's retired pay following his or her death. However, military retirees can designate all or a part of their retired pay as a basis for survivor's annuity known as the Survivor Benefit Plan (SBP), wherein deductions are made from the member's retired pay to purchase a survivors' annuity. Upon the veteran's death, the annuity is paid monthly to eligible beneficiaries under the SBP. If the veteran's death is not due to military service or service-connected causes, or if he or she was not totally disabled by reason of service-connected disability for the required time preceding death, beneficiaries receive full SBP payments. Conversely, should a beneficiary become entitled to DIC, the SBP annuity is offset or reduced by an amount equal to DIC payment and where the monthly DIC payment is equal to or greater than the monthly SBP annuity, beneficiaries lose all entitlement to the SBP annuity.

DAV strongly believes this offset is inequitable because no duplication of benefits is involved. Payments under the SBP and DIC programs are made for different purposes. Under the SBP, a military retiree purchases this annuity through deductions of all or a portion of earned retired pay solely for the purpose of caring for loved ones upon his or her death. On the other hand, DIC is a special indemnity compensation paid to the survivor of a servicemember whose death is in service or the result of service-connected disabilities. In such cases, DIC should be added to the SBP, not substituted for it.

We note that surviving spouses of Federal civilian retirees who are veterans are eligible to receive DIC without losing entitlement to any of their purchased Federal civilian survivor benefits. The offset between SBP and DIC penalizes survivors of military retired veterans whose deaths are under circumstances warranting indemnification from the government separate from the annuity funded by premiums paid by the veteran from his or her retired pay. Congress should repeal the offset between DIC and the SBP.

Additionally, in order to conform to the requirements of other Federal programs, Congress should lower the age requirement for restoration of DIC for survivors of veterans whose deaths are service-connected. Current law permits VA to reinstate DIC benefits to remarried survivors of veterans if remarriage occurs at age 57 or older or if survivors who have already remarried apply for reinstatement of DIC at age 57. Although we appreciate the action Congress took to allow restoration of this rightful benefit, the current age threshold of 57 years is arbitrary. Remarried survivors of retirees of the Civil Service Retirement System, for example, obtain a similar benefit at age 55. We believe the survivors of veterans whose deaths are service-connected should not be further penalized for remarriage and that equity with beneficiaries of other Federal programs should govern Congressional action for this deserving group.

Mr. Chairman and Members of the Committee, this concludes my statement and I would be happy to answer any questions you may have.

**Prepared Statement of Hon. Bruce E. Kasold,
Chief Judge, U.S. Court Of Appeals For Veterans Claims**

EXECUTIVE SUMMARY

The fiscal year (FY) 2012 budget request of the United States Court of Appeals for Veterans Claims (Court) totals \$55,796,690, which is made up of 3 distinct parts:

(1) \$2,726,363 sought by the Veterans Consortium Pro Bono Program, (2) \$28,070,327 for the Court's necessary operating expenses, and (3) \$25,000,000 for design engineering and site acquisition for a veterans courthouse.

In the past 5 years, the number of cases coming into the Court, as well as those decided by the Court, essentially has doubled. In response, the Court has implemented several measures aimed at gaining efficiency in case development and processing, including the development of an enhanced pre-briefing dispute-resolution program, utilization of the service of our retired Senior Judges, and full implementation of an electronic case management/electronic case filing system. Two additional efficiencies that the Court suggests would benefit its appellate review of veterans benefits decisions are (1) the appointment of judges to fill our three current judicial vacancies, and (2) appointment of a commission to evaluate the costs and benefits of the unique two-tiered Federal appellate review system we have for veterans benefits decisions.

The Court requested \$62 million in FY 2011 for construction of a veterans courthouse, but due to the continuing resolution, no funding for this project has yet been appropriated in FY 2011. Since the time of that request, GSA has advised us that the initial cost estimate failed to consider some significant factors, such that the project completion cost has gone up significantly over the FY 2011 budget request. Moreover, there are still two contingencies to final construction, i.e., whether a side street can be closed or access limited and whether a necessary adjacent piece of land can be purchased. Given those factors, our FY 2012 request includes \$25M, which GSA advises is the amount necessary for funding the next steps toward construction, while permitting time to scrutinize the latest cost estimate for possible cost reduction and resolve the two contingent factors.

Mr. Chairman and Distinguished Members of the Subcommittee:

It is both an honor and a pleasure to present testimony to this august body on the fiscal year (FY) 2012 budget request and performance plans of the United States Court of Appeals for Veterans Claims. My remarks today will (1) summarize our budget request, (2) provide an overview of the Court, its caseload, and its Operation Plan, (3) suggest a broad examination of the structure of Federal appellate review of veterans benefits decisions, and (4) provide an overview of recent developments on the Veterans Courthouse.

I. Budget Request

The Court's FY 2012 budget request is best viewed as three parts making up the whole. One piece is a request for \$2,726,363 sought by the Veterans Consortium Pro Bono Program (Pro Bono Program). Another part is the Court's necessary operating expenses, requested at \$28,070,327. The third part is a request for \$25,000,000 for design engineering and site acquisition for a veterans courthouse. In total, our FY 2012 budget request is \$55,796,690.

Our FY 2012 request reflects an increase of \$211,134 sought by the Pro Bono Program. Since FY 1997, the Pro Bono Program's budget request has been provided to Congress as an appendix to the Court's budget request. Accordingly, I offer no comment on that portion of our budget request, although I do commend the Pro Bono Program for its success in providing legal assistance to many appellants seeking judicial review from the Court.

Our FY 2012 request reflects an increase of \$2,438,827 for the Court's operations, which is due primarily to (1) anticipated rent payment for additional space associated with two new chambers, plus the expenses associated with relocating staff to another floor, building out and equipping those offices, the two new chambers, and appropriate chambers for our Senior Judges (\$600K), (2) an increase of \$1M in the statutorily required contribution to the Judges Retirement Fund (*see* 38 U.S.C. § 7298); (3) the estimated, annual increase in payroll associated with normal promotions and step increases (\$400K), and (4) continued cyclical replacement of IT equipment (\$250K).

With regard to the two new chambers, additional leased space, relocation of staff, and appropriate chambers for our Senior Judges, any funding spent on these matters in the current fiscal year would result in a commensurate reduction in costs incurred in FY 2012. The Court has forestalled implementing these changes in the past, due to a lack of appropriate space and the lack of any known movement on appointment of two new judges. However, it now appears that space will be available in our building this summer and that the two additional judgeships authorized in 2008 likely will be nominated this year; accordingly, we will proceed with these plans as soon as the space is available, if we have the funding.

As to funding the Judges Retirement Fund, on becoming Chief Judge I reviewed past contributions and noted that our internal budgeting for this has been underestimated the past several years, requiring funds originally planned for other activities, but not used, to be contributed to the Fund at the end of the year. One reason for the past-years under-budgeting was that the estimate was based on an average 5 percent growth in the Fund, which is invested in Treasury instruments. In reality, there was less than .25 percent growth, and that alone accounted for a guaranteed \$1M shortfall at the end of each FY. Our budget request for 2012 is based on a more realistic estimate of growth in the Fund.

II. The Court, Its Caseload, and Its Operations

As you may be aware, the Court was created in 1988 as an independent judicial tribunal to review final agency decisions of the Department of Veterans Affairs made by the Board of Veterans' Appeals. With the creation of the Court, veterans became entitled, for the first time, to contest in a court of law adverse final decisions made by the Department of Veterans Affairs (VA) on their benefits claims. Over its 20 years of existence, the Court has grown to become one of the busiest Federal appellate courts based on the numbers of appeals filed and decided per judge.

Appeals and petitions from FY 2007 through 2010 averaged almost 4,500, (FY 2007 (4,644), FY 2008 (4,128), FY 2009 (4,725) and FY 2010 (4,341)), compared to an average of about 2,300 from just 5 years earlier (FY 2002 (2,150), FY 2003 (2,532), and FY 2004 (2,234)). In addition to new appeals and petitions filed, the Court receives hundreds of motions each month, ranging from procedural to dispositive questions. In FY 2010 the Court disposed of 5,141 cases. The Court has implemented several innovations to help process these matters, which I will outline here.

Our pre-briefing dispute-resolution program was expanded significantly over the past few years. Our Central Legal Staff (CLS) attorneys now conduct conferences in essentially all merits appeals where the appellant is represented by counsel—equating to roughly 65–70 percent of the total number of appeals. Of the cases where consultation is scheduled, approximately 50 percent are resolved with the parties agreeing to a remand for further adjudication below without judicial review. Further, even in those cases where the appeal is not resolved at conference, the dispute-resolution process generally is successful in narrowing and focusing the issues on appeal. The feedback from members of the Court's Bar, as well as from our CLS attorneys, is that the conferencing program is efficient and effective in bringing the parties together and resolving issues consistent with the law, due process, and the interests of justice, while conserving judicial resources.

For the past several years, we have recalled our retired Senior Judges. We currently have a total of six Senior Judges eligible for recall, with three judges serving as I speak, and all are on notice that their continued service is needed. The Senior Judges primarily assist with the more straight-forward appeals and the Court's motions practice, which in turn affords the regular active judges additional time to focus on the more time-consuming decisions.

Several years ago, the Court also partnered with the Administrative Office of the U.S. Courts (AO) to acquire, adapt, and implement an electronic case management/electronic case filing system (CM/ECF). CM/ECF has now been fully functioning for 2 years and we now receive most documents electronically and issue most orders and decisions electronically, although we still have paper filing and orders for pro se litigants. CM/ECF permits remote 24-hour filing access, reduced storage space needed for record retention, the opportunity for multiple users to access records, efficient electronic notification procedures, and reduced mailing/courier costs. We just installed an updated version of CM/ECF and will continue working with the AO to acquire future versions to provide ever more useful and time saving features for case processing and management.

The Court disposed of more appeals this past fiscal year than were filed. This significant accomplishment is due largely to our mandatory conferencing program. However, more than half of the appeals filed, including a significant number of appeals where the appellant is pro se, require judicial review. In FY 2010, more than 2,000 appeals required judicial action, as did another 200 EAJA applications, petitions for extraordinary relief, and hundreds of motions. This level of demand for judicial review exceeds the capacity of our six active judges, who average over 200 appeals a year, in addition to the EAJA applications, petitions, and motions. The current need for judicial review also exceeds the support provided by our Senior Judges who average about a quarter of the production of a regular active judge (Senior Judges decided 284 appeals in FY 2010, as well as numerous motions).

Nevertheless, there is daylight. Once all of our judicial vacancies are filled and the newly appointed judges attain experience and familiarity with veterans law and judicial decisionmaking, I am confident there will be an increase in the annual number of appeals resolved.

III. Suggestion for Possible Time and Cost Savings Without Judicial Review Degradation

In October 2009, I testified before this Subcommittee regarding the Court's views on draft legislation entitled the "Veterans Appellate Review Modernization Act." Within that proposal was a provision that would establish a commission to evaluate the process of appellate review of veterans benefits decisions and to make recommendations on how to improve that system.

As I stated then, the time is right for a working group to step back and review the system we have, critically examine its strengths and weaknesses, and identify measures that could benefit the overall appellate process. Specifically, we support and encourage a commission to weigh the costs and benefits of the unique two-tiered Federal appellate review system in place for veterans benefits decisions. Similar action was taken in the past with regard to the U.S. Court of Appeals for the Armed Forces, where direct appeal to the Supreme Court ultimately was permitted. With two decades of experience in appellate review of veterans benefits claims, and the resultant seasoned body of case law, it is time to consider the added value of a second layer of Federal appellate review. No doubt, continued bites at the apple, so to speak, will be sought by some, but at the end of the day, I suggest it cannot be convincingly argued that a veteran, the taxpayer, or anyone is best served by waiting nearly 2 years to have a decision of the Veteran's Court overturned by the Federal Circuit, only to wait approximately another 2 years to have the Federal Circuit overturned by the Supreme Court, as was the situation in the case of *Shinseki v. Sanders*, 129 S.Ct. 1696, 1707 (2009), or to have a veteran wait 18 months to have a decision of the Veteran's Court upheld by the Federal Circuit, only to wait another 9 months to have that decision overturned by the Supreme Court, as was the situation in the recently decided case of *Henderson v. Shinseki*, 131 S.Ct. 1197 (Mar. 1, 2011). Because these cases involve issues of law, their impact is far reaching, often causing cases to be stayed, reconsidered, or readjudicated below. The extra step in the appellate process is unique, time consuming and costly, and worthy of examination for its continued need.

IV. A Veterans Courthouse

Although now over 20 years old, the United States Court of Appeals for Veterans Claims remains the newest Federal court. Under the able leadership of our first Chief Judge—Chief Judge Nebeker—the Court offices and courtroom were constructed in leased commercial space, where the Court is housed today. Since at least 2003, many of our Nation's largest Veterans Service Organizations (VSOs) have supported a dedicated courthouse for veterans seeking judicial review. In 2004, the United States House of Representatives expressed its sense that the Court "should be housed in a dedicated courthouse" that would be "symbolically significant of the high esteem the Nation holds for its veterans" and would "express the gratitude and respect of the Nation for the sacrifices of those serving and those who have served in the Armed Forces, and their families" (H.R. 3936). That sentiment was echoed in 2007 with the sense of Congress that the Court be provided appropriate office space "to provide the image, security, and stature befitting a court that provides justice to the veterans of the United States" (S. 1315). The Board of Judges fully supports the convictions expressed by Congress and the VSOs.

In 2004, pursuant to Congressional support and funding, an initial and follow-on studies were undertaken by GSA to determine the feasibility of acquiring a dedicated courthouse. In 2009, eight National VSOs collaboratively sent a letter to Congress expressing their strong support of legislation that would authorize the funding and construction of a veterans courthouse. In FY 2009, Congress responded by appropriating \$7 million (M) for advance planning and architectural design, and those funds were transferred to GSA for completion of a pre-development planning study (planning study). The Court made no specific funding request for the courthouse project in its FY 2010 budget request because the planning study had not yet been concluded and plans were too uncertain at that time to make such a request prudent.

Following receipt of a GSA estimate that \$50M was needed for construction funding and an additional \$12M for land acquisition, \$62M was requested in the Court's FY 2011 budget submission. In response, the House proposed full funding at \$62M, and the Senate proposed \$25M—sufficient funding, per GSA, to perform more de-

tailed design and planning, and to purchase the necessary land adjacent to GSA property being considered for the courthouse, the next steps in the process. As you know, the FY 2011 budget request has not yet been acted on because we are operating on a continuing resolution, and therefore no funding has been appropriated for construction of the courthouse in FY 2011.

Subsequent to submitting the Court's FY 2011 request, GSA presented a more specific courthouse cost estimate based on the particular location and general design developed in the planning study. This estimate reflects a significant cost increase for project completion over the FY 2011 budget request. We understand that GSA has either briefed or offered to brief the appropriate Congressional Committees as to the basis for the cost increase.

We also have learned over the past months that the local government may not be amenable to closing an infrequently used street on the side of the proposed location for the courthouse, and there are no assurances that the additional property needed to site the courthouse can be purchased within the estimated cost. GSA is less concerned about the second factor than it is the first. Should the side street be neither closed nor limited to controlled access, the cost of construction surely would rise and we may even need to find another site.

Given the increased cost estimate from GSA and need for close study thereof, as well as the factors just noted, and mindful of the Court's responsibility to ensure fiscal prudence, our FY 2012 request includes \$25M, which GSA advises is the amount necessary for funding the next steps toward construction, i.e., more detailed planning, design, and land acquisition. (This \$25M is not needed in FY 2012 if it is appropriated in FY 2011.) We are sensitive to budget constraints and understand that priorities must be set by Congress; however, if any Federal courthouses are to be funded for construction, we support the veterans who contend that their courthouse should be one of them.

If construction of the courthouse is to be delayed, with no work anticipated for the next several years, it is my understanding the \$7M already appropriated for initial design—which has been transferred to GSA and of which a little over \$6.6M still remains—could be used to fund the construction at our current location of two chambers, the relocated offices, and Senior Judges' chambers, if there is appropriate congressional agreement to do so.

V. Conclusion

On behalf of the judges and staff of the Court, I express my appreciation for your past and continued support, and for the opportunity to provide this testimony today.

Prepared Statement of Hon. Max Cleland, Secretary, American Battle Monuments Commission

Introduction

Mr. Chairman and Members of the Subcommittee,

Thank you for this opportunity to appear before you to discuss the American Battle Monuments Commission's Fiscal Year 2012 Appropriation Request.

Honoring our Nation's fallen has been the mission of our Commission since 1923. Our purpose was eloquently stated in 1934 by our first Chairman, General of the Armies John J. Pershing, who promised that:

"Time will not dim the glory of their deeds."

We honor the fallen by commemorating the service, achievements and sacrifice of America's armed forces.

It is our responsibility to preserve for future generations the 24 cemeteries and 25 memorials, monuments and markers worldwide that have been entrusted to our care by the American people, to honor America's war dead, missing in action, and those that fought at their side.

We have an equally important responsibility to continue the historical narrative for those who created it—to tell their stories at each of our overseas cemeteries.

This imperative has never been more evident than over the past few weeks, when we lost Frank Buckles and Len Lomell to the passage of time.

Many have read the story of Frank Buckles in recent weeks. With his passing, at the age of 110, we lost our last Doughboy of World War I—our Nation's living connection to the Great War.

Not as many Americans know of Len Lomell. I had the honor of meeting Len 15 months ago at his home in New Jersey. He exemplified the humble courage of our World War II generation, as he told me the story of Pointe du Hoc.

On D-day, June 6th, 1944, Lomell was a first sergeant and acting platoon leader in D Company, 2nd Ranger Battalion. He climbed the 100-foot cliffs of Pointe du Hoc with his comrades, after already being wounded in the side by machine gun fire. Experiencing the death and wounding of many comrades, he continued to move forward.

Once at the top of the cliff, he began looking for the five 155-millimeter guns that could have decimated the American invasion forces on Omaha and Utah Beaches. The guns could not be found. Lomell and Jack Kuhn went looking for them.

Approximately 1 mile down a sunken road Lomell spotted the guns concealed under camouflage in an orchard. German soldiers located 100 meters away did not see them coming.

Lomell used silent thermite grenades on two of the guns. The incendiary compound poured out of the grenades like solder, hardening like a weld around the gears. Running back to the platoon to get more grenades, Lomell and Kuhn returned to destroy the remaining guns.

Historian Stephen Ambrose said that other than General Eisenhower, Lomell contributed most to the success of D-Day. Len was discharged in December 1945. He died 2 weeks ago at the age of 91.

We had hoped to have Len with us at Pointe du Hoc this June—67th anniversary of D-Day—when we rededicate the Pointe du Hoc Ranger Monument.

The monument and German Observation Bunker it sits upon had been dosed to the public since March 2001 because of cliff erosion. It was reopened this month, following completion of a project to stabilize the cliff and preserve this iconic site.

I will never forget the story Len shared with me, told not with bravado but with the matter-of-factness so typical of those who fought and won the Second World War. He will be in my thoughts on June 6th.

Our mission—our noble purpose—is to honor the service, achievements and sacrifice of those, like Frank Buckles and Len Lomell, who have served overseas in the United States armed forces since our entry into the First World War.

We execute that mission in part by maintaining our overseas cemeteries to a standard of excellence unparalleled for sites of their kind around the world.

Those whom we honor deserve nothing less.

The men and women buried in our overseas cemeteries and memorialized on our walls of the missing served and sacrificed so that we—and others—might live in peace and freedom. And they continue to serve today, as sentinels giving silent testimony to citizens of the world, of the values and principles for which we stand.

Telling Their Story

Maintaining our cemeteries and memorials to the highest of standards will always be the Commission's top priority. But an increasingly important priority is to do a better job of preserving and telling the stories of those honored within them.

We are making progress toward that end:

- We have projects underway to improve the interpretive and visitor services at Cambridge, Sicily-Rome, Meuse-Argonne and Flanders Field American Cemeteries.
- We are adding interpretive exhibits at Pointe du Hoc—our second most visited overseas site, surpassed only by Normandy American Cemetery and Vietnam battle maps to the Honolulu Memorial.
- We are producing educational interactive programs on major U.S. campaigns of the world wars for our Web site.

Similar projects at our other cemeteries will follow as we adapt our visitor facilities, our Web site, and our message to the interests and demands of younger generations, for whom these important heritage sites and timeless lessons must remain relevant.

Our goal is to maintain the world's finest commemorative sites; and to provide our visitors, in person and online, the historical context for understanding why our overseas cemeteries were established, how and why those honored within them died, and the values and principles for which they died.

Appropriation Request

To execute this mission, our Fiscal Year 2012 request seeks \$61.1 million for our Salaries and Expenses Account and \$16.0 million to replenish our Foreign Currency Fluctuation Account.

The \$61.1 million we request for Salaries and Expenses supports Commission requirements for compensation and benefits; rent and utilities; maintenance, infrastructure, and capital improvements; contracting for services; procurement of supplies and materials; and replacement of equipment.

Our Salaries and Expenses request is \$1.6 million below the annualized funding provided by the current Continuing Resolution for FY 2011.

To support this level of effort our staffing requirement remains at 409 Full-Time Equivalent positions.

Most of the Commission's facilities range in age from 49 to 95 years old, with the Mexico City National Cemetery being nearly 160 years old. Care and maintenance of these aging heritage sites requires exceptionally intensive labor. Not surprisingly, compensation and benefits consume nearly half of the Commission's appropriations request.

The \$16.0 million we need to replenish our Foreign Currency Fluctuation Account defrays losses resulting from changes in the value of foreign currencies against the U.S. Dollar, allowing us to maintain purchasing power in an uncertain financial environment—a critical factor when 70 percent of our annual appropriation is spent overseas.

In the summer of 2009, I began an initiative to simplify, streamline and support our mission operations. We have completed that transition. In the process we eliminated a redundant contract staff in our Washington headquarters, closed an unnecessary regional office in Rome, and centralized all overseas operations under a single administrative office in Paris.

Our agency is now streamlined into a Washington-based policy and support office and a Paris-based field operations center responsible for all overseas cemeteries and memorials. The new structure is standardizing operations at our 24 cemeteries, improving supervision of our cemeteries, providing new career growth opportunities for our superintendents, and positioning us for success in the 21st century.

And this summer we will implement a new Financial Management System that will enable us to more efficiently manage our financial resources.

Conclusion

The Commission's mission success hinges on our ability to perform three core functions: (1) keep the headstones white; (2) keep the grass green; and (3) tell the story of those we honor.

Our Fiscal Year 2012 request enables us to perform these core functions to a level of excellence that our war dead deserve and that the American people expect.

With the support of the Administration and the Congress, we do our part to meet the challenge posed by the words of the poet Archibald MacLeish:

“... We leave you our deaths: give them their meaning...”

Mr. Chairman, Members of the Committee, we welcome your visits to our commemorative sites—to experience firsthand the inspiration they provide to all who walk those hallowed grounds.

Thank you again for allowing me to present this summary of our mission operations and our appropriation request.

This concludes my prepared statement. I will be pleased to respond to your questions.

American Battle Monuments Commission Fiscal Year 2012 Budget Request

Executive Summary

Total Budget Authority Requested for Fiscal Year 2012

The American Battle Monuments Commission requests \$77,100,000 in total budget authority for fiscal year (FY) 2012 to provide funding for Salaries and Expenses and the Foreign Currency Fluctuation Account.

	FY 2010 Appropriation	FY 2011 Annualized CR	FY 2012 Request	Change
Salaries & Expenses	\$62,675,000	\$62,675,000	\$61,100,000	(\$1,575,000)
Foreign Currency	\$20,200,000	\$16,000,000	\$16,000,000	\$0
Total	\$82,875,000	\$78,675,000	\$77,100,000	(\$1,575,000)
Full-Time Equivalent employment	409	409	409	0

Salaries and Expenses Request

The Commission's FY 2012 budget request for salaries and expenses of \$61,100,000 is \$1,575,000 below the annualized funding provided by the current Continuing Resolution (P.L. 111-242, as amended) for FY 2011. Adjustments to the Commission's budget request are shown below:

FY 2011—Annualized Level under the Continuing Resolution		\$62,675,000
Adjustments:	<i>Notes</i>	
Salaries and Benefits	1	\$578,000
Utilities, Services and Cemetery Supplies	2	\$1,491,000
Maintenance and Infrastructure Programs	3	(\$3,644,000)
Total Adjustments		(\$1,575,000)
FY 2012 Budget Request		\$61,100,000

Notes:

1. Increase for Salaries and Benefits for the expenses of overseas employees; estimates include a pay freeze in effect for FY 2011 and FY 2012.
2. Net Increase for Utilities, Contractual Services and Cemetery Supplies offset by reductions in Rent, Travel, Transportation, payments to the Department of State, etc.
3. Decrease in the Maintenance and Infrastructure Programs at ABMC cemeteries and monuments.

Foreign Currency Fluctuation Account Request

The FY 2012 budget request to replenish its Foreign Currency Fluctuation Account is estimated to be \$16,000,000. This funding is required to retain the Commission's buying power against currency losses, primarily against the European Euro.

**Prepared Statement of Ronald E. Walters,
Acting Deputy Under Secretary for Memorial Affairs,
National Cemetery Administration, U.S. Department of Veterans Affairs**

Chairman Runyan, Ranking Member McNerney and Members of the Subcommittee, I am pleased to be here today to provide an overview of the FY 2012 budget for the National Cemetery Administration (NCA). Within the Department of Veterans Affairs (VA), NCA is responsible for administering burial and memorial programs to meet the needs of veterans, their families and survivors. Our responsibilities include: management of 131 National Cemeteries and 33 soldiers' lots and monuments; furnishing headstones, markers and medallions for the graves of veterans around the world; administering the Presidential Memorial Certificate program; and, overseeing the Federal grants program for construction of State and tribal veterans cemeteries.

VA's burial and memorial programs are funded from both discretionary and mandatory accounts. Mandatory funding is provided from the Compensation and Pension account, managed by the Veterans Benefits Administration (VBA). These funds are used to purchase headstones, markers and burial crypts. I will focus my comments today on the discretionary funding, administered by NCA. The President's 2012 budget request includes a total of \$376.7 million for NCA's discretionary programs. Of this amount, \$250.9 million is included for operations and maintenance of our National Cemeteries; \$38.2 million is requested for our Major Construction program; \$41.6 million for Minor Construction; and \$46 million for the Veterans Cemetery Grant program.

Our operations and maintenance request of \$250.9 million sustains significant investments in National Cemeteries provided by the President and Congress in the past several years. The base budget for operations includes nearly \$33 million for projects to raise, realign and clean headstones and markers and repair sunken graves, as part of our ongoing effort to maintain National Cemeteries as National Shrines worthy of veterans' service and sacrifice. In addition, our operations and maintenance request includes \$3 million for renewable energy projects such as the installation of windmills and solar panels at several facilities, along with \$2 million for non-recurring maintenance projects.

The budget request will also permit NCA to hire an additional 10 FTE to address expected increases in burials and to provide contract funding for additional maintenance requirements.

VA's 2012 Major Construction request includes \$38.2 million for NCA. This funding will allow us to address our top construction priority: keeping existing National Cemeteries open. The 2012 major program includes \$23.7 million for a gravesite expansion project at the National Memorial Cemetery of the Pacific in Hawaii. The request also includes \$14.5 million in line item funding: \$10 million for planned land acquisition that will be used to purchase property when the opportunity arises, and \$4.5 million for advance planning of future major construction projects.

Using the total available funding in these line items, together with available balances from prior-year major construction funding, NCA expects to acquire land and begin preliminary planning efforts for five new National Cemeteries. The Secretary of Veterans Affairs' recent approval of new burial policies, which changed the threshold veteran population required to construct a new National Cemetery to 80,000 within 75 miles of a proposed site, will result in the construction of new National Cemeteries in Central East Florida; Omaha, Nebraska; Western New York; Tallahassee, Florida; and Southern Colorado. NCA is actively searching for land at these locations and expects to request related construction funding in future budgets.

Included in VA's 2012 Minor Construction request is \$41.6 million for NCA. NCA will allocate these funds for gravesite expansion projects, infrastructure repairs and the construction of a columbarium-only satellite cemetery in the Chicago area. The Chicago satellite is part of an urban initiative associated with the new burial policies.

Finally, the 2012 request provides \$46 million for the Veterans Cemetery Grants program. These funds will allow NCA to address all of the anticipated, highest-priority projects, including those submitted by tribal governments. The grants program is especially important in providing burial access to veterans living in rural areas. As part of this program, VA will continue to offer operating grants to assist States in achieving and maintaining standards of appearance commensurate with National Cemetery shrine status. The States will also benefit greatly from Congress' increase in the plot allowance to \$700 beginning in FY 2012, and the subsequent indexing of adjustments to the allowance based on the Consumer Price Index. These funds, which are administered by VBA, are paid to the States for the burial of veterans and help offset operating expenses.

Mr. Chairman, the 2012 request builds upon NCA's previous success and will allow us to continue to meet the needs of veterans and their families. In 2012, NCA will provide nearly 90 percent of the Veteran population—about 20 million veterans—with a burial option in a national or State veterans cemetery within 75 miles of their homes. We expect to inter more than 115,000 veterans and dependents next year—an increase of about 1,000 burials over 2011. We will also maintain over 8,700 developed acres, or 3 percent over the 2011 estimate, while giving perpetual care to 3.2 million, or 2.6 percent more gravesites.

NCA expects to maintain unsurpassed levels of customer satisfaction in 2012. NCA achieved the top rating in the Nation four consecutive times on the prestigious American Customer Satisfaction Index (ACSI) established by the University of Michigan. The Index is the only national, cross-industry measure of satisfaction in the United States. On the most recent 2010 survey and over the past decade, NCA's scores bested over 100 Federal agencies and the Nation's top corporations including Ford, FedEx and Coca Cola, to name a few. Our own internal surveys confirm this exceptional level of performance. For 2010, 98 percent of our survey respondents rated the appearance of National Cemeteries as excellent; 95 percent rated the quality of service as excellent. Our 2012 targets for cemetery appearance and quality of service are 99 and 98 percent, respectively.

The 2012 budget will enable NCA to process 90 percent of headstone and marker applications for veterans buried in locations other than VA National Cemeteries (e.g., private cemeteries, State and tribal veterans cemeteries) within 20 days of receiving the request. Ninety 5 percent of gravesites in National Cemeteries will be marked within 60 days of an interment.

Mr. Chairman, this concludes my remarks. I appreciate the opportunity to come before you today to provide an overview of the FY 2012 budget request for the National Cemetery Administration. We are grateful for your support and the support of this Subcommittee. I'd be happy to answer any questions. Thank you.

**Prepared Statement of Michael Walcoff,
Acting Under Secretary for Benefits,
Veterans Benefits Administration, U.S. Department of Veterans Affairs**

Chairman Runyan, Ranking Member McNerney, Distinguished Members of the Subcommittee:

Thank you for the opportunity to appear before you to discuss the Department of Veterans Affairs (VA) Veterans Benefits Administration (VBA) FY 2012 budget request for compensation and pension programs. I am accompanied today by Mr. Jamie Manker, VBA's Chief Financial Officer, and Ms. Diana Rubens, Deputy Under Secretary for Field Operations. We look forward to continuing our strong collaboration and partnership with this Subcommittee, the Committee as a whole, and the entire Congress as we work together to continue to enhance the delivery of benefits and services to our Nation's veterans.

VBA's budget request for 2012 continues our focus on three key priorities established by Secretary Shinseki to transform VA into a 21st century organization that is people-centric, results-driven, and forward-looking: expanding access to benefits and services; reducing, and ultimately eliminating the claims backlog; and ending Veteran homelessness by 2015.

Under Secretary Shinseki's leadership, we have disciplined ourselves to understand that successful execution of our mission at VA, especially one for a Department as large as ours, requires good stewardship of resources entrusted to us by the Congress. Every dollar counts, both in the current constrained fiscal environment and during less stressful times. Accountability and efficiency are behaviors consistent with our philosophy of leadership and management. The responsibility of caring for America's veterans on behalf of the American people demands unwavering commitment to effectiveness, accountability, and in the process, efficiency.

VBA provides an integrated program of benefits and services to veterans, their families and survivors. These benefit programs are administered through a nationwide network of 57 regional offices, including offices in Puerto Rico and the Philippines. The benefits provided include compensation for veterans with service-connected disabilities; pension for aged, needy, and totally disabled veterans and veterans' survivors; vocational rehabilitation and employment services; educational and training assistance; home buying assistance; estate protection services for veterans under legal disability; information and assistance through personalized contacts and outreach programs to separating Servicemembers and other special groups of veterans; and life insurance programs. Of the total Department budget request for FY 2012 of \$132.2 billion, 53 percent or \$70.3 billion is designated for mandatory funding for VBA to pay benefits to our Nation's veterans, their families and survivors.

Compensation and Pension

Seventy-five percent of the total mandatory funding supports monthly disability compensation and ancillary benefit payments to veterans. In 2012, funding for compensation is estimated at nearly \$52.9 billion. The compensation program also provides monthly payments to surviving spouses, dependent children, and dependent parents of Servicemembers and veterans who die as a result of injuries or illnesses related to their military service. An estimated 4 million veterans and survivors will receive compensation benefits in FY 2012.

Additionally, VBA will provide an estimated \$3.3 billion in income-based pension benefits to wartime veterans who are permanently and totally disabled due to non-service-connected causes or age 65 or older. Pension benefits to income-eligible surviving spouses and dependent children of deceased wartime veterans who die as a result of a disability unrelated to military service are projected to total \$1.6 billion. More than 507,000 veterans and survivors will receive pension benefits in 2012.

Incoming Disability Claims Workload

VBA's workload continues to dramatically increase due to the unprecedented volume of disability claims being filed. In 2009, for the first time, we received over one million disability claims during the course of a single year. In 2010, we received approximately 1.2 million disability claims, a 17.6 percent increase over the previous year. This growth is driven by a number of factors, including our successful outreach efforts; improved access to benefits through the joint VA and DoD pre-discharge programs; Agent Orange presumptive disabilities for veterans who served in the Republic of Vietnam; increased demand as a result of 10 years at war; the aging of our veteran population; new regulations for processing certain claims related to Gulf War service, traumatic brain injuries, and post-traumatic stress disorder; and the impact of a difficult economy, prompting America's veterans to pursue access to the benefits they earned during their military service. With the increase in claims

receipts, we are also providing historic numbers of veterans with decisions on their claims. In fiscal year 2010, VBA completed nearly 1.1 million rating claims.

Claim receipts are expected to approach 1.5 million in 2011. This includes nearly 230,000 additional claims expected as a result of the approval of three new Agent Orange presumptive conditions. In October 2009, Secretary Shinseki announced his decision to establish presumptions of service-connection for veterans exposed in service to certain herbicides, including Agent Orange, for three illnesses (B-cell leukemia, Parkinson's disease and Ischemic heart disease) based on the latest evidence of an association between those illnesses and exposure to herbicides. This was an important decision for our Vietnam veterans. The majority of the Agent Orange-related claims will be received in 2011, so receipts in 2012 are projected to be less than receipts in 2011 (1.3 million in 2012).

Of the over 200,000 Agent Orange claims we plan to process this year, approximately 93,000 are covered by the *Nehmer* settlement, in that they were previously denied. These claims are very complex and take more than twice the resource levels and time to complete, which is significantly slowing production in 2011. However, the impact is only in the near term as we work through the Agent Orange-related claims. New business processes and technologies will enable us to increase production beginning in 2012, and we project decision output to outpace claims receipts beginning in 2013, allowing us to stay on track for achieving our 2015 goals. These new processes and technologies are the result of our aggressive efforts to transform VBA.

The funding request in the President's budget for VBA is essential to meet the increasing workload and put VA on a path to achieve our ultimate goal of having no veteran wait longer than 125 days to receive a quality decision on a claim. The budget supports ongoing and new initiatives to reduce disability claims processing time, including development and implementation of further redesigned business processes, and funds 14,320 direct FTE to assist in reducing the benefits claims backlog. We increased our workforce in 2010 by converting 2,400 temporary employees funded through the American Recovery and Reinvestment Act to full-time employees and hiring an additional 600 new employees. VBA continues to aggressively train claims processing staff across the Nation, and we currently employ over 11,000 full-time claims processors. However, we recognize that continuing to increase our FTE levels is not a sufficient solution. The need to better serve our veterans requires bold and comprehensive business process changes to transform VBA into a high-performing 21st century organization that provides the best services available to our Nation's veterans, survivors, and their families. That is exactly the effort currently underway in VBA.

VBA Claims Transformation Plan

VBA's transformation is demanded by a new era, emerging technologies, the latest demographic realities, and our renewed commitment to today's veterans. VA must deliver first-rate and timely benefits and services to our Nation's veterans, their families and survivors. VBA is vigorously pursuing its Claims Transformation Plan, a series of business process and technology-centered improvements designed to "break the back of the claims backlog" and achieve our goal of processing all claims within 125 days with 98 percent accuracy by 2015. The success of the plan is essential to better serving veterans, improving claims processing time and eliminating the backlog.

VBA is changing our culture to one that is centered on accountability to, and advocacy for, our veterans. We're reviewing and reengineering our business processes in collaboration with both internal and external stakeholders, including the veterans Service Organizations and Congressional partners, to constantly improve our claims process using best practices and ideas. We're relying heavily on technology and infrastructure by deploying leading-edge, powerful 21st century IT solutions to create a smart, paperless claims system which simplifies and improves claims processing for timely and accurate decisions the first time.

In August 2009, President Obama challenged VBA employees to be more innovative and to come up with the best ways of doing business and cutting red tape in VA's disability compensation system. Responding to this call, VA received more than 3,000 proposals from our employees. The most promising proposals have been refined, resourced, and closely monitored. As I will discuss in more detail, nearly three dozen nationally supported initiatives are testing better ways to do business, and regional offices are encouraged to explore innovations locally. Our initiatives span the entire claims review process, from simplifying medical evidence collection to realigning internal resources to better address more complex claims.

VBA is working to simplify processes and reduce the burden of paperwork for our veterans. Improvements in efficiency and customer service include new policies to

promote the use of simple telephone contacts with veterans to clear up evidence questions and add dependents; relaxing the schedule for routine future examinations for most veterans to a 5-year interval instead of a 2-year interval; and reducing requirements for second signatures in medical reports where appropriately trained practitioners are capable of providing health evaluations.

On October 6, 2010, VA published the first set of streamlined forms specifically designed to capture medical information essential to a quick and accurate evaluation of disability compensation and pension claims. Dozens more of these forms are in development for various disabilities. The content of these disability benefits questionnaires is being built into VA's own medical information system to guide in-house examinations. Veterans can provide them to private doctors as an evidence guide that will speed their claims decisions. The result will be more timely rating decisions, fewer duplicated examinations, a reduced need for VA examinations, less time needed to evaluate examination results by claims processors, and a potential to improve rating accuracy.

Another initiative to reduce the time needed to obtain private medical records utilizes a private contractor to retrieve the records from the provider, scan them into a digital format, and send them to VA through a secure transmission. This contract frees VA staff to focus on processing claims and improve productivity.

VBA is integrating rules-based processing and other calculator tools to significantly improve the accuracy of VA's compensation and pension decisions. We are working on more than a dozen such logic-based calculators with the Office of Information and Technology to equip VA decisionmakers with rules-based, online tools that automatically calculate evaluations and certain award actions, enabling VA to issue faster and more accurate decisions. VA recently completed and deployed tools for working cases of hearing loss and special monthly compensation. These types of calculators can free employees working on simple claims to concentrate on more complex claims requiring detailed review and analysis by claims professionals.

VBA's pilot initiatives are being tested in focused offices, enabling us to determine which concepts are suitable for nationwide deployment. A second-generation pilot is an Integration Lab in Indianapolis that is examining the effect of combining previously fielded initiatives simultaneously in one office, testing for synergies and conflicts.

Veterans Benefits Management System

The Veterans Benefits Management System (VBMS) initiative is the cornerstone of VA's claims transformation strategy. VBMS is a holistic solution that integrates a business transformation strategy (BTS) and a web-based, 21st century paperless claims processing system, which will significantly reduce our reliance on the receipt, movement, and storage of paper. By eliminating the dependence on paper, VBA will be better positioned to make use of available resources, regardless of geographic location.

In 2011, VBA is conducting two of three phased development programs to test VBMS. Each phase will expand on the success of the first phase by adding additional software components. VBMS Phase 1 is now being field-tested at the Providence Regional Office. This test comes after completion of a Virtual Regional Office project and marks a major milestone as the first of three 6-month program phases. Feedback from field-testing and live claims processing will be used to drive enhancements to VBMS and business practices in preparation for subsequent phases. Phases 2 and 3 of VBMS will be undertaken at two additional regional offices and deployment of the system to all regional offices begins in 2012.

VBA recognizes that technology is not the sole solution for our claims-processing challenges; however, it is the hallmark of a forward-looking organization. Combined with a renewed commitment and focus toward increasing advocacy for veterans, the VBMS strategy combines a business transformation and re-engineering effort with enhanced technologies, giving an overarching vision for improving service delivery to our Nation's veterans. In the 2012 budget request for information technology, we will invest \$148 million to complete VBMS phased development and testing and initiate a national rollout.

Veterans Relationship Management

As we work to implement a paperless system to transform the way we process disability claims, we are also focusing on improving our customer service and interaction with veterans. The Veterans Relationship Management (VRM) initiative will provide veterans, their families, and survivors with direct, easy, and secure access to the full range of VA programs through an efficient and responsive multi-channel program, including phone and Web services. VRM will provide VA employees with

up-to-date tools to better serve VA clients, and empower clients through enhanced self-service capabilities.

Expanding the self-service capabilities of the eBenefits on-line portal is one of the early successes of the VRM program in 2010. VA and DoD jointly developed the eBenefits portal, with VA serving as the designated lead agent for this project. Since initial inception, eBenefits has expanded beyond its original scope and is now intended to be an interactive web portal for all veterans, servicemembers, and their families. It can be accessed via <https://www.ebenefits.va.gov>.

With quarterly releases, the eBenefits portal is a one-stop shop that provides information about military and veterans benefits and allows users to access online tools to perform multiple self-service functions such as:

- Apply for benefits;
- Download the DD Form 214, Certificate of Release or Discharge from Active Duty;
- See the status of their disability compensation claim and/or appeal online;
- View their record of payments issued;
- Self generate letters to verify eligibility for civil service preference, VA benefits, and military service;
- Update direct deposit information for certain benefits; and
- Obtain a VA guaranteed home loan Certificate of Eligibility

Over 200,000 Servicemembers and veterans are registered in eBenefits, with over 1.5 million eBenefits visits to the portal since inception.

Pension and Fiduciary Programs

VA's non-service-connected disability and death pension programs provide monthly payments to over 500,000 elderly and disabled veterans and veterans' survivors with limited financial resources. To improve the timeliness of service delivery in this program and to assure accurate claims processing, VA administers the pension programs through three Pension Management Centers (PMCs) in Philadelphia, Milwaukee, and St. Paul, with a workforce of 1,093 employees. Consolidation of the pension programs has enabled VA to achieve a 96 percent accuracy level in 2010. In 2010, VBA completed the consolidation of all compensation survivor claims to the PMCs to focus expertise on this vital area and achieve similar performance improvements.

VA conducts a comprehensive fiduciary program for our most vulnerable beneficiaries who are incapable of managing their own funds. VA's fiduciary program supervises more than 110,000 beneficiaries with combined estate value in excess of \$3.2 billion. Our fiduciary responsibilities include prevention, identification, and investigation of misuse of benefits. The workload in the fiduciary program continues to grow as the age of our veterans increases. The number of veterans who are enrolled in C&P programs and who are 85 or older is projected to increase by 32 percent between now and 2018.

We have taken a number of steps to improve the program, including hiring new management staff to spearhead reform efforts; clarifying existing procedural guidance; and deploying standardized training. We consolidated fiduciary activities for the Western Area regional offices, establishing a Fiduciary Hub in the Salt Lake City Regional Office as a pilot initiative. Our analysis of the pilot program documented increased efficiencies and service improvements. We are therefore this year expanding the hub concept to the Southern Area.

VBA Headquarters Reorganization

A new organizational structure for VBA Headquarters was approved by the Secretary on January 19, 2011. The new organization is in line with the Secretary's goal of transforming VA into a high-performing 21st century organization. The VBA Office of Strategic Planning was created to direct our transformation and strategic planning efforts, including leadership of the three major departmental initiatives for which VBA has program management responsibility.

The new structure realigns the responsibilities for VBA's major benefit programs, currently assigned to the Associate Deputy Under Secretary for Policy and Program Management, under two distinct positions: Deputy Under Secretary for Economic Opportunity and Deputy Under Secretary for Disability Assistance. The alignment of our primary business lines under these new positions correlates to the responsibilities of HVAC Subcommittees on Economic Opportunity and Disability Assistance and Memorial Affairs.

Under this new structure, we are also separating the fiduciary and pension program functions from the compensation program in our VBA Headquarters organization, creating a separate Pension and Fiduciary Service. This will allow us to in-

crease oversight and management attention in our fiduciary and pension programs, while also allowing us to give greater focus to the complex and challenging workload and policy issues in our compensation program. The reorganization is being accomplished within existing resource levels. VBA Headquarters staff currently working in the pension and fiduciary programs will be reassigned to the new service. This change in VBA Headquarters structure does not result in any change to the VBA field structure, nor is there any direct impact on VBA's FY 2012 budget request.

Concluding Remarks

Mr. Chairman, Members of the Subcommittee, this concludes my remarks. Thank you again for the opportunity to testify. I will be happy to respond to any questions from you or other Members of the Subcommittee.

