

Volume III  
Benefits and Burial Programs  
and Departmental Administration,

Congressional Submission, FY 2018

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*National Cemetery Administration*

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## *National Cemetery Administration Funding Summary*

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### **Mission**

VA honors Veterans and their families with final resting places in national shrines and with lasting tributes that commemorate their service and sacrifice to our Nation.

### **Stakeholders and Partners**

The stakeholders of VA's burial programs are varied and diverse. The National Cemetery Administration's (NCA) primary stakeholders are those who are the direct beneficiaries of VA burial benefits: Veterans and their families. Veterans Service Organizations and professionals in the funeral and mortuary industry are also noteworthy stakeholders. Various components of the Department of Defense (DoD) and members of active duty and reserve forces comprise yet another significant stakeholder group. In addition, members of a number of environmental groups, historical and genealogical societies, as well as the general public must be included.

The inclusion of families takes into account the significance of next of kin, since not only eligible Veterans but also their eligible family members may receive burial benefits. It is important that these Veterans, widows, widowers, and other family members are treated with compassion and dignity at the time of their bereavement and when they return to visit the gravesite, and that the cemetery's entire appearance is maintained in a manner befitting a national shrine.

Veterans Service Organizations are key stakeholders and partners in the VA mission. These organizations act as a voice for Veterans and their families, and as advocates for their needs and expectations. At many national cemeteries, they are important partners in providing support for military funeral honors.

States and tribal organizations, usually operating through their Veterans Affairs Departments, play an increasingly important role in providing service to Veterans and their families. By establishing and operating Veterans cemeteries as a complement to VA national cemeteries, they provide additional burial options for Veterans and their families.

Funeral directors are another significant stakeholder group. These professionals are often the spokespersons for the Veteran or next of kin and are also directly involved in the delivery of VA services through the coordination of committal services and interments. Funeral directors may also assist families in applying for headstones and markers.

Private cemeteries are stakeholders. Each year, VA furnishes more than 200,000 headstones and markers for Veterans' gravesites in private cemeteries.

DoD and the uniformed forces of each branch of service are included as NCA stakeholders in recognition of the important role they play in honoring those who have served. Veterans' families expect that appropriate military funeral honors will be provided at national cemeteries to recognize Veterans' service to our Nation. The provision of military funeral honors is part of DoD's mission but requires a close and collaborative partnership with NCA.

NCA also considers members of the general public as stakeholders. National cemeteries are considered national shrines. Many date from the Nation's Civil War and are listed on the National Register of Historic Places. As such, they are of interest to historical societies, individuals interested in history and genealogical research, and others who may not have family members interred in a national cemetery. NCA is responsible to all Americans for the prudent management of tax dollars and the sound environmental management of the land.

Finally, it is also appropriate to recognize stakeholders within the Department: the Veterans Benefits Administration, the Veterans Health Administration, and headquarters staff offices. All VA organizational elements are important partners with NCA in providing seamless service to Veterans and their families.

## **Activities and Programs**

NCA administers a number of related burial benefits programs:

- National Cemeteries: Bury eligible Veterans and family members in national cemeteries and maintain the graves and their environs as national shrines;
- Veterans' Cemetery Grants: Provide aid to states or tribal organizations in establishing, expanding, or improving state or tribal Veterans cemeteries;
- Headstones and Markers: Furnish headstones and markers for the graves of eligible persons in national, state, tribal or other government Veterans cemeteries and private cemeteries;
- Medallions: Furnish medallions commemorating the Veteran's service to the Nation that may be affixed to the privately purchased headstones or markers for Veterans interred in private cemeteries;
- Presidential Memorial Certificates: Provide certificates to families of deceased Veterans, recognizing the Veteran's contribution and service to the Nation;
- Outer Burial Receptacles: Provide a graveliner or partial reimbursement for a privately purchased outer burial receptacle for each new grave in open national cemeteries administered by NCA;
- Caskets and Urns: Provide reimbursement for caskets and urns for Veterans' remains when there are no next of kin and insufficient resources; and
- First Notice of Death: Record First Notice of (Veteran) Deaths based on Burial Flag, headstone/marker, burial applications, and insurance information from VA Insurance

Claims Office into VA IT systems. Updated electronic files ensure timely termination of benefits and next-of-kin notification of possible entitlement to survivor benefits.

## **NCA Strategic Goals**

NCA will continue its record of accomplishment towards achievement of the goals set forth in the NCA 2016-2021 Long Range Plan which sets forth NCA's priorities for improving the ways in which we honor Veterans with final resting places in national shrines and by commemorating their service to our Nation. The plan builds upon many of the accomplishments NCA has achieved on behalf of Veterans and their families. It sustains this momentum and provides a roadmap for guiding NCA as an organization and for improving the manner in which NCA serves Veterans and their families. NCA's Long Range Plan sets the following five overarching goals.

- Veterans and eligible family members will have increased access to burial benefits.
- More Veterans and eligible family members will use VA burial and memorial benefits.
- Veterans will be memorialized through enhanced tributes befitting their service and sacrifice to the nation.
- Stakeholders will place greater trust in NCA based on enhanced accountability.
- Stakeholders will be served more efficiently and effectively by NCA's internal capacity.

<b>Summary of Total Budgetary Resources for NCA Programs</b>					
(dollars in thousands)					
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>Increase (+)</b>
	<b>Actual</b>	<b>President's</b>	<b>Current</b>	<b>Request</b>	<b>Decrease (-)</b>
Operations and Maintenance.....	\$271,220	\$286,193	\$286,193	\$306,193	+\$20,000
Major Construction.....	152,681	137,000	137,000	255,900	+118,900
Minor Construction.....	51,212	56,890	56,890	97,950	+41,060
Grants for Construction of Veterans Cemeteries.....	46,000	45,000	45,000	45,000	0
Facilities Operation Fund.....	90	90	150	150	0
National Cemetery Gift Fund.....	769	160	1,500	1,500	0
Compensation and Pensions:					
Headstones & Markers.....	80,909	75,820	80,342	76,615	-3,727
Graveliners & OBR Reimbursements.....	21,688	18,821	21,536	27,118	+5,582
Casket & Urn.....	934	706	927	921	-6
<b>Total Budgetary Resources.....</b>	<b>\$625,503</b>	<b>\$620,680</b>	<b>\$629,538</b>	<b>\$811,347</b>	<b>+\$181,809</b>

## Relationships Among Programs and Appropriations

NCA receives funding from seven appropriation accounts. The Operations and Maintenance appropriation funds the operation of 135 national cemeteries, including one national rural Veterans cemetery, and 33 other cemeterial installations, as well as their maintenance as national shrines. It also funds the costs of administering five related programs: the Veterans' Cemetery Grants program, the Headstone, Marker, and Medallion program, the Presidential Memorial Certificate (PMC) program, the Casket & Urn program, and the Outer Burial Receptacle program.

Making burial options available to Veterans requires the development of new national cemeteries, the development of additional gravesites at existing national cemeteries, or the establishment and expansion of Veterans cemeteries through grants to states and tribal organizations. These requirements are met through three capital appropriation accounts. New national cemetery construction is funded from the VA Major and Minor Construction appropriation. Gravesite development projects, as well as national cemetery improvement projects, are also funded from VA's Major and Minor Construction appropriations. The funding requests and justifications for these two appropriations are found in the Construction Programs volume; however, a summary of the NCA construction program is provided in section C of this NCA chapter.

The Grants for Construction of Veterans Cemeteries appropriation, the third capital account, funds the establishment, expansion, and improvement of Veterans cemeteries operated by states and tribal organizations.



The National Cemetery Administration Facilities Operation Fund is financed by the proceeds from leases of undeveloped land and unused or underutilized buildings. The funds are applied toward the costs of operating and maintaining NCA property.

The National Cemetery Gift Fund is a trust fund that uses gifts from private donors for beautification and improvement of cemetery grounds, such as landscaping, walkways, and benches.

The Compensation and Pensions (C&P) appropriation funds the purchase and transportation costs for headstones and markers, graveliners, pre-placed crypts, as well as funding the partial reimbursements for privately purchased outer burial receptacles. It also funds reimbursements that provide caskets and urns for burial of the remains of eligible Veterans in a VA national cemetery if the Veterans have no known next of kin and insufficient resources to purchase a burial receptacle. This appropriation is presented in a separate budget chapter.

## **2018 Highlights**

The 2018 budget positions NCA to meet Veterans' emerging burial and memorial needs in the decades to come through the continued implementation of the following burial policies consistent with its strategic goals.

### **Sustained High Levels of Client Satisfaction**

NCA is proud of its sustained record of excellent service to Veterans and their families. Both NCA's annual Survey of Satisfaction with National Cemeteries and an esteemed external benchmark, the American Customer Satisfaction Index (ACSI), continue to document our commitment to providing respectful, dignified, and compassionate service that is second to none. The ACSI is the only national, cross-industry measure of satisfaction with the quality of goods and services available in the United States. For 2016, NCA achieved a customer satisfaction index of 96, currently the highest ACSI score in either the private or public sector. The score is 28 points above the 68 point average for federal agencies. NCA also recognizes that high client satisfaction results cannot be assumed based on past history. In 2018, NCA will focus on maintaining our reputation as a world-class service provider by continuing to collect and leverage client satisfaction data from Veterans, families, and funeral homes through ongoing survey activities. We will use survey results to identify aspects of service as well as specific cemeteries that present opportunities for improvement. We will also identify and share best practices from high performing cemeteries throughout NCA. These efforts will continue to support progress toward ensuring that all national cemeteries provide excellent service and that the appearance of those shrines is also excellent.

NCA also recognizes that significant numbers of Veterans and their families do not choose burial in a national cemetery but prefer burial in a private cemetery with a government headstone/marker/medallion benefit to mark the Veteran's grave. In addition,

NCA provides hundreds of thousands of Presidential Memorial Certificates each year to the next of kin and other family members as a memorial recognition of their Veteran's honorable service. NCA's annual Memorial Products Survey provides valuable client satisfaction feedback from those who chose the government headstone/marker/medallion benefit or those who request a Presidential Memorial Certificate. Survey scores have been high, and NCA will use current and future client satisfaction data to identify issues and areas where we can improve benefit and service delivery for this important group of clients.

## **Burial Policies**

We anticipate that by 2018, approximately 92 percent of Veterans will have access to a burial option in a national, state, or tribal Veterans cemetery within 75 miles of their home. The independent *Evaluation of the VA Burial Benefits Program* (August 2008) offered a timely opportunity to reflect on a future strategic direction that continues our success in meeting the burial needs of our Nation's Veterans. VA continues to expand reasonable access to a burial option for our Nation's Veterans under policies that were first included in the 2011 budget. These policies include:

- Lowering the unserved Veteran population threshold to establish a new national cemetery to 80,000 within a 75 mile radius. This policy resulted in a plan to establish five new national cemeteries and provide a burial option to an additional 550,000 Veterans and their families. In 2016, NCA began interment operations at three of these cemeteries, Cape Canaveral and Tallahassee National Cemeteries in Florida and Omaha National Cemetery in Nebraska.
- Establishing "Urban Initiative" locations to improve travel time and access in densely populated metropolitan areas currently served by a national cemetery. NCA has identified five locations for this initiative in the Los Angeles and San Francisco/Oakland, CA areas, Chicago, IL, New York, NY, and Indianapolis, IN metropolitan areas.

## **VA Burial Access Initiative for Rural Veterans**

Building upon NCA's efforts to improve burial access, NCA's 2013 budget request included an initiative for Veterans residing in rural areas. In 2018, NCA will continue its progress to establish national cemeteries in rural areas where the Veteran population is less than 25,000 within a 75-mile service area. This initiative targets those states in which: 1) there is no national cemetery within the state open for first interments; and 2) areas within the state are not currently served by a state Veterans cemetery or a national cemetery in an adjacent state. Eight states were identified under these criteria (Idaho, Montana, Nevada, North Dakota, Maine, Utah, Wisconsin, and Wyoming). In 2014, NCA established the first national rural Veterans cemetery at Yellowstone National Cemetery in Montana.

## **National Shrine Commitment**

The 2018 budget supports a continued commitment to ensure that national cemeteries meet or exceed the highest standards of appearance required by their status as national shrines. VA's cemeteries transcend the provision of benefits to an individual, serving a purpose that continues long after burials have ceased and visits of families and loved ones have ended. With the resources in this budget, NCA will maintain occupied graves, developed acreage, historic structures, and cemetery infrastructure in a manner befitting national shrines (see NCA Operations and Maintenance Chapter and Construction Chapter).

## **Program Highlights**

VA honors Veterans and their eligible family members with final resting places in national shrines and with lasting tributes that commemorate their service and sacrifice to our Nation. In 2016, NCA interred 131,620 Veterans and eligible family members. Annual Veteran deaths are projected to be over 547,000 in 2017, and are projected to slowly decline. The number of interments is expected to peak at about 138,000 in 2022, after which interments will begin to decline gradually. The total number of gravesites is expected to increase from nearly 3.6 million in 2016 to more than 3.7 million in 2018. The number of gravesites maintained is expected to reach over 4 million in 2021.

NCA's Memorial Programs Service (MPS) is responsible for administering the Headstone, Marker and Medallion and the Presidential Memorial Certificate programs. MPS receives and processes applications for headstones, markers, and medallions; determines eligibility of the decedent; assists Veterans, next-of-kin, Veterans Service Organizations, funeral homes, and other customers with status, replacements, and general information concerning government headstones and markers to be installed on graves in private cemeteries and the provision of medallions; and administers the PMC program by providing certificates to families of deceased Veterans. In 2016, NCA processed more than 365,000 applications for headstones and markers for placement in national, state, other public, or private cemeteries. The number of headstone and marker applications processed is expected to be more than 366,000 in 2018, declining slightly to about 357,000 in 2023.

NCA issued nearly 690,000 PMCs and 11,690 medallions in 2016 and expects to issue approximately 738,000 PMCs and medallions in the year 2023.

## **2016 Successes**

### **Increased Access to Burial Options**

In 2016, NCA continued the largest expansion of the national cemetery system since the Civil War by dedicating two new national cemeteries at Cape Canaveral, Florida and Omaha, Nebraska. Together, these two national cemeteries provide reasonable burial access to over 280,000 Veterans and their families. NCA plans to open 14 more national cemeteries by 2021.

In October 2016, the Veterans Cemetery Grants Program initiated three new state cemeteries projects in Tennessee, Kentucky and Minnesota. The Tennessee State Veterans Cemetery at Parker Roads received a \$5.7 million grant, the Kentucky Southeastern State Veterans Cemetery received a \$6 million grant and the Minnesota State Cemetery-Duluth an \$8.3 million grant. Combined, these three state cemeteries will serve over 82,000 Veterans.

In March 2016, NCA issued its 100<sup>th</sup> VA grant. The \$8.9 million grant will establish a new state Veterans Cemetery in Marana, Arizona, which will serve over 105,000 Veterans.

### **Increased Use of Burial and Memorialization Benefits**

NCA officially launched Pre-Need Eligibility for Veterans on December 8, 2016. NCA developed a Pre-Need Eligibility process for Veterans and their eligible family members to facilitate burial planning by determining eligibility for burial in a national cemetery in advance of need. Through January 2017, the Pre-Need Program has processed 13,631 applications.

### **Enhanced Memorialization Tributes for Veterans**

NCA launched the Veterans Legacy Program (VLP) on May 30, 2016. VLP's mission is to increase public awareness of Veteran service and sacrifice. NCA developed lesson plans, interactive maps and video vignettes at two pilot sites, Riverside National Cemetery in California and Beaufort National Cemetery in South Carolina.

NCA partnered with the American Battle Monuments Commission (ABMC) to establish a "Teachers Institute" for 20 teachers to study VA and ABMC cemeteries throughout 2017. NCA is developing partnerships with schools and universities across the nation.

### **Greater Trust Based on Enhanced Accountability**

NCA awarded a \$17 million Global Positioning System/Geographic Information System (GPS/GIS) contract to collect data for over 2.5 million gravesites at 85 VA national cemeteries. GPS technology allows NCA to establish a permanently verifiable record of interments. GIS technology is being used to compile the collected GPS data to display cemetery features via interactive mapping.

The Digital Dig Slip is being piloted at Indiantown Gap National Cemetery and will eventually be deployed to all national cemeteries. It leverages technology (Automated Identification and Data Capture and Mobile) to continuously improve the accuracy of tracking remains at national cemeteries. The process will also provide improved reporting for accountability, work measurement times, process forensics, and opportunities for additional training.

## Effective Internal Capacity Improves Service to Stakeholders

NCA Safety and Occupational Health staff delivered administration-specific safety training for 47 field employees which increased safety awareness across all levels of NCA leading to a 2.37 percent reduction in Lost Time Claims.

In December 2016, NCA created the NCA Safety SharePoint site. The site can be accessed from NCA's Intranet by clicking on the "Safety First" button at the top left of the landing page. The NCA Safety SharePoint site contains wide-ranging, safety related information and training, to help achieve safety goals by reducing work place accidents across NCA.

## Key Performance Goals

It is important that VA ensures that the burial needs of Veterans and eligible family members are met in a timely, compassionate, and respectful manner. VA's goal is to increase the percent of Veterans served by a burial option in a national or state Veterans cemetery within a reasonable distance (75 miles) of their residence to 95 percent. In order to achieve this goal, VA needs to increase/maintain access through the following methods: developing additional national cemeteries to increase access; and expanding existing national cemeteries to continue to provide service to meet projected demand, including the development of columbaria and the acquisition of additional land. It is also necessary to establish and expand state Veterans cemeteries to complement VA's system of national cemeteries.

### *NCA At Work*

NCA exceeded the target for the percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence.

NCA opened

- three new national cemeteries,
- five new VA-funded state cemeteries, and
- four new VA-funded tribal cemeteries.

To achieve this goal, NCA is implementing enhanced service strategies designed to increase Veteran access to a burial option. In densely populated urban areas, where Veterans and their families may experience significant barriers in traveling to a national cemetery, VA is establishing new columbaria facilities closer to the heart of the urban core in order to provide a more accessible option to those Veterans. VA has also developed a strategy to create VA national cemeteries to serve Veterans in rural areas who currently do not have reasonable access to burial in a Veterans cemetery.

In 2016, VA increased the percentage of Veterans served by a burial option in a national or state Veterans cemetery through the opening of three new national cemeteries in Mims and Tallahassee, Florida and Omaha, Nebraska. VA also provided grant funding for five new state Veterans cemeteries (Flagstaff and Marana, Arizona; Goldsboro, North

Carolina; Rayville, Louisiana; and Southeastern Minnesota) and four new tribal Veterans cemeteries (San Carlos, Arizona; Auberry, California; Crow Agency, Montana; and Ponca City, Oklahoma) that opened in 2016. VA expects to further increase the percentage of Veterans served in 2018 and beyond through the opening of additional new grant-funded state Veterans cemeteries, the construction of three additional new national cemeteries and the continued implementation of the Rural and Urban Veterans initiatives.

VA continues to provide high-quality, responsive service in all contacts with Veterans, their families and friends, and funeral directors. NCA will continue to obtain feedback from Veterans and their families as well as the funeral directors who work with Veterans and their families, to ascertain how they perceive the quality of service provided by national cemeteries. NCA's Survey of Satisfaction with National Cemeteries provides a measure of our success in delivering service with courtesy, compassion, and respect. NCA will also continue to engage Veterans through a variety of activities to collect data on client expectations and their perceptions related to the quality of service provided by national, state, and tribal Veterans cemeteries. NCA will analyze information obtained from surveys and focus groups to ensure that NCA addresses those issues most important to its clients. This approach provides data from the client's perspective, which are critical to developing our objectives and associated measures.

It is important to Veterans and their family members that NCA marks graves in a timely manner after interment. The headstone or marker is a lasting memorial that may bring a sense of closure to present-day survivors and serve as a reminder to future generations. In 2016, NCA marked 95 percent of graves in national cemeteries within 60 days of the date of interment. NCA field and central office employees have access to monthly and fiscal year-to-date reports in order to monitor the timeliness of marking graves in national cemeteries. Increasing the visibility and access of this information reinforces the importance of marking graves in a timely manner after the interment.

VA is committed to providing timely, accurate, and high quality symbolic expressions of remembrance for Veterans who are not buried in national cemeteries. In 2016, NCA processed 80 percent of the applications for headstones and markers for such Veterans within 20 days of receipt. Ultimately, NCA expects to process at least 90 percent of headstone and marker applications for Veterans buried in private cemeteries within 20 days of receipt. NCA also will continue to engage Veterans to collect data on their expectations and perceptions of the quality of memorial products and services furnished by NCA.

National cemeteries carry high expectations of appearance that set them apart from private cemeteries. VA's cemeteries transcend the provision of benefits to an individual, serving a purpose that continues long after burials have ceased and visits by families and loved ones have ended. NCA will maintain occupied graves and developed acreage in a manner befitting national shrines in perpetuity. Improvements in the appearance of burial grounds and historic structures are necessary for NCA to fulfill the National Shrine Commitment. Headstones and markers must be set, realigned, and cleaned. Stone surfaces of columbaria require cleaning, caulking and grouting between the units, and maintenance of

surrounding walkways. Grass, shrubbery, and trees in burial areas and other land no longer in a natural state must receive regular care. Cemetery infrastructure, including buildings, grounds, walks, and drives must be repaired as needed. NCA will continue to collect client feedback through annual surveys to determine if Veterans and their families perceive the appearance of national cemeteries as excellent. NCA will also continue to collect client feedback through annual surveys to determine if Veterans and their families perceive the appearance of state and tribal cemeteries funded through the VA Veterans Cemetery Grants Program as excellent and on a par with VA national cemeteries.

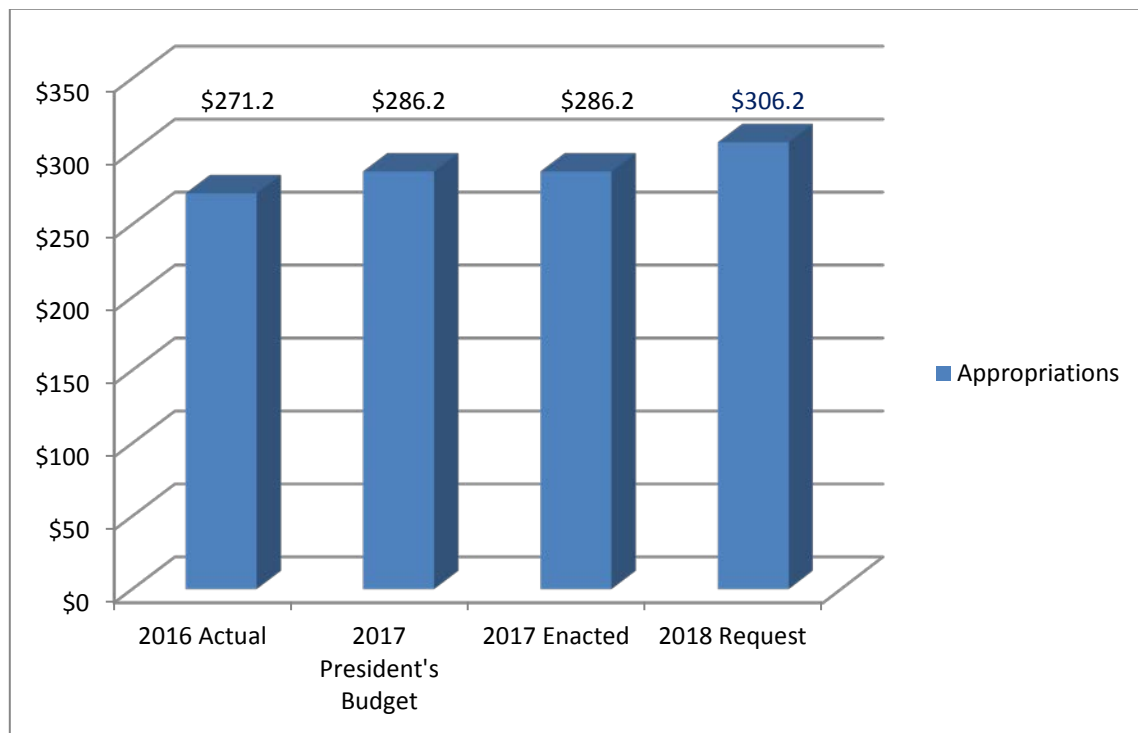
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## National Cemetery Administration Operations and Maintenance

### Summary of Budget Authority – Operations and Maintenance (\$ in millions)



### Appropriation Language

For necessary expenses of the National Cemetery Administration for operations and maintenance, not otherwise provided for, including uniforms or allowances therefor; cemeterial expenses as authorized by law; purchase of one passenger motor vehicle for use in cemeterial operations; hire of passenger motor vehicles; and repair, alteration or improvement of facilities under the jurisdiction of the National Cemetery Administration, [\$286,193,000] \$306,193,000, of which not to exceed 10 percent shall remain available until September 30, [2018] 2019. [Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017]

### *Appropriation Highlights*

(dollars in thousands)

	<b>2016 Actual</b>	<b>2017 President's Budget</b>	<b>2017 Current Estimate</b>	<b>2018 Request</b>	<b>Increase (+) Decrease (-)</b>
<b>Average Employment</b>	1,814	1,809	1,851	1,881	+30
Field Activities:					
Cemetery Programs .....	\$216,368	\$231,518	\$236,518	\$250,482	+\$13,964
Memorial Programs .....	6,168	6,608	6,608	6,822	+214
Operations Support Center .....	4,571	5,024	5,024	5,153	+129
Headquarters:					
Central Office .....	29,139	31,706	31,706	32,157	+451
Districts .....	12,003	11,837	11,837	12,079	+242
<b>Total Obligations .....</b>	<b>\$268,249</b>	<b>\$286,693</b>	<b>\$291,693</b>	<b>\$306,693</b>	<b>+\$15,000</b>
Reimbursements (-) .....	-182	-500	-500	-500	0
Unob. Bal. Trans. to Unexpired Acct. (-)	-1,550	0	0	0	0
Available Balance SOY (-) .....	-2,234	0	-5,000	0	+5,000
Available Balance EOY .....	5,000	0	0	0	0
Recycling Revenue (-) .....	-6	0	0	0	0
Unob Bal Not Yet Available .....	1,943	0	0	0	0
<b>Budget Authority .....</b>	<b>\$271,220</b>	<b>\$286,193</b>	<b>\$286,193</b>	<b>\$306,193</b>	<b>+\$20,000</b>
Appropriation .....	271,220	286,193	286,193	306,193	+20,000
<b>Net Appropriation</b>	<b>\$271,220</b>	<b>\$286,193</b>	<b>\$286,193</b>	<b>\$306,193</b>	<b>+\$20,000</b>

## Program Activities and Administration

The Operations and Maintenance appropriation currently funds the operation of 135 national cemeteries, including one developed under the Rural initiative, and 33 soldiers' lots and monument sites and their maintenance as national shrines. It also directly funds the costs of administering six related programs: the Veterans' Cemetery Grants Program, the Headstone and Marker program, the Presidential Memorial Certificate (PMC) program, Outer Burial Receptacle (OBR) reimbursements, Casket & Urn reimbursements, and First Notice of Death (FNOD). Cemetery grant awards are funded from a separate appropriation. The purchase and transportation costs of the headstones and markers, medallions and the OBR, casket and urn reimbursements are financed from the Compensation and Pensions appropriation.

The Under Secretary for Memorial Affairs is responsible for the overall management and direction of the National Cemetery Administration. The Under Secretary is supported in this role by staffs at both field and headquarters activities.

## **Field Activities**

Field activities are functionally and organizationally grouped into cemetery programs, memorial programs, and the Operations Support Center. They perform the daily functions of the Cemetery, Headstone and Marker, and Presidential Memorial Certificate programs and provide centralized contracting and finance support.

### **Cemetery Programs**

In 2018, cemetery activities will encompass 136 national cemeteries and 33 soldiers' lots and monument sites. These activities can be grouped into two main functional categories:

- Administrative and clerical support functions include the following:
  - Managing cemetery activities, including activations and operation reviews;
  - Arranging for and conducting interments;
  - Providing advice and assistance to the general public; and
  - Processing requests for partial reimbursements for privately purchased OBRs.
- Operation and maintenance functions include the following:
  - Opening and closing graves;
  - Operating interment equipment;
  - Setting, realigning, and cleaning headstones;
  - Maintaining columbaria;
  - Caring for grass, shrubbery, and trees;
  - Filling and sodding sunken graves; and
  - Making minor repairs to cemetery infrastructure, including buildings, grounds, walks, and drives.

### **Memorial Programs**

The Memorial Products Service (MPS) is directly responsible for administering the Headstone and Marker and the Presidential Memorial Certificate programs. MPS has three application processing sites, an Applicant Assistance Unit, and a First Notice of Death office. MPS activities include:

- Receiving and processing applications for headstones, markers and medallions;
- Determining eligibility of decedent, type of headstone, marker or medallion to be furnished, and the authorized inscription;
- Assisting customers with status, replacements, and general information concerning government headstones and markers to be installed on graves in private cemeteries;
- Administering the Presidential Memorial Certificate Program by providing certificates to families of deceased Veterans, recognizing the Veteran's contribution and service to the Nation; and

- Entering First Notices of Death into VA information systems which in turn update VA electronic files to terminate compensation benefits to deceased Veterans.

## **Operations Support Center**

The Operations Support Center encompasses the Quantico Information Technology Center and the Business Office. These organizations perform the following functions:

- The Quantico Information Technology Center develops, programs, tests, documents, implements, operates, and maintains mission-critical information technology applications for NCA including:
  - Burial Operations Support System (BOSS);
  - Automated Monument Application System - Redesign (AMAS-R);
  - Management and Decision Support System (MADSS);
  - Gravesite Reservation System (GRS); and
  - Adjacent Gravesite Set-Aside System (AGS).

Funding for the Quantico Information Technology Center is provided by the VA Information Technology (IT) appropriation.

- The Business Office consists of the Finance Service and the Contracting Service. The Finance Service provides accounting and finance services for the national cemeteries. The Contracting Service provides the contract negotiation and administration and other procurement support needed by NCA programs, including:
  - The headstone and marker program;
  - Minor construction and National Shrine Commitment contracting; and
  - Procurements for the national cemeteries and Headquarters activities.

## **Headquarters Activities**

Headquarters functions are performed by a central office staff and the staffs of the five Districts.

### **Central Office**

Central office provides overall policy guidance, executive direction, and administrative support to the entire National Cemetery Administration. Administration of the Veterans' Cemetery Grants Program is also the direct responsibility of central office staff. The central office staff is responsible for the following activities:

- Providing operational guidance and direction for field activities;

- Developing long-range construction plans for an overall NCA program, including field surveys in connection with the development and expansion of new and existing cemeteries;
- Managing development and construction for expansion and improvements to currently existing cemeteries;
- Preparing, coordinating, reviewing, and controlling engineering studies and projects;
- Administering the Veterans' Cemetery Grants Program, as well as fostering state and tribal participation in the program;
- Developing system-wide strategic and performance plans, developing plans and strategies for improving business processes and service to Veterans, and evaluating and assessing, on a continuing basis, the quality and effectiveness of NCA programs and operations;
- Coordinating budget formulation and execution system-wide, maintaining a cost accounting and management system, and developing and implementing policies, plans, procedures, and standards for financial management activities;
- Conducting studies of organizational structure, functions, relationships, and staffing in the interest of improving the effectiveness and economy of operations, and providing assistance in all areas of human resources management;
- Increasing Veteran and public awareness of NCA cemetery and memorial programs;
- Transcribing administrative and oral histories, collecting artifacts and maintaining archives, documenting and preserving historic cemetery resources, and providing education/interpretation of NCA history; and
- Answering written inquiries from Veterans, their families, and others regarding benefits, service quality, and general information.

## **Districts**

NCA's field structure is geographically organized into five Districts, and the national cemeteries in each District are supervised by a District Director and the Director's staff. The District offices are located in Philadelphia, Pennsylvania; Atlanta, Georgia; Denver, Colorado; Indianapolis, Indiana; and Oakland, California. District Directors and their staffs provide direction, operational oversight, and engineering assistance to the cemeteries located in their geographic areas.

## **Summary of Budget Request**

The National Cemetery Administration requests \$306,193,000 in budget authority and 1,881 FTE for Operations and Maintenance in 2018.

The National Cemetery Administration is committed to ensuring that Veterans and their families have convenient access to a burial option in a national, state, or tribal Veterans cemetery, that the service they receive is dignified, respectful and courteous and that our system of cemeteries meets or exceeds the highest standards of appearance required by their status as national shrines. The 2018 budget request positions NCA to meet Veterans' emerging burial and memorial needs in the decades to come.

NCA plans to open three new cemeteries in 2018 and 2019 (Pike's Peak, CO; Western NY; and the columbaria-only location in Indianapolis, IN) that require additional resources in 2018. NCA requests \$3,500,000 to fund an additional 17 FTE and the operations and maintenance requirements associated with the initial activation of these three new cemeteries. The opening of these cemeteries continues to fulfill the NCA mission to honor Veterans and their families with final resting places in national shrines and with lasting tributes that commemorate their service and sacrifice to our nation. It also moves the NCA closer to providing 95 percent of the Veteran population a burial option within 75 miles of their home.

The 2018 budget request includes \$2,500,000 for projects to raise and realign gravesites and repair turf in order to maintain cemeteries as national shrines. NCA also requests an additional \$1,500,000 to address projects identified on the Facility Condition Assessment (FCA) to ensure safe and effective cemetery operations.

**Changes from Original 2017 President's Budget Request**

(dollars in thousands)

	2017		Increase(+) Decrease(-)
	President's Budget	Current Estimate	
<b>Average employment</b>	1,809	1,851	+42
<b>Funding:</b>			
Personal services.....	\$155,734	\$158,036	+\$2,302
Travel.....	3,066	3,368	+302
Transportation of things.....	1,934	1,934	0
Rents, communications, and utilities...	10,145	11,263	+1,118
Printing and reproduction .....	1,871	1,871	0
Other services .....	88,330	90,125	+1,795
Supplies and materials .....	11,330	10,813	-517
Equipment.....	11,027	11,027	0
Land and structures.....	3,237	3,237	0
Insurance Claims and Indemnities...	19	19	0
<b>Total obligations.....</b>	<b>\$286,693</b>	<b>\$291,693</b>	<b>+\$5,000</b>
Reimbursements (-).....	-500	-500	0
Recycling Revenue (-) .....	0	0	0
Unob. Bal. Trans. to Unexpired Acct. ....	0	0	0
Available Balance SOY .....	0	-5,000	-5,000
Available Balance EOY .....	0	0	0
<b>Total Budget Authority .....</b>	<b>\$286,193</b>	<b>\$286,193</b>	<b>\$0</b>
<b>Total Appropriation.....</b>	<b>\$286,193</b>	<b>\$286,193</b>	<b>\$0</b>
Rescission of unobligated balances.....	0	0	0
<b>Total Net Appropriation .....</b>	<b>\$286,193</b>	<b>\$286,193</b>	<b>\$0</b>

### *Analysis of Increases and Decreases – Obligations*

(dollars in thousands)

	<b>2017 Estimate</b>	<b>2018 Request</b>
<b>Prior year obligations</b> .....	\$268,249	\$291,693
Pay and staff composition changes.....	+2,319	+3,003
Inflation .....	+1,601	+2,406
Maintenance workload increases at existing cemeteries .....	+2,531	0
New cemetery activation .....	0	+3,500
National Shrine.....	+1,850	+2,500
Facility Condition Assessment .....	-841	+1,500
Current initiatives .....	+6,672	+2,300
Changes in contracts, other services, and travel.....	+9,312	-209
<b>Total obligations</b> .....	<b>\$291,693</b>	<b>\$306,693</b>

The 2018 request includes funding for the anticipated 2018 payraise and non-pay inflationary increases, maintenance of existing burial services, and support for continuing burial initiatives.

- NCA will require funds for the initial activation of three new cemeteries as part of its Long Range Plan to open 18 new national cemeteries in order to provide a total of 95 percent of the Veteran population with reasonable access to a burial option with 75 miles of their homes. Four of these cemeteries have already opened and NCA plans to open the remaining 14 cemeteries by 2021.
- NCA will continue to invest in projects to raise and realign gravesites and repair turf in order to maintain cemeteries as national shrines.
- NCA will continue to address prioritized projects identified on the Facility Condition Assessment. NCA focuses on infrastructure repairs that are deemed critical to safety, code or operational needs and are assessed at a “D” or an “F” FCA rating. A “D” rating is generally assigned when facilities are in poor condition or projects that have code or safety violations. “F” ratings are assessed when there is a failing or critical condition usually reserved for life threatening issues. These projects normally require immediate action.
- NCA will provide increased quality and timeliness of scheduling operations with additional support for its scheduling office.
- NCA will continue implementation of the Geographic Information System (GIS) that will capture detailed geographical location and gravesite information. This program will enable enhanced accounting of remains and gravesites and enhanced capability for visitors to find and locate gravesites of Veterans and their family members.



<b>Employment Summary – FTE by Grade</b>				
<b># of FTE</b>	<b>2016 Actuals</b>	<b>2017 Estimate</b>	<b>2018 Request</b>	<b>Increase(+) Decrease(-)</b>
SES	11	18	18	0
GS -15	29	25	25	0
GS -14	76	76	76	0
GS -13	124	130	133	+3
GS -12	60	64	64	0
GS -11	75	70	70	0
GS -10	11	13	13	0
GS -9	93	97	97	0
GS -8	8	5	5	0
GS -7	172	174	177	+3
GS -6	128	151	160	+9
GS -5	65	58	58	0
GS -4	3	8	8	0
GS -3	1	1	1	0
GS -2	0	0	0	0
GS -1	0	0	0	0
Wage Grade (non-GS)	958	960	975	+15
<b>Total Number of FTE</b>	<b>1,814</b>	<b>1,851</b>	<b>1,881</b>	<b>+30</b>

<b>Analysis of FTE Distribution Headquarters/Field</b>		
<b># of FTE</b>	<b>2016 HQ- Actuals</b>	<b>2016 Field- Actuals</b>
SES	6	5
GS -15	16	13
GS -14	53	23
GS -13	60	64
GS -12	16	44
GS -11	13	62
GS -10	1	10
GS -9	20	73
GS -8	1	7
GS -7	13	159
GS -6	0	128
GS -5	3	62
GS -4	1	2
GS -3	0	1
GS -2	0	0
GS -1	0	0
Wage Grade (non-GS)	1	957
<b>Total Number of FTE</b>	<b>204</b>	<b>1,610</b>

*Net Change*  
***Operations and Maintenance***  
***2018 Summary of Resource Requirements***  
(dollars in thousands)

	<b>BA</b>
<b>2017 President's Budget</b>	<b>\$286,193</b>
<b>2018 Current Services Increases</b>	
Payraise Impact to Total Payroll (1.9 %)	+3,003
Non Pay Inflation (1.8 %)	+2,406
Maintenance of existing burial services	+4,791
<b>Subtotal</b>	<b>\$10,200</b>
<b>Other Fixed Increases</b>	
Continuation of current initiatives (Scheduling, GIS)	+2,300
New cemeteries (Pike's Peak, Western NY, Indianapolis)	+3,500
<b>Subtotal</b>	<b>\$5,800</b>
<b>2018 Total Current Services</b>	<b>\$302,193</b>
<b>2018 Initiatives</b>	
1) National Shrine	+2,500
2) Facility Condition Assessment (FCA)	+1,500
<b>Subtotal</b>	<b>\$4,000</b>
<b>2018 Total Budget Authority Request</b>	<b>\$306,193</b>

In 2018, NCA requests an increase in budget authority for the anticipated 2018 payraise and non-pay inflationary increases, maintenance of existing burial services, other fixed increases and support for continuing burial initiatives.

- Increase of \$4,791,000 for personnel and operating funds due to increasing workload at existing cemeteries.
- Increase of \$800,000 for 9 FTE to provide increased quality and timeliness of scheduling operations with additional support for its scheduling office.
- Increase of \$1,500,000 for 4 FTE and contract services to continue implementation of the Geographic Information System that will capture detailed geographical location and gravesite information.

- Increase of \$3,500,000 for 17 FTE and contract and operating services for initial activation of three new cemeteries scheduled for opening in 2018 and 2019.
- Increase of \$2,500,000 to continue investment in projects to raise and realign gravesites and repair turf in order to maintain cemeteries as national shrines.
- Increase of \$1,500,000 to address prioritized projects identified on the Facility Condition Assessment.

<i><b>2017 Average Salary Methodology</b></i>	
<b>2016 average salary (262 days)</b> .....	<b>\$57,992</b>
Annualization of 2016 pay raise (0.325 percent) .....	+188
2017 pay raise (1.575 percent) .....	+913
Change in staff composition.....	+905
<b>2017 average salary (260 days)</b> .....	<b>\$59,998</b>
Regular benefits percentage (31.71 percent).....	\$19,024
<b>2017 average salary with benefits</b> .....	<b>\$79,022</b>

The 2017 average salary reflects a net 2.1 percent increase over the \$57,992 average salary for 2016. This reflects a 1.3 percent 2016 annualized pay raise, a 2.1 percent 2017 pay raise and staff composition changes.

<i><b>2018 Average Salary Methodology</b></i>	
<b>2017 average salary (260 days)</b> .....	<b>\$59,998</b>
Annualization of 2017 pay raise (0.525 percent) .....	+315
2018 pay raise (1.425 percent) .....	+855
Change in staff composition.....	-1,320
<b>2018 average salary (260 days)</b> .....	<b>\$59,848</b>
Regular benefits percentage (31.83 percent).....	\$19,048
<b>2018 average salary with benefits</b> .....	<b>\$78,896</b>

The 2018 average salary reflects a net 0.25 percent decrease over the \$59,998 average salary for 2017. This reflects a 2.1 percent 2017 annualized pay raise, a 1.9 percent 2018 pay raise and staff composition changes.

**Summary of Employment and Obligations**

(dollars in thousands)

	<b>2016 Actual</b>	<b>2017 President's Budget</b>	<b>2017 Current Estimate</b>	<b>2018 Request</b>	<b>Increase(+) Decrease(-)</b>
<b>Average employment</b>	1,814	1,809	1,851	1,881	+30
<b>Obligations:</b>					
Personal services.....	\$150,832	\$155,734	\$158,036	\$163,529	+\$5,493
Travel.....	3,222	3,066	3,368	3,428	+60
Transportation of things.....	2,098	1,934	1,934	1,969	+35
Rent, communications, and utilities.....	12,437	10,145	11,263	11,466	+203
Printing and reproduction .....	932	1,871	1,871	1,905	+34
Other services .....	76,224	88,330	90,125	98,800	+8,675
Supplies and materials .....	11,483	11,330	10,813	11,007	+194
Equipment.....	8,737	11,027	11,027	11,275	+248
Land and Structures.....	2,198	3,237	3,237	3,295	+58
Insurance Claims and Indemnities .....	86	19	19	19	0
<b>Total obligations .....</b>	<b>\$268,249</b>	<b>\$286,693</b>	<b>\$291,693</b>	<b>\$306,693</b>	<b>+\$15,000</b>

<b>Detail of Budget Estimates</b>					
(dollars in thousands)					
	<b>2016 Actual</b>	<b>2017 President's Budget</b>	<b>2017 Current Estimate</b>	<b>2018 Request</b>	<b>Increase(+) Decrease(-)</b>
<b>Average employment</b>					
Field activities:					
Cemetery programs.....	1,505	1,502	1,541	1,571	+30
Memorial programs.....	65	60	64	60	-4
Operations Support Center:					
Business Office.....	38	40	39	39	0
Headquarters:					
Central Office.....	136	137	135	139	+4
Districts.....	70	70	72	72	0
<b>Total FTE</b>	<b>1,814</b>	<b>1,809</b>	<b>1,851</b>	<b>1,881</b>	<b>+30</b>
Wage grade employment.....	958	999	960	975	+15
GS employment.....	856	810	891	906	+15
<b>Personal services</b>	<b>\$150,832</b>	<b>\$155,734</b>	<b>\$158,036</b>	<b>\$163,529</b>	<b>+\$5,493</b>

The 2018 request for personal services reflects funding for an additional 30 FTE. This increase includes:

- 17 FTE required for initial activation of three new cemeteries (Pike's Peak, Western NY, and Indianapolis),
- 9 FTE to provide increased quality and timeliness of scheduling operations, and
- 4 FTE to continue implementation of the Geographic Information System that will capture detailed geographical location and gravesite information.

<b>Detail of Budget Estimates (cont'd)</b>					
(dollars in thousands)					
	<b>2016 Actual</b>	<b>2017 President's Budget</b>	<b>2017 Current Estimate</b>	<b>2018 Request</b>	<b>Increase (+) Decrease(-)</b>
<b>Travel:</b>					
Employee travel.....	\$2,476	\$2,244	\$2,609	\$2,655	+\$46
GSA vehicle rental .....	746	822	759	773	+14
<b>Total .....</b>	<b>\$3,222</b>	<b>\$3,066</b>	<b>\$3,368</b>	<b>\$3,428</b>	<b>+\$60</b>

Travel costs include headquarters and field personnel travel in connection with the operation of national cemeteries and other VA and NCA programs. Included are travel costs for site visits to assess performance of the national cemeteries, quality assurance inspections related to the procurement of headstones and markers, permanent change of

station moves, engineering trips related to maintenance and construction projects, inspections and other official travel required in administering the Veterans' Cemetery Grants Program, and local travel. In 2018, cemetery activities will encompass 136 national cemeteries and 33 soldiers' lots and monument sites.

<b><i>Detail of Budget Estimates (cont'd)</i></b>					
(dollars in thousands)					
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>Increase (+)</b>
	<b>Actual</b>	<b>President's</b>	<b>Current</b>	<b>Request</b>	<b>Decrease(-)</b>
<b>Transportation of things .....</b>	<b>\$2,098</b>	<b>\$1,934</b>	<b>\$1,934</b>	<b>\$1,969</b>	<b>+\$35</b>

Transportation costs include the transportation of household goods as part of permanent change of station moves of transferring employees. Other costs include the rental of trucks from GSA, local hauling charges, and the shipment of materials.

<b><i>Detail of Budget Estimates (cont'd)</i></b>					
(dollars in thousands)					
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>Increase (+)</b>
	<b>Actual</b>	<b>President's</b>	<b>Current</b>	<b>Request</b>	<b>Decrease(-)</b>
<b>Rents, communications, and utilities:</b>					
Equipment rental .....	\$351	\$360	\$360	\$366	+\$6
SLUC.....	2,900	2,552	2,652	\$2,700	+48
Utility and other charges .....	9,186	7,233	8,251	\$8,400	+149
<b>Total.....</b>	<b>\$12,437</b>	<b>\$10,145</b>	<b>\$11,263</b>	<b>\$11,466</b>	<b>+\$203</b>

Rental costs include rental of equipment at national cemeteries and payment of standard level user charges (SLUC) to GSA. Utility costs include electricity, water, and gas, which are required for the operation and maintenance of the national cemeteries.

<b><i>Detail of Budget Estimates (cont'd)</i></b>					
(dollars in thousands)					
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>Increase (+)</b>
	<b>Actual</b>	<b>President's</b>	<b>Current</b>	<b>Request</b>	<b>Decrease(-)</b>
<b>Printing and reproduction .....</b>	<b>\$932</b>	<b>\$1,871</b>	<b>\$1,871</b>	<b>\$1,905</b>	<b>+\$34</b>

Printing and Reproduction costs include operating and technical manuals, regulations, handout maps, pamphlets, and the printing requirements of the Presidential Memorial Certificate (PMC) program. Handout maps are distributed to next-of-kin, other relatives, and the general public to help locate gravesites. The PMC requirements include special paper and envelopes, as well as the printing of the certificates.

<b><i>Detail of Budget Estimates (cont'd)</i></b>					
(dollars in thousands)					
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>Increase(+)</b>
	<b>Actual</b>	<b>President's</b>	<b>Current</b>	<b>Request</b>	<b>Decrease(-)</b>
		<b>Budget</b>	<b>Estimate</b>		
<b>Other services:</b>					
National Shrine.....	12,827	12,536	12,536	15,036	+2,500
Non-recurring maintenance.....	4,541	3,700	3,700	5,200	+1,500
All other services.....	58,856	72,094	73,889	78,564	+4,675
<b>Total .....</b>	<b>\$76,224</b>	<b>\$88,330</b>	<b>\$90,125</b>	<b>\$98,800</b>	<b>+\$8,675</b>

National Shrine projects address gravesite renovations to raise and realign headstones and markers and to repair and replace turf.

Non-recurring maintenance funding focuses on correcting deficiencies cited in the Facility Condition Assessments. NCA focuses on deficiencies that are assessed at a “D” or an “F” rating. A “D” rating is generally assigned when facilities are in poor condition or projects that have code or safety violations. “F” ratings are assessed when there is a failing or critical condition usually reserved for life threatening issues. These projects normally require immediate action.

All other services includes recurring maintenance, repair, operational and other services. Maintenance of equipment provides for maintaining and repairing lowering devices, mechanical grave excavators, tractors, backhoes, ditchers, mowers, generators, vehicles, and office machines. Repair projects address deficiencies with any of the 3,997 buildings and structures and over 20 thousand acres of land within 136 national cemeteries, and 33 soldiers’ lots and monument sites to maintain the appearance of national cemeteries as national shrines, dedicated to preserving our Nation’s history, and honoring the service and sacrifice Veterans have made. Projects include recurring maintenance and repair of roads, drives, parking lots, and walks; painting of buildings, fences and gates; repair of roofs, walls, and irrigation and electrical systems. All other services also include contractual services associated with cemetery maintenance and contracts such as trash disposal, rodent and pest control, environmental compliance, and training, as well as payments to other VA offices for centralized support activities.

<b><i>Detail of Budget Estimates (cont'd)</i></b>					
(dollars in thousands)					
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>Increase(+)</b>
	<b>Actual</b>	<b>President's</b>	<b>Current</b>	<b>Request</b>	<b>Decrease(-)</b>
		<b>Budget</b>	<b>Estimate</b>		
<b>Supplies and materials .....</b>	<b>\$11,483</b>	<b>\$11,330</b>	<b>\$10,813</b>	<b>\$11,007</b>	<b>+\$194</b>

Supplies and materials requests include office supplies, fuel and petroleum products used in motor vehicles, cemetery maintenance equipment, and operating, grounds maintenance, and incidental supplies.



<b>Detail of Budget Estimates (cont'd)</b>					
(dollars in thousands)					
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>Increase(+)</b>
	<b>Actual</b>	<b>President's</b>	<b>Current</b>	<b>Request</b>	<b>Decrease(-)</b>
		<b>Budget</b>	<b>Estimate</b>		
<b>Equipment:</b>					
Cemetery maintenance and interment equipment.....	\$8,116	\$9,815	\$9,279	\$9,446	+\$167
Office and other equipment .....	621	1,212	1,748	1,829	+\$81
<b>Total.....</b>	<b>\$8,737</b>	<b>\$11,027</b>	<b>\$11,027</b>	<b>\$11,275</b>	<b>+\$248</b>

Cemetery maintenance and interment equipment includes grave excavating and grounds maintenance equipment. Office and other equipment include facsimile machines, multi-functional devices, and similar equipment.

<b>Detail of Budget Estimates (cont'd)</b>					
(dollars in thousands)					
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>Increase(+)</b>
	<b>Actual</b>	<b>President's</b>	<b>Current</b>	<b>Request</b>	<b>Decrease(-)</b>
		<b>Budget</b>	<b>Estimate</b>		
<b>Land and structures.....</b>	<b>\$2,198</b>	<b>\$3,237</b>	<b>\$3,237</b>	<b>\$3,295</b>	<b>+\$58</b>

Land and structures requests include fixed equipment for buildings and renewable energy projects utilizing solar, wind and geothermal power.

<b>Detail of Budget Estimates (cont'd)</b>					
(dollars in thousands)					
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>Increase(+)</b>
	<b>Actual</b>	<b>President's</b>	<b>Current</b>	<b>Request</b>	<b>Decrease(-)</b>
		<b>Budget</b>	<b>Estimate</b>		
<b>Insurance claims and indemnities.....</b>	<b>\$86</b>	<b>\$19</b>	<b>\$19</b>	<b>\$19</b>	<b>+\$0</b>

Insurance claims and indemnities requests include payments to resolve federal tort claims against construction, operation or administrative actions.

## Legislative Proposals

NCA has submitted legislative proposals in 2018, none of which require significant discretionary funding. Details of these legislative proposals can be found in Volume 1, Part 2.

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## *National Cemetery Administration Construction Program*

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### **National Cemetery Construction**

Construction projects to develop additional gravesites at national cemeteries, acquire land, and make infrastructure improvements are critical to achieving the strategic goals and objectives of the National Cemetery Administration (NCA). These projects are funded from VA's Major and Minor Construction appropriations which also support NCA's urban and rural initiatives. The funding requests and justifications for these two appropriations are found in Volume 4; however, NCA is providing this summary of its construction program in order to better relate the requested funding to its performance plan.

Construction projects to develop new national cemeteries will provide a burial option to Veterans and their families who are not currently served by a national, state or tribal Veterans' cemetery within a reasonable distance of their residence. Construction projects also keep existing national cemeteries open by developing additional gravesites and columbaria, or prevent the loss of existing burial options for Veterans by acquiring and developing additional land.

Construction projects also address two key performance measures. The first measure is the percent of survey respondents who rate national cemetery appearance as excellent. Construction projects such as irrigation improvements, renovation of historic structures, and road resurfacing are important to maintaining our cemeteries as national shrines. In most cases, these types of projects directly impact cemetery appearance and, thereby, customer satisfaction.

The second measure is the percent of respondents who rate the quality of service provided by the national cemeteries as excellent. Construction of committal shelters, public restrooms, and public information centers improves service to Veterans and their families.

### **Burial Policies**

The current strategic target for the percent of the Veteran population served by a national or state Veterans cemetery within 75 miles of their home is 95 percent. The percent of Veterans served by a burial option in a national or state Veterans cemetery in 2017 was approximately 92 percent. The independent *Evaluation of the VA Burial Benefits Program* (August 2008) offered an opportunity to reflect on a future strategic direction

that will continue our success in meeting the burial needs of our Nation's Veterans. As a result, NCA identified a number of burial policies targeting increased access and availability of burial options for our Nation's Veterans, which we first included in the 2011 budget. These policies include:

- Lowering the unserved Veteran population threshold to establish a new national cemetery to 80,000 within a 75 mile radius. Based on this policy, NCA developed plans to establish five new national cemeteries and provide a burial option to an additional 550,000 Veterans and their families. In 2016, NCA began interment operations at three of these cemeteries, Cape Canaveral and Tallahassee National Cemeteries in Florida and Omaha National Cemetery in Nebraska.
- Establishing "Urban Initiative" locations to improve travel time and access in densely populated metropolitan areas currently served by a national cemetery. NCA has identified five locations for this initiative in the Los Angeles and San Francisco/Oakland, CA areas, Chicago, IL, New York, NY, and Indianapolis, IN metropolitan areas.

### **VA Burial Access Initiative for Rural Veterans**

Building upon NCA's efforts to improve burial access, NCA's 2013 budget request included an initiative to increase access for Veterans residing in rural areas. In 2018, NCA will continue to establish national rural Veterans cemeteries in areas where the Veteran population is less than 25,000 within a 75-mile service area. This initiative targets those states in which: 1) there is no national cemetery within the state open for first interments; and 2) areas within the state are not currently served by a state Veterans cemetery or a national cemetery in an adjacent state. Eight states meet these criteria (Idaho, Montana, Nevada, North Dakota, Maine, Utah, Wisconsin, and Wyoming). In 2014, NCA established the first national rural Veterans cemetery at Yellowstone National Cemetery in Montana and plans to continue making progress in 2018.

### **National Shrine Commitment**

Each national cemetery exists as a national shrine worthy of the sacrifice of our Nation's Veterans and their families. National cemeteries carry expectations of appearance that set them apart from private cemeteries. VA will continue to maintain the appearance of national cemeteries as national shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice Veterans have made. Infrastructure projects such as cemetery irrigation improvements, building renovations, maintenance of buildings and structures, and road and curb improvements are important to maintaining our cemeteries as national shrines.

The 2018 budget positions NCA to meet Veterans' emerging burial and memorial needs in the years to come through the continued implementation of these burial policies.

## Major Construction Projects

<i>Major Construction Funding for NCA Programs</i>					
(dollars in thousands)					
<b>Construction</b>	<b>2016 Actual</b>	<b>2017 Budget Estimate</b>	<b>2017 Current Estimate</b>	<b>2018 Request</b>	<b>Change FY18 v FY17</b>
<b><u>Cemetery Expansion and Improvement:</u></b>					
Puerto Rico, PR Phase 1 on New Land.....	\$45,000	\$0	\$0	\$0	\$0
Willamette, OR Gravesite Expansion.....	\$35,000	\$0	\$0	\$0	\$0
Riverside, CA Gravesite Expansion.....	\$40,000	\$0	\$0	\$0	\$0
Barrancas, FL Gravesite Expansion.....	\$27,500	\$0	\$0	\$0	\$0
Jacksonville, FL Gravesite Expansion.....	\$0	\$24,000	\$24,000	\$0	-\$24,000
South Florida, FL Gravesite Expansion.....	\$0	\$31,000	\$31,000	\$0	-\$31,000
Western New York, NY Area – New Cemetery.....	\$0	\$36,000	\$36,000	\$0	-\$36,000
Southern Colorado, CO Area – New Cemetery.....	\$0	\$36,000	\$36,000	\$0	-\$36,000
National Cemetery of the Alleghenies, PA Gravesite Expansion.....	\$0	\$0	\$0	\$39,000	\$39,000
Florida, FL Gravesite Expansion.....	\$0	\$0	\$0	\$51,500	\$51,500
Abraham Lincoln, IL Gravesite Expansion.....	\$0	\$0	\$0	\$35,000	\$35,000
National Memorial Cemetery of Arizona, AZ Gravesite Expansion.....	\$0	\$0	\$0	\$31,900	\$31,900
Sacramento Valley, CA Gravesite Expansion.....	\$0	\$0	\$0	\$35,000	\$35,000
Calverton, NY Gravesite Expansion.....	\$0	\$0	\$0	\$50,000	\$50,000
<b>Advance Planning and Design Fund</b>	\$5,181	\$10,000	\$10,000	\$8,500	-\$1,500
<b>Land Acquisition</b>	\$0	\$0	\$0	\$5,000	\$5,000
<b>Total for Major Projects</b>	<b>\$152,681</b>	<b>\$137,000</b>	<b>\$137,000</b>	<b>\$255,900</b>	<b>\$118,900</b>

The 2018 major construction request for NCA includes funding for six gravesite expansion projects for National Cemetery of the Alleghenies, PA; Florida National Cemetery, FL; Abraham Lincoln National Cemetery, IL; National Memorial Cemetery of Arizona, AZ; Sacramento Valley National Cemetery, CA; and Calverton National Cemetery, NY; and for Advanced Planning and Design Funds, and Land Acquisition funds for new cemeteries and future expansions to maintain access to existing national cemeteries.

The major construction request (Volume 4, Chapter 2) also provides a detailed prospectus of the projects.

## **Major Construction Projects**

### **National Cemetery of the Alleghenies Gravesite Development**

This is a Phase 3 gravesite expansion and cemetery improvement project that will enable the National Cemetery of the Alleghenies to continue providing burial services for eligible Veterans in southwestern Pennsylvania. By the close of 2015, the National Cemetery of the Alleghenies conducted a total of 12,337 cumulative interments and ranks as the 28th busiest national cemetery by interment workload among the VA's 135 national cemeteries. This project provides for the third construction phase of cemetery development and will provide an additional 10 years of continued burial service to the local Veteran population. Since this is an existing cemetery, only those facilities and infrastructure elements necessary to support the added maintenance, operations, and burial capacity for approximately 10 years will be required.

This investment will develop approximately 40 acres to provide for approximately 12,300 gravesites, including both casket and cremation sites in new burial sections. This will consist of approximately 7,100 casket interment sites, including pre-placed crypts and oversized traditional sites for private vaults, approximately 3,000 columbarium niches, and approximately 2,200 sites for in-ground cremated remains.

Also included in this project will be an expansion into the southern cemetery parcel bisected by the state-owned Morgan Road. This project will provide for an update of the Master Plan for the northern developed parcel to reflect new developments and project the remaining southern parcel of the property. While the expansion into this area will require a nominal new entrance feature, grade-separated connector drive access roads, irrigation, signage and furnishings, no structures are planned for this area with this project.

## **Florida National Cemetery Gravesite Development**

This is a Phase 5 gravesite expansion project at Florida National Cemetery that will enable the existing national cemetery to continue providing burial services for eligible Veterans located in Bushnell, Florida approximately 40 miles northwest of Orlando and approximately 60 miles northeast of the Tampa, Florida area. By the close of 2015, the cemetery conducted a total of 150,061 cumulative interments and ranked as the 2<sup>nd</sup> busiest national cemetery by interment workload among VA's 135 national cemeteries.

This investment will develop approximately 40 acres of undeveloped land to provide approximately 50,350 gravesites, including both casket and cremation sites in new and redeveloped burial sections. This will consist of approximately 14,350 gravesites for casket interments including preplaced crypts and oversized traditional sites for private vaults, 22,000 columbarium niches, and 14,000 urn sites for cremated remains.

In addition to developing a 10-year inventory of both casket and cremation gravesite burial options, this project provides for other necessary cemetery enhancements. Included in this project are major renovations to the Maintenance Area Complex constructed in 1988. These enhancements include, but are not limited to, building evaluation/expansion (where required), security protection, energy efficiencies, sufficient paved employee parking, covered equipment storage areas, and fencing as needed. The Honor Guard room in the rear of the maintenance building will be expanded or replaced by an Honor Guard Building per NCA standards. A Satellite Public Restroom, sited during the Phase 4 Development will be constructed during this Phase 5 Development. A study of the existing irrigation system will determine if it is sufficient to include in this 40-acre Phase 5 Development or if an additional irrigation well is required, as well as upgrades/corrections to the existing irrigation system as needed. If an additional well is required, the Phase 4 Development area may be altered to utilize this new water source. Several areas along the cemetery perimeter that adjoin the public lands with high public utilization will be fenced off to prevent unauthorized access to the cemetery, approximately 3 miles in length. Site signage will be standardized throughout the cemetery and will follow NCA standards. The existing cemetery road infrastructure will also be evaluated and corrections will be implemented, and the road surface will be repaired, replaced or restored as deemed necessary by the evaluation. This project will also address corrections and repairs identified by the Facility Condition Assessment (FCA) Report. The latest technology in energy efficiency, LEED and Green Globe building requirements and sustainable Sites Initiative (SITES) for landscape performance will be incorporated into this project. Additionally, all structures will receive the necessary security upgrades according to the latest Physical Security Design Standards.



## **Abraham Lincoln National Cemetery Gravesite Development**

This project is a Phase 3 gravesite expansion at the Abraham Lincoln National Cemetery. This expansion will enable the existing national cemetery to continue providing burial services for eligible Veterans in and around the Elwood, Illinois area. In 2016, just sixteen years after opening, Abraham Lincoln National Cemetery conducted a total of 45,388 cumulative interments, and is ranked as the 13<sup>th</sup> busiest national cemetery by interment workload within the VA system of 135 national cemeteries. The third construction phase of the cemetery consists of developing approximately 30 acres of the remaining 825 undeveloped acres remaining at the cemetery, and will include the construction of additional burial facilities providing ten years of service utilizing the existing, undeveloped land.

This investment will provide approximately 21,900 gravesites, including both casket and cremation sites in new burial sections. These gravesites will consist of approximately 13,200 casket interments, including pre-placed crypts and oversized traditional sites for private vaults, 5,700 columbarium niches, and 3,000 urn sites for cremated remains.

In addition to the development of a ten year inventory of casket and cremation gravesite burial options, this project provides for other needed cemetery enhancements. Developing the adjacent contiguous northeastern portion of the cemetery will provide for another ingress/egress point to Water Strawn Drive (public road) with nominal entrance signage, landscaping, and fencing. Additionally, along this secondary ingress/egress road, we will construct a secondary public restroom/kiosk structure with nominal open space for possible use by cemetery volunteers. We constructed the existing public restroom in the Public Information Center (PIC) in 1999, and it does not have a family restroom. Additionally, the support facility, which serves the four active cortege lanes at the 13<sup>th</sup> busiest national cemetery as well as visiting public, has proven to be undersized for the demand. The addition of a secondary public restroom will provide needed capacity and provide an alternative for cemetery visitors wanting to bypass the cortege function. The project will also provide for nominal restorations/upgrades to the PIC, including repairing damage and staining caused by prior roof leaks, upgrading the public restrooms, and energy enhancements. Renovations to the Administration Building include rearranging the entrance lobby to allow employees to monitor visitors in the entrance vestibule with a buzzer feature to unlock the door during increased security periods. The Maintenance Complex upgrades include the construction of an additional soil storage enclosure, repairs or redesign of the weather canopy enclosure, and inclusion of space heating elements/insulation as necessary.

## **National Memorial Cemetery of Arizona Gravesite Development**

This project is a Phase 3 gravesite expansion at the National Memorial Cemetery of Arizona (NMCA) that will enable the existing national cemetery to continue providing burial services for eligible Veterans in the Phoenix, Arizona area. By the close of 2015, the cemetery conducted a total of 78,883 cumulative interments and ranked as the 11th busiest national cemetery by interment workload within the VA system of 135 national cemeteries. This project provides for the third construction phase of the cemetery to develop approximately 25 acres of the remaining 104 undeveloped acres at NMCA and will primarily include the construction of additional burial facilities to provide ten years of service to the existing, undeveloped land. The remainder of the site will be developed in future ten-year phased projects. Since this is an existing cemetery, only those facilities and infrastructure elements necessary to support the added maintenance operations and burial capacity for approximately ten years will be required.

This investment will provide approximately 26,800 gravesites, including both casket and cremation sites, in new burial sections. They will consist of approximately 7,800 gravesites for casket interments, including pre-placed crypts and oversized traditional sites for private vaults, 12,000 columbarium niches, and 7,000 urn sites for cremated remains.

Also included in this project is the construction of an Honor Guard Building, an expansion/renovation of the existing Administration Building, improvements to the Maintenance Area, and security enhancements at the cemetery entrance. This project will also include an evaluation of the existing structures to retrofit and incorporate the Guiding Principles for High Performance and Sustainable Buildings Memorandum of Understanding and Renewable Energy Initiatives, as required. This project will also address corrections and repairs as identified by the Facility Condition Assessment (FCA) Report. The latest technology in energy efficiency, LEED and Green Globe building requirements and sustainable Sites Initiative (SITES) for landscape performance will be incorporated into this project. Additionally, all structures will receive the necessary security upgrades according to the latest Physical Security Design Standards.

## **Sacramento Valley National Cemetery Gravesite Development**

This project is a Phase 2 gravesite expansion and cemetery improvement project at Sacramento Valley National Cemetery that will enable the existing national cemetery to continue providing a full range of burial options for eligible Veterans and their dependents in north-central California. By the close of 2016, just nine years after opening, Sacramento Valley National Cemetery conducted a total of 27,600 cumulative interments and ranked as the 12<sup>th</sup> busiest national cemetery by interment workload within the VA system of 135 cemeteries. This proposed project provides for the second phase of cemetery development, and will provide an additional ten years of continued burial service to the local Veteran population of approximately 316,800. Since this is an existing cemetery, only those facilities and infrastructure elements necessary to support the added maintenance, operations, and burial capacity for approximately ten years will be required.

This investment will develop approximately 25 acres of the undeveloped land to provide approximately 23,500 gravesites, including both casket and cremation sites in new burial sections. They will consist of approximately 6,500 gravesites for casket interments including pre-placed crypts and oversized traditional sites for private vaults, 9,000 columbarium niches, and 8,000 gravesites for in-ground cremated remains.

In addition to the gravesite development, this project includes green burial sites; correction of infrastructure deficiencies; administration building and public information center overlooking the cortege lanes; maintenance building structures and utilities; construction of access roads; entrance area (including security upgrades at all cemetery facilities); committal shelters as needed; expansion to the roadway system; parking; memorial walls; grading and drainage; utilities; installation of sun screening (wind sails) at public assembly area with flag pole; signage; site furnishings, receptacles and flower vase stations; security perimeter fencing; water-efficient irrigation system as needed consistent with water-wise landscaping principles to include artificial turf; installation of deceleration lane; and utility distribution system. It will also include environmental (including historical and cultural resources) preservation and mitigation; spoils area containment structure; material structure; renewable energy initiatives; and geographic information system.

## **Calverton National Cemetery Gravesite Development**

This project will enable the continuation of burial services provided by an established and existing national cemetery which provides burial facilities for eligible Veterans in the New York metropolitan area. By the close of 2016, Calverton National Cemetery conducted a total of 257,131 cumulative interments and ranked as the 3<sup>rd</sup> busiest national cemetery by interment workload within the VA system of 135 cemeteries.

This project is the next in a series of successive 10-year construction phased projects into undeveloped acreage remaining within the confines of Calverton National Cemetery. Additional undeveloped land will be developed in future 10-year phased projects. Since this is an existing cemetery, this phase of construction will only include those facilities and infrastructure necessary to support the added maintenance, operation, and provision of projected burials for approximately ten years.

Also included in this project will be repairs, renovations to the Administration-PIC Building, Maintenance Complex, Committal Shelter area, road system, landscaping, and general cemetery appearance. The Honor Guard temporary trailer will be replaced by a nominal Honor Guard Building attached to the Committal Hub Building. Deteriorated structures and asphalt pavement will be removed at the 25A area and this area graded and restored to future burial area. Approximately 35 acres of land will be consumed and approximately 27,000 gravesites, both full-casket and cremain sites, will be developed with this investment. In addition, the existing structures will be evaluated to retrofit and incorporate the Guiding Principles for High Performance and Sustainable Buildings Memorandum of Understanding (MOU) and Renewable Energy Initiatives as required. This project will also involve a major evaluation and modernization of the existing cemetery irrigation system as well as expansion into the new burial sections developed by this project.

In addition, this project will include environmental (including historical and cultural resources) preservation and mitigation, a spoils area containment structure, a material structure, and a Geographic Information System.

## **Advance Planning and Design Fund**

The 2018 budget request includes \$8.5 million for advance planning and design activities such as master planning and design for new cemeteries and expansion at existing national cemeteries, environmental assessments at national cemeteries, and performing facility condition assessments at national cemeteries, soldiers' lots, and monument sites under the jurisdiction of the National Cemetery Administration.

## **Land Acquisition**

The 2018 request includes \$5 million for land acquisition funds in the Major Construction account. These funds will enable NCA to acquire the land needed to support the long term goals of the National Cemetery Administration. Often times, prospective sellers, particularly estates, desire to move more quickly than the multi-year pace of the Federal budget development and approval process. Likewise, opportunities to purchase land may arise in key locations, and NCA desires the flexibility to respond swiftly.

## Minor Construction Projects

NCA’s 2018 minor construction budget provides funding for the completion of prior year projects. This includes gravesite expansion and columbaria projects to keep existing national cemeteries open and projects that address infrastructure deficiencies and other requirements necessary to support national cemetery operations. It also continues the funding of the development of national rural Veterans cemeteries to serve Veterans in rural areas with up to 25,000 Veterans residing within a 75 mile radius.

<i>Minor Construction Funding for NCA Programs</i> (dollars in thousands)					
	<b>2016 Actual</b>	<b>2017 Budget Estimate</b>	<b>2017 Current Estimate</b>	<b>2018 Request</b>	<b>% Change 2018 v 2017</b>
Cemetery Expansion and Improvement.....	\$32,006	\$51,881	\$51,881	\$88,177	70.0%
Land Acquisition/Below Threshold.....	\$19,206	\$5,009	\$5,009	\$9,773	95.1%
<b>Total for Minor Projects</b>	<b>\$51,212</b>	<b>\$56,890</b>	<b>\$56,890</b>	<b>\$97,950</b>	<b>72.2%</b>

In addition, minor construction funds are used for any of the existing 135 national cemeteries, 33 soldiers’ lots, and monument sites under the jurisdiction of the National Cemetery Administration requiring emergency repairs because of floods, fires, hurricanes, tornadoes, earthquakes, strong winds, etc., where no other means of funding exist. Natural disasters or catastrophes are unforeseeable; however, repairs must be made to damaged facilities when they occur.

### Land Acquisition/Below Threshold

The 2018 budget request includes \$5 million for land acquisition and below threshold projects in NCA’s minor request. NCA currently has the legal authority to acquire land for establishing new national cemeteries and to expand existing cemeteries. This allows NCA to dedicate funding to purchase land for future gravesite expansions that will be funded as separate minor projects. Identifying and purchasing a parcel of land can be a difficult and unpredictable process. Prospective sellers often desire to move more quickly than the multi-year pace of the Federal budget development and approval process. The remaining funds are available for all other below threshold projects.

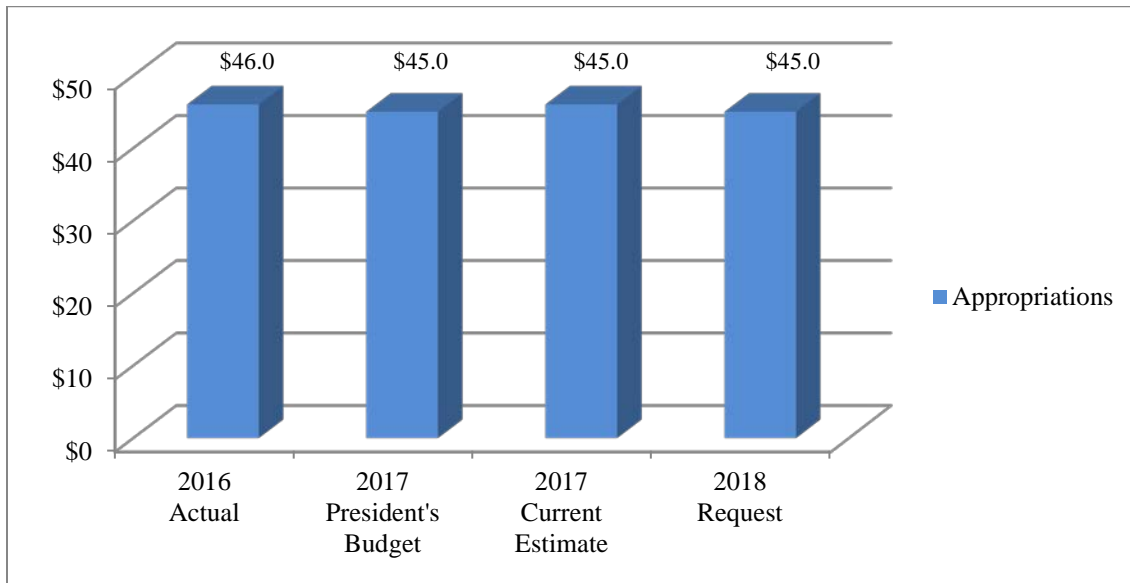


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## *Grants for Construction of Veterans Cemeteries*

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### **Summary of Budget Authority – Grants for Constructions of Veterans Cemeteries (\$ in millions)**



### **Appropriation Language**

For grants to assist States and tribal organizations in establishing, expanding, or improving veterans cemeteries as authorized by section 2408 of title 38, United States Code, \$45,000,000 to remain available until expended. (*Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017*)

### **Program Description**

Grants are provided to states and tribal organizations for the establishment, expansion, or improvement of state and tribal Veterans cemeteries. The state and tribal Veterans cemeteries complement the national cemeteries and are a critical part of National Cemetery Administration (NCA) strategy for meeting the burial needs of Veterans and their families. In 2016, more than 36,000 Veterans and eligible family members were buried in state or tribal Veterans cemeteries that have been assisted by the program.

NCA records of interment indicate that about 80 percent of persons interred in national cemeteries resided within 75 miles of the cemetery at time of death. Based on this experience, NCA has determined that reasonable access to a burial option means that a first interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state Veterans cemetery is available within 75 miles of the Veteran's place of residence. It is not feasible, however, for VA to build and operate national cemeteries in enough locations to provide every eligible Veteran with a burial option in a national cemetery within 75 miles of their residence. Increasing the availability of state and tribal Veterans cemeteries is a means to provide a burial option to those Veterans who may not have reasonable access to a national cemetery or who prefer to be interred on tribal lands.

## **Program Highlights**

During 2016, NCA established nine new state and tribal Veterans cemeteries (4 tribal) throughout the country, providing burial options to almost 206,700 unserved Veterans and their eligible family members. In May 2016, NCA dedicated the 100<sup>th</sup> VA grant-funded cemetery, the Arizona Veterans Memorial Cemetery at Marana. In 2016, NCA funded five establishment projects, nine expansion projects, and one operations and maintenance grant. During 2016, the Grants Program Director and assigned Project Manager visited all sites and collaborated with state leadership and design teams.

The NCA Grants Program continued its major outreach campaign during 2016. NCA supported monthly outreach events at the Pentagon, VA Central Office in Washington, D.C. and the Washington D.C. Convention Center and travelled throughout the country to inform the public about the program. In addition, NCA participated in tribal outreach efforts with the United South Eastern Tribes, Tribal Veterans Event in Arizona, Sisseton Tribe in South Dakota, and Hilton Band of Western Monos in Maine (the first Tribal Veterans Cemetery in the Northeast).



<b>Appropriation Highlights</b>					
(dollars in thousands)					
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>Increase (+)</b>
	<b>Actual</b>	<b>President's</b>	<b>Current</b>	<b>Request</b>	<b>Decrease (-)</b>
		<b>Budget</b>	<b>Estimate</b>		
<b>Obligations</b>	\$49,252	\$45,000	\$51,038	\$51,242	+\$204
Unobligated balances:					
Start of year (-)	-11,369	0	-9,280	-6,242	+3,038
Prior Year Recoveries	-1,163	0	-3,000	0	+3,000
End of year	9,280	0	6,242	0	-6,242
<b>Budget authority</b>					
<b>(appropriation)</b>	<b>\$46,000</b>	<b>\$45,000</b>	<b>\$45,000</b>	<b>\$45,000</b>	<b>\$0</b>

## Summary of Budget Request

The National Cemetery Administration requests \$45,000,000 to fund grants for Veterans cemeteries in 2018. Grants play a crucial role in achieving NCA's strategic target of providing 95 percent of Veterans with reasonable access to a burial option. Since 1980, the Veterans Cemetery Grants Program has awarded grants totaling more than \$714 million for 105 Veterans cemeteries in 47 states and territories, including tribal trust lands, Puerto Rico, Guam, and Saipan. These state cemeteries provided more than 36,000 burials in 2016, comprising over 25 percent of the total annual interments in national, state and tribal cemeteries.

**Total Obligations by State**  
From program inception in 1980 through 09/30/16  
(dollars in thousands)

Alabama .....	\$7,389
Arizona .....	26,879
Arkansas .....	18,670
California.....	20,295
Colorado.....	6,007
Connecticut.....	3,346
Delaware.....	20,315
Georgia.....	14,149
Guam .....	9,267
Hawaii .....	32,796
Idaho.....	10,680
Illinois .....	235
Indiana.....	5,662
Iowa.....	8,545
Kansas .....	19,503
Kentucky .....	35,074
Louisiana .....	28,295
Maine.....	19,957
Maryland .....	33,317
Massachusetts.....	21,025
Minnesota .....	24,410
Mississippi.....	13,631
Missouri.....	26,278
Montana.....	9,440
Nebraska.....	5,520
Nevada.....	31,240
New Hampshire.....	7,193
New Jersey .....	40,537
New Mexico .....	5,741
North Carolina.....	9,704
North Dakota.....	3,484
Ohio.....	799
Oklahoma .....	1,802
Pennsylvania.....	23
Puerto Rico.....	7,135
Rhode Island.....	10,782
Saipan, CNMI.....	1,867
South Carolina.....	7,636
South Dakota.....	16,853
Tennessee .....	27,341
Texas .....	40,915
Utah.....	5,369
Vermont.....	6,555
Virginia.....	22,389
Washington.....	10,983
West Virginia.....	14,119
Wisconsin.....	17,951
Wyoming.....	3,084
<b>Total.....</b>	<b>\$714,187</b>

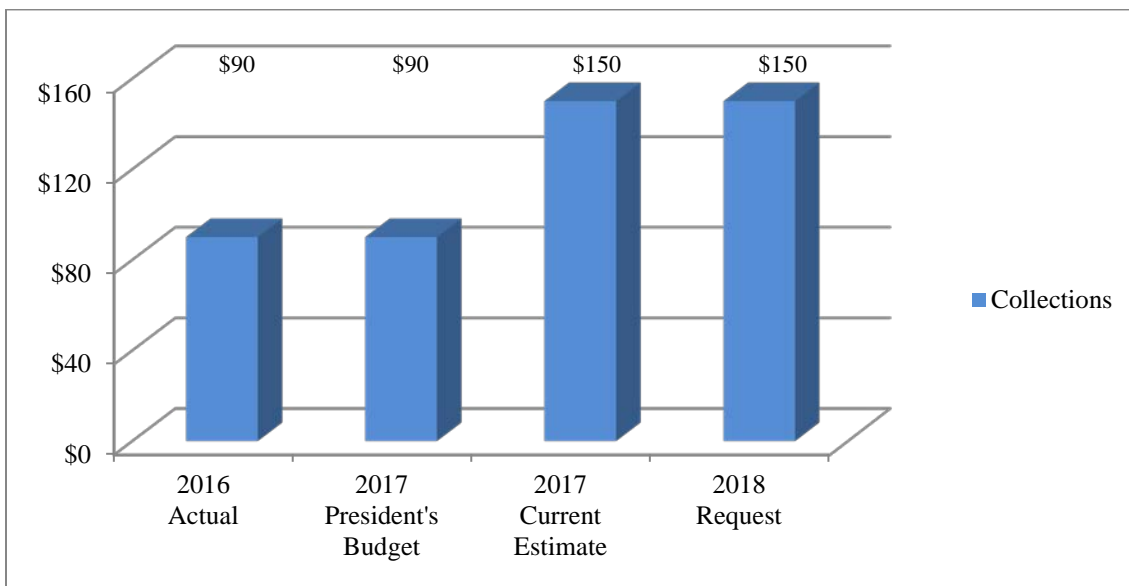


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## *National Cemetery Administration Facilities Operation Fund*

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### **Summary of Budget Authority – National Cemetery Administration Facilities Operations Fund (\$ in thousands)**



### **Summary of Budget Request**

The National Cemetery Administration Facilities Operation Fund is a special fund, which is financed by proceeds from the lease of undeveloped land, the lease of unused or underutilized buildings, and by the proceeds from agricultural licenses of lands of the National Cemetery Administration. No appropriation action is required.

### **Program Description**

Public Law 108-454, Section 602, codified in 38 U.S.C. 2412, provides authority to lease any undeveloped land and unused or underutilized buildings of the National Cemetery Administration, or parts or parcels thereof, for a term not to exceed 10 years.

<b><i>Fund Highlights</i></b>				
(dollars in thousands)				
	2017			
	2016	President's	Current	2018
	Actual	Budget	Estimate	Request
Obligations .....	\$0	\$90	\$90	\$150
Unobligated balances:				
Start of Year(-) .....	-761	-761	-851	-911
End of Year .....	851	761	911	911
Budget Authority				
(from collections) .....	\$90	\$90	\$150	\$150

## **Program Activity**

Fund obligations are estimated to be \$150,000 in 2018. The fund became operational in March 2005. NCA uses this fund to cover costs incurred by the National Cemetery Administration in the operation and maintenance of its property. The Facilities Operation Fund contributes to accomplishing our objective of ensuring that national cemeteries are shrines dedicated to preserving our nation's history, nurturing patriotism, and honoring the service and sacrifice Veterans have made.

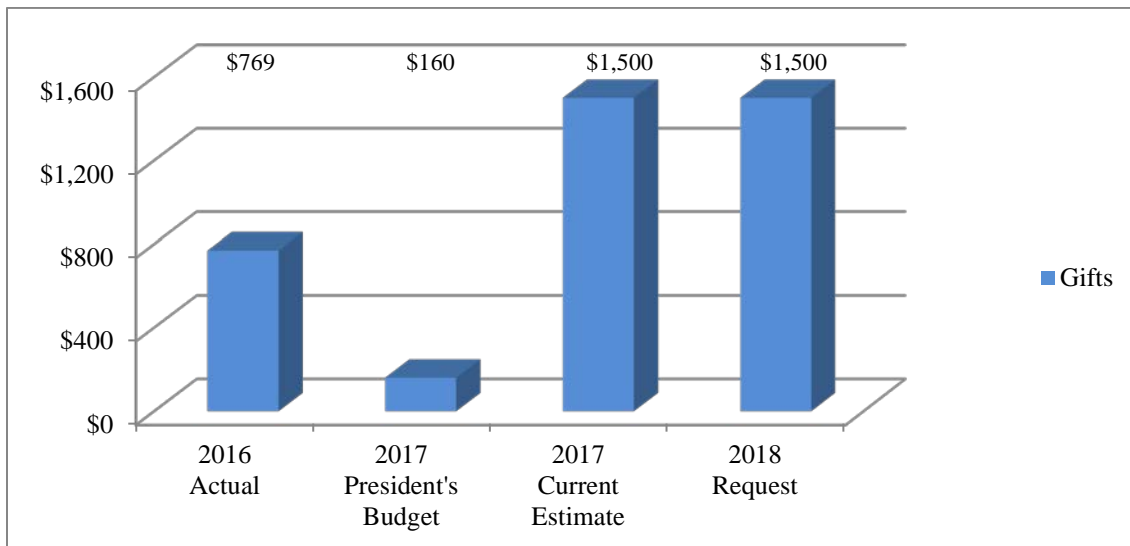


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## National Cemetery Gift Fund

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### Summary of Budget Authority – National Cemetery Gift Fund (\$ in thousands)



### Gift Fund Program Description

Public Law 93-43, as amended, codified in 38 U.S.C. 2407, provides authority to accept gifts and bequests for the purpose of beautifying national cemeteries, or which are determined to be beneficial to such cemeteries. Public Law 100-322, Section 346(g), not codified, provides authority to accept gifts and bequests for the purpose of the operation, maintenance, or improvement of the National Memorial Cemetery of Arizona.

<b><i>Fund Highlights</i></b>				
<i>(dollars in thousands)</i>				
	2016 Actual	2017		2018 Request
		President's Budget	Current Estimate	
Obligations.....	\$331	\$160	\$1,000	\$1,000
Unobligated balances:				
Start of Year(-) .....	-\$865	-\$864	-\$1,302	-\$1,802
End of Year .....	\$1,302	\$864	\$1,802	\$2,302
Budget Authority				
(from gifts) .....	\$769	\$160	\$1,500	\$1,500

## **Summary of Budget Request**

The National Cemetery Gift Fund is a trust fund, which is financed from gifts and bequests from donors. No appropriation action is required.

## **Program Activity**

Fund obligations are estimated to be \$1,000,000 in 2018. Congress established the fund, which authorized the acceptance of gifts and bequests, as of October 1, 1989. The fund is used primarily for beautification and improvements to cemetery grounds such as landscaping, walkways, and benches and may be used for other items beneficial to the cemetery and the Veterans served. In this way, gift fund activity contributes to accomplishing our objective of ensuring that national cemeteries are shrines dedicated to preserving our nation's history, nurturing patriotism, and honoring the service and sacrifice Veterans have made.

## **Program Highlights**

In 2016, the National Memorial Cemetery of the Pacific received a very generous gift of \$600,020, which represented 78 percent of the total of all 2016 gifts received for the National Cemetery Administration Gift Fund. In February 2017, the National Memorial Cemetery of the Pacific received a second generous gift of \$315,800. These donations will provide for significant beautification and benefit of national cemeteries.



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*Benefits*

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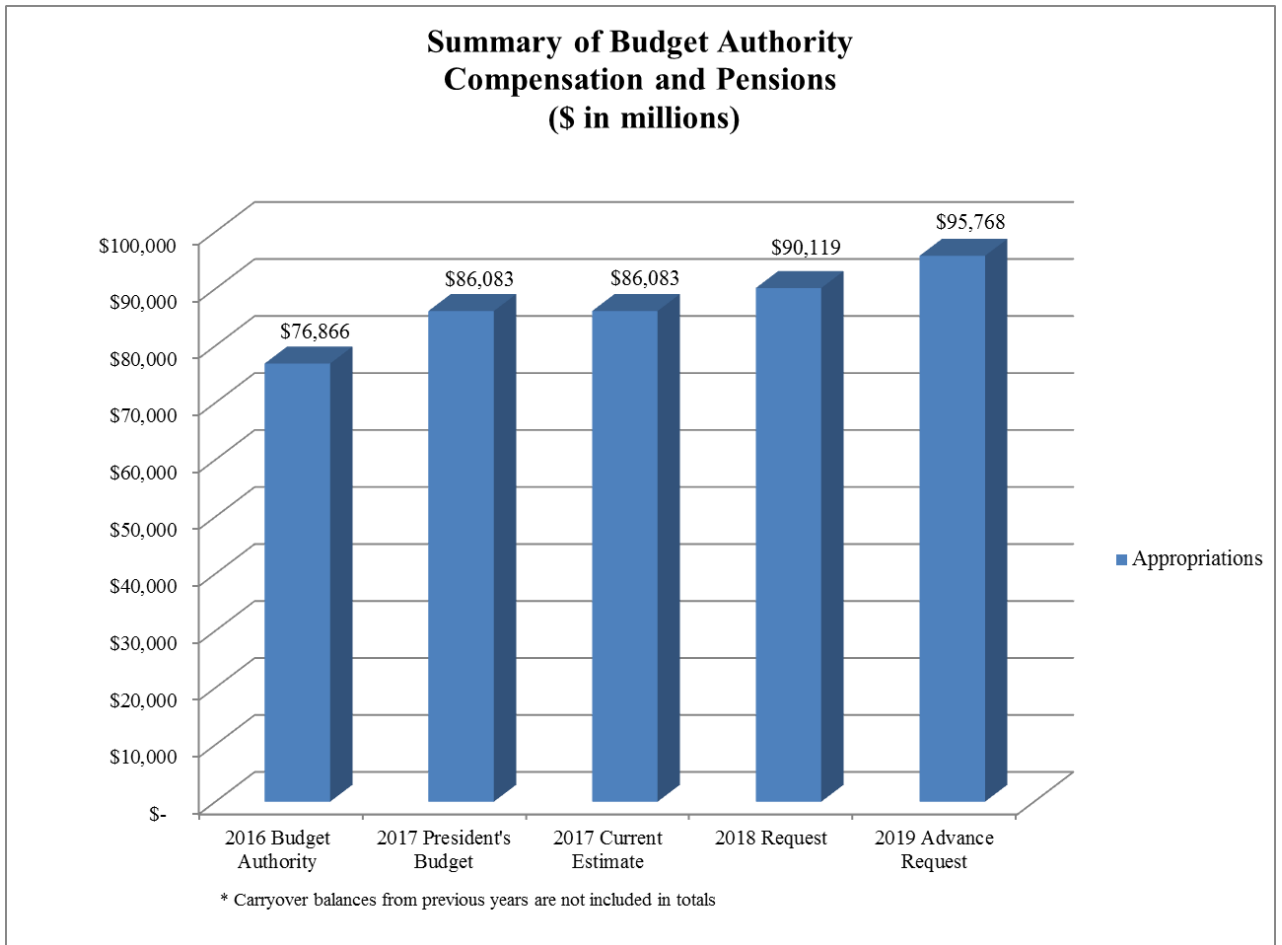
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## Compensation & Pensions



## **Appropriation Language**

For the payment of compensation benefits to or on behalf of veterans and a pilot program for disability examinations as authorized by section 107 and chapters 11, 13, 18, 51, 53, 55, and 61 of title 38, United States Code; pension benefits to or on behalf of veterans as authorized by chapters 15, 51, 53, 55, and 61 of title 38, United States Code; and burial benefits, the Reinstated Entitlement Program for Survivors, emergency and other officers' retirement pay, adjusted-service credits and certificates, payment of premiums due on commercial life insurance policies guaranteed under the provisions of title IV of the Servicemembers Civil Relief Act (50 U.S.C. App. 541 et seq.) and for other benefits as authorized by sections 107, 1312, 1977, and 2106, and chapters 23, 51, 53, 55, and 61 of title 38, United States Code, *\$95,768,462,000 to remain available until expended and to become available on October 1, 2018: Provided, that not to exceed \$17,882,000 of the amount made available for fiscal year 2019 under this heading shall be reimbursed to "General Operating Expenses, Veterans Benefits Administration", and "Information Technology Systems" for necessary expenses in implementing the provisions of chapters 51, 53, and 55 of title 38, United States Code, the funding source for which is specifically provided as the "Compensation and Pensions" appropriation: Provided further, that such sums as may be earned on an actual qualifying patient basis, shall be reimbursed to "Medical Care Collections Fund" to augment the funding of individual medical facilities for nursing home care provided to pensioners as authorized. Provided further, that, of these amounts and amounts appropriated for fiscal year 2018 by Public Law 114-223, such sums as may be necessary shall be reimbursed to "General Operating Expenses, Veterans Benefits Administration" and "Information Technology Systems" for necessary expenses in carrying out the pilot program for disability examinations authorized by section 504 of Public Law 104-275, as amended (38 U.S.C. § 5101 note), to include associated expenses authorized by section 111 of title 38, United States Code.*

## **Explanation of Language Change**

As part of VA's commitment to improving the timeliness and accuracy of claims processing based on medical evidence, VA administers the Contract Medical Exam Pilot Program. This program authorizes physicians not employed by VA to provide medical disability examinations for applicants for compensation and pension benefits. The Veterans' Benefits Improvements Act of 1996 (P.L. 104-275) authorized this program at ten regional offices using funding from the mandatory compensation and pensions appropriation. Public Law 113-235 expanded VA's authority to the number of regional offices at the discretion of the Secretary of VA starting in 2017.

The proposed changes to the appropriation language would serve to clarify that all necessary expenses of the Contract Medical Exam Pilot Program, including, but not limited to, beneficiary travel, may be funded from the Compensation and Pensions account. Additionally, this change would ensure that there is explicit authority to transfer Compensation and Pensions funds to the General Operating Expenses and Information Technology Systems accounts to reimbursement those accounts for expenses associated with the Pilot Program.

## Summary of Appropriation Highlights

(dollars in thousands)

	2016	2017		2018	2019	2017 - 2018	2018 - 2019
	Actual	Budget Estimate	Current Estimate	Estimate	Estimate	Increase(+) Decrease(-)	Increase(+) Decrease(-)
<b>Compensation Obligations</b>							
Veterans	\$67,481,780	\$72,043,086	\$71,438,874	\$77,485,828	\$82,946,904	+\$6,046,954	+\$5,461,076
Survivors	6,443,211	6,950,205	6,767,185	7,113,118	7,507,864	+\$345,933	+\$394,746
Special Benefits for Children	20,448	20,298	20,349	20,755	21,064	+\$406	+\$309
Clothing Allowance	103,049	116,452	107,477	114,663	121,412	+\$7,186	+\$6,749
Other (REPS, SAFD, EAJA)	14,180	15,186	13,921	13,883	13,843	-\$38	-\$40
Medical Exam Pilot Program	308,486	528,391	765,000	778,018	791,258	+\$13,018	+\$13,240
OBRA Payments to VBA	3,236	3,457	3,306	3,560	4,449	+\$254	+\$889
OBRA Payments to ITS	26	47	47	48	45	+\$1	-\$3
<b>Total Compensation Obligations:</b>	<b>\$74,374,415</b>	<b>\$79,677,123</b>	<b>\$79,116,160</b>	<b>\$85,529,872</b>	<b>\$91,406,838</b>	<b>+\$6,413,712</b>	<b>+\$5,876,966</b>
<b>Pensions Obligations</b>							
Veterans	\$3,644,288	\$3,971,903	\$3,743,435	\$3,900,571	\$4,067,957	+\$157,136	+\$167,386
Survivors	1,808,246	2,097,148	1,937,577	2,089,276	2,254,114	+\$151,699	+\$164,838
Medical Exam Pilot Program	3,116	5,305	-	-	-	-	-
OBRA Payment to VBA	12,172	12,998	12,436	13,382	13,170	+\$946	-\$212
OBRA Payment to ITS	125	231	231	235	219	+\$4	-\$16
<b>Total Pension Obligations:</b>	<b>\$5,467,947</b>	<b>\$6,087,586</b>	<b>\$5,693,680</b>	<b>\$6,003,463</b>	<b>\$6,335,459</b>	<b>+\$309,783</b>	<b>+\$331,996</b>
<b>Burial Obligations</b>							
Burial Allowance	\$27,316	\$31,601	\$27,917	\$29,147	\$30,793	+\$1,230	+\$1,646
Burial Plot	19,879	15,460	20,484	21,323	22,588	+\$839	+\$1,265
Service Connected Deaths	61,174	61,113	61,748	64,603	67,437	+\$2,855	+\$2,834
Burial Flags	19,100	22,004	23,300	23,766	24,241	+\$466	+\$475
Headstones/Markers/Allowances	80,909	75,820	80,342	76,615	77,403	-\$3,727	+\$788
Graveliners/OBR	21,688	18,821	21,536	27,118	24,294	+\$5,582	-\$2,824
Caskets/Urns	934	706	927	921	915	-\$6	-\$6
<b>Total Burial Obligations:</b>	<b>\$231,000</b>	<b>\$225,525</b>	<b>\$236,255</b>	<b>\$243,492</b>	<b>\$247,671</b>	<b>+\$7,237</b>	<b>+\$4,179</b>
<b>Total C&amp;P Obligations</b>	<b>\$80,073,362</b>	<b>\$85,990,234</b>	<b>\$85,046,095</b>	<b>\$91,776,827</b>	<b>\$97,989,968</b>	<b>+\$6,730,732</b>	<b>+\$6,213,141</b>
<b>Funding:</b>							
Unobligated balances (SOY)	-\$5,818,402	-\$1,384,181	-\$2,841,851	-\$3,878,884	-\$2,221,506	-\$1,037,033	+\$1,657,378
Prior Year Recoveries	\$231,266	-	-	-	-	-	-
Unobligated balances (EOY)	\$2,841,851	\$1,477,075	\$3,878,884	\$2,221,506	-	-\$1,657,378	-\$2,221,506
Appropriation	\$76,865,545	\$86,083,128	\$86,083,128	\$90,119,449	\$95,768,462	+\$4,036,321	+\$5,649,013
Outlays (net)	\$85,737,332	\$85,112,937	\$84,180,637	\$84,172,970	\$96,992,538	-\$7,667	+\$12,819,568
<b>Distribution of Budget Authority (net):</b>							
Compensation	\$71,166,598	\$79,770,017	\$80,153,193	\$83,872,494	\$89,185,332	+\$3,719,301	+\$5,312,838
Pension	\$5,467,947	\$6,087,586	\$5,693,680	\$6,003,463	\$6,335,459	+\$309,783	+\$331,996
Burial	\$231,000	\$225,525	\$236,255	\$243,492	\$247,671	+\$7,237	+\$4,179
<b>Distribution of Outlays (net):</b>							
Compensation	\$79,680,017	\$78,862,097	\$78,308,804	\$78,424,735	\$90,474,060	+\$115,931	+\$12,049,325
Pension	\$5,826,314	\$6,025,315	\$5,635,578	\$5,504,743	\$6,270,808	-\$130,835	+\$766,065
Burial	\$231,000	\$225,525	\$236,255	\$243,492	\$247,671	+\$7,237	+\$4,179

Note: Dollars may not add due to rounding in this and subsequent charts.

<b>Caseload Summary</b>							
<b>(In Whole Dollars)</b>							
	<b>2016</b>	<b>2017</b>		<b>2018</b>	<b>2019</b>	<b>2017 - 2018</b>	<b>2018 - 2019</b>
	<b>Estimate</b>	<b>Budget Estimate</b>	<b>Current Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Increase(+) Decrease(-)</b>	<b>Increase(+) Decrease(-)</b>
<b>Compensation</b>							
<b>Veterans:</b>							
Cases	4,269,523	4,427,225	4,446,347	4,616,764	4,778,744	+170,417	+161,980
Average Payment	\$15,805	\$16,273	\$16,067	\$16,784	\$17,357	+\$717	+\$573
<b>Survivors:</b>							
Cases	394,813	405,014	408,013	419,948	431,992	+11,935	+12,044
Average Payment	\$16,320	\$17,160	\$16,586	\$16,938	\$17,380	+\$352	+\$442
<b>Other Caseload:</b>							
Special Benefits for Children	1,155	1,140	1,146	1,137	1,128	-9	-9
Clothing Allowance	132,575	143,924	137,858	143,070	148,085	+5,212	+5,015
REPS	18	22	14	11	9	-3	-2
Special Allowance for Dependents	37	36	34	31	28	-3	-3
Equal Access to Justice Act	2,858	3,132	2,799	2,740	2,681	-59	-59
<b>Pensions</b>							
<b>Veterans:</b>							
Cases	291,904	297,093	288,630	289,178	289,988	+548	+810
Average Payment	\$12,485	\$13,369	\$12,970	\$13,488	\$14,028	+\$518	+\$540
<b>Survivors:</b>							
Cases	203,771	209,606	203,194	204,006	205,127	+812	+1,121
Average Payment	\$8,874	\$10,005	\$9,536	\$10,241	\$10,989	+\$705	+\$748
<b>Burial Caseload</b>							
Burial Allowance	34,993	45,065	36,057	37,212	38,365	+1,155	+1,153
Burial Plot	25,142	23,138	25,907	26,737	27,564	+830	+827
Service-Connected Deaths	19,147	24,810	20,294	21,222	22,137	+928	+915
Burial Flags	481,164	497,644	497,644	497,644	497,644	-	-
Headstones/Markers/Allowances	365,179	368,059	369,511	373,895	378,701	+4,384	+4,806
Graveliners/Outer Burial Receptacles	40,785	44,063	41,269	41,759	42,295	+490	+536
Caskets/Urns	298	635	302	305	309	+3	+4

## **Funding Highlights**

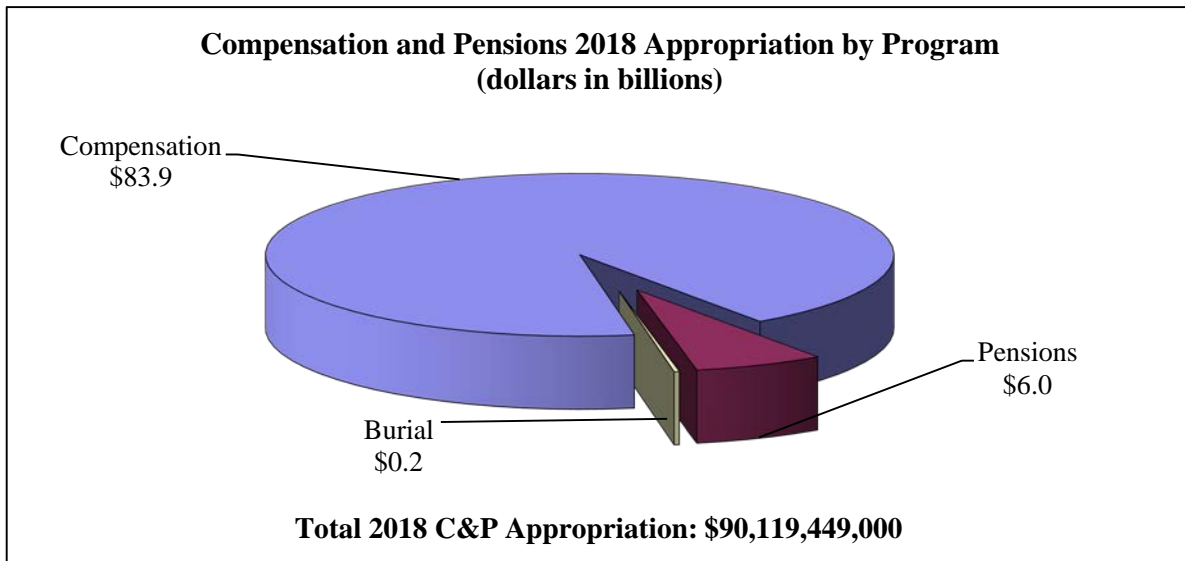
In 2018, the enacted appropriation of \$90.1 billion is sufficient funding for the Compensation and Pensions account. Additionally, this budget requests \$95.8 billion in advance appropriations for 2019. This appropriation will fund disability compensation and pension payments to or on behalf of Veterans, burial benefits, a pilot program for disability examinations, the Reinstated Entitlement Program for Survivors, and other benefits as authorized by sections 107, 1312, 1977, and 2106, and chapters 23, 51, 53, 55, and 61 of title 38, United States Code.

### Summary of 2018 Budget Request

The enacted appropriation of \$90.1 billion combined with an anticipated unobligated balance of \$3.9 billion carried forward to 2018 will support the benefit programs funded by the Compensation and Pensions appropriation account.

Following the largest claims processing transformation in VBA history, VBA has continued to process claims with improved timeliness and accuracy. VBA has completed over a million claims for seven consecutive years, with a record-setting 1.4 million compensation and pension claims completed in 2015 and another 1.3 million completed in 2016. This influx of completed rating claims has resulted in an increased number of Veterans receiving compensation benefits from 3.3 million in 2011 to nearly 4.3 million in 2016. In 2018, VBA expects production levels to remain high, which will result in more Veterans accessing the compensation rolls and increased obligations to Veterans. The increased obligations will be funded by the enacted 2018 appropriation.

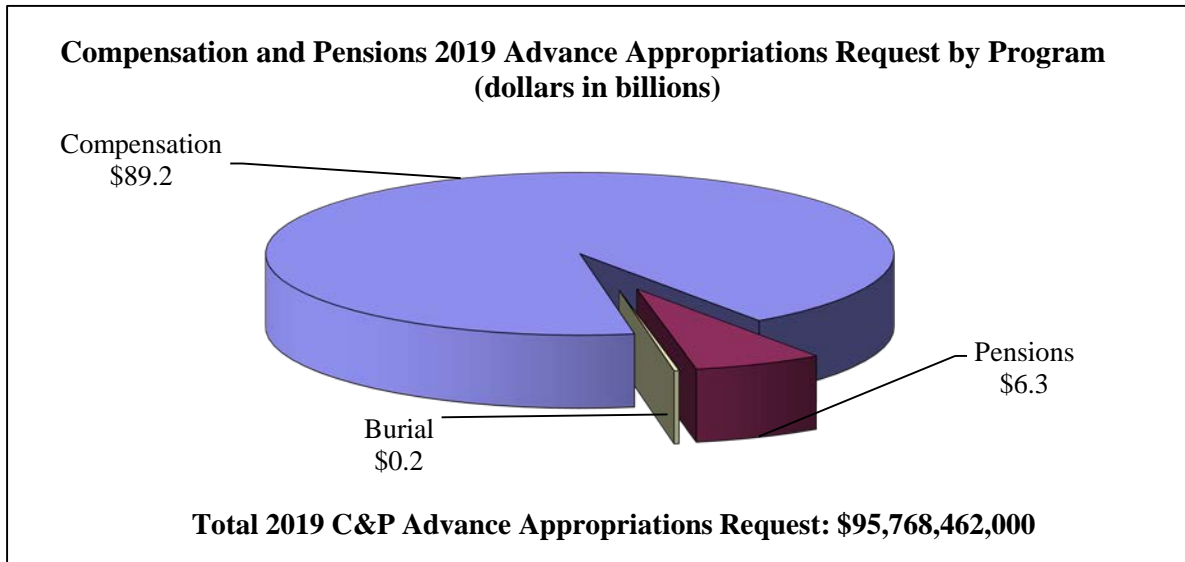
In 2018, budgetary resources for compensation consist of \$83.9 billion in new authority and \$3.9 billion in unobligated balance carried over into 2018. Total compensation obligations are estimated at \$85.5 billion for payments to 4,616,764 Veterans, 419,948 survivors, and 1,137 children receiving special benefits. Pensions will be provided to an estimated 289,178 Veterans and 204,006 survivors totaling \$6.0 billion. An additional \$243.5 million is requested for 2018 to provide burial benefits on behalf of eligible deceased Veterans.



The Omnibus Budget Reconciliation Act (OBRA) provision for data matching was extended by Public Law (P.L.) 113-146 through September 30, 2024. The OBRA provision authorizes VA to perform data matches with the Internal Revenue Service and Social Security Administration to ensure proper payments are made to eligible beneficiaries in its needs-based programs and Veterans receiving compensation based on individual unemployability. Access to these records is the most efficient and effective means VA has of verifying certain types of income.

### 2019 Advance Appropriations Request

Budget authority of \$95.8 billion and an estimated end of year carryover from 2018 of \$2.2 billion will support the benefit programs funded by the Compensation and Pensions appropriation account in 2019. The advance appropriation will fund \$89.2 billion in compensation payments to an estimated 4,778,744 Veterans, 431,992 survivors, and 1,128 children receiving special benefits. Pensions will be provided to an estimated 289,988 Veterans and 205,127 survivors totaling \$6.3 billion. An additional \$247.7 million is requested for 2019 to provide burial benefits on behalf of eligible deceased Veterans.



VA will be able to request additional resources if necessary during the 2019 budget process when updated performance data is available; alternatively, VA will be able to reduce its 2020 Advance Appropriations request should this 2019 estimate prove too high.

## **Changes from Original 2017 Budget Estimate**

Current estimated obligations for the Compensation and Pensions account are \$85.0 billion, a decrease of \$944 million from the original 2017 estimate. The decrease in obligations primarily results from the net effect of 2016 actual experience, updated economic assumptions, increases to the Contract Medical Exam Pilot Program, and the establishment of a presumption of service connection for eight conditions associated with exposure to contaminants in the water supply at Camp Lejeune, N.C. The 2017 budget authority of \$86.1 billion combined with an unobligated balance of \$2.8 billion carried forward into 2017 will fund the current estimated obligations. An estimated unobligated balance of \$3.9 billion at the end of 2017 will be carried forward to 2018.

On January 13, 2017, VA published regulations to establish presumptions for the service connection of eight diseases associated with exposure to contaminants in the water supply at Camp Lejeune, N.C. The presumption of service connection applies to active duty, reserve, and National Guard members who served at Camp Lejeune for a minimum of 30 days (cumulative) between August 1, 1953 and December 31, 1987, and are diagnosed with any of the following conditions:

- adult leukemia
- aplastic anemia and other myelodysplastic syndromes
- bladder cancer
- kidney cancer
- liver cancer
- multiple myeloma
- non-Hodgkin's lymphoma
- Parkinson's disease

VA estimates that the rule, which became effective on March 14, 2017, will increase Compensation and Pensions obligations by \$285.3 million in 2017. This increase is reflected the 2017 current estimate.

### **Compensation**

The current estimated obligations for the compensation program decreased a net \$561.0 million from the original 2017 estimate. This is the cumulative impact of changes to Veteran compensation, survivor compensation, and other miscellaneous compensation obligations.

The current estimated obligations for Veteran Compensation decreased by a net \$604.2 million from the original estimate. Average annual benefit payments for Veterans decreased from the original estimate (\$16,067 vs. \$16,273), which decreased obligations by \$911.4 million. The decrease in estimated average payment is primarily due to a decrease in the cost-of-living adjustment (COLA) assumption (0.3 percent vs. 0.8 percent), combined with 2016 actual experience. Partially offsetting this decrease is an increase of 19,122 in the Veteran compensation caseload (4,446,347 vs. 4,427,225) due to 2016 actual experience and the estimated impact of the Camp Lejeune regulation. The effect of the increased Veteran compensation caseload results in an increase in obligations of \$307.2 million in 2017.

The current estimate for survivor compensation obligations has decreased by a net \$183.0 million from the original 2017 estimate. Survivor average annual benefit payments decreased from the original estimate (\$16,586 vs. \$17,160), which decreased obligations by \$232.8 million in 2017. Partially offsetting this decrease, survivor caseload increased (408,013 vs. 405,014) from the original estimate, resulting in an increase of \$49.7 million in obligations. The increase to survivor caseload is secondary result of the increased Veteran caseload, driven by 2016 actual experience and the Camp Lejeune regulation.

Compensation benefits also include clothing allowance, special benefits for children, VBA OBRA payments, the medical exam pilot program, Reinstated Entitlement Program for Survivors (REPS), Special Allowance for Dependents (SAFD), and Equal Access to Justice Act (EAJA) payments. A net increase of \$226.3 million is a result of changes in these programs. Payments for the Medical Exam Pilot Program increased \$236.6 million, which includes the expanded authority authorized by the Consolidated and Further Continuing Appropriations Act, 2015. The medical exam pilot program increases access and improves timeliness for Veterans to receive a medical exam for a disability determination. This, in turn, expedites the entire claims process for Veterans. Partially offsetting the increase attributed to the medical exam pilot program, payments for clothing allowance decreased \$9.0 million. In addition, REPS, SAFD, and EAJA payments decreased by a combined \$1.3 million from the original estimate. VBA OBRA payments decreased by \$152 thousand, while special benefits for children increased by \$51 thousand. OBRA payment for information technology services did not change from the original estimate.

### **Pensions**

The current estimated obligations for the pensions program decreased \$393.9 million from the original 2017 estimate. Reflecting 2016 actual experience, current estimates decreased for both Veteran pension average payments (\$12,970 vs \$13,369) and caseload (288,630 vs 297,093) compared to the original estimate. The combined effect of these decreases reduced Veteran pension obligations by \$228.5 million in the current estimate. Similarly, decreases to both survivor average payment (\$9,536 vs \$10,005) and caseload (203,194 vs. 209,606) due to 2016 experience resulted in a decrease to survivor pension obligations of \$159.6 million. Additionally, the Medical Exam Pilot Program reimbursement estimate decreased by \$5.3 million, and the VBA OBRA reimbursement estimate decreased by \$562 thousand. There were no changes to the OBRA payment for information technology services.

### **Burial**

The current 2017 burial benefits budget estimate of \$236.3 million is \$10.7 million more than the original budget estimate of \$225.5 million. An increase in the average payment for burial plots (\$791 vs. \$668) and an increase in the annual number of burial plots (25,907 vs. 23,138) results in an increase of \$5.0 million. An increase in the estimated number of headstones and markers (369,511 vs. 368,059) and average payment (\$217 vs. \$206) results in an increase of \$4.5 million. The net effect of a decrease in caseload for burial allowances (36,057 vs. 45,065) and an increase in average payments (\$646 vs.



\$619), results in a decrease of \$3.7 million in obligations. The combined effect of a decrease in caseload for graveliners and pre-placed crypts (41,269 vs. 44,063) and an increase in average payments (\$507 vs. \$422), results in an increase of \$2.7 million in obligations. Obligations for burial flags increased \$1.3 million due to an increase in the average payment (\$47 vs. \$44). The net effect of an increase in average payments for service-connected deaths (\$2,597 vs. \$2,259) and a decrease in caseload for service-connected burial allowances (20,294 vs. 24,810) results in an increase of \$635 thousand. A decrease in the expected number of caskets and urns (302 vs 635) is partially offset by an increase in average payment (\$3,076 vs. \$1,112) and results in a net increase of \$221 thousand.

<b>Analysis of Increases and Decreases</b>			
<b>(dollars in thousands)</b>			
	<b>2017 Estimate</b>	<b>2018 Estimate</b>	<b>2019 Estimate</b>
Prior Year Obligations	\$80,073,362	\$85,046,095	\$91,776,827
<b>Compensation</b>			
Veterans Caseload and average payment changes (net)	+\$3,762,343	+\$4,450,815	+\$3,778,209
Survivor Caseload and average payment changes (net)	+\$307,305	+\$179,776	+\$220,544
P.L. 114-197 COLA 0.3%, effective 12/01/16	+\$211,421	+\$43,872	-
Proposed COLA 2.8%, effective 12/01/17	-	+\$1,718,423	+\$355,539
Proposed COLA 2.3%, effective 12/01/18	-	-	+\$1,501,530
<b>Other Benefits</b>			
Special Benefits for Children	-\$98	+\$405	+\$309
Clothing Allowance	+\$4,428	+\$7,186	+\$6,749
Other (REPS, SAFD, EAJA)	-\$259	-\$38	-\$40
Medical Exams Pilot Program	+\$456,514	+\$13,018	+\$13,240
Payments for VBA OBRA	+\$70	+\$254	+\$890
Payments for ITS OBRA	+\$22	+\$1	-\$3
<b>Total Compensation Net Change</b>	<b>\$4,741,745</b>	<b>\$6,413,712</b>	<b>\$5,876,966</b>
<b>Pensions</b>			
Caseload and average payment changes (net)	+\$214,954	+\$173,061	+\$188,911
COLAs	+\$13,525	+\$135,773	+\$143,314
Payments for VBA OBRA	+\$264	+\$946	-\$212
Payments for ITS OBRA	+\$106	+\$3	-\$16
Medical Exams Pilot Program	-\$3,116	-	-
<b>Total Pensions Net Change</b>	<b>+\$225,733</b>	<b>+\$309,783</b>	<b>+\$331,996</b>
<b>Burial</b>	<b>+\$5,254</b>	<b>+\$7,238</b>	<b>+\$4,179</b>
<b>Total Net Change</b>	<b>+\$4,972,733</b>	<b>+\$6,730,733</b>	<b>+\$6,213,141</b>
<b>Estimated Obligations</b>	<b>\$85,046,095</b>	<b>\$91,776,827</b>	<b>\$97,989,968</b>

## Analysis of Increases and Decreases from 2018 to 2019

### Compensation

In 2019, compensation obligations are estimated to surpass the 2018 level by \$5.9 billion. VBA anticipates that claims production levels will remain high through 2019 due to the efficiency gains realized from the claims transformational process changes and

technological advances. High claims production levels result in an increasing Veteran caseload, and a rising average degree of disability leads to higher average payments to Veterans. The combined impact of increasing Veteran caseload and average payments to Veterans lead to a \$3.8 billion increase in obligations for 2019. Increases to survivor compensation caseload and average payment result in an additional \$220.5 million in obligations. The 2019 COLA is expected to add \$1.5 billion to the cost of the program in 2019. The 2018 COLA adds \$355.5 million in obligations. COLAs provide a rate increase to all disability compensation beneficiaries, including DIC spouses and children. Rates are matched with the Consumer Price Index and are tied to that afforded to Social Security beneficiaries.

Under the category of other benefits, costs are projected to increase by \$21.1 million from 2018 to 2019. The estimated obligations for contract medical examinations increased by \$13.2 million over the prior year. Clothing allowance obligations are expected to increase by \$6.7 million in 2019. VBA OBRA payments are expected to increase \$890 thousand, and special benefits for children are expected to increase by \$309 thousand. The combined obligations of REPS, SAFD, and EAJA are expected to decrease \$40 thousand compared to 2018 levels, and payments for ITS OBRA decrease by three thousand.

### **Pensions**

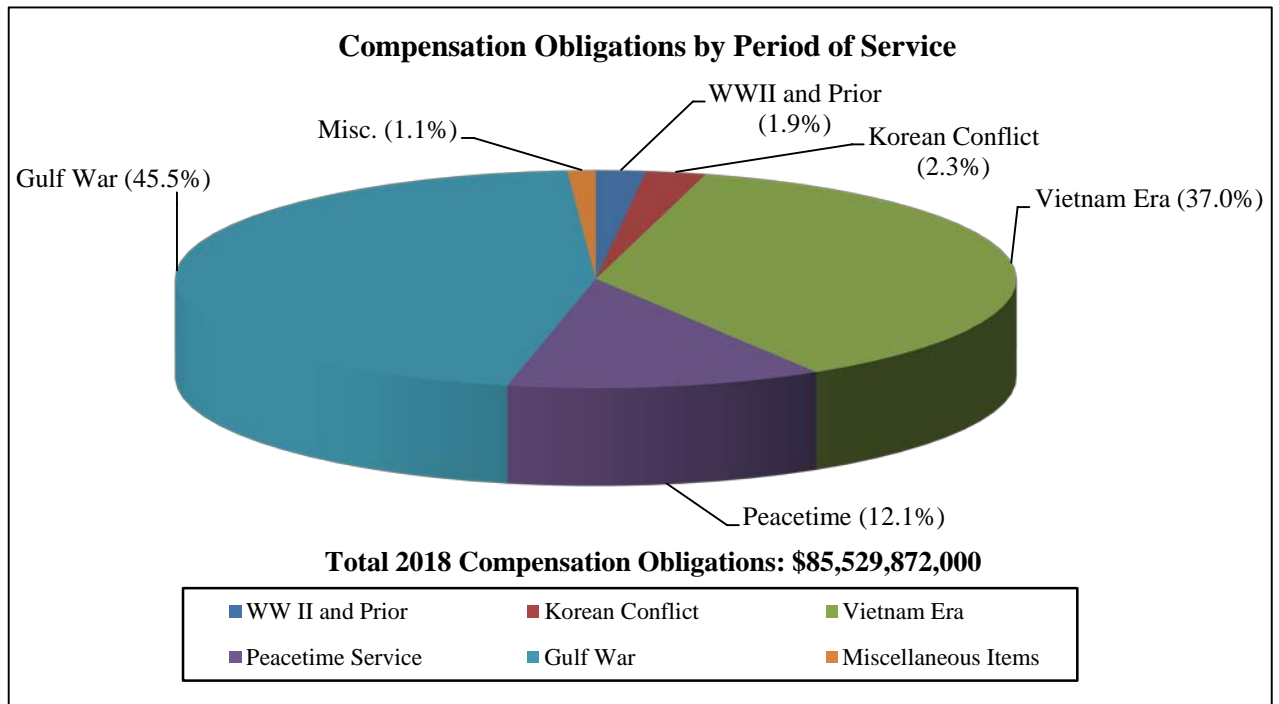
In 2019, pension obligations are expected to increase \$332.0 million from the 2018 level. Caseload and average payments are expected to increase for both Veterans and survivors in 2019. Gulf War and Vietnam Veterans are anticipated to be the largest cohorts of pension accessions as more of these Veterans are reaching the qualifying age of 65. The increases to Veteran and survivor caseload and average payments results in a combined increase in obligations of \$188.9 million. The COLA of 2.3 percent is expected to add \$143.3 million to the cost of the program in 2019. Slightly offsetting these increases, VBA OBRA obligations decreased by \$212 thousand, and payments to ITS OBRA decreased by \$16 thousand.

### **Burial**

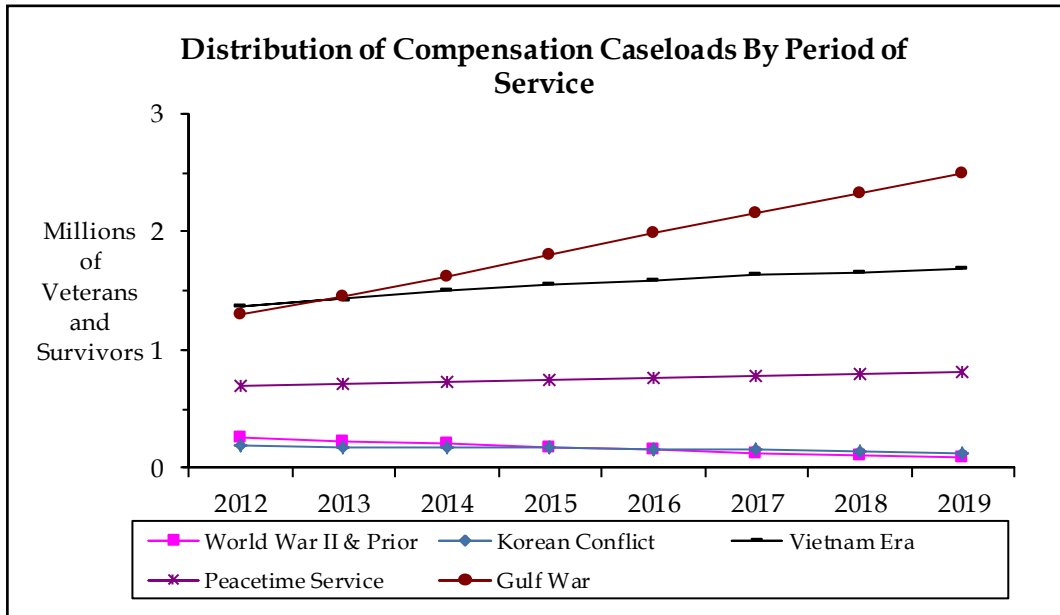
In 2019, burial benefits obligations are projected to increase by \$4.2 million. The combined impact of an increase in caseload and a decrease in average payment for preplaced crypts will decrease obligations by \$2.9 million. A rise in the anticipated number of service-connected deaths increases obligations by \$2.8 million in 2019. Caseload and average payment for burial allowances increase over 2018 levels, resulting in an obligation increase of \$1.6 million. Increases to caseload and average payment for burial plots result in an obligation increase of \$1.3 million. While average payment for headstones and markers is expected to slightly decrease, caseload increases from the 2018 level, resulting in a net increase of \$788 thousand in obligations. An increase to the average payment for burial flags results in a \$475 thousand increase in obligations. A slight decrease in average payment and increase in caseload for graveliners will result in an increase of \$38 thousand. Obligation estimates for caskets and urns also decreased by \$6 thousand as a result of the combination of a slight increase in caseload and a decrease in average payments.

## Compensation Program Highlights

In 2018, compensation benefit obligations are expected to total \$85.5 billion with benefit payments made to 5,036,712 beneficiaries. In 2019, obligations are projected to increase to \$91.4 billion with payments to 5,210,736 beneficiaries. Approximately 99.1 percent of total compensation obligations in 2018 are direct benefit payments to Veterans and their survivors. The Gulf War Era, which began on August 2, 1990, now spans over 26 years compared to 14 years for the Vietnam Era (February 28, 1961 – May 7, 1975). As a result, an increasing number of Gulf War Era Veterans are separating from service and accessing the compensation rolls. As shown in the graphic below, compensation benefit payments to Veterans and survivors of Veterans from the Gulf War Era (45.5 percent of total compensation obligations in 2018) are expected to significantly exceed benefits to Veterans and survivors from the Vietnam Era (37.0 percent of 2018 compensation obligations). The increasing percentage of benefits paid to Gulf War Era Veterans is driven by a number of factors including VA’s successful outreach efforts, improved access to benefits through the joint VA and DoD pre-discharge programs and eBenefits, and increased demand due to the longevity of the Gulf War Era.



Benefits in the compensation program are estimated to be dispersed to 4,616,764 Veterans and 419,948 survivors in 2018 and 4,778,744 Veterans and 431,992 survivors in 2019. The 2018 Veteran and survivor caseload estimate is distributed among World War II and Prior (109,647), Korean Conflict (140,291), Vietnam Era (1,661,391), Gulf War (2,327,795), and Peacetime (797,587) periods of service. Caseload for the older periods of service is steadily declining. The number of Veterans and survivors of Veterans from the Gulf War Era that are receiving compensation benefits will continue to increase rapidly through the budget year. Changes to the compensation caseload by period of service from 2012 and projected through 2019 can be seen in the following chart.

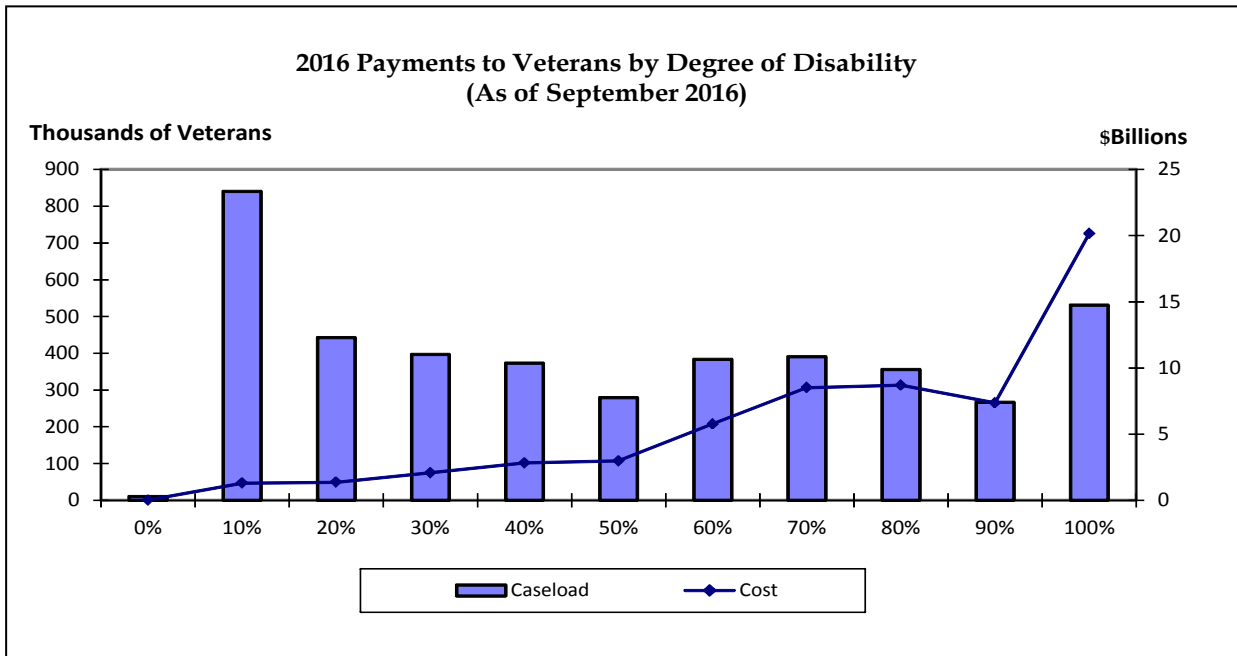


Numerous factors contribute to the total cost of benefits of the compensation program, including average degree of disability, additional benefits from enacted legislation or regulations, variations in the number of dependents, the number of individual unemployability (IU) cases, rising special monthly compensation cases, the number of retroactive payments, and variable numbers of accessions and terminations. Deviations in these factors alter average payments, historically increasing program obligations.

Based on historical data, the average degree of disability is forecasted to increase through 2018. The average degree of disability for Veterans increased from 48.9 percent in 2015 to 50.1 percent in 2016, which is consistent with the average rate of increase since 2010. Additional regulations, legislation, and the increasing number of completed claims as well as issues per claim have contributed to rising disability ratings. The budget request considers the increasing average degree of disability in conjunction with estimated VA workload projections. Increases in average degree of disability cause significant increases in average payments.

<b>Veteran Compensation</b>												
<b>Average Monthly Caseloads by Degree of Disability</b>												
Year	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	Avg. Degree
2010	12,145	779,997	445,472	365,254	312,301	205,419	246,132	227,528	172,491	97,591	290,396	42.2%
2011	11,423	780,978	440,188	373,677	322,635	214,552	267,838	247,636	192,546	112,824	320,059	43.5%
2012	11,064	781,510	439,354	377,028	332,864	226,725	290,938	273,577	220,876	136,267	350,054	44.9%
2013	10,770	791,921	441,107	383,061	344,424	240,584	314,999	302,088	254,221	166,383	383,598	46.3%
2014	10,583	808,787	444,208	390,620	356,509	254,926	339,830	331,922	288,359	199,245	428,866	47.7%
2015	10,194	822,362	442,516	393,768	364,478	268,133	362,316	361,597	322,595	233,681	480,335	48.9%
2016	9,852	840,032	442,739	396,857	373,154	279,153	383,227	390,216	356,066	266,896	531,330	50.1%

While Veterans who are rated 10 percent disabled are the largest group of Compensation recipients, they do not account for the majority of program cost. Monthly payments vary by average degree of disability. The largest compensation payments, as shown in the chart below, are paid to those with higher degrees of disability. In addition to variations of degree of disability, only Veterans at or above the 30 percent disability rating may be entitled to additional compensation for dependents, resulting in higher average payments. Additionally, payment rates are not proportional to the degree of disability.



Reopened workload projections aid in forecasting changes to a Veteran’s degree of disability rating. These claims result when Veterans file amended claims because their disabilities worsen, new evidence of service-connection becomes available, and/or new legislation or regulation allows for additional compensation. In 2016, 252,157 Veterans, or 5.9 percent of Veterans on the compensation rolls, received an increase to their disability benefits, as shown on the following chart. The average increased rating level in 2016 was to 72.0 percent. Fewer Veterans received an increased rating, but the increased rating level was higher compared to 2015 levels, when 265,492 Veterans (6.5 percent of Veterans on the rolls) received an increased rating and the average increased rating level was to 71.3 percent. The higher increased rating levels in 2016 compared to 2015 is consistent with recent trends, and has contributed to the increases to the overall average degree of disability.

<b>Veterans Compensation 2016 Increased Disability Rating Levels</b>											
	<b>Disability Level Increase</b>										
<b>Current</b>	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	<b>Total</b>
0%	80	73	29	44	30	32	23	10	10	66	<b>397</b>
10%	-	9,043	5,255	6,124	2,240	4,958	2,858	1,617	687	2,838	<b>35,620</b>
20%	-	-	6,441	6,639	2,834	4,010	2,064	2,373	829	2,514	<b>27,704</b>
30%	-	-	-	7,789	5,940	4,471	4,321	2,886	1,104	2,974	<b>29,485</b>
40%	-	-	-	-	6,607	9,454	6,121	5,018	1,982	3,572	<b>32,754</b>
50%	-	-	-	-	-	7,770	7,027	4,811	2,348	3,399	<b>25,355</b>
60%	-	-	-	-	-	-	11,488	10,186	4,690	5,696	<b>32,060</b>
70%	-	-	-	-	-	-	-	12,693	7,152	7,678	<b>27,523</b>
80%	-	-	-	-	-	-	-	-	15,525	9,280	<b>24,805</b>
90%	-	-	-	-	-	-	-	-	-	16,454	<b>16,454</b>
<b>Total</b>	<b>80</b>	<b>9,116</b>	<b>11,725</b>	<b>20,596</b>	<b>17,652</b>	<b>30,696</b>	<b>33,903</b>	<b>39,595</b>	<b>34,328</b>	<b>54,472</b>	<b>252,157</b>

As of September 2016, 2.1 million out of 4.4 million Veteran cases received additional compensation for dependents. The number of dependents totaled over 3.4 million, or 1.63 dependents per case, up slightly from the 2015 average of 1.58.

In addition to monetary benefits for dependents, Veterans who are rated 60 percent and above are eligible for individual unemployability (IU). The eligibility criteria for the IU program are as follows: at least one service connected disability rating of at least 60 percent; or two or more service connected disabilities with at least one disability ratable at 40 percent or more with a combined rating of 70 percent or more. In addition, the Veteran must be unable to maintain substantially gainful employment as a result of the service-connected disabilities. As a result, Veterans receiving IU payments receive compensation at the 100 percent disability rating even if their assigned rating is lower. Increases in the IU benefit affect the average payment, resulting in increased program costs. In September 2016, 338,862 Veterans received IU, an increase of 10,479 cases over September 2015. While IU caseload continues to increase at a gradual rate, the percentage of Veterans on the compensation rolls receiving IU compared to total Veteran caseload has been decreasing slightly, from 8.6 percent in September 2010 to 7.9 percent in September 2016.

<b>Veterans Compensation Individual Unemployability</b>							
	2010	2011	2012	2013	2014	2015	2016
Without Dependents	78,985	84,279	89,870	95,847	96,406	99,397	101,534
With Dependents	192,728	198,259	205,849	213,907	219,745	228,986	237,328
<b>Total</b>	<b>271,713</b>	<b>282,538</b>	<b>295,719</b>	<b>309,754</b>	<b>316,151</b>	<b>328,383</b>	<b>338,862</b>

Special monthly compensation (SMC) is a monetary benefit paid in addition to or in place of 0 percent to 100 percent combined degree of disability. To qualify, a Veteran must be disabled due to special circumstances (e.g., loss of use of one hand). Also, certain Veterans may be entitled to Aid and Attendance, which provides for needed caregiver assistance due to their disabilities. The increasing number and percentage of Veterans receiving SMC payments, partially contributes to an increasing trend in average payments.

<b>Veterans Compensation</b>							
<b>Special Monthly Compensation</b>							
	2010	2011	2012	2013	2014	2015	2016
Without Dependents	132,010	142,375	157,478	170,315	177,713	184,217	188,571
With Dependents	234,571	260,471	288,435	316,800	349,938	385,465	417,002
<b>Total</b>	<b>366,581</b>	<b>402,846</b>	<b>445,913</b>	<b>487,115</b>	<b>527,651</b>	<b>569,682</b>	<b>605,573</b>

The majority of retroactive payments are one-time payments disbursed as original or amended claims. These payments typically are paid back to the date of claim unless legislation allows for payment to begin at the date of enactment of a regulation establishing the service-connected condition. During 2016, retroactive payments were 8.8 percent of total compensation obligations. While this is a decrease of 1.8 percent from the 2015 level, it remains slightly higher than historical levels. The percentage of total compensation obligations that are retroactive payments is expected to continue to trend down towards historical levels through 2019. This decrease is the result of a reduced backlog of claims pending more than 125 days. With a reduced backlog of claims pending more than 125 days, the amounts paid in retroactive benefits for granted claims will be lower, as the amount of a retroactive payment corresponds to the number of days a claim is pending.

Additionally, the provision under Section 506 of P.L. 112-154, which authorized Veterans, who filed a fully developed original claim for disability compensation between August 6, 2013, and August 5, 2015, to be paid an additional year of retroactive benefit payments beyond the date of claim, has expired. While VA paid retroactive benefits in 2016 for fully developed original claims that were filed prior to the August 5, 2015 deadline, no new claims will result in retroactive benefit under this provision.

<b>Compensation</b>							
<b>Retroactive Payments</b>							
<b>(Dollars in millions)</b>							
	2010	2011	2012	2013	2014	2015	2016
Retro Payments	\$3,760	\$7,269	\$7,060	\$7,915	\$7,597	\$7,420	\$6,473
Compensation Payments	\$43,292	\$49,169	\$53,757	\$59,468	\$64,389	\$69,934	\$73,925
Percent of Retro to Total	8.6%	14.8%	13.1%	13.3%	11.8%	10.6%	8.8%

As a result of the efforts to eliminate the disability compensation claims backlog, retroactive payments have, in recent years, been above historical levels. However, the majority of compensation obligations are from monthly recurring payments. In 2016, compensation recurring payment obligations were nearly \$67.5 billion (\$61.0 billion for Veterans and \$6.4 billion for survivors), or 91.2 percent of the total compensation obligations. The following chart shows recurring payment obligations for Veterans, as well as caseload, average age, and average payment by degree of disability.

<b>Veterans Compensation</b>				
<b>Summary by Degree of Disability</b>				
<b>(obligations in thousands)</b>				
	2016			
Combined Degree of Disability	September Caseload	Average Age	Average September Payment	Recurring Payment Obligations
0%	10,053	71.8	\$96	\$10,867
10%	857,134	59.9	\$134	\$1,300,541
20%	451,752	58.1	\$267	\$1,365,528
30%	404,936	56.4	\$453	\$2,073,832
40%	380,751	55.4	\$655	\$2,817,404
50%	284,836	54.6	\$924	\$2,973,976
60%	391,029	55.0	\$1,301	\$5,759,253
70%	398,160	55.3	\$1,886	\$8,504,403
80%	363,315	54.3	\$2,114	\$8,696,851
90%	272,330	54.4	\$2,385	\$7,355,059
100%	542,147	60.8	\$3,287	\$20,150,807
<b>Veterans Compensation</b>	<b>4,356,443</b>	<b>57.1</b>	<b>\$1,238</b>	<b>\$61,008,521</b>

The compensation program estimates take into consideration the effects of accessions (new claims per year) and terminations (removal from rolls, e.g., death). The net effect (accessions minus terminations) has been increasing, contributing to a rapid increase in the disability compensation recurring payments commonly referred to as beneficiaries on the rolls. The chart below shows the historical trends of accessions, terminations and the net change for Veterans. These trends have been considered in future projections.

<b>Veterans Compensation</b>							
<b>Accessions and Terminations</b>							
	2010	2011	2012	2013	2014	2015	2016
Accessions	233,394	235,146	261,837	292,674	293,869	313,047	284,549
Terminations	91,444	89,443	88,598	94,155	95,231	100,460	102,608
Net Change	141,950	145,703	173,239	198,519	198,638	212,587	181,941



The following chart shows Veteran accessions to the compensation rolls by degree of disability. The average degree of disability for Veterans accessing the rolls is 45.8 percent, which is slightly lower than the average degree of disability of 50.1 percent for all Veterans receiving compensation. FY 2016 is the first year in recent history in which the average degree of disability for accessions has not increased from the prior year. Accession projections for the out-years are derived from the claims completed projections. These projections consider recently enacted legislation, regulatory changes, historical trends of applications of Veterans, as well as VA initiatives. Estimates of Veteran accessions are distributed among the disability ratings using historical trends.

<b>Veterans Compensation</b>							
<b>Accession Trends</b>							
Combined Degree of Disability	2010	2011	2012	2013	2014	2015	2016
0%	574	488	710	781	753	611	490
10%	65,269	61,236	67,540	72,608	72,757	77,772	72,638
20%	35,568	28,601	31,163	32,248	30,286	29,771	26,222
30%	29,489	31,914	30,602	31,548	29,985	30,603	27,193
40%	24,656	22,585	24,050	26,554	25,436	26,294	23,871
50%	17,539	17,241	20,979	23,083	22,726	24,518	21,712
60%	17,940	22,286	24,477	26,880	26,341	27,696	24,571
70%	14,101	15,925	21,280	25,410	25,318	27,738	24,974
80%	9,872	10,291	15,054	19,664	20,798	22,234	20,204
90%	5,092	5,432	9,070	13,611	16,208	18,438	17,247
100%	13,294	19,147	16,912	20,287	23,261	27,372	25,427
<b>Total</b>	<b>233,394</b>	<b>235,146</b>	<b>261,837</b>	<b>292,674</b>	<b>293,869</b>	<b>313,047</b>	<b>284,549</b>
<b>Avg. Degree</b>	<b>37.5%</b>	<b>40.8%</b>	<b>41.6%</b>	<b>43.6%</b>	<b>44.9%</b>	<b>45.8%</b>	<b>45.8%</b>

Based on an analysis of Veteran trends, there is a relationship between Veterans terminating from the compensation rolls and survivors acceding to the compensation rolls. The relationship is significantly more pronounced as the Veteran's degree of disability increases. The survivor's Dependency and Indemnity Compensation (DIC) program is available to surviving spouses who have not remarried (or those remarried after the age of 57), unmarried children under 18 years of age, helpless children, and low-income parents of deceased Veterans. The chart below shows the historical trends of accessions, terminations and the net change for survivors. These trends have been considered in future projections.

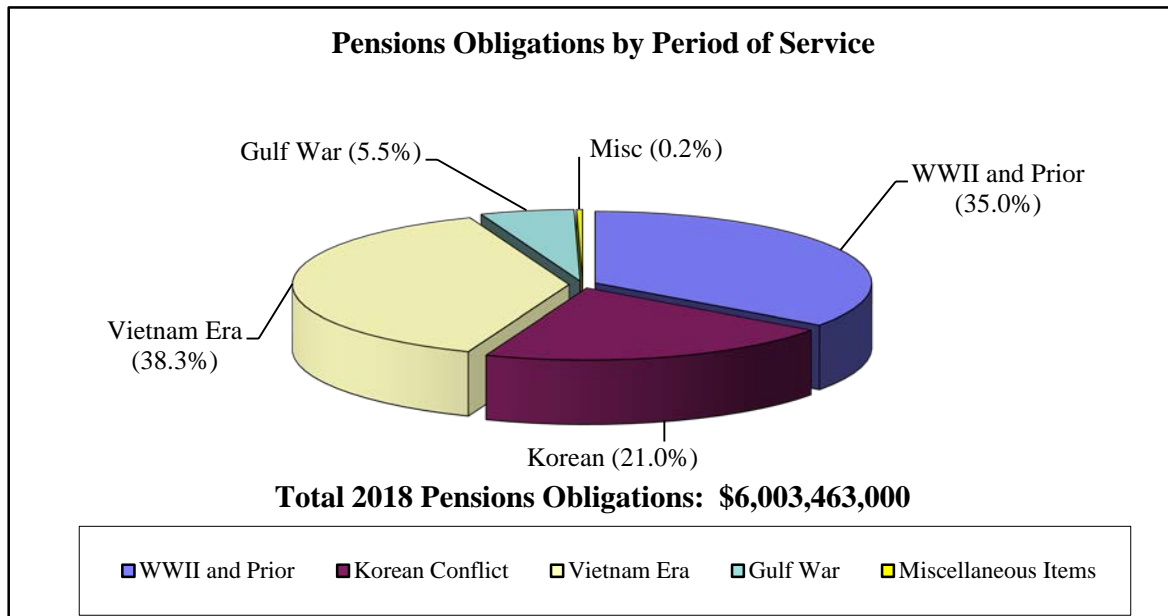
<b>Survivor Compensation</b>							
<b>Accessions and Terminations</b>							
	2010	2011	2012	2013	2014	2015	2016
Accessions	21,654	23,504	25,745	27,669	27,817	27,032	27,988
Terminations	16,294	15,555	16,281	18,501	24,812	20,844	20,723
Net Change	5,360	7,949	9,464	9,168	3,005	6,188	7,265

For surviving spouses of Veterans who were not rated totally disabled to become eligible, they must meet at least one of three requirements. The Veteran must have died from: (1) a service connected disease or injury incurred or aggravated while on active duty; (2) an injury was incurred or aggravated in the line of duty while on inactive duty training; or (3) a disability compensable by the VA. Survivors of Veterans who were rated totally disabled, but died of a non-service connected cause, may be eligible if: (1) the Veteran was continuously rated totally disabled over a period of ten years; (2) the Veteran was rated for a period of at least five years from the military discharge; or (3) the Veteran was a former prisoner of war who died after September 30, 1999, and who was rated totally disabled for a period of not less than one year immediately preceding death.

Veteran termination data has demonstrated that survivors typically access the compensation rolls within three years. In 2016, of the 27,988 survivor accessions, 22,881 were associated with Veteran terminations within the previous three years.

## Pensions Program Highlights

In 2018, pension obligations are expected to total \$6.0 billion with payments made to 493,184 pension beneficiaries. In 2019, obligations are projected to increase to \$6.3 billion with payments to 495,115 beneficiaries. In 2018 and 2019, Veteran caseloads from the Korean War and prior are expected to decrease, while Veteran caseloads from Vietnam to present are increasing. Survivor pension caseload follows a similar trend; WWII and prior caseloads are expected to decrease through 2019, while survivor caseloads from the Korean War, Vietnam Era, and Gulf War are increasing. Approximately 97.5 percent of the estimated cases in 2018 will receive benefits under the Improved Law program, accounting for 99.8 percent of the program's cost. As shown in the following chart, the two largest pension requests come from Vietnam Era Veterans and WWII and prior. Vietnam Era accounts for 38.3 percent of program obligations in 2018. WWII and prior is the second largest group of pension recipients, accounting for 35.0 percent of obligations, and is largely associated with survivor benefit payments. The percentage for Vietnam Era and Gulf War Veterans will continue to increase as this population is becoming eligible for the automatic permanent and totally disabling rating at age 65.



Currently, VA administers three pensions programs (Improved Law Pensions, Prior Law Pensions, and Old Law Pensions). New beneficiaries can only receive the Improved Law Pensions benefits (Public Law 95-588); the other two programs are closed. Since the Prior Law and Old Law programs have been closed since 1979 and 1960, respectively, the caseload in these programs is from earlier periods of service and will continue to decline.

## Pensions Summary by Law

	2016			2017			2018			2019		
	Avg. Cases	Avg. Benefit (\$'s)	Total Obligations (000's)	Avg. Cases	Avg. Benefit (\$'s)	Total Obligations (000's)	Avg. Cases	Avg. Benefit (\$'s)	Total Obligations (000's)	Avg. Cases	Avg. Benefit (\$'s)	Total Obligations (000's)
<b>Total</b>												
Improved Law	480,206	\$11,324	\$5,437,928	478,007	\$11,860	\$5,669,043	480,829	\$12,437	\$5,980,035	484,057	\$13,044	\$6,314,027
Prior Law	15,369	\$945	\$14,524	13,726	\$868	\$11,913	12,271	\$796	\$9,772	10,980	\$730	\$8,016
Old Law	99	\$828	\$82	91	\$618	\$56	84	\$465	\$39	78	\$352	\$27
<b>Veterans</b>												
Improved Law	290,421	\$12,539	\$3,641,620	287,432	\$13,016	\$3,741,264	288,209	\$13,528	\$3,898,804	289,204	\$14,061	\$4,066,518
Prior Law	1,465	\$1,806	\$2,646	1,181	\$1,824	\$2,154	952	\$1,842	\$1,754	767	\$1,861	\$1,427
Old Law	17	\$1,206	\$21	17	\$992	\$17	17	\$811	\$14	17	\$663	\$11
<b>Survivors</b>												
Improved Law	189,785	\$9,465	\$1,796,307	190,575	\$10,116	\$1,927,779	192,620	\$10,805	\$2,081,232	194,853	\$11,534	\$2,247,508
Prior Law	13,904	\$854	\$11,877	12,545	\$778	\$9,759	11,319	\$708	\$8,019	10,213	\$645	\$6,589
Old Law	82	\$749	\$61	74	\$532	\$39	67	\$377	\$25	61	\$265	\$16

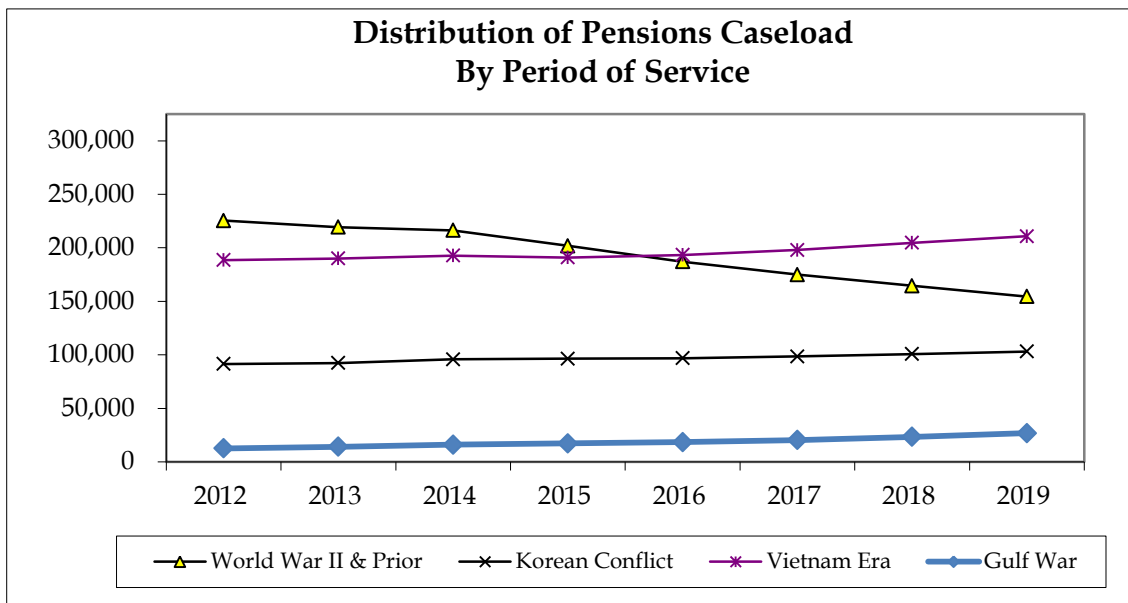
A major factor of the cost of the pensions program is the impact of the automatic cost-of-living adjustment. The COLA for Improved Law beneficiaries, which is automatically tied to that afforded to Social Security beneficiaries, is estimated to be 2.8 percent in 2018. Since rates for pensioners covered by earlier programs are fixed, variations in average benefit payments for these beneficiaries are attributed to changes in dependency, qualifying income, health, or other eligibility criteria.

<b>Pensions</b>			
<b>Improved Law Income Limitations</b>			
(As of December 2016)			
<b>Veterans</b>		<b>Survivors</b>	
Without dependents	\$12,907	Spouses without dependents	\$8,656
With one dependent	\$16,902	Spouses with one dependent	\$11,330
Each additional dependent	\$2,205	Each additional dependent	\$2,205

The amount of Improved Law Pensions payable is reduced for each dollar of countable family income by the annual income limitations. These limitations can affect the average pension payment, which in turn, impacts the majority of total cost of the pensions program.

Total pension caseload is expected to decrease in 2017 (491,823 vs. 495,675), but increase in 2018 (493,184) and 2019 (495,115). Vietnam and WWII & prior beneficiaries account for the largest pension caseloads with 204,702 and 164,461 beneficiaries, respectively, in 2018. Beneficiaries associated with these periods of service account for or 74.9 percent of all pension beneficiaries. Of the 164,461 WWII and prior beneficiaries, only 40,947 are Veterans, with the remaining caseload being survivors. The opposite is true of the Vietnam Veteran Era with 175,212 of the total 204,702 recipients being Veterans.

Caseloads for the earlier periods of service are declining; however, the most recent eras are expected to continue their gradual increasing trend. This increase can be attributed to the number of Vietnam Era Veterans turning 65, allowing for an automatic permanent and totally disabling rating under current law. The number of Veterans of the Gulf War is also increasing but has not yet reached the level of other periods of service.



As of September 30, 2016, 37.8 percent of Veterans who received a pension were over age 75. The percentage of survivors receiving pension over the age of 75 is 76.9 percent. VA continues to experience growth in the number of Vietnam Era and Gulf War claims. These trends are expected to continue through 2018. As more Veterans from recent periods of service continue to access the rolls, the average age of pension recipients will begin to decrease.

Pensions Age of Pensions Recipients (As of September 2016)								
Age	Veterans Improved Law	Veterans Prior Law	Veterans Old Law	Total Veterans	Survivors Improved Law	Survivors Prior Law	Survivors Old Law	Total Survivors
Under 25	2	-	-	2	347	2	-	349
25 – 35	1,339	-	-	1,339	211	2	-	213
36 - 45	5,105	-	-	5,105	799	72	-	871
46 – 55	8,420	-	-	8,420	5,590	944	1	6,535
56 -65	79,812	66	-	79,878	17,846	3,027	4	20,877
66 – 75	84,675	252	-	84,927	15,348	2,256	7	17,611
Over 75	108,005	1,001	14	109,020	149,083	6,898	66	156,047
Unknown	24	-	-	24	473	10	-	483
<b>Total</b>	<b>287,382</b>	<b>1,319</b>	<b>14</b>	<b>288,715</b>	<b>189,697</b>	<b>13,211</b>	<b>78</b>	<b>202,986</b>

The pensions program forecast considers the effects of accessions (new beneficiaries per year) and terminations (removal from rolls due to factors such as death, increased income, etc.). Deviations in accessions and terminations cause the caseload to fluctuate.

Veteran Pensions Accessions and Terminations							
	2010	2011	2012	2013	2014	2015	2016
Accessions	47,852	49,524	47,203	43,059	46,378	39,362	39,484
Terminations	48,548	52,920	46,304	49,752	50,753	49,618	44,417
Net Change	-696	-3,396	899	-6,693	-4,375	-10,256	-4,933

Although caseloads in Prior Law and Old Law are decreasing, they still have an impact on the total cost of the program. Evaluating the trends in dependency is also considered in the budget forecast as it affects average payment. For each program category, pensioners with dependents receive additional benefits.

## Pensions Program Trends

(As of September 2016)

### “Old Law” Pensions Cases (closed program)

“Old Law” refers to the pensions program in existence prior to July 1, 1960, in which the benefit rate is fixed for all eligible, regardless of specific countable income.

Veterans					Survivors				
Year	Number	%	Veterans Alone	Veterans w/ Dependents	Number	%	Spouses Alone	Spouses w/ Dependents	Children Alone
2010	49	<0.1	30	19	145	0.1	69	-	76
2011	43	<0.1	25	18	130	0.1	N/A	N/A	N/A
2012	36	<0.1	21	15	120	0.1	N/A	N/A	N/A
2013	31	<0.1	18	13	109	0.1	44	-	65
2014	24	<0.1	13	11	95	<0.1	34	-	61
2015	20	<0.1	11	9	88	<0.1	30	-	58
2016	14	<0.1	8	6	78	<0.1	24	-	54

### “Prior Law” Pensions Cases (closed program)

“Prior Law” refers to the pensions program in existence between July 1, 1960 and January 1, 1979. Benefit rates were established by formula, and reduced for each dollar of countable income.

Veterans					Survivors				
Year	Number	%	Veterans Alone	Veterans w/ Dependents	Number	%	Spouses Alone	Spouses w/ Dependents	Children Alone
2010	4,166	1.3	1,974	2,192	24,489	12.3	15,265	940	8,284
2011	3,516	1.1	N/A	N/A	22,153	10.7	N/A	N/A	N/A
2012	2,990	1.0	N/A	N/A	20,405	8.7	N/A	N/A	N/A
2013	2,471	0.8	1,208	1,263	18,695	8.9	10,393	629	7,673
2014	2,025	0.7	983	1,042	16,273	7.7	8,414	546	7,313
2015	1,650	0.6	859	791	14,686	7.1	7,265	443	4,978
2016	1,319	0.5	668	651	13,211	6.5	6,900	373	5,938

### “Improved Law” Pensions Cases

“Improved Law” refers to the pensions program in existence since January 1, 1979. Payments for the Improved Law program beneficiaries are computed by reducing dollar-for-dollar, the benefit levels specified under Public Law 95-588 by the income of the beneficiary.

Veterans					Survivors				
Year	Number	%	Veteran Alone	Veterans w/ Dependents	Number	%	Spouse Alone	Spouse w/ Children	Children Alone
2010	309,348	98.7	236,233	73,115	173,914	87.6	168,019	1,724	4,171
2011	310,115	98.9	237,900	72,215	185,384	89.2	N/A	N/A	N/A
2012	312,006	99.0	240,864	71,124	212,924	91.2	N/A	N/A	N/A
2013	305,638	99.2	236,574	69,064	191,707	91.1	186,513	1,455	3,739
2014	302,530	99.3	236,246	66,284	195,397	92.3	190,434	1,405	3,558
2015	293,415	99.4	230,706	62,686	191,622	92.9	186,998	1,281	3,343
2016	287,382	99.5	227,458	59,924	189,697	93.5	185,328	1,177	3,192

**Compensation and Pensions**  
**Summary of Obligations**  
(obligations in thousands)

	2016			2017		
	Average Cases	Average Benefit	Total Obligations	Average Cases	Average Benefit	Total Obligations
<b>Compensation Total <sup>1/</sup></b>	<b>4,664,336</b>	<b>\$15,849</b>	<b>\$73,924,991</b>	<b>4,854,360</b>	<b>\$16,110</b>	<b>\$78,206,060</b>
<b>Veterans Compensation</b>	<b>4,269,523</b>	<b>\$15,805</b>	<b>\$67,481,780</b>	<b>4,446,347</b>	<b>\$16,067</b>	<b>\$71,438,874</b>
World War II	93,020	\$12,600	\$1,172,091	75,413	\$12,991	\$979,663
Korean Conflict	127,240	\$12,381	\$1,575,347	118,549	\$12,529	\$1,485,333
Vietnam Era	1,360,254	\$19,022	\$25,875,332	1,382,012	\$19,116	\$26,418,929
Peacetime Service	729,062	\$12,258	\$8,936,920	743,381	\$12,399	\$9,216,876
Gulf War	1,959,947	\$15,267	\$29,922,090	2,126,992	\$15,674	\$33,338,073
<b>Survivors Compensation</b>	<b>394,813</b>	<b>\$16,320</b>	<b>\$6,443,211</b>	<b>408,013</b>	<b>\$16,586</b>	<b>\$6,767,185</b>
World War I & Prior	247	\$12,823	\$3,167	214	\$13,276	\$2,843
World War II	58,999	\$16,210	\$956,353	54,053	\$16,392	\$886,018
Korean Conflict	34,120	\$16,675	\$568,960	33,575	\$16,917	\$567,988
Vietnam Era	232,251	\$16,455	\$3,821,796	247,746	\$16,742	\$4,147,682
Peacetime Service	38,525	\$16,105	\$620,428	39,674	\$16,309	\$647,034
Gulf War	30,671	\$15,406	\$472,507	32,750	\$15,744	\$515,621
<b>Other Compensation</b>			<b>\$449,424</b>			<b>\$910,100</b>
Spec. Ben. For Children	1,155	\$17,704	\$20,448	1,146	\$17,757	\$20,349
Clothing Allowance	132,575	\$777	\$103,049	137,858	\$780	\$107,477
Other (REPS, SAFD, EAJA)	2,913	\$4,868	\$14,180	2,847	\$4,890	\$13,921
OBRA Payment to VBA	-	-	\$3,236	-	-	\$3,306
OBRA Payment to ITS	-	-	\$26	-	-	\$47
Medical Exam Pilot Prgm	-	-	\$308,486	-	-	\$765,000
<b>Pensions Total <sup>1/</sup></b>	<b>495,675</b>	<b>\$11,000</b>	<b>\$5,452,533</b>	<b>491,823</b>	<b>\$11,551</b>	<b>\$5,681,013</b>
<b>Veterans Pensions</b>	<b>291,904</b>	<b>\$12,485</b>	<b>\$3,644,288</b>	<b>288,630</b>	<b>\$12,970</b>	<b>\$3,743,435</b>
World War II	53,175	\$17,186	\$913,870	46,491	\$18,553	\$862,570
Korean Conflict	54,636	\$13,434	\$734,007	53,291	\$14,166	\$754,898
Vietnam Era	167,480	\$10,665	\$1,786,219	170,601	\$11,036	\$1,882,710
Gulf War	16,613	\$12,652	\$210,191	18,246	\$13,332	\$243,258
<b>Survivors Pensions</b>	<b>203,771</b>	<b>\$8,874</b>	<b>\$1,808,246</b>	<b>203,194</b>	<b>\$9,536</b>	<b>\$1,937,577</b>
World War I & Prior	2,671	\$2,977	\$7,951	2,351	\$2,852	\$6,706
World War II	131,190	\$9,108	\$1,194,875	126,066	\$9,814	\$1,237,242
Korean Conflict	42,269	\$8,815	\$372,620	45,245	\$9,320	\$421,690
Vietnam Era	25,850	\$8,115	\$209,774	27,428	\$8,771	\$240,563
Gulf War	1,791	\$12,856	\$23,025	2,104	\$14,916	\$31,376
<b>Other Pensions</b>			<b>\$15,413</b>			<b>\$12,668</b>
OBRA Payment to VBA	-	-	\$12,172	-	-	\$12,436
OBRA Payment to ITS	-	-	\$125	-	-	\$231
Medical Exams Pilot Prgm	-	-	\$3,116	-	-	-

<sup>1/</sup> Does not include "other" caseload or obligations.



**Compensation and Pensions**  
**Summary of Obligations (cont'd)**  
 (obligations in thousands)

	2018			2019		
	Average Cases	Average Benefit	Total Obligations	Average Cases	Average Benefit	Total Obligations
<b>Compensation Total <sup>1/</sup></b>	<b>5,036,712</b>	<b>\$16,796</b>	<b>\$84,598,945</b>	<b>5,210,736</b>	<b>\$17,359</b>	<b>\$90,454,767</b>
<b>Veterans Compensation</b>	<b>4,616,764</b>	<b>\$16,784</b>	<b>\$77,485,828</b>	<b>4,778,744</b>	<b>\$17,357</b>	<b>\$82,946,904</b>
World War II	60,139	\$13,616	\$818,827	46,959	\$14,574	\$684,396
Korean Conflict	107,452	\$13,033	\$1,400,463	95,394	\$13,842	\$1,320,442
Vietnam Era	1,399,117	\$19,422	\$27,173,946	1,411,434	\$19,661	\$27,750,540
Peacetime Service	756,981	\$12,821	\$9,705,601	768,829	\$13,033	\$10,020,242
Gulf War	2,293,075	\$16,740	\$38,386,990	2,456,128	\$17,577	\$43,171,282
<b>Survivors Compensation</b>	<b>419,948</b>	<b>\$16,938</b>	<b>\$7,113,118</b>	<b>431,992</b>	<b>\$17,380</b>	<b>\$7,507,864</b>
World War I & Prior	186	\$13,743	\$2,552	161	\$14,224	\$2,291
World War II	49,323	\$16,643	\$820,856	44,806	\$16,973	\$760,487
Korean Conflict	32,838	\$17,267	\$567,018	31,918	\$17,734	\$566,049
Vietnam Era	262,274	\$17,101	\$4,485,243	276,736	\$17,549	\$4,856,310
Peacetime Service	40,607	\$16,617	\$674,780	41,562	\$16,980	\$705,716
Gulf War	34,721	\$16,206	\$562,669	36,810	\$16,762	\$617,011
<b>Other Compensation</b>			<b>\$930,926</b>			<b>\$952,071</b>
Spec. Ben. For Children	1,137	\$18,254	\$20,755	1,128	\$18,674	\$21,064
Clothing Allowance	143,070	\$801	\$114,663	148,085	\$820	\$121,412
Other (REPS, SAFD, EAJA)	2,782	\$4,990	\$13,883	2,718	\$5,093	\$13,843
OBRA Payment to VBA	-	-	\$3,560	-	-	\$4,449
OBRA Payment to ITS	-	-	\$48	-	-	\$45
Medical Exam Pilot Prgm	-	-	\$778,018	-	-	\$791,258
<b>Pensions Total <sup>1/</sup></b>	<b>493,184</b>	<b>\$12,145</b>	<b>\$5,989,847</b>	<b>495,115</b>	<b>\$12,769</b>	<b>\$6,322,071</b>
<b>Veterans Pensions</b>	<b>289,178</b>	<b>\$13,488</b>	<b>\$3,900,571</b>	<b>289,988</b>	<b>\$14,028</b>	<b>\$4,067,957</b>
World War II	40,947	\$19,883	\$814,149	36,064	\$21,308	\$768,446
Korean Conflict	52,279	\$14,851	\$776,384	51,286	\$15,569	\$798,481
Vietnam Era	175,212	\$11,549	\$2,023,512	179,063	\$12,111	\$2,168,539
Gulf War	20,740	\$13,815	\$286,526	23,575	\$14,103	\$332,491
<b>Survivors Pensions</b>	<b>204,006</b>	<b>\$10,241</b>	<b>\$2,089,276</b>	<b>205,127</b>	<b>\$10,989</b>	<b>\$2,254,114</b>
World War I & Prior	2,071	\$2,734	\$5,661	1,824	\$2,621	\$4,782
World War II	121,443	\$10,563	\$1,282,767	116,612	\$11,405	\$1,329,968
Korean Conflict	48,431	\$9,957	\$482,222	51,841	\$10,508	\$544,742
Vietnam Era	29,491	\$9,355	\$275,870	31,709	\$9,977	\$316,359
Gulf War	2,571	\$16,633	\$42,756	3,141	\$18,547	\$58,264
<b>Other Pensions</b>			<b>\$13,617</b>			<b>\$13,388</b>
OBRA Payment to VBA	-	-	\$13,382	-	-	\$13,170
OBRA Payment to ITS	-	-	\$235	-	-	\$219
Medical Exams Pilot Prgm	-	-	-	-	-	-

<sup>1/</sup>Does not include "other" caseload or obligations.

## **Proposed Legislation**

### **Round-Down of the Computation of the Cost of Living Adjustment (COLA) for Service-Connected Compensation and Dependency and Indemnity Compensation (DIC) for Ten Years**

VA proposes to amend title 38, U.S. Code (U.S.C.), sections 1104(a) and 1303(a) to provide a ten-year round-down provision of the computation of the COLA for service-connected compensation and DIC. Public Law 108-183 extended the ending date of this provision from 2011 to 2013, but the provision has now expired. The COLA round-down provision for ten years, beginning in 2018, results in cost savings. Benefit savings to the Compensation and Pensions account are estimated to be \$19.8 million in 2018, \$65.5 million in 2019, \$627.2 million over five years, and \$2.7 billion over ten years.

### **Modernization of the Individual Unemployability (IU) Program**

VA currently provides additional disability compensation benefits to Veterans, irrespective of age, who it deems unable to obtain or maintain gainful employment due to their service-connected disabilities through a program called Individual Unemployability (IU). The IU program is a part of VA's disability compensation program that allows VA to pay certain Veterans disability compensation at the 100 percent rate, even though VA has not rated their service-connected disabilities at that level. These Veterans have typically received an original disability rating between 60 and 100 percent. Under this proposal, Veterans eligible for Social Security retirement benefits would have their IU terminated upon reaching the minimum retirement age for Social Security purposes, or upon enactment of the proposal if the Veteran is already in receipt of Social Security retirement benefits. These Veterans would continue to receive VA disability benefits based on their original disability rating, at the scheduler evaluation level. IU benefits would not be terminated for Veterans who are ineligible for Social Security retirement benefits, thus allowing them to continue to receive IU past minimum retirement age. Savings to the Compensation and Pensions account are estimated to be \$3.2 billion in 2018, \$17.9 billion over five years, and \$40.8 billion over ten years.

### **Discontinue the Appointment of a Temporary Fiduciary in Certain Cases**

This proposal would amend 38 U.S.C. § 5507(d) to remove provisions pertaining to the appointment of temporary fiduciaries in certain cases and remove the 120-day limit a temporary fiduciary may serve. Based upon VA's experience in administering the fiduciary program, temporary appointments are disruptive for beneficiaries in the program and redirect limited fiduciary program resources to successor appointments. It would be less burdensome to appoint a fiduciary without limiting such appointments to 120 days. No benefit costs are associated with this proposal.

### **Authorize VA to Rely on Unearned and Earned Income Information Supplied by the Internal Revenue Service (IRS) and the Social Security Administration (SSA) for Purposes of Determining Eligibility for its Needs-Based Pension Program, and Eliminate the Need for VA to Independently Verify the Information**

VA seeks to amend 38 U.S.C. § 5317(b) and (e), to authorize VA to rely on information it obtains from the IRS and SSA when making initial pension eligibility determinations and

remove the requirement that VA independently verify the information before terminating, denying, suspending, or reducing a claimant's or beneficiary's needs-based pension benefits. Under current section 5317(b) and (e), VA cannot use the income information provided by IRS and SSA for this purpose without first taking steps to independently verify the information. This amendment would simplify the application process, reduce the burden on claimants, and permit VA to move closer to its goal of automating pension processing. No benefit costs are associated with this proposal.

**Automatic annual cost-of-living adjustments (COLA) for disability compensation and dependency and indemnity compensation (DIC)**

VA proposes to amend title 38, U.S.C., sections 1104, 1303, and 5312 to provide for the annual COLA to be made automatically each year in the rates of disability compensation and dependency and indemnity compensation. The amendment will also provide for automatic COLA for clothing allowance and the additional compensation for dependents. No benefits costs are associated with this proposal.

**Clarify chemicals at issue for purposes of presumptive service connection for Veterans serving in the Republic of Vietnam**

VA seeks to amend 38 U.S.C. § 1116 to define the harmful chemicals, specifically Tetrachlorodibenzo-p-dioxin (TCDD), used in herbicides. This change would allow VA to simplify the rules for herbicide exposure claims from those serving outside of Vietnam. No benefits costs are associated with this proposal.

**Authorize VA to use of funding from the mandatory Compensation and Pensions (C&P) appropriation to pay for the entire contract exam pilot program, including beneficiary travel (BT), and to have transfer authority to the VBA GOE and IT accounts for pilot expenses**

VA proposes to amend subsection (d) of section 504 of the Veterans' Benefits Improvement Act of 1996 (Public Law 104-275, as amended by Public Law 114-315; 38 U.S.C. § 5101 note), to direct the use of funding from the mandatory C&P appropriation to pay for all expenses of carrying out the pilot program. This would include pilot program examination travel and incidental expenses associated with contract disability examinations already funded by the same appropriation in FY 2018 and subsequent years. The proposal would also authorize reimbursement from the C&P account to the accounts available for the general operating expenses of the Veterans Benefits Administration and information technology systems. No benefits costs are associated with this proposal.

**Streamlining VA's Duty to Assist in Obtaining Evidence in Claims for Increased Evaluation**

VA seeks to amend 38 U.S.C. § 5103A to streamline VA's duty to assist in obtaining evidence necessary to substantiate a claim for increased evaluation of a service-connected disability. Currently, VA is required to assist a claimant in obtaining all relevant private and Federal records identified by the claimant, as well as to provide a medical examination if necessary. This proposal would make an exception in 38 U.S.C. § 5103A(b) to VA's duty to assist in obtaining private records. Veterans already in receipt of compensation benefits and claiming an increased evaluation would be required to

submit any private records they wish VA to consider at the time they submit claims for increased evaluations. This proposal would help VA expedite claims for increased evaluation and significantly improve overall wait times for decisions. No benefit costs are associated with this proposal.

**Eliminate Certain Apportionments of Compensation, Pension, or Vocational Rehabilitation and Employment Benefits to a Veteran's Spouse or Child**

VA seeks to repeal 38 U.S.C. § 5307(a)(1) and (2) and (c). Subsection (a)(1) provides that a Veteran's benefit payment may be apportioned to the Veteran's spouse, child, or dependent parent when the Veteran is being furnished hospital treatment, institutional, or domiciliary care by the United States. Subsection (a)(2) provides that all or part of a Veteran's compensation or pension may be apportioned to a Veteran's spouse or child as prescribed by the Secretary when the spouse does not live with the Veteran, or the child(ren) are not in the custody of the Veteran. Subsection (c) provides that all or part the subsistence allowance payable to a Veteran under chapter 31 may be apportioned to a Veteran's spouse or child as prescribed by the Secretary when the spouse does not live with the Veteran, or the child(ren) are not in the custody of the Veteran. No benefit costs are associated with this proposal.

**Eliminate Direct Payment of Fees from VA to Accredited Agents and Attorneys**

This proposal seeks to delete 38 U.S.C. § 5904(d) to eliminate VA authority to make direct payments of fees to agents or attorneys. An agent or attorney representing a claimant may receive fees directly from VA if a direct-pay fee agreement has been filed with VA and meets certain requirements. The amount specified in the agreement is then paid directly to the agent or attorney from any past-due benefits awarded on the basis of the claim. Although direct payments ensure agents and attorneys receive funds that have been agreed upon by their clients, the function itself is not aligned with VA's primary mission to serve Veterans and their family members. No benefits costs are associated with this proposal.

**Extend the authority for operations of the Manila VA Regional Office (RO)**

This proposal would extend the authority currently provided by 38 U.S.C. 315(b) to maintain the operations of the Manila RO from September 30, 2017, to September 30, 2019. No costs or savings associated with this proposal.

**Extend the Time for Medical Examinations for Certain Veterans with Mental Disorders**

This legislative proposal would amend title 38 U.S.C. § 1156(a)(3) to require VA to schedule a medical examination for Veterans discharged from the military due to a mental disorder no later than 18 months (rather than 6 months) after separation or discharge of such Veteran from active duty. Currently, VA is required to assign a temporary rating to a Veteran who, as a result of a highly stressful in-service event, has a mental disorder that is severe enough to bring about the Veteran's discharge or release from active duty. Section 1156(a)(3) states that VA shall schedule a medical examination for such Veteran not later than six months after the separation or discharge of such veteran from active duty. Evaluating mental disorders to determine if the condition is stable at 6 months after

discharge is premature when considering the trauma experienced by the Veteran, the limited treatment time that has elapsed, and the stressful nature of transitioning into civilian life. Performing the examination no later than 18 months after discharge allows the clinician to more accurately evaluate the severity, stability, and prognosis of the condition. No benefit costs are associated with this proposal.

**Attendance at Transition Assistant Program (TAP) Training or Access to eBenefits Meets the Requirements to Notify Veterans by Letter of VA Benefits and Services**

This proposal would amend 38 U.S.C. § 6303(b) to authorize VA to use TAP and eBenefits to notify each transitioning Veteran of all VA benefits and services for which they may be eligible. Currently, the statute requires VA to send each Veteran a letter with benefits information. For those Veterans discharged or separated without a high-school diploma, this proposal would also eliminate the requirement for VA to make in-person or telephone contact regarding their eligibility for benefits, except in instances where they did not attend a TAP briefing or were not receiving information through eBenefits. No costs are associated with this proposal.

**Revision of Time Limits and Effective Dates for Herbicide Presumptions**

This proposal would amend 38 U.S.C. § 1116 to provide extended time limits for VA to take action based on reports received from the Institute of Medicine of the National Academy of Sciences (IOM) concerning the health effects of herbicide exposure. The current time limits afforded under sections 1116 have proven impractical in view of the complexity of the issues, the need for thorough and fully informed review of the evidence, and the requirements of the rule-making process. No benefit costs are associated with this proposal.

**Exemption to the Right to the Financial Privacy Act by Fiduciaries of VA Beneficiaries**

VA is seeking to add a new subsection to 38 U.S.C. § 5502, which contains VA's authority to oversee and monitor the activities of fiduciaries. This new subsection will authorize an exemption to the Right to Financial Privacy Act (12 U.S.C. § 3401), so that VA will have enhanced access to financial accounts held by all fiduciaries of VA beneficiaries. The language of the new subsection would stipulate the Secretary of VA shall require each fiduciary of a VA beneficiary to provide VA with a one-time authorization to obtain from any financial institution any financial record held by the institution with respect to the VA beneficiary whenever the Secretary determines the record is needed in connection with oversight of the activities of a fiduciary, as required by 38 U.S.C. § 5502. No benefit costs are associated with this proposal.

**Establish a Consistent Applicability Date for Provision of Memorial Headstones and Markers for Eligible Non-Veteran Individuals**

Amend Section 2306(b) of title 38, U.S.C., to establish a consistent applicability date of "after November 11, 1998," for provision of memorial headstones and markers for all eligible non-Veteran individuals. Costs associated with this proposal are insignificant.

**Burial of Dependents Who Predecease Active Duty Servicemembers**

Amend title 38, U.S.C. Sections 2306 and 2402 to authorize VA to inter in a VA national cemetery and mark the gravesite of the spouse and dependent child of a member of the Armed Forces serving on active duty at the time of the spouse's or child's death. Currently, spouses and dependent children become eligible for burial if predeceased by the Servicemember. Benefit costs associated with this proposal are insignificant.

**Expand VA's Authority to Provide an Allowance to Transport Certain Deceased Veterans to a State or Tribal Veterans Cemetery**

This proposal would amend title 38, United States Code (U.S.C.), Section 2308, to expand VA's current authority to pay the cost of transporting the remains of certain deceased Veterans to the closest National cemetery for burial to include transportation for burials in a State or Tribal Veterans Cemetery. Benefit costs associated with this proposal are insignificant.

**Expand Authority to Provide Headstones and Markers to Eligible Spouses and Dependents at Tribal Veterans Cemeteries**

This proposal would amend title 38, United States Code (U.S.C.), Section 2306, to provide eligibility for headstones and markers for burial and memorialization of Veterans' eligible spouses and dependent children interred at Tribal Veterans cemeteries. Benefit costs associated with this proposal are insignificant.

**Elimination of Payment of Benefits to the Estates of Deceased Nehmer Class Members and to the Survivors of Certain Class Members**

VA seeks to amend 38 U.S.C. § 1116 to eliminate payment of benefits to the estates of deceased Nehmer class members and to survivors of certain class members when such benefits are the result of presumptions of service connection established pursuant to § 1116 for diseases associated with exposure to certain herbicide agents. Paying benefits to an estate conflicts with 38 U.S.C. § 5121(a) and undermines Congress' intent that VA pay the accrued benefits of a deceased Veteran's benefits to the "Veteran's" surviving spouse, child, or dependent parent. See 38 U.S.C. § 5121(a)(2). VA therefore proposes to add a subsection to 38 U.S.C. § 1116 stating that accrued benefits that are due based upon herbicide presumptions must be paid in the same manner as all other accrued benefits under 38 U.S.C. § 5121(a). VA cannot predict any future costs or savings associated with this proposal because it is not possible to predict if additional presumptive conditions will be added and paid as service-connected disabilities.

**Allow VA to Pay a Flat Rate for Non-Service-Connected Burial for Veterans who Die in a VA Facility**

VA seeks to amend 38 U.S.C. § 2303(a)(1) to authorize payment of a flat-rate, non-service-connected, burial allowance for Veterans who die in a VA facility. Currently, if a Veteran dies as a result of a non-service-connected condition in a VA facility that provided his or her hospital, nursing home, or domiciliary care, section 2303(a)(1) requires that VA reimburse the "actual cost" of the Veteran's funeral and burial expenses, not to exceed the \$700 statutory maximum allowance. This amendment would be

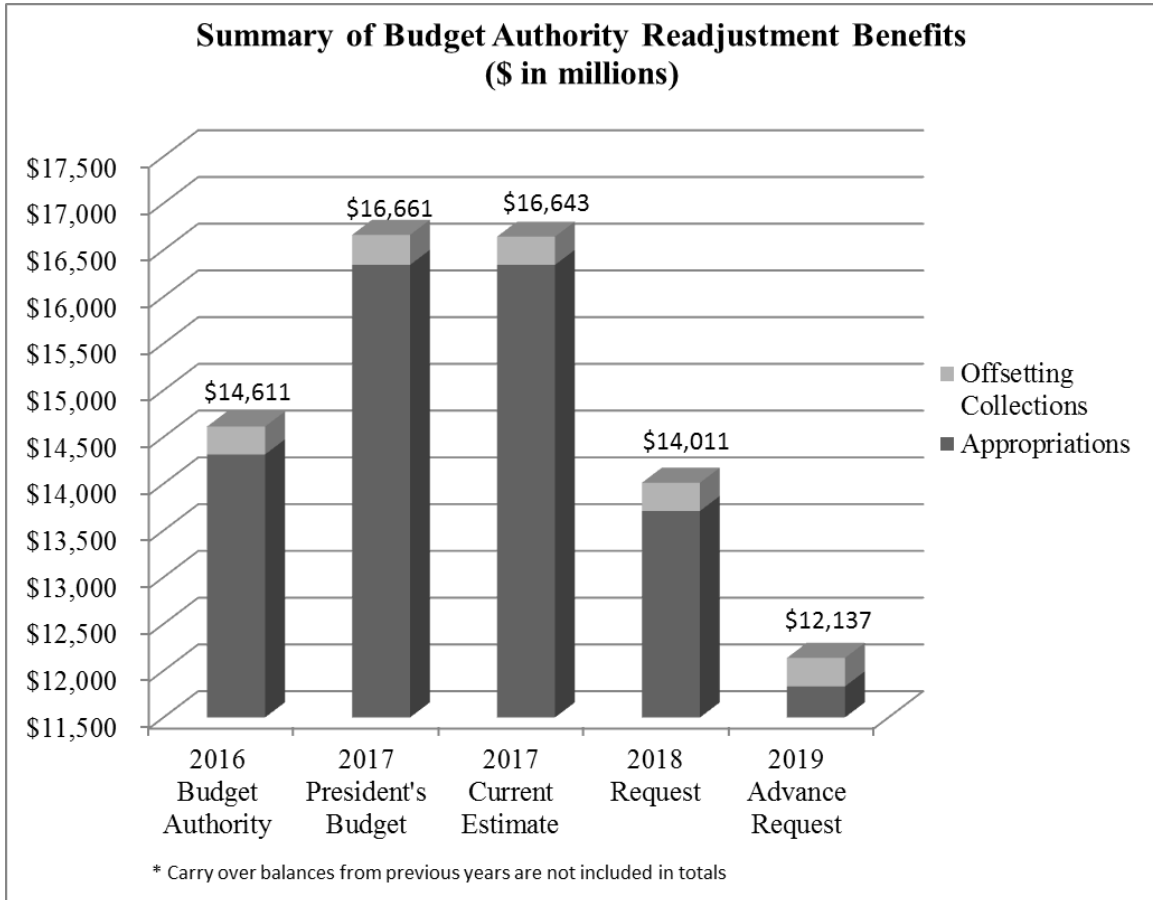
consistent with other provisions governing monetary burial benefits in 38 U.S.C. chapter 23, which establish maximum benefit amounts but do not prescribe reimbursement of the “actual cost” of a Veteran’s burial and funeral. Moreover, consistent with VA’s administration of all other burial allowances, this amendment would allow VA to expedite delivery of benefits to surviving spouses. VA currently pays the statutory maximum allowance for 91 percent of claims for Veterans who die in a VA facility because actual expenses met or exceeded the maximum rate. In addition, VA’s baseline budget assumes the maximum statutory rate will be paid to the entire caseload. For this reason, VA would not require additional funding for this proposal.

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## Readjustment Benefits



### Appropriation Language

For the payment of readjustment and rehabilitation benefits to or on behalf of veterans as authorized by chapters 21, 30, 31, 33, 34, 35, 36, 39, 41, 51, 53, 55, and 61 of title 38, United States Code, [\$13,708,648,000] \$11,832,175,000, to remain available until expended and to become available on October 1, 2018: Provided, That expenses for rehabilitation program services and assistance which the Secretary is authorized to provide under subsection (a) of section 3104 of title 38, United States Code, other than under paragraphs (1), (2), (5), and (11) of that subsection, shall be charged to this account.

## Summary of Appropriation Highlights

(dollars in thousands)

	2017					2017 to 2018	2018 to 2019
	2016 Estimate	Budget Estimate	Current Estimate	2018 Estimate	2019 Estimate	Increase (+) Decrease (-)	Increase (+) Decrease (-)
<b>Obligations:</b>							
Post 9-11 GI Bill (33)	\$11,583,408	\$13,055,049	\$11,886,003	\$12,178,410	\$12,643,261	+\$292,407	+\$464,851
Veterans/Service members (30) <sup>1/</sup>	365,218	337,317	323,593	286,440	240,994	-37,153	-45,446
Reservists (1606)	136,765	133,769	131,427	126,573	121,813	-4,854	-4,760
Reservists (1607)	20,697	28,286	20,822	20,926	21,616	+104	+691
Dependents' Education and Training (35)	520,482	525,105	537,385	558,078	595,739	+20,693	+37,661
VR&E Subsistence Allowance (31)	573,346	632,299	721,874	751,770	801,160	+29,896	+49,390
VR&E Books, Tuition, Supplies, Fees	741,336	814,964	783,071	842,279	901,960	+59,209	+59,681
Specially Adapted Housing Grants	103,261	124,626	111,078	115,685	122,447	+4,607	+6,762
Specially Adapted Housing Tech Grants	783	-	1,000	-	-	-1,000	-
Automobile Grants	45,929	59,551	57,909	47,588	46,007	-10,321	-1,581
Adaptive Equipment	89,246	107,297	118,871	137,872	161,591	+19,001	+23,719
Tuition Assistance	5,525	3,210	5,273	5,299	5,474	+26	+175
Licensing & Certification Tests	1,951	1,778	2,879	2,893	2,989	+14	+95
National Exams <sup>2/</sup>	67	11	67	68	70	+1	+2
Work-Study <sup>3/</sup>	44,844	52,622	51,054	52,479	54,661	+1,425	+2,182
Contract Counseling	3,603	6,000	6,000	6,000	6,000	-	-
State Approving Agencies	18,988	19,000	19,000	19,000	19,000	-	-
Reporting Fees	9,641	14,045	9,451	10,016	10,050	+565	+33
Reimbursement to GOE and IT	171	595	595	603	613	+8	+9
<b>Total Obligations</b>	<b>\$14,265,261</b>	<b>\$15,915,525</b>	<b>\$14,787,350</b>	<b>\$15,161,980</b>	<b>\$15,755,445</b>	<b>+\$374,630</b>	<b>+\$593,465</b>
<b>Funding:</b>							
Unobligated balance (SOY)	-\$2,320,305	-\$1,832,477	-\$2,914,313	-\$4,769,802	-\$3,618,703	-\$1,855,490	+\$1,151,100
Unobligated balance (EOY)	2,914,313	2,578,333	4,769,802	3,618,703	-	-1,151,100	-3,618,703
Budget authority (gross)	14,859,269	16,661,381	16,642,840	14,010,880	12,136,742	-2,631,960	-1,874,137
Offsetting collections	-298,084	-320,553	-302,012	-302,232	-304,567	-220	-2,336
Prior Year Recoveries	-247,828	-	-	-	-	-	-
<b>Appropriation</b>	<b>\$14,313,357</b>	<b>\$16,340,828</b>	<b>\$16,340,828</b>	<b>\$13,708,648</b>	<b>\$11,832,175</b>	<b>-\$2,632,180</b>	<b>-\$1,876,473</b>
<b>Outlays (net)</b>	<b>\$14,250,257</b>	<b>\$15,001,104</b>	<b>\$14,424,180</b>	<b>\$14,570,039</b>	<b>\$15,384,463</b>	<b>+\$145,859</b>	<b>+\$814,425</b>
<b>Total Obligations</b>	<b>\$14,265,261</b>	<b>\$15,915,525</b>	<b>\$14,787,350</b>	<b>\$15,161,980</b>	<b>\$15,755,445</b>	<b>+\$374,630</b>	<b>+\$593,465</b>
Education Program	12,936,069	14,450,343	13,265,042	13,550,079	14,033,757	+285,037	+483,678
VR&E Program <sup>4/</sup>	1,329,192	1,465,182	1,522,308	1,611,901	1,721,689	+89,593	+109,788
<b>Budget authority (net)</b>	<b>\$14,313,357</b>	<b>\$16,340,828</b>	<b>\$16,340,828</b>	<b>\$13,708,648</b>	<b>\$11,832,175</b>	<b>-\$2,632,180</b>	<b>-\$1,876,473</b>
Education Program	12,984,165	14,875,646	14,818,520	12,096,747	10,110,486	-2,721,773	-1,986,261
VR&E Program	1,329,192	1,465,182	1,522,308	1,611,901	1,721,689	+89,593	+109,788
<b>Outlays (net)</b>	<b>\$14,250,257</b>	<b>\$15,001,104</b>	<b>\$14,424,180</b>	<b>\$14,570,039</b>	<b>\$15,384,463</b>	<b>+\$145,859</b>	<b>+\$814,425</b>
Education Program	12,877,132	13,592,621	12,910,219	12,990,391	13,671,752	+80,172	+681,361
VR&E Program	1,373,125	1,408,483	1,513,961	1,579,647	1,712,710	+65,687	+133,063

Note: Dollars may not add due to rounding in this and subsequent charts.

1/ Includes VRAP Obligations, authorized by the Equitable Relief signed by the Secretary

2/ National Exams includes chapters 30, 33, and 35

3/ Includes chapter 1606 work-study reimbursement

**Summary of Appropriation Highlights (cont'd)**  
(total dollars in thousands)

	2017					2017 to 2018	2018 to 2019
	2016 Estimate	Budget Estimate	Current Estimate	2018 Estimate	2019 Estimate	Increase (+) Decrease (-)	Increase (+) Decrease (-)
<b>Workload Data and Other Items</b>							
<b>Workload:</b>							
Post 9-11 GI Bill (33)	790,090	877,525	793,235	796,389	799,504	+3,154	+3,115
Veterans/Sevicemembers (30)	47,307	43,980	39,869	33,394	26,512	-6,475	-6,882
Reservists (1606) <sup>1/</sup>	61,388	57,837	60,981	60,577	60,175	-404	-402
Reservists (1607)	4,538	6,747	4,538	4,538	4,538	-	-
Dependents' Education and Training (35)	96,762	94,703	99,265	102,570	105,989	+3,305	+3,419
VR&E Receiving Subsistence Allowance	89,314	81,248	90,888	94,182	97,163	+3,293	+2,981
VR&E Not Receiving Subsistence Allowance	26,389	30,685	26,854	27,827	28,708	+973	+881
VR&E Rehab, Evaluation, Planning and Service <sup>2/</sup>	21,418	28,771	21,796	22,585	23,300	+790	+715
Specially Adapted Housing Grants	2,678	2,389	2,735	2,732	2,759	-3	+27
Specially Adapted Housing Technology Grants	4	-	5	-	-	-5	-
Automobile Grants	2,413	2,426	3,147	2,675	2,675	-472	-
Adaptive Equipment	7,323	9,398	8,322	8,236	8,236	-87	-
<b>Average cost: (Whole \$)</b>							
Post 9-11 GI Bill (33)	\$14,661	\$14,803	\$14,984	\$15,292	\$15,814	+\$308	+\$522
Veterans/Sevicemembers (30)	\$7,717	\$7,670	\$8,116	\$8,578	\$9,090	+\$461	+\$512
Reservists (1606)	\$2,228	\$2,313	\$2,202	\$2,137	\$2,074	-\$65	-\$63
Reservists (1607)	\$4,561	\$4,193	\$4,588	\$4,611	\$4,763	+\$23	+\$152
Dependents' Education and Training	\$5,379	\$5,545	\$5,414	\$5,441	\$5,621	+\$27	+\$180
VR&E Subsistence Allowance	\$6,419	\$7,782	\$7,942	\$7,982	\$8,246	+\$40	+\$263
VR&E Books, Tuition, Supplies, Fees, etc	\$6,407	\$7,281	\$6,651	\$6,903	\$7,166	+\$253	+\$262
Specially Adapted Housing Grants	\$38,559	\$52,177	\$40,617	\$42,347	\$44,379	+\$1,730	+\$2,031
Specially Adapted Housing Technology Grants	\$195,855	-	\$200,000	-	-	-\$200,000	-
Automobile Grants	\$19,034	\$24,547	\$18,401	\$17,790	\$17,199	-\$611	-\$591
Adaptive Equipment	\$12,187	\$11,417	\$14,284	\$16,741	\$19,621	+\$2,457	+\$2,880
<b>Total Cost:</b>							
Post 9-11 GI Bill (33)	\$11,583,408	\$12,989,786	\$11,886,003	\$12,178,410	\$12,643,261	+\$292,407	+\$464,851
Veterans/Sevicemembers (30)	\$365,091	\$337,317	\$323,593	\$286,440	\$240,994	-\$37,153	-\$45,446
Reservists (1606) <sup>1/</sup>	\$136,765	\$133,769	\$131,427	\$126,573	\$121,813	-\$4,854	-\$4,760
Reservists (1607)	\$20,697	\$28,286	\$20,822	\$20,926	\$21,616	+\$104	+\$691
Dependents' Education and Training	\$520,482	\$525,105	\$537,385	\$558,078	\$595,739	+\$20,693	+\$37,661
VR&E Subsistence Allowance	\$573,346	\$632,299	\$721,874	\$751,770	\$801,160	+\$29,896	+\$49,390
VR&E Books, Tuition, Supplies, Fees, etc	\$741,336	\$814,964	\$783,071	\$842,279	\$901,960	+\$59,209	+\$59,681
Specially Adapted Housing Grants	\$103,261	\$124,626	\$111,078	\$115,685	\$122,447	+\$4,607	+\$6,762
Specially Adapted Housing Technology Grants	\$783	-	\$1,000	-	-	-\$1,000	-
Automobile Grants	\$45,929	\$59,551	\$57,909	\$47,588	\$46,007	-\$10,321	-\$1,581
Adaptive Equipment	\$89,246	\$107,297	\$118,871	\$137,872	\$161,591	+\$19,001	+\$23,719

<sup>1/</sup> Work-study cost not included

<sup>2/</sup> No monetary benefit payment associated with these cases

## **Summary of Budget Request**

The appropriation of \$13.7 billion, when combined with \$302.2 million in offsetting collections from the Department of Defense (DoD), and an estimated \$4.8 billion in unobligated balance carried over from end of year 2017, will provide funding for Readjustment Benefits obligations in 2018. Obligations are estimated to be \$15.2 billion in 2018. This will primarily fund education benefits, including the Post 9-11 GI Bill (chapter 33) and will also pay for subsistence allowance and the cost of books, supplies, tuition, and fees under the Vocational Rehabilitation and Employment (VR&E) program. Funding will also provide reimbursement to the VBA General Operating Expenses account for printing and reproduction, regular mail, contracts, and other personal services costs associated with outreach under Public Laws 101-237 and Public Law 105-368.

Public Law 113-235, the Consolidated and Further Continuing Appropriations Act, 2015, grants the Department of Veterans Affairs (VA) the ability to request advanced budget authority (“advance appropriations”), to become available for the first fiscal year after the budget year. Included in the 2018 budget submission is a request for \$11.8 billion in 2019 advance appropriations, in conjunction with \$304.6 million in anticipated offsetting collection from DoD, and an estimated \$3.6 billion in unobligated balance carried over from end of year 2018 to fund an estimated \$15.8 billion in Readjustment Benefit obligations in 2019. VA will be able to request additional resources during the 2019 budget process if necessary.

## **Changes from Original 2017 Budget Estimate**

The current estimated obligations of \$14.8 billion for the Readjustment Benefits account in 2017 decreases \$1.1 billion from the original budget estimate of \$15.9 billion. The unobligated balance carried over from end of year 2016 is \$2.9 billion. This unobligated balance, in combination with the estimated decrease in 2017 obligations, will result in an estimated increased carryover balance of \$4.8 billion into 2018.

## **Education Programs**

Current estimated obligations of \$13.3 billion for 2017 reflect a decrease of nearly \$1.2 billion from the estimated original budget estimate of \$14.5 billion. Changes in the estimated obligations are based on 2016 actual experience. The estimate for 2017 includes a decrease of \$1.2 billion in chapter 33 obligations. This net change in obligations is due to a decrease in caseload of 84,290 and an increase in average payment (from \$14,803 to \$14,984) based on 2016 experience. Obligations under chapter 30 are expected to decrease \$13.7 million due to an estimated decrease of 4,111 beneficiaries based on historical experience through 2016. Housing grants will decrease by \$13.5 million due to a decrease in average payment (from \$52,177 to \$40,617), based on 2016 actual experience. An estimated increase in 4,562 chapter 35 beneficiaries will increase obligations by \$12.3 million. Obligations under adaptive equipment grants are expected to increase by \$11.6 million. A decrease of \$7.5 million in chapter 1607 obligations is a result of the sunset provision set forth in the national Defense Authorization Act of 2016 (P.L. 114-92), which decreases the estimated caseload by 2,209. Obligations for reporting fees are expected to decrease by \$4.6 million. This decrease is based on P.L 114-228, which extended lower rates for reporting fees (continuing rates of \$9/\$12 instead of \$12/\$15). Chapter 1606

obligations are expected to decrease by \$2.3 million as due to a decrease in average payment of \$111. Based on 2016 experience, tuition assistance obligations will increase by \$2.1 million, and licensing and certification obligations will increase by \$1.1 million. Automobile grants will decrease by \$1.6 million due to a decrease in the average payment. Work study obligation decrease by \$1.6 million based on the overall decrease in education beneficiaries. P.L 114-228 also extended VA's authority to make payments for Special Adapted Housing Technology grants, which increase obligations by \$1.0 million. National exam obligations are expected to increase by \$56 thousand.

### **VR&E Program**

Beneficiaries in the VR&E Program who receive a subsistence allowance increase by 9,641, and those who do not receive a subsistence allowance decrease by 3,831 over the 2017 original estimate. This change is expected to increase obligations by \$57.7 million.

## **Descriptions of the Individual Education and VR&E Component Programs**

### **Post 9-11 GI Bill (Chapter 33)**

Chapter 33 was enacted in the Post 9-11 Veterans Educational Assistance Act of 2008 (P.L. 110-252), and greatly expanded education benefits on August 1, 2009. The Veterans Educational Assistance Improvement Act of 2010 (P.L. 111-377), signed into law on January 4, 2011, amended the Post 9-11 GI Bill by expanding eligibility for certain individuals, and modifying the amount of assistance and the types of approved programs. The Choice Act, P.L. 113-146, extended the Fry scholarship to spouses and allowed VA to disapprove courses of education in which the state charges Veterans or Servicemembers higher rates than that of in-state residents.

Eligibility to use chapter 33 benefits lasts for 15 years from the last period of active duty service based on at least 90 consecutive days of active duty service. Students generally have up to 36 months of entitlement. Based on length of active duty service and training rate, students are entitled to a percentage of the following:

- Full cost of tuition and fees for all public school in-state students, or up to \$21,970.46 (as of August 1, 2016) for those attending out-of-state, private, or foreign schools (paid to school);
- Monthly housing allowance equal to the basic allowance for housing payable to a military E-5 with dependents, in the same zip code as the school (paid to student);
- Yearly books and supplies stipend of up to \$1,000 per year (paid to student);
- A one-time payment of \$500 to certain individuals relocating from highly rural areas (paid to student);
- Payments for those pursuing a non-institute of higher learning program such as a non-college degree, on the job training, apprenticeship training, flight programs, or a correspondence program; and
- Other benefits to certain students such as the Yellow Ribbon program, kickers, and refund of chapter 30 payroll deductions.

The Yellow Ribbon G.I. Education Enhancement Program was enacted to potentially assist eligible Chapter 33 individuals with payment of their tuition and fees in instances where costs exceed the most expensive in-state undergraduate tuition at a public institution of higher learning. To be eligible, the student must be: a Veteran receiving benefits at the 100 percent benefit rate payable; a transfer-of-entitlement-eligible dependent child; or a transfer-of-entitlement eligible spouse of a Veteran. The school of attendance must have accepted VA's invitation to participate in the program, state how much student tuition will be waived (up to 50 percent), and state how many participants will be accepted into the program during the current academic year. VA will match the school's percentage (up to 50 percent) to reduce or eliminate out-of-pocket costs for eligible participants.

The Marine Gunnery Sergeant John David Fry Scholarship entitles children and spouses of those who die in the line of duty on or after September 11, 2001, to use Post-9/11 GI Bill benefits. Eligible children are entitled to 36 months of benefits at the 100 percent level and have 15 years to use the benefit beginning on their 18<sup>th</sup> birthday. A spouse has 15 years from the date of death of the Servicemember to use the benefit and will lose eligibility to this benefit upon remarriage. Fry Scholars are not eligible for the Yellow Ribbon Program. In addition to the Fry Scholarships, certain members of the Armed Forces who are still on active duty may be eligible to transfer benefits to a spouse or dependent children based on DoD policy.

### **All-Volunteer Force Educational Assistance Program or the Montgomery GI Bill (Chapter 30)**

The predecessor of the Chapter 33 program is the Montgomery GI Bill, or chapter 30. Chapter 30 VA educational benefits may be used while the Servicemember is on active duty or after the Servicemember's separation from active duty with a fully honorable military discharge. Eligibility generally expires 10 years after the Servicemember's separation. However, there are exceptions for disability, re-entering active duty, and upgraded discharges.

Effective October 1, 2016, the rate for full-time training in college, technical, or vocational school will be \$1,857 a month for those who served three years or more or two years plus four years in the Selected Reserve. For those who served less than three years, the monthly rate is \$1,509. Benefits are reduced for part-time training. Payments for other types of training follow different rules. VA will pay an additional amount, called a "kicker" or "college fund," if directed by DoD. The maximum number of months Veterans can receive payments is 36 months at the full-time rate or the part-time equivalent.

The following types of education and training are available under Chapter 30:

- Courses at colleges and universities leading to associate, bachelor or graduate degrees, including accredited independent study offered through distance education;
- Courses leading to a certificate or diploma from business, technical or vocational schools;

- Apprenticeship or on-the-job training for those not on active duty, including self-employment training begun on or after June 16, 2004, for ownership or operation of a franchise;
- Correspondence courses, under certain conditions;
- Flight training, if the Veteran holds a private pilot's license upon beginning the training and meets the medical requirements;
- State-approved teacher certification programs;
- Preparatory courses necessary for admission to a college or graduate school;
- License and certification tests approved for Veterans; and
- Entrepreneurship training courses to create or expand small businesses.

### **Survivors' and Dependents' Educational Assistance (Chapter 35)**

Chapter 35 provides education and training opportunities to eligible dependents of certain Veterans. The program offers up to 45 months of education benefits. These benefits may be used for degree and certificate programs, apprenticeships, and on-the-job training. A spouse may take a correspondence course. Remedial, deficiency, and refresher courses may be approved under certain circumstances.

To be eligible, one must be the son, daughter, or spouse of:

- A Veteran who died or is permanently and totally disabled as the result of a service-connected disability. The disability must arise out of active service in the Armed Forces;
- A Veteran who died from any cause while such permanent and total service-connected disability was in existence;
- A Servicemember missing in action or captured in line of duty by a hostile force;
- A Servicemember forcibly detained or interned in line of duty by a foreign government or power; or
- A Servicemember who is hospitalized or receiving outpatient treatment for a service connected permanent and total disability and is likely to be discharged for that disability.

A son or daughter must generally be between the ages of 18 and 26 to receive benefits for attending school or job training. Members of the Armed Forces may not receive this benefit while on active duty. For spouses, benefits generally end 10 years from the date VA determines eligibility or from the date of death of the Veteran. For spouses of Servicemembers who died on active duty, benefits end 20 years from the date of death.

### **Educational Assistance for Members of the Selected Reserve (MGIB-SR) (Chapter 1606)**

Chapter 1606 may be available to a member of the Selected Reserve if they meet the eligibility requirements established by their respective components. The Selected Reserve includes the Army Reserve, Navy Reserve, Air Force Reserve, Marine Corps Reserve, Coast Guard Reserve, Army National Guard, and Air National Guard. The program may be used for degree programs, certificate or correspondence courses, cooperative training, independent study programs, apprenticeship/on-the-job training, and vocational flight training programs. Remedial, refresher and deficiency training are available under certain

circumstances. Up to 36 months of education benefits may be available. Specific eligibility requirements include:

- Have a six-year obligation to serve in the Selected Reserve signed after June 30, 1985. For some types of training, it is necessary to have a six-year commitment that begins after September 30, 1990;
- Complete initial active duty for training (IADT);
- Meet the requirement to receive a high school diploma or equivalency certificate before completing IADT; and
- Remain in good standing while serving in an active Selected Reserve unit.

In addition, a discharge from Selected Reserve service due to a disability or being ordered to active duty may extend eligibility for the program beyond service in a Selected Reserve unit.

### **Reserve Educational Assistance Program (REAP) (Chapter 1607)**

Chapter 1607 was established as a part of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005. The National Defense Authorization Act of 2016 ended enrollment into REAP on November 25, 2015. Beneficiaries who were attending an educational institution on November 24, 2015, or during the last semester, quarter, or term ending prior to that date, are eligible to continue to receive REAP benefits until November 25, 2019. This program is a DoD education benefit program designed to provide educational assistance to members of the Reserve components called or ordered to active duty in response to a war or national emergency (contingency operation) as declared by the President or Congress. This program made certain reservists who were activated for at least 90 days after September 11, 2001 either eligible for education benefits or eligible for increased benefits. The Post-9/11 GI Bill in many ways has replaced REAP because it also provides educational assistance benefits for Reserve and National Guard members called to active duty on or after September 11, 2001, and in many cases provides a greater benefit than REAP.

### **VR&E (Chapter 31)**

The Chapter 31 program assists Servicemembers and Veterans who have service-connected disabilities obtain and maintain suitable employment. Independent living services are also available for severely disabled Veterans who are not currently ready to seek employment.

To be eligible, a Veteran must have a VA service-connected disability rated at least 20 percent with an employment handicap, or rated 10 percent with a serious employment handicap, and be discharged or released from military service under other than dishonorable conditions. Servicemembers pending medical separation from active duty may also apply if their disabilities are reasonably expected to be rated at least 20 percent following their discharge. A VA counselor must decide if the individual has an employment handicap based upon the results of a comprehensive evaluation. After an entitlement decision is made, the individual and counselor will work together to develop a rehabilitation plan. The rehabilitation plan will specify the rehabilitation services to be provided. The majority of program participants enter education or training programs. All



program costs, including tuition, books, and fees, if appropriate, are borne by VA, and the Veteran is provided with a monthly subsistence allowance.

Rehabilitation services provided to participants in the VR&E program are under one of five tracks. VA pays the cost of approved training that is included in an individual's rehabilitation plan. The tracks are:

- **Reemployment with Previous Employer:** For individuals who are separating from active duty or in the National Guard or Reserves and are returning to work for their previous employer.
- **Rapid Access to Employment:** For individuals who either wish to obtain employment soon after separation or who already have the necessary skills to be competitive in the job market in an appropriate occupation.
- **Self-Employment:** For individuals who have limited access to traditional employment, need flexible work schedules, or who require more accommodation in the work environment due to their disabling conditions or other life circumstances.
- **Employment Through Long-Term Services:** For individuals who need specialized training and/or education to obtain and maintain suitable employment.
- **Independent Living Services:** For individuals who are not currently able to work and need rehabilitation services to live more independently.

Generally, Veterans must complete a program within 12 years from their separation from military service or within 12 years from the date VA notifies them that they have a compensable service-connected disability. Depending on the length of program needed, Veterans may be provided up to 48 months of full-time services or their part-time equivalent. These limitations may be extended in certain circumstances.

In some cases, a Veteran requires additional education or training to become employable. A subsistence allowance is paid each month during training and is based on the rate of attendance (full- or part-time), the type of education or training, and the number of dependents. The example below demonstrates one of the many rate structures possible.

2017 Monthly Subsistence Allowance for Training in an Institution for Higher Learning				
Training Time	Veterans With No Dependents	Veterans With One Dependent	Veterans With Two Dependents	Additional Dependent
Full-time	\$607.14	\$753.10	\$887.48	\$64.68
3/4-time	\$456.19	\$565.65	\$663.52	\$49.75
1/2-time	\$305.24	\$378.20	\$444.55	\$33.19

### **Special Assistance for Disabled Veterans**

Special assistance provides housing, automotive, and adaptive equipment grants for severely disabled Veterans or Servicemembers. The five programs used to provide grants are listed below:

**Specially Adapted Housing Grants (SAH):** VA may approve a grant of not more than 50 percent of the cost of building, buying, or adapting existing homes or paying to reduce indebtedness on a currently owned home that is being adapted, up to a maximum of \$77,307. In certain instances, the full grant amount may be applied toward remodeling costs.

**Special Housing Adaptation (SHA):** VA may approve a grant for the cost, up to a maximum of \$15,462, for necessary adaptations to a Veteran's or Servicemember's residence or to help them acquire a residence already adapted with special features for their disability, to purchase and adapt a home, or for adaptations to a family member's home in which they will reside. To be eligible for this grant, Veterans and Servicemembers must be entitled to compensation for permanent and total service-connected disability due to certain specific conditions.

**Temporary Residence Adaptation (TRA):** Eligible Veterans and Servicemembers who are temporarily residing in a home owned by a family member may also receive a TRA grant to help the Veteran or Servicemember adapt the family member's home to meet his or her special needs. Those eligible for a \$77,307 grant would be permitted to use up to \$33,937, and those eligible for a \$15,462 grant would be permitted to use up to \$6,059. Grant amounts are adjusted annually based on a cost-of-construction index.

**Automobile Allowance and Adaptive Equipment:** Veterans and Servicemembers may be eligible for a one-time payment of not more than \$20,235.20 (as of October 1, 2016) toward the purchase of an automobile or other conveyance if they have service-connected loss or permanent loss of use of one or both hands or feet, permanent impairment of vision of both eyes to a certain degree, severe burn injuries, or Amyotrophic Lateral Sclerosis (ALS). Certain Servicemembers and Veterans may also be eligible for adaptive equipment. Adaptive equipment includes, but is not limited to, power steering, power brakes, power windows, power seats, and special equipment necessary to assist the eligible person into and out of the vehicle.

**Specially Adapted Housing Assistive Technology Grant Program:** The Veterans' Benefits Act of 2010 (P.L. 111-275) established the Specially Adapted Housing Assistive Technology Grant program, which authorizes VA to provide grants of up to \$200,000 per fiscal year to individuals or entities for the development of specially adapted housing assistive technologies. VA is limited to \$1.0 million in the aggregate amount of such grants in any fiscal year, and the authority for these grants expires at the end of FY 2017.

**Readjustment Benefits**  
**Analysis of Increases and Decreases**

(dollars in thousands)

	2017 Estimate	2018 Estimate	2019 Estimate
<b>Prior Year Obligations</b>	<b>\$14,265,261</b>	<b>\$14,787,350</b>	<b>\$15,161,980</b>
<b>Chapter 33 (Post 9/11 GI Bill)</b>			
COLA	+\$34,336	+\$28,900	+\$192,441
Caseload	+47,130	+48,227	+49,258
Average Payment	+221,128	+215,280	+223,151
<b>Net Changes</b>	<b>+\$302,594</b>	<b>+\$292,407</b>	<b>+\$464,851</b>
<b>Chapter 30 (Montgomery GI Bill)</b>			
COLA	-	-	-
Caseload	-57,402	-55,544	-62,560
Average Payment	+15,777	+18,391	+17,114
<b>Net Changes</b>	<b>-\$41,625</b>	<b>-\$37,153</b>	<b>-\$45,446</b>
<b>Chapter 35 (Dependent Education)</b>			
COLA	+\$3,205	+\$2,777	+\$19,031
Caseload	+13,728	+17,938	+18,651
Average Payment	-30	-21	-21
<b>Net Changes</b>	<b>+\$16,903</b>	<b>+\$20,693</b>	<b>+\$37,661</b>
<b>Chapter 1606 (Reservists)</b>			
COLA	-	-	-
Caseload	-896	-864	-833
Average Payment	-4,442	-3,990	-3,927
<b>Net Changes</b>	<b>-\$5,338</b>	<b>-\$4,854</b>	<b>-\$4,760</b>
<b>Chapter 1607 (Reservists )</b>			
COLA	-	-	-
Caseload	-	-	-
Average payment	+124	+104	+691
<b>Net Changes</b>	<b>+\$124</b>	<b>+\$104</b>	<b>+\$691</b>
<b>Chapter 31 (Vocational Rehabilitation and Employment)</b>			
COLA	+\$4,305	+\$3,740	+\$25,594
Caseload	+26,068	+55,739	+52,257
Average payment	+159,889	+29,626	+31,221
<b>Net Changes</b>	<b>+\$190,262</b>	<b>+\$89,105</b>	<b>+\$109,072</b>
<b>Special Assistance For Disabled Veterans</b>			
Housing Grants	+\$7,817	+\$4,607	+\$6,762
Housing Technology Grants	+\$217	-\$1,000	-
Automobile Grants	+\$11,981	-\$10,321	-\$1,581
Adaptive Equipment	+\$29,625	+\$19,001	+\$23,719
<b>Net Changes</b>	<b>+\$49,639</b>	<b>+\$12,287</b>	<b>+\$28,900</b>
<b>Miscellaneous</b>			
National Exams	-	-	+2
Tuition Assistance	-252	+26	+175
Licensing and Certification	+928	+14	+95
Work-Study	+6,209	+1,425	+2,182
Reimbursement to GOE	+425	+8	+9
State Approving Agencies	+12	-	-
Contract Counseling	+2,397	-	-
Reporting Fees	-190	+565	+33
<b>Net Changes</b>	<b>+\$9,529</b>	<b>+\$2,040</b>	<b>+\$2,497</b>
<b>Total Net Change</b>	<b>\$522,089</b>	<b>\$374,630</b>	<b>\$593,465</b>
<b>Estimated Obligations</b>	<b>\$14,787,350</b>	<b>\$15,161,980</b>	<b>\$15,755,445</b>

## **Analysis of Increases and Decreases**

### **2018 to 2019**

Obligations are expected to increase \$593.5 million from 2018 to 2019 due to the following:

#### **Post 9-11 GI Bill (Chapter 33)**

Chapter 33 obligations are expected to increase \$464.9 million dollars in 2019. An increase in average payment unrelated to the COLA will result in an increase of \$223.2 million. Average payments are affected by numerous factors including training time, length of service, legislative changes, the nature of the education institution (two year versus four year or online educational programs), and the types of training or education the beneficiary receives. The COLA is expected to increase obligations by \$192.4 million, and an increase of 3,115 beneficiaries will increase obligations by \$ 49.3 million.

#### **All-Volunteer Force Educational Assistance Program (Chapter 30)**

Chapter 30 obligations are projected to decrease by \$45.4 million. A decrease in 6,882 beneficiaries will decrease obligations by \$62.6 million. Offsetting this decrease is a change in the average payment unrelated to the COLA, which results in a \$17.1 million increase. Average payments are affected by numerous factors, including training time, length of service, legislative changes, the nature of the educational institutions (two year verse four year educational programs), and the types of training or education the Veteran receives.

#### **Survivors' and Dependents' Educational Assistance (Chapter 35)**

The total increase in obligations for chapter 35 is expected to be \$37.7 million. The COLA will increase obligations \$19.0 million. Caseload is expected to increase by 3,019 for children and 400 for spouses and widow(ers), for a total increase of 3,419. This change results in an increase to obligations of \$18.7 million. The average benefit payments unrelated to COLA are expected to decrease by \$21 thousand.

#### **Educational Assistance for Members of the Selected Reserve (Chapter 1606)**

Chapter 1606 obligations are expected to decrease by \$4.8 million. VA works with DoD's Office of the Actuary for chapter 1606 projections. Decreases to the average payment unrelated to the COLA will decrease obligations by \$3.9 million. A decrease of 402 beneficiaries will decrease obligations by \$833 thousand. There is no change in average payment related to the COLA.

#### **Educational Assistance for Members of the Selected Reserve (Chapter 1607)**

Obligations for chapter 1607 are expected to increase by \$691 thousand. This change is due to increase in average payment unrelated to the COLA. There is no change to caseload, due to the National Defense Authorization Act of 2016 (P.L 114-92), which sunset REAP. Individuals enrolled before November 24, 2015, can continue to use benefits until November 25, 2019.

**VR&E (Chapter 31)**

The total increase in chapter 31 obligations is \$109.1 million from 2018 to 2019. An increase of 3,862 individuals receiving benefits increases obligations by \$52.3 million. The average payment unrelated to the COLA will increase obligations by \$31.2 million. This is largely due to an increase in the number of individuals who qualify for subsistence at the chapter 33 rate over the chapter 31 rate. The COLA is anticipated to increase obligations by \$25.6 million.

**Special Assistance for Disabled Veterans**

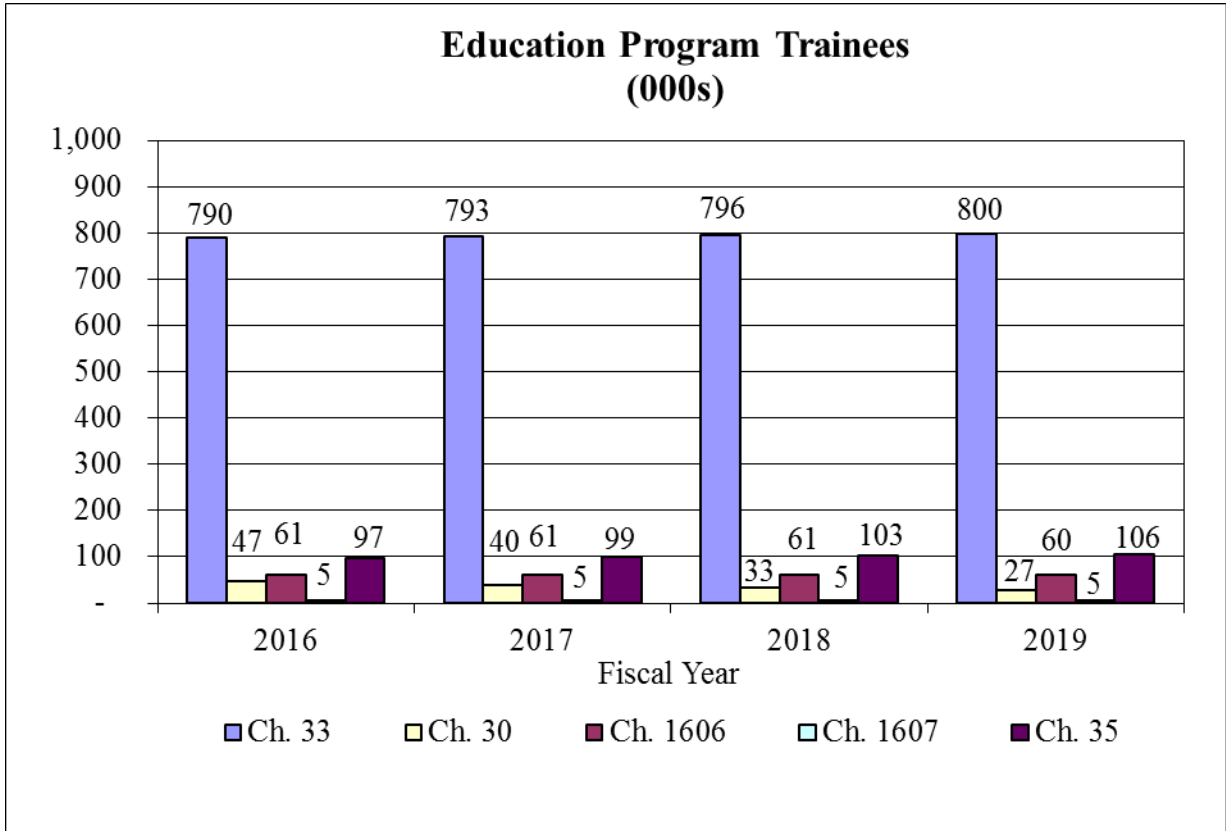
Special assistance provides housing, automotive, and adaptive equipment grants for severely disabled Veterans or Servicemembers. Adaptive equipment grants will increase by \$23.7 million and total housing grants will increase by \$6.8 million. Obligations for automobiles grants will decrease by \$1.6 million. These changes are based on historical trends.

**Miscellaneous**

The total change in obligations attributed to the remaining programs is expected to be an increase of \$2.5 million. Work-study costs are expected to increase by \$2.2 million, and tuition assistance will increase by \$175 thousand. Licensing and certification obligations increase by \$95 thousand; reporting fees will increase by \$33 thousand; and reimbursements to GOE increase by \$9 thousand; and national exams increase by \$2 thousand. There are no changes in obligations for contract counseling, or payments to state approving agencies.

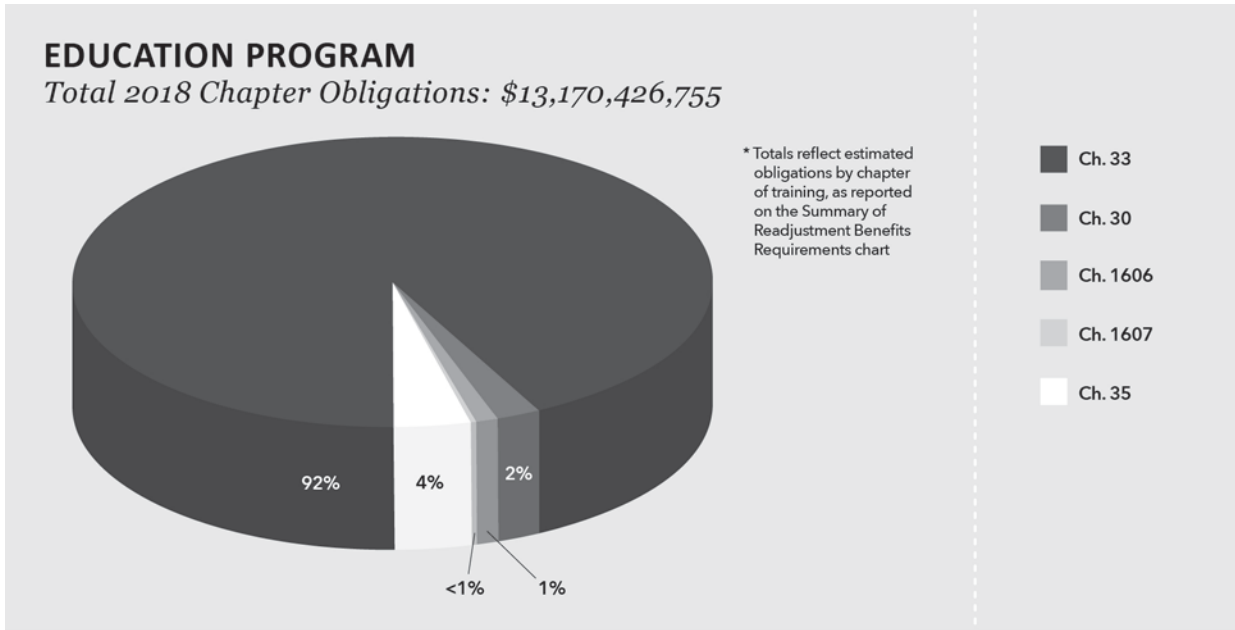
### Education Program Highlights

In 2016, education benefit obligations of nearly \$12.7 billion provided benefits to 1,000,085 beneficiaries. Education obligations will continue to increase, reaching \$12.9 billion in 2017, and \$13.2 billion in 2018. Total beneficiaries are projected to be 997,888 in 2017 and 997,467 in 2018.



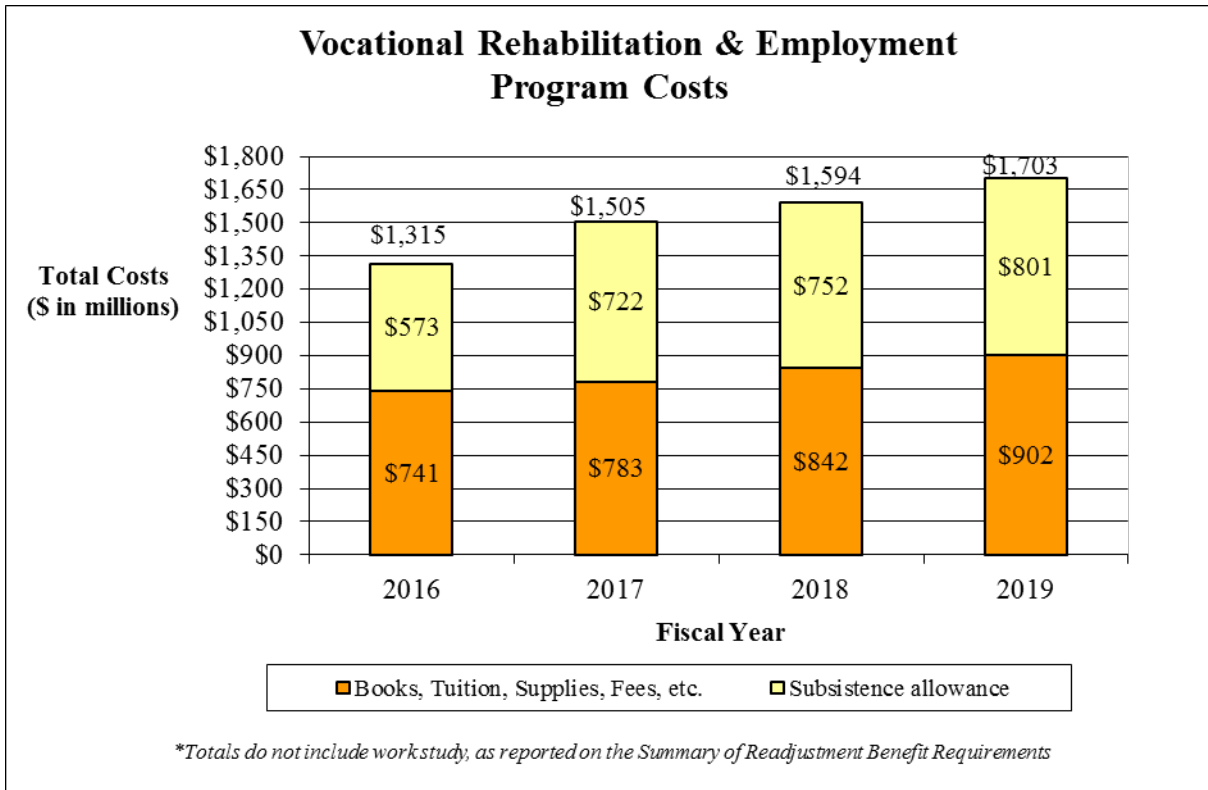
The average cost per beneficiary is highest for chapter 33, reaching \$14,984 in 2017. The other education programs have significantly lower average payments, incentivizing most beneficiaries to elect chapter 33 benefits when eligible. In 2017, it is estimated that average costs per beneficiary will be \$8,116 for chapter 30, \$5,414 for chapter 35, and \$2,202 for chapter 1606. These average payments continue to increase at rates consistent with the COLA and tuition index, reflecting annual increases to tuition rates.

Since 2010, chapter 33 has been the largest education program and is expected to reach 796,389 beneficiaries in 2018, accounting for 92 percent of total training obligations. Prior to the implementation of chapter 33, chapter 30 was largest education program, but reflects just two percent of education funding by 2017. Chapter 35 represents four percent of education obligation. Chapter 1606 and chapter 1607 account for one percent and less than one percent of funding in 2018, respectively.



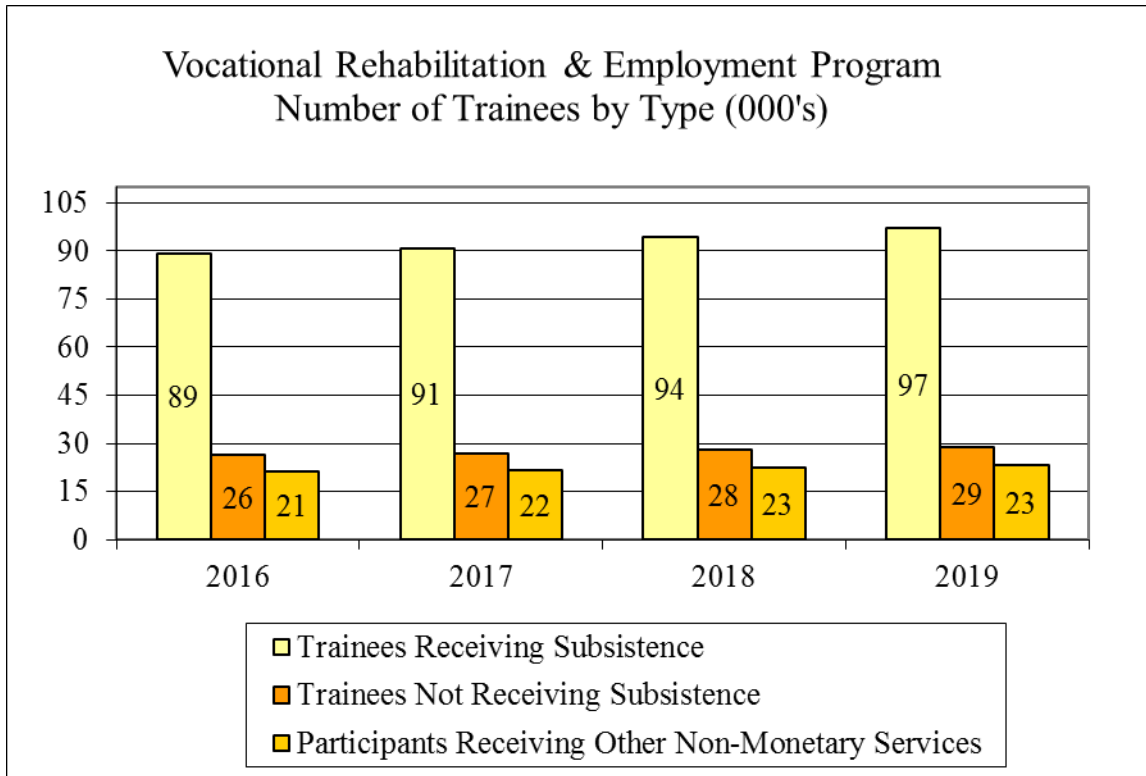
### VR&E Employment Program Highlights

In 2016, 137,121 Veterans received benefits and services under the VR&E program. Of this total, 115,703 receive monetary benefit payments totaling \$1.3 billion. The number of participants receiving monetary benefits is anticipated to grow to 117,742 for a total of \$1.5 billion in 2017, and 122,009 for a total of nearly \$1.6 billion in 2018.



Participation and average cost per participant will continue to increase. Books, tuition, and supplies, coupled with subsistence allowance, are estimated to account for 99 percent of program costs.





The majority of program participants enter education or training programs. All program costs, including tuition, books, and fees, if appropriate, are borne by VA, and the Veteran is provided with a monthly subsistence allowance. This monthly subsistence allowance will account for 47 percent of the costs by 2018. The percentage of costs attributed to subsistence allowance is increasing due to a provision passed under The Veterans Educational Assistance Improvements Act of 2010 (P.L. 111-377), which allow beneficiaries with service on or after September 11, 2001 to receive subsistence allowance at the chapter 33 monthly housing allowance. Beneficiaries who receive rehabilitative evaluation, planning, and delivery services do not receive any payments. This specific service of the program provides non-monetary assistance such as resumé preparation, job hunting strategies, interview preparation, and other assistance designed to move the Veteran into a suitable employment.

<b>Summary of Readjustment Benefit Requirements (obligations in thousands)</b>						
	2016			2017		
	Workload	Average Benefits	Obligations	Workload	Average Benefits	Obligations
<b>Total (Ch. 33, 30, 1606, 1607, 35, 31)</b>	1,115,788	\$ 12,495	\$ 13,941,252	1,115,631	\$ 12,911	\$ 14,404,173
<b>All-volunteer force educational assistance:</b>						
Chapter 33	790,090	\$ 14,661	\$ 11,583,408	793,235	\$ 14,984	\$ 11,886,003
Chapter 30-total	47,307	\$ 7,717	\$ 365,091	39,869	\$ 8,116	\$ 323,593
Veterans	40,305	\$ 8,428	\$ 339,677	34,259	\$ 8,826	\$ 302,388
Servicepersons	7,002	\$ 3,630	\$ 25,414	5,610	\$ 3,780	\$ 21,205
Reservists (1606)	61,388	\$ 2,228	\$ 136,765	60,981	\$ 2,202	\$ 131,427
Reservists (1607)	4,538	\$ 4,561	\$ 20,697	4,538	\$ 4,588	\$ 20,822
<b>Education and training (Chapter 35):</b>						
Dependents total	96,762	\$ 5,379	\$ 520,482	99,265	\$ 5,414	\$ 537,385
Sons and daughters-total	81,118	\$ 5,439	\$ 441,210	83,932	\$ 5,471	\$ 459,229
College	78,685	\$ 5,430	\$ 427,247	81,499	\$ 5,462	\$ 445,183
Bellow College Level	2,334	\$ 5,783	\$ 13,498	2,334	\$ 5,818	\$ 13,579
On-the-job-training	99	\$ 4,699	\$ 465	99	\$ 4,727	\$ 468
Spouses and widows (ers)-total	15,644	\$ 5,067	\$ 79,272	15,332	\$ 5,097	\$ 78,156
College <sup>1/</sup>	14,856	\$ 5,063	\$ 75,218	14,544	\$ 5,093	\$ 74,077
Bellow College Level	776	\$ 5,137	\$ 3,986	776	\$ 5,168	\$ 4,010
On-the-job-training	12	\$ 5,674	\$ 68	12	\$ 5,708	\$ 68
<b>Chapter 31</b>	115,703	\$ 11,363	\$ 1,314,682	117,742	\$ 12,782	\$ 1,504,944
<b>Tuition Assistance</b>	4,985	\$ 1,108	\$ 5,525	4,729	\$ 1,115	\$ 5,273
<b>Licensing and Certification Tests</b>	1,654	\$ 1,180	\$ 1,951	2,426	\$ 1,187	\$ 2,879
<b>Work-study</b>	13,071	\$ 3,431	\$ 44,844	14,792	\$ 3,451	\$ 51,054
<b>State Approving Agencies</b>			\$ 18,988			\$ 19,000
<b>Contract Counseling</b>			\$ 3,603			\$ 6,000
<b>Reporting Fees</b>			\$ 9,641			\$ 9,451

<sup>1/</sup> includes caseload and obligations for correspondence training

Note: Total workload includes the Veterans Retraining Assistance Program. Additionally, total workload is not a count of unique individuals.

Trainees switching education programs are counted in each program they trained in during the fiscal year.

Total Obligations does not include change in selected resources.

<b>Summary of Readjustment Benefit Requirements (cont.)</b>						
<b>(obligations in thousands)</b>						
	2018			2019		
	Workload	Average Benefits	Obligations	Workload	Average Benefits	Obligations
<b>Total (Ch. 33, 30, 1606, 1607, 35, 31)</b>	1,119,476	\$ 13,189	\$ 14,764,476	1,122,589	\$ 13,653	\$ 15,326,544
<b>All-volunteer force educational assistance:</b>						
Chapter 33	796,389	\$ 15,292	\$ 12,178,410	799,504	\$ 15,814	\$ 12,643,261
Chapter 30-total	33,394	\$ 8,578	\$ 286,440	26,512	\$ 9,090	\$ 240,994
Veterans	29,120	\$ 9,258	\$ 269,589	23,296	\$ 9,776	\$ 227,742
Servicepersons	4,273	\$ 3,943	\$ 16,851	3,215	\$ 4,122	\$ 13,252
Reservists (1606)	60,577	\$ 2,137	\$ 126,573	60,175	\$ 2,074	\$ 121,813
Reservists (1607)	4,538	\$ 4,611	\$ 20,926	4,538	\$ 4,763	\$ 21,616
<b>Education and training (Chapter 35):</b>						
Dependents total	102,570	\$ 5,441	\$ 558,078	105,989	\$ 5,621	\$ 595,739
Sons and daughters-total	86,847	\$ 5,498	\$ 477,527	89,866	\$ 5,680	\$ 510,406
College	84,414	\$ 5,490	\$ 463,410	87,433	\$ 5,671	\$ 495,823
Bellow College Level	2,334	\$ 5,847	\$ 13,647	2,334	\$ 6,040	\$ 14,097
On-the-job-training	99	\$ 4,750	\$ 470	99	\$ 4,907	\$ 486
Spouses and widows (ers)-total	15,723	\$ 5,123	\$ 80,551	16,123	\$ 5,293	\$ 85,333
College <sup>1/</sup>	14,935	\$ 5,119	\$ 76,452	15,335	\$ 5,288	\$ 81,099
Bellow College Level	776	\$ 5,194	\$ 4,030	776	\$ 5,365	\$ 4,163
On-the-job-training	12	\$ 5,736	\$ 69	12	\$ 5,926	\$ 71
<b>Chapter 31</b>	122,009	\$ 13,065	\$ 1,594,049	125,871	\$ 13,531	\$ 1,703,121
<b>Tuition Assistance</b>	4,729	\$ 1,120	\$ 5,299	4,729	\$ 1,157	\$ 5,474
<b>Licensing and Certification Tests</b>	2,426	\$ 1,193	\$ 2,893	2,426	\$ 1,232	\$ 2,989
<b>Work-study</b>	15,129	\$ 3,469	\$ 52,479	15,255	\$ 3,583	\$ 54,661
<b>State Approving Agencies</b>			\$ 19,000			\$ 19,000
<b>Contract Counseling</b>			\$ 6,000			\$ 6,000
<b>Reporting Fees</b>			\$ 10,016			\$ 10,050

*1/ includes caseload and obligations for correspondence training*

*Note: Total workload includes the Veterans Retraining Assistance Program. Additionally, total workload is not a count of unique individuals.*

*Trainees switching education programs are counted in each program they trained in during the fiscal year.*

*Total Obligations does not include change in selected resources.*

## **Proposed Legislation**

### **Rounding Down of Certain Cost-of-Living Adjustments**

VA proposes to amend title 38 U.S.C., sections 3015(h) and 3564 to round-down benefit rates from 2018 to 2027. P.L. 108-183, the Veterans Benefits Act of 2003, last extended a previous authority in title 38 that authorized VA to round-down the yearly cost-of-living adjustments for basic educational assistance to the next lower whole dollar amount through fiscal year 2013. Previously, under Chapters 30 and 35, the yearly increase in educational assistance was rounded-down to the next lower whole dollar. When this legislation expired, these monthly rate increases for educational assistance were rounded to the nearest whole dollar. Savings to VA are estimated to be \$0 in 2018, \$2.7 million for five years, and \$21.4 million over ten years.

### **Prevent VA from Providing Unlimited Amounts of Payments for Flight Training at Public School**

VA proposes to amend title 38 U.S.C. § 3313(c) and add new section (j) to impose tuition and fee payment caps at Institutions of Higher Learning (IHLs) with flight training programs and establish a maximum allowable fee structure for all VA-funded flight programs. Savings are estimated to be \$42.0 million in 2018, \$228.8 million for five years, and \$511.2 million over ten years.

### **Streamline monthly certifications for on-the-job (OJT) and apprenticeship programs**

VA proposes to amend § 3680(c) of title 38, U.S.C., to eliminate the requirement for two signatures and require the signature of only the school certifying official (supervisor) at the training establishment. This change would provide better service to students, as it would simplify the certification process by allowing the training facility to certify the monthly attendance electronically, through a system similar to VA-ONCE (VA's tool for online certification of enrollment), and would reduce potential delays in benefit payments. No benefit costs or savings are associated with this proposal.

### **Sunset the Post-Vietnam Era Veterans' Education Assistance Program (VEAP)**

Although VEAP will eventually sunset on its own, it is not cost-effective to continue to expend administrative and information technology (IT) resources to administer and maintain this program for the extremely small number of beneficiaries paid in a given year. Usage under VEAP has decreased from 560 beneficiaries in FY 2008 to a mere 10 beneficiaries for FY 2016. Administrative costs include claims processing personnel in VA Regional Processing Offices as well as costs for IT personnel to maintain the VEAP program in the Benefits Delivery Network system. No benefit cost or savings are associated with this proposal.

### **Extend the Eligibility Period for VR&E Benefits for Certain Members of the Reserve Component**

VA proposes to amend 38 U.S.C. §3103(f) to afford members of the Reserve Component (RC) who are ordered to active duty under 10 U.S.C. § 12304a and § 12304b the same extension of their eligibility period for vocational rehabilitation benefits as other RCs who

are activated. Minimal costs are associated with this proposal, as nearly all eligible Veterans utilize benefits within their 12-year delimiting date.

**Extension of Veterans’ Advisory Committee on Education**

VA proposes to amend Title 38, U.S.C. Section 3692 (c) to authorize VA’s Advisory Committee on Education through December 31, 2019. No costs are associated with this proposal.

**Request Statutory Change to 38 U.S.C. Section 3683 Conflicting Interest to “Any Institution” Not Just For-Profit Institutions**

This proposal would ensure that conflicts of interest do not exist for members of SAAs approve programs at any institution type, including non-profit universities. No costs are associated with this proposal.

**Authorize the Secretary to Collect Overpayments in Connection with Acquisition of Specially Adapted Housing**

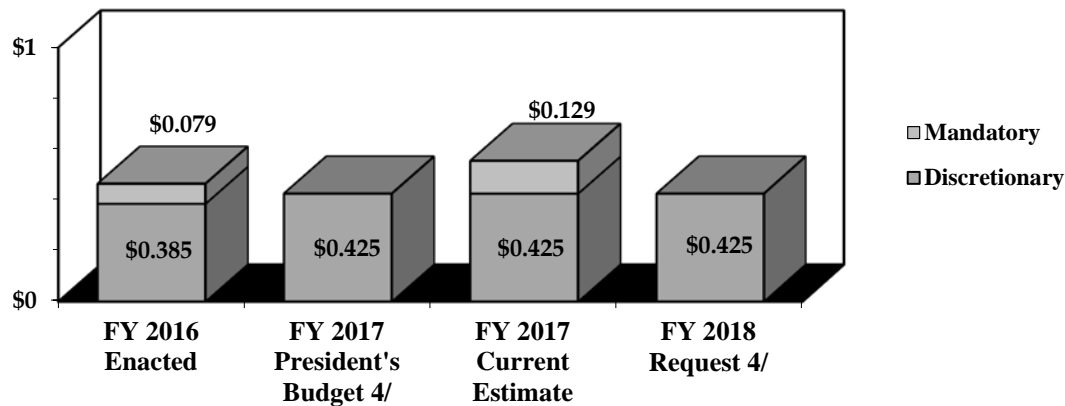
VA proposes to amend 38 U.S.C. § 2102 to authorize the Secretary to establish debts against any Veteran or responsible party in connection with the acquisition of specially adapted housing (SAH). This change is consistent with the authority of VA under 38 U.S.C. § 3685(a) to collect overpayments made in connection with its education programs. Savings associated with this proposal are insignificant.

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## Vocational Rehabilitation Loan Program

### Summary of Budget Authority <sup>1/ 2/ 3/</sup>-- Vocational Rehabilitation Loan Program (Appropriations \$ in millions)



Notes:

1/ Budget authority is for spending on loan administration and federal subsidy expenses.

2/ Discretionary budget authority includes both federal subsidy and administrative expenses.

3/ Mandatory budget authority is for annual subsidy reestimates.

4/ The FY 2017 President's Budget and FY 2018 Request do not reflect the annual subsidy reestimates per OMB Circular No. A-11.

### Appropriation Language

For the cost of direct loans, [\$36,000] \$29,680 as authorized by chapter 31 of title 38, United States Code: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974; *Provided further*, That funds made available under this heading are available to subsidize gross obligations for the principal amount of direct loans not to exceed [\$ 2,517,000] \$2,356,000.

In addition, for credit program administrative expenses necessary to carry out the direct loan program, [\$388,800] \$395,000 which may be paid to the appropriations fund for "General Operating Expenses, Veterans Benefits Administration."

<b>Summary of Net 2018 Estimates</b>				
(dollars in thousands)				
	Budget Authority	Outlays	Financing Authority	Financing Disbursement
Program Account	\$ 425	\$ 425	\$ 0	\$ 0
Direct Loan Financing Account	\$ 0	\$ 0	-\$ 128	-\$ 128
<b>Total</b>	\$ 425	\$ 425	-\$ 128	-\$ 128

### **Summary of Budget Request**

An appropriation of \$ 425,000 is being requested to provide subsidy payments of \$ 30,000 to the Vocational Rehabilitation Direct Loan Financing Account and to reimburse \$395,000 to the General Operating Expenses appropriation for credit program administrative expenses.

### **Program Description**

Currently, non-interest Revolving Fund Loans up to \$1,214 per Veteran, twice the amount of the indexed full-time subsistence allowance for a Veteran without dependents under Chapter 31 of Title 38 United States Code (U.S.C.) 3112, are available to service-connected disabled Veterans that participate in the Department of Veterans Affairs (VA) Vocational Rehabilitation and Employment Program (VR&E). Vocational Rehabilitation Counselors approve these loans to those needing additional financial assistance. The loan program provides Veterans with the resources necessary for them to start, continue, or reenter vocational rehabilitation training if an unforeseen hardship occurs.

These loans help ensure the success of VA's investment in the Veteran participating in vocational rehabilitation training, which averaged approximately \$895 per participant in 2016. Repayment of the loans are made in monthly installments, without interest, through deductions from future payments of compensation, pension, subsistence allowance, educational assistance allowance, or retired pay, ensuring all loans are fully repaid. The rate of repayment may not be less than 10 percent of the amount advanced unless the monthly benefit being used for repayment is less than 10 percent of the loan amount. Loans are repaid in full in less than one year with few defaults.

### **Credit Reform**

The "Federal Credit Reform Act of 1990", Public Law (P.L.) 101-508, changed the accounting for Federal credit programs to more accurately measure their costs and to make them consistent with comparable non-credit transactions. The intent of credit reform is to separate subsidy costs, the cost to the government, from the non-subsidized cash flows of credit transactions and to focus on the former for budgeting and analysis. To accomplish this objective, the Vocational Rehabilitation Loan Program is managed using two accounts: the Credit Program Account and the Direct Loan Financing Account.

### **Credit Program Account – On-Budget**

VA requests appropriations for subsidy payments and administrative expenses through the Vocational Rehabilitation Loan Program Account. The credit program administrative expenses are reimbursed to the General Operating Expenses appropriations account.



Subsidy amounts are estimated on a present value basis; administrative expenses are estimated on a cash basis.

<b>Summary of Appropriation Highlights – Program Account</b>					
(dollars in thousands)					
	<b>2016 Actual</b>	<b>2017</b>		<b>2018 Estimate</b>	<b>Increase (+) Decrease (-)</b>
		<b>Budget Estimate</b>	<b>Current Estimate</b>		
<b>Obligations</b>					
Direct loan subsidy	\$ 18	\$ 36	\$ 36	\$ 30	-\$6
Upward Reestimates	\$ 0	\$0	\$122	\$0	-\$122
Interest on Reestimates	\$ 79	\$0	\$ 7	\$0	-\$7
Administrative expenses	\$ 367	\$ 389	\$ 389	\$ 395	+\$6
<b>Total obligations</b>	<b>\$ 464</b>	<b>\$ 425</b>	<b>\$ 554</b>	<b>\$ 425</b>	<b>-\$129</b>
<b>Unobligated Balance:</b>					
Start of year	\$3	\$3	\$3	\$3	\$0
End of year	\$3	\$0	\$0	\$0	\$0
<b>Budget authority (net)</b>	<b>\$ 464</b>	<b>\$ 425</b>	<b>\$ 554</b>	<b>\$ 425</b>	<b>-\$129</b>
<b>Obligated Balance:</b>					
Start of year	\$113	\$0	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
<b>Outlays (net)</b>	<b>\$577</b>	<b>\$425</b>	<b>\$554</b>	<b>\$425</b>	<b>-\$129</b>
<b>Workload:</b>					
Number of loans established	1,794	2,618	2,618	2,402	-\$216
Average loan amount (dollars)	895	\$962	\$962	\$981	+\$19
Total Loan Amount	\$1,605	\$2,517	\$2,517	\$2,356	-\$162
Loan subsidy rate	1.05%	1.43%	1.43%	1.26%	-0.17%
<b>Average Employment/FTE:</b>					
Veterans Benefits Administration	3	3	3	3	0

Notes: Dollar amounts may not add due to rounding in this and subsequent charts.

### **Detail of Budget Request**

The subsidy rate is estimated to be 1.26 percent in 2018. The average default rate for these loans remains at close to zero percent. A total of 2,402 loans are estimated to be made in 2018, with an average loan amount of \$981 resulting in \$2,356,000 in direct loans and \$29,680 in direct loan subsidy. VA requests \$395,000 for administrative expenses to provide issuance and accounting services of all loans disbursed, with an average employment level of three FTE.

### **Changes from Original 2017 Budget Estimate**

In 2017, the current Vocational Rehabilitation Program Account budget authority of \$554,000 is an increase of \$129,000 from the original 2017 budget estimate. This is the result of an increase of \$129,000 in upward reestimates, which are based on 2016 actual loan cash flows and 2018 budget actual and assumed economic data.

<b>Analysis of Increases and Decreases – Outlays</b>		
(dollars in thousands)		
	2017 Current Estimate	2018 Estimate
Prior year outlays (net)	\$577	\$554
<b>Increases (+) and Decreases (-)</b>		
Loan Subsidy	+\$18	-\$6
Upward Reestimates	+\$50	-\$129
Administrative expense	+\$22	+\$6
Change in obligated balance/other	-\$113	\$0
<b>Net Change</b>	<b>-\$23</b>	<b>-\$129</b>
<b>Estimated Outlays (net)</b>	<b>\$554</b>	<b>\$425</b>

In 2017, the net outlays are projected to decrease by \$23,000 primarily due to an \$113,000 decrease in obligated balance, offset by increases in loan subsidy of \$18,000, upward reestimates of \$50,000, and administrative expenses of \$22,000. The subsidy rate (1.26 percent vs. 1.43 percent) will decrease and average loan amount (\$981 vs. \$962) will increase in 2018 from 2017. In contrast, the number of loans estimated to be disbursed (2,402 vs. 2,618) and loan obligations (\$2,356,000 vs. \$2,517,000) will decrease during this period.

In 2018, the net outlays are projected to decrease by \$129,000 primarily due to a \$129,000 decrease in upward reestimates, a decrease in loan subsidy of \$6,000, and offset by an increase in administrative expense of \$6,000. The change in the loan subsidy estimate reflects the 2018 subsidy rate of 1.26 percent compared to the 2017 subsidy rate of 1.43 percent. The upward reestimates will not be performed for 2018 until the 2019 President's Budget formulation.

### **Direct Loan Financing Account – Off-Budget**

The Vocational Rehabilitation Direct Loan Program Financing Account is an off-budget account that records all financial transactions; i.e., obligations, collections, and outlays associated with direct loan originations. The Direct Loan Financing Account is used primarily for the tracking of each cohort year's loan activity and is not included in the budget totals when calculating total government spending.

<b>Financial Summary</b> (dollars in thousands)					
	<b>2016</b> <b>Actual</b>	<b>2017</b>		<b>2018</b> <b>Estimate</b>	<b>Increase (+)</b> <b>Decrease (-)</b>
		<b>Budget</b> <b>Estimate</b>	<b>Current</b> <b>Estimate</b>		
<b>Obligations:</b>					
Direct loans	\$1,605	\$2,517	\$2,517	\$2,356	-\$162
Downward Reestimates	\$120	\$0	\$4	\$0	-\$4
Interest on Treasury borrowing	\$40	\$0	\$0	\$0	\$0
<b>Total obligations</b>	<b>\$1,765</b>	<b>\$2,517</b>	<b>\$2,521</b>	<b>\$2,356</b>	<b>-\$166</b>
<b>Unobligated Balance:</b>					
Start of year	\$138	\$0	\$70	\$0	-\$70
End of year	\$70	\$0	\$0	\$0	\$0
<b>Obligated Balance:</b>					
Start of year	\$5	\$5	\$9	\$9	\$0
End of year	\$9	\$5	\$9	\$9	\$0
<b>Offsetting Collections:</b>					
Loan Repayments	\$1,738	\$2,690	\$2,305	\$2,421	+\$116
Interest on Un-invested Funds	\$24	\$42	\$31	\$33	+\$1
Payments from Program Account	\$18	\$36	\$36	\$30	-\$6
Upward Reestimates	\$79	\$0	\$129	\$0	-\$129
<b>Total offsetting collections</b>	<b>\$1,859</b>	<b>\$2,768</b>	<b>\$2,501</b>	<b>\$2,483</b>	<b>-\$18</b>
<b>Financing:</b>					
Financing authority, net	-\$24	-\$250	\$20	-\$128	-\$148
Financing disbursements, net	-\$98	-\$250	\$20	-\$128	-\$148

### Summary of Off-Budget Financing Account

Approximately \$2,356,000 in direct loans is expected for 2018, a decrease of \$162,000 from the 2017 level. The decrease is due to a lower number of loans expected to be established (2,402 vs. 2,618).

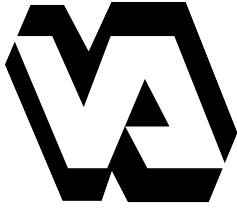
Offsetting collections in 2018 are estimated to be \$2,483,000, a decrease of \$18,000 from the 2017 level. This is primarily due to a \$129,000 decrease in upward reestimates, a decrease in payments from program account of \$6,000, and offset by increases in loan repayments of \$116,000.

In 2018, offsetting collections of \$2,483,000 exceed obligations of \$2,356,000 with resulting financing authority, net, of negative \$128,000.

<b>Analysis of Increases and Decreases – Outlays</b>		
(dollars in thousands)		
	2017 Current Estimate	2018 Estimate
Prior year Financing Disbursement (net)	-\$98	+\$20
<b>Increases (+) and Decreases (-)</b>		
<b>Obligations:</b>		
Direct loans	+\$912	-\$162
Downward Reestimates	-\$116	-\$4
Interest on Treasury borrowing	-\$40	\$0
Subtotal Obligations	+\$757	-\$166
<b>Offsetting collections</b>		
Loan Repayments	-\$568	-\$116
Interest on Uninvested Funds	-\$7	-\$1
Payments from Program Account	-\$18	+\$6
Upward Reestimates	-\$50	+\$129
Change in obligated balance/other	+\$4	\$0
Subtotal Offsetting Collections	-\$638	+\$18
<b>Net Change</b>	<b>+\$118</b>	<b>-\$148</b>
<b>Estimated Financing Disbursement (net)</b>	<b>+\$20</b>	<b>-\$128</b>

In 2017, the net financing disbursements will increase by \$118,000. This is primarily due to increases in direct loans of \$912,000. The primary drivers offsetting the increases to net financing disbursements are increases in loan repayments of \$568,000, downward reestimates of \$116,000, interest on Treasury borrowing of \$40,000, and payments from program account of \$18,000.

In 2018, the net financing disbursements will decrease by \$148,000, which is primarily due to decreases of \$166,000 in net obligations (driven mainly by a decrease of \$162,000 in direct loans). Net financing disbursements are offset by a decrease in net offsetting collections of \$18,000. The upward reestimates will not be performed for 2018 until the 2019 President's Budget formulation.



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## *Post-Vietnam Era Veterans' Education Account*

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### **Program Description**

Title 38, United States Code (U.S.C.) chapter 32, Post-Vietnam Era Veterans' Educational Assistance Program (VEAP) is a voluntary contribution and matching program established under Public Law (P.L.) 94-502. To be eligible, an individual must have initially entered active duty on or after January 1, 1977, and before July 1, 1985, and enrolled and contributed before April 1, 1987. The individual must have served continuously for more than 180 days. Individuals on active duty could enroll and contribute between \$25 and \$100 a month up to a total of \$2,700. An individual on active duty could make a lump-sum contribution at any time before his or her discharge or release if he or she has not yet contributed \$2,700. The government matches contributions on a 2-for-1 basis. The government may make additional contributions, or "kickers," into the fund on behalf of individuals in critical military fields, as determined by Department of Defense (DoD), to encourage individuals to enlist or reenlist in the Armed Forces. VEAP participants who disenroll from the program may request to receive a refund of their contributions.

The Educational Assistance Program for Persons Enlisting for Active Duty authorized in section 901 of P.L. 96-342 is a non-contributory program in which individuals or eligible dependents may receive educational assistance and subsistence allowance while training at accredited educational institutions. The program is funded by DoD and codified in Title 10 U.S.C. chapter 106A.

The Educational Assistance Pilot Program authorized in section 903 of P.L. 96-342, is a non-contributory modified chapter 32 benefit. It differs from the basic chapter 32 program in that the service department makes the individual's monthly contributions, and certain individuals are permitted to transfer their entitlement to their spouses or children. This program is codified in Title 10 U.S.C. 2141(a).

Participants have had numerous opportunities to disenroll from their program and enroll in the Montgomery GI Bill, including:

- P.L. 101-510, the National Defense Authorization Act for Fiscal Year 1991, was enacted on November 5, 1990, and allowed Servicemembers enrolled or eligible to reenroll in VEAP, who were involuntarily separated from service on or after February 3, 1991, an opportunity to make an irreversible election to receive assistance under the Montgomery GI Bill (MGIB) educational assistance program in lieu of VEAP.
- P.L. 102-484, the National Defense Authorization Act for Fiscal Year 1993, allowed certain Servicemembers who voluntarily separated from the military on or after December 5, 1991, to be eligible for the MGIB program effective October 23, 1992.

- P.L. 104-275, the Veterans Benefits Improvement Act of 1996, provided an opportunity for chapter 32 (and section 903) to enroll in the MGIB program. Under that law, the Servicemember must have been a VEAP participant on October 9, 1996, and made a permanent election to become eligible for the MGIB program. Individuals who elected to disenroll from the VEAP program paid \$1,200 into the Department of Treasury's GI Bill receipt account to establish eligibility under the MGIB program.

<b>Post-Vietnam Era Veterans' Education Program</b>					
<b>Fund Highlights and Caseload Summary</b>					
<b>(dollars in thousands)</b>					
	<b>2016 Actual</b>	<b>2017</b>		<b>2018 Estimate</b>	<b>Increase (+) Decrease (-)</b>
		<b>Budget Estimate</b>	<b>Current Estimate</b>		
<b>Obligations:</b>					
Training	\$14	\$7	\$13	\$13	-\$0
Section 901 Training	\$8	\$25	\$8	\$7	-\$1
Disenrollments	\$201	\$217	\$191	\$181	-\$10
<b>Total Obligations</b>	<b>\$223</b>	<b>\$249</b>	<b>\$212</b>	<b>\$201</b>	<b>-\$11</b>
<b>Budget Authority (trust fund, indefinite)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Outlays	\$223	\$251	\$214	\$183	-\$31
Unobligated balance:					
Start of year	\$62,239	\$61,977	\$62,016	\$61,804	-\$212
End of year	\$62,016	\$61,729	\$61,804	\$61,603	-\$201
<b>Caseload/Participants</b>					
Trainees	8	3	8	7	-1
Section 901 Trainees	2	2	2	2	0
Disenrollments	92	160	87	83	-4
Participants, end of year	115,196	191,591	115,099	115,007	-92
<b>Average Payments (whole dollars)</b>					
Training	\$1,767	\$2,814	\$1,791	\$1,825	+\$34
Section 901 Training	\$4,132	\$12,369	\$3,925	\$3,500	-\$425
Disenrollments	\$2,180	\$1,353	\$2,180	\$2,180	\$0

*Note: Dollars may not add due to rounding*

### **Summary of Budget Request**

No appropriation action by Congress is required. Budget authority, consisting of transfers from DoD and deposits from participating Servicemembers, are available as permanent and indefinite authority. VA currently estimates that the unobligated balance carried forward from prior years will provide sufficient funding for VEAP through 2018. VA does not anticipate receiving additional deposits from participating Servicemembers or transfers from DoD. Therefore, no additional budget authority is identified in this request to fund the estimated obligations of \$201 thousand for nine trainees and 83 disenrollment refunds.

### Changes from the Original 2017 Estimate

The current estimated obligations for 2017 decreases by \$37 thousand from the original estimate. Although the number of estimated trainees increased (8 vs. 3), this was offset by decreases in the number of disenrollment refunds (87 vs. 160), average cost per trainee (\$1,791 vs. \$2,814), and average cost per section 901 trainee (\$3,925 vs. \$12,369).

<b>Post-Vietnam Era Veterans' Education Program Analysis of Increases and Decreases (dollars in thousands)</b>		
	<b>2017 Estimate</b>	<b>2018 Estimate</b>
<b>Prior year obligations</b>	<b>\$223</b>	<b>\$212</b>
Training	-\$1	\$0
Training Under section 901	\$0	-\$1
Disenrollments	-\$10	-\$10
Net change	-\$11	-\$11
<b>Estimated obligations</b>	<b>\$212</b>	<b>\$201</b>

### Analysis of Increases and Decreases

In 2018, obligations are projected to be \$201 thousand, a decrease of \$11 thousand from the 2017 level of \$212 thousand. Training obligations remain constant, while section 901 obligations slightly decreased by one thousand. Disenrollment obligations (refunds) are projected to decline by \$10 thousand as a result of fewer participants disenrolling (83 vs. 87).

The number of participants will continue to decline because the program is closed to new enrollments, and eligibility is restricted to persons who first entered active duty prior to July 1, 1985.

### Program Highlights

In 2018, seven participants are expected to train under this program resulting in obligations of \$13 thousand. In addition, two individuals are expected to train under section 901 of P.L. 96-342 with obligations totaling seven thousand. During 2018, 83 participants are expected to disenroll from this program and receive \$181 thousand in refunds.

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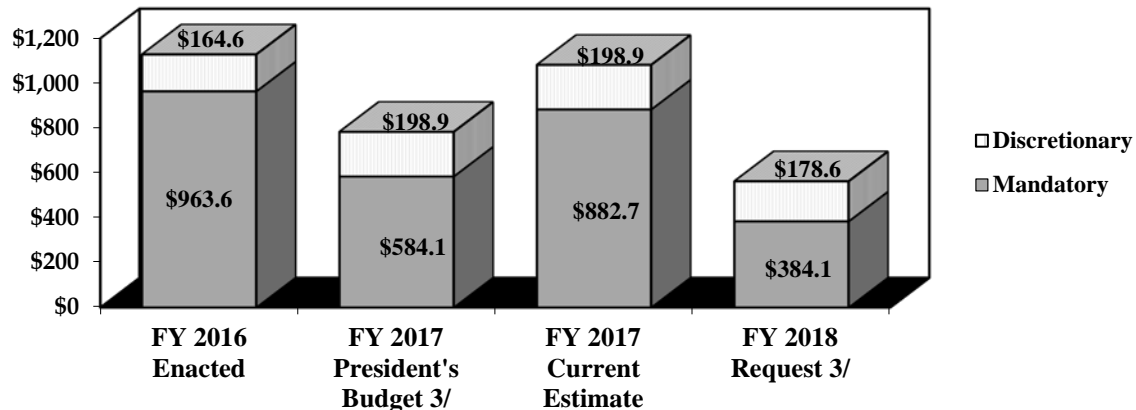


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## Housing

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### Summary of Budget Authority <sup>1/2/</sup> -- Housing (Appropriations \$ in millions)



Notes:

1/ The Summary of Budget Authority (BA) depicts the Housing Program Account only (1119); i.e., excludes the Housing Liquidating Account.

2/ Budget authority is for spending on loan administration (discretionary) and federal subsidy (mandatory) expenses.

3/ The 2017 President's Budget and 2018 Request do not reflect the annual subsidy reestimates per OMB Circular No. A-11.

### Appropriation Language

For the cost of direct and guaranteed loans, such sums as may be necessary to carry out the program, as authorized by subchapters I through III of chapter 37 of title 38, United States Code: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That during fiscal year [2017] 2018, within the resources available, not to exceed \$500,000 in gross obligations for direct loans are authorized for specially adapted housing loans.

In addition, for credit program administrative expenses to carry out the direct and guaranteed loan programs, [\$198,856,400] \$178,626,365.

**Total Housing  
Summary of Appropriation Highlights**  
(dollars in thousands)

Housing Program and Liquidating Accounts	2016 Actual	2017		2018 Request	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
<b>Obligations:</b>					
Liquidating Account	\$758	\$590	\$1,701	\$1,437	-\$264
Program Account	\$1,125,189	\$782,944	\$1,081,593	\$562,781	-\$518,812
<b>Total Obligations</b>	<b>\$1,125,948</b>	<b>\$783,535</b>	<b>\$1,083,293</b>	<b>\$564,218</b>	<b>-\$519,075</b>
<b>Budget Authority:</b>					
Mandatory, Program Account	\$963,605	\$584,088	\$882,737	\$384,155	-\$498,582
Mandatory, Liquidating Account	-\$10,261	-\$10,519	-\$8,481	-\$6,404	+\$2,077
Discretionary Program Account	\$164,558	\$198,856	\$198,856	\$178,626	-\$20,230
<b>Total Budget Authority (net)</b>	<b>\$1,117,903</b>	<b>\$772,426</b>	<b>\$1,073,111</b>	<b>\$556,377</b>	<b>-\$516,734</b>
<b>Outlays:</b>					
Liquidating Account	-\$11,582	-\$10,519	-\$6,862	-\$6,404	+\$458
Program Account	\$1,125,189	\$782,944	\$1,081,593	\$562,781	-\$518,812
<b>Total Outlays (net)</b>	<b>\$1,113,608</b>	<b>\$772,426</b>	<b>\$1,074,731</b>	<b>\$556,377</b>	<b>-\$518,354</b>

Notes: Dollar amounts may not add due to rounding in this and subsequent charts.

### Summary of Budget Request

The 2018 appropriation request of \$562.8 million includes funding for the mandatory and discretionary requirements of the Housing Program. The mandatory request of \$384.2 million for the Credit Housing Program Account includes estimated funding for subsidy payments (costs to the government) for the Veterans Housing Guaranteed Loan program and the Acquired Direct Loan Program. The discretionary request of \$178.6 million includes the funding requirements for general operating expenses associated with General Counsel, Office of Information and Technology, and Veterans Benefits Administration. The Liquidating Account does not require an appropriation to fund account obligations because sufficient resources are available from offsetting collections (borrowers' principal and interest payments and home sales proceeds).

The Guaranteed Loan program subsidies reflect the portion of the expected payments by the government that it does not expect to recover; i.e., the cost to the government, in net present value terms. In 2018, the Guaranteed Loan program will have a subsidy rate of 0.27 percent to finance 518,851 loan guarantees, averaging \$273,545 per loan and totaling \$141.928 billion. The mandatory request is the value of the subsidy rate multiplied by the total loan amounts in 2018. The subsidy rate is calculated in a similar manner as direct loans, using the same discount rate.

The Guaranteed Loan Sales Securities program subsidies reflect the portion of the expected payments by the government that the government does not expect to be offset by collections, in net present value terms. The Department of Veterans Affairs (VA) stopped financing the sale of real estate owned (REO) properties with vendee loans after 2012 because there was a need to promulgate updated regulations that would permit VA to charge fees that are necessary for efficient administration of the vendee program. This results in a lack of new vendee loan production for future loan sales securities.

In 2018, consequently, the Guaranteed Loan Sales Securities program will not require any new loan subsidy funding. VA's legal authority to guarantee new loan sales securities trust certificates was extended through December 31, 2016 by Public Law (P.L.) 112-154, 38 U.S.C. 3720(h), after the authority had expired on December 31, 2011. VA will continue to honor its guarantee of existing loan sales securities trust certificates; that is, VA will pay default costs for any sold vendee loan that underlies the existing loan sales securities trust certificates.

The Housing Direct Loan program subsidies reflect the portion of loan disbursements the government does not expect to recover; that is, the cost to the government, in net present value terms. In 2018, the Acquired loan program will have a subsidy rate of 7.94 percent to finance 57 acquired or refunded loans, averaging \$210,408 per loan and totaling \$11.9 million. In 2018, the Vendee Loan program will have a subsidy rate of negative 26.49 percent to finance 4,848 vendee loans, averaging \$91,153 per loan and totaling \$441.9 million. These vendee loans will not require new loan subsidy in 2018. The Vendee loans will finance a portion of annual foreclosure home sales from the Guaranteed Loan program. The other portion of the annual foreclosure home sales will be for cash. VA will continue to originate and hold to maturity vendee loans.

The loan subsidy rate is calculated after discounting the estimated risk-adjusted net cash flows associated with the loan disbursements by the comparable rates on Treasury securities. The discounted net cash value divided by the total undiscounted value of loan disbursements equals the subsidy rate.

The Guaranteed Transitional Housing Loan program subsidies reflect the portion of the expected payments by the government that the government does not expect to be offset by collections, in net present value terms. In 2018, the Transitional Housing Program will request no loan subsidy funding. VA has not originated any new transitional loans since 2009 due to a lack of loan demand. As a result, the program was cancelled in 2012.

**Loan Data Summary**  
(dollars in thousands)

	2016 Actual	2017		2018 Request	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
<b>Veterans Housing Benefit Program:</b>					
<b>Guaranteed Loans:</b>					
Subsidy rate	0.25%	0.51%	0.51%	0.27%	-0.24%
Number of guaranteed loans	713,041	429,079	589,261	518,851	-70,409
Amount of guaranteed loans	\$181,786,473	\$114,492,673	\$157,226,340	\$141,928,931	-\$15,297,409
Average loan amount (full dollars)	\$254,945	\$266,833	\$266,820	\$273,545	+\$6,725
<b>Loan Sales Securities:</b>					
Subsidy rate	0.00%	0.00%	0.00%	0.00%	0.00%
Guaranteed loans sold:					
Number of loans sold	0	0	0	0	0
Amount of loans sold	\$0	\$0	\$0	\$0	\$0
Average loan amount (full dollars)	\$0	\$0	\$0	\$0	\$0
Gross proceeds from sale	\$0	\$0	\$0	\$0	\$0
<b>Direct Loans:</b>					
<b>Acquired Loans:</b>					
Subsidy rate	1.71%	1.92%	1.92%	7.94%	+6.02%
Number of Loans	38	46	50	57	+7
Total amount of loans	\$7,693	\$9,134	\$10,314	\$11,919	+\$1,605
Average loan amount (full dollars)	\$202,440	\$198,625	\$206,286	\$210,408	+\$4,122
<b>Vendee Loans:</b>					
Subsidy rate	-25.58%	-23.58%	-23.58%	-26.49%	-2.91%
Number of Loans	0	5,312	4,231	4,848	+617
Total amount of loans	\$0	\$392,119	\$378,144	\$441,940	+\$63,796
Average loan amount (full dollars)	\$0	\$73,818	\$89,365	\$91,153	+\$1,787

**Credit Reform**

The "Federal Credit Reform Act of 1990," P.L. 101-508, changed the accounting for Federal credit programs to more accurately measure their costs and to make them consistent with and comparable to non-credit transactions. The intent of credit reform is to separate subsidy costs, the cost to the government, from the non-subsidized cash flows of credit transactions and to focus on the former for budgeting and analysis. To accomplish this objective, the Housing Loan Program is separated into six accounts: Program Account, Guaranteed Loan Financing Account, the Direct Loan Financing Account, Loan Sales Securities Guaranteed Loan Financing Account, the Liquidating Account, and the Guaranteed Transitional Housing Direct Loan Financing Account.

## **Credit Reform Accounts Descriptions**

### **Credit Program Account – On-Budget:**

The Credit Program Account records loan subsidy costs (cost to the government) associated with direct loans obligated and loan guarantees committed since 1992, as well as administrative expenses for the Housing loan programs. Loan subsidy costs are calculated on a net present value basis. Loan administrative expenses are estimated on a cash basis.

### **Guaranteed Loan Financing Account – Off-Budget:**

The Guaranteed Loan Financing Account (GLFA) is a non-budgetary account that records all financial transactions to and from the government resulting from loan guarantees committed since 1992 (including modifications of loan guarantees that resulted from commitments in any year). Like the Direct Loan Financing Account, its primary purpose is financial tracking of each cohort year's loan activity and is not included in budget totals.

### **Direct Loan Financing Account – Off-Budget:**

The Direct Loan Financing Account (DLFA) is a non-budgetary account that records all financial transactions to and from the government resulting from direct loans obligated since 1992 (including all vendee loans established and loans acquired from the Liquidating and Guaranteed Loan Financing Accounts).

The DLFA primarily tracks each cohort year's loan activity (principal and interest payments, Treasury borrowing, interest paid to or received from Treasury, etc.) and is not included in the budget totals when calculating total government spending. In 2007, the DLFA began executing two distinct sub-accounts for new direct acquired and vendee loans.

### **Loan Sales Securities Guaranteed Loan Financing Account – Off-Budget:**

The Guaranteed Loan Sales Securities Account (LSSA) was established in 1999 to record transactions from the guarantee of Vendee loans sold under the Vendee Mortgage Trust (VMT) Securitization Program. This guaranty authority by the VA expired December 31, 2011, yet was later reinstated in Section 702(a) of the Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012.

While the authority is extended through December 31, 2016, no securitized loan sales are currently planned. Similar to the DLFA and GLFA, this account's primary purpose is the financial tracking of each cohort year's loan sale activity and is not included in budget totals when calculating total government spending.

### **Liquidating Account – On-Budget:**

The Liquidating Account records all cash flows to and from the government resulting from direct loans obligated and loan guarantees committed prior to 1992. This account is shown on a cash basis. Acquired and Vendee loans originating from this account in 1992 and after are recorded in the Direct Loan Financing Account.

### **Guaranteed Transitional Housing Direct Loan Financing Account – Off-Budget:**

The Guaranteed Transitional Housing Direct Loan Financing Account is a non-budgetary account that records all financial transactions to and from the government resulting from direct loan obligations. The Direct Loan Financing account is used primarily for financial tracking of each cohort year's loan activity within the financing account and is not included in budget totals when calculating total government spending. The program's direct loans are funded with borrowing from the Federal Financing Bank (FFB). For budgetary and financing reporting purposes, the program's loans are treated as Agency debt. Therefore, although this is a guaranteed loan program, all transactions are accounted for in a direct loan financing account.

### **Program Description**

The Housing Loan Program helps eligible Veterans, active duty personnel, surviving spouses, and members of the Reserves and National Guard purchase and retain homes in recognition of their service to the Nation. When a borrower purchases a home, the program operates by effectively substituting the Federal Government's guaranty for a down payment that might otherwise be required.

Under 38 U.S.C. 3703, the guaranty amount for a borrower with full entitlement (first-time users of the program or users whose entitlement is fully restored) is as follows:

- 50 percent for loans of \$45,000 or less;
- \$22,500 for loans greater than \$45,000, but no more than \$56,250;
- The lesser of \$36,000 or 40 percent of the loan amount for loans greater than \$56,250, but not more than \$144,000;
- 25 percent of the loan amount for loans of \$144,001 to \$417,000; or
- For certain loans in excess of \$417,000, the guaranty will be the lesser of: 25 percent of the county loan limit, or 25 percent of the loan.

Avoiding foreclosure is critical to helping Veterans. VA's goal is to help Veterans retain their homes and to reduce the likelihood of foreclosure. VA and loan servicers take aggressive intervention actions when loans are more than 60 days in default. The benefits of assisting borrowers in default include the Veteran retaining his or her home and minimizing the damage to their credit rating, as well as a cost savings to the government. VA charges various upfront loan funding fees according to the fee structure authorized in 38 U.S.C. 3729. A person who pays a fee for a loan guaranteed or insured after December 31, 1989, or who is exempt from payment of the fee, will have no liability to VA for any loss resulting from default except in the case of fraud, misrepresentation, or bad faith. This exemption does not apply to manufactured homes under Section 3712 or loan assumptions.

P.L. 111-275, Sections 204 and 802, effective October 13, 2010, provides VA with new housing program authority. Section 204 allows the Housing program to waive housing loan fees for certain Veterans with service-connected disabilities called to active service. Section 802 allows the Housing program the option to purchase a VA-guaranteed loan that is modified under bankruptcy proceedings.

P.L. 112-26, enacted in August 2011, set the loan guaranty funding fee rate for subsequent loans at 2.8 percent for 2012 only. P.L. 112-56, Section 265 was enacted in November 2011 and superseded P.L. 112-26. P.L. 112-56 extended 2011 loan guaranty funding fee rates from November 22, 2011, to September 30, 2016. P.L. 112-154, Section 702(b) of Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012 extended these funding fee rates through September 30, 2017. P.L. 113-146, Veterans Access, Choice and Accountability Act of 2014, Section 704 extended the funding fee rates to September 30, 2024.

P.L. 112-154, Section 702(c) of Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012 reinstated the temporary increase to the maximum guaranty amount that expired on December 31, 2011. The increase in the guaranty amount was effective August 6, 2012 through December 31, 2014. Section 702(c) of Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012 reinstated the temporary increase to the maximum guaranty amount that expired on December 31, 2011. The increase in the guaranty amount is effective August 6, 2012 through December 31, 2014.

VA is authorized to make direct loans to severely disabled Veterans in connection with Specially Adapted Housing Grants. The maximum loan amount is \$33,000.

Veterans may also obtain guaranteed loans to buy new or used manufactured homes and to buy or improve lots for placement of manufactured homes. The guaranteed loan amount is lesser of 40 percent of the loan amount or \$20,000. Veterans are charged a funding fee of one percent of the loan amount.

The Guaranteed Transitional Housing Loan program was established by P.L. 105-368, the "Veterans Benefits Enhancement Act of 1998." The program started as a pilot project designed to expand the supply of transitional housing for homeless Veterans by providing up to 15 loans with a maximum aggregate value of \$100 million. The project enforces sobriety standards and provides a wide range of supportive services, such as counseling for substance abuse and job readiness skills. Residents, once employed, are required to pay a moderate fee(s). This program stopped new loan origination as of 2009 because of a lack of demand.

<b>Loan Fee Structure for VA-Guaranteed Loans</b>		
	<b>Veterans</b>	<b>Reservists</b>
<b>First Time Use</b>		
<b>Downpayment</b>		
Less than 5 percent*		
- October 1, 2011 until October 5, 2011	1.40%	1.65%
- October 6, 2011 until November 17, 2011	2.15%	2.40%
- November 18, 2011 through November 21, 2011	1.40%	1.65%
- November 22, 2011 through September 30, 2024	2.15%	2.40%
- On or after October 1, 2024	1.40%	1.65%
At least 5 percent but less than 10 percent		
- October 1, 2011 until October 5, 2011	0.75%	1.00%
- October 6, 2011 until November 17, 2011	1.50%	1.75%
- November 18, 2011 through November 21, 2011	0.75%	1.00%
- November 22, 2011 through September 30, 2024	1.50%	1.75%
- On or after October 1, 2024	0.75%	1.00%
10 percent or more		
- October 1, 2011 until October 5, 2011	0.50%	0.75%
- October 6, 2011 until November 17, 2011	1.25%	1.50%
- November 18, 2011 through November 21, 2011	0.50%	0.75%
- November 22, 2011 through September 30, 2024	1.25%	1.50%
- On or after October 1, 2024	0.50%	0.75%
<b>Second and Subsequent Use</b>		
<b>Downpayment</b>		
Less than 5 percent*		
- October 1, 2007 until October 1, 2011	3.30%	3.30%
- October 1, 2011 until October 5, 2011	2.80%	2.80%
- October 6, 2011 until November 17, 2011	3.30%	3.30%
- November 18, 2011 through November 21, 2011	2.80%	2.80%
- November 22, 2011 through September 30, 2024	3.30%	3.30%
- On or after October 1, 2024	1.25%	1.25%
At least 5 percent but less than 10 percent		
- October 1, 2011 until October 5, 2011	0.75%	1.00%
- October 6, 2011 until November 17, 2011	1.50%	1.75%
- November 18, 2011 through November 21, 2011	0.75%	1.00%
- November 22, 2011 through September 30, 2024	1.50%	1.75%
- On or after October 1, 2024	0.75%	1.00%
10 percent or more		
- October 1, 2011 until October 5, 2011	0.50%	0.75%
- October 6, 2011 until November 17, 2011	1.25%	1.50%
- November 18, 2011 through November 21, 2011	0.50%	0.75%
- November 22, 2011 through September 30, 2024	1.25%	1.50%
- On or after October 1, 2024	0.50%	0.75%
<b>Refinancing Loans</b>		
<b>Interest Rate Reduction</b>	0.50%	0.50%
<b>Other</b>		
Assumptions (loan transfer to new borrower with securing property sale)	0.50%	0.50%
Service-connected Veterans**	0.00%	0.00%

\* Includes 'Cash-Out' Refinancing loans

\*\* In-receipt of/eligible for service-connected disability compensation



**Housing Liquidating and Program Accounts**  
**Summary of Appropriation Highlights**  
(dollars in thousands)

	2016 Actual	2017		2018 Request	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
<b>Liquidating:</b>					
Program Obligations	\$758	\$590	\$1,701	\$1,437	-\$264
<b>Unobligated Balance:</b>					
Start of year	\$1,147	\$0	\$1,485	\$0	-\$1,485
End of year	\$0	\$0	\$0	\$0	\$0
Transfer to General Fund	-\$11,407	-\$10,519	-\$9,966	-\$6,404	+\$3,562
Offsetting Collections	\$12,504	\$11,109	\$10,182	\$7,841	-\$2,341
<b>Budget Authority (net)</b>	-\$10,261	-\$10,519	-\$8,481	-\$6,404	+\$2,077
<b>Outlays (net)</b>	-\$11,582	-\$10,519	-\$6,862	-\$6,404	+\$458
<b>Housing Program:</b>					
Loan Subsidy Obligations:					
Veterans Housing Guaranteed	\$454,466	\$583,913	\$801,854	\$383,208	-\$418,646
Veterans Housing Loan Sales	\$0	\$0	\$0	\$0	\$0
Veterans Housing Direct Acquired	\$132	\$175	\$198	\$946	+\$748
Veterans Housing Direct Vendee	\$0	\$0	\$0	\$0	\$0
Veterans Housing Transitional Loans	\$0	\$0	\$0	\$0	\$0
<b>Loan Subsidy Modification:</b>					
Veterans Housing Guaranteed	\$0	\$0	\$0	\$0	\$0
Upward Reestimates, including interest:					
Veterans Housing Guaranteed	\$465,508	\$0	\$65,062	\$0	-\$65,062
Veterans Housing Loan Sales	\$7,410	\$0	\$4,952	\$0	-\$4,952
Veterans Housing Direct Acquired	\$27,444	\$0	\$8,870	\$0	-\$8,870
Veterans Housing Direct Vendee	\$8,646	\$0	\$1,800	\$0	-\$1,800
Administrative Expenses:*					
Veterans Benefits Administration	\$138,277	\$168,656	\$168,656	\$153,405	-\$15,251
General Counsel	\$2,479	\$5,600	\$2,796	\$2,606	-\$190
Information Technology	\$20,828	\$24,600	\$27,404	\$22,616	-\$4,788
<b>Obligations</b>	<b>\$1,125,189</b>	<b>\$782,944</b>	<b>\$1,081,593</b>	<b>\$562,781</b>	<b>-\$518,812</b>
<b>Unobligated Balance:</b>					
Unobligated Balance Unexpired	\$0	\$0	\$0	\$0	\$0
Start of year	\$0	\$0	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
<b>Budget Authority (net)</b>	<b>\$1,125,189</b>	<b>\$782,944</b>	<b>\$1,081,593</b>	<b>\$562,781</b>	<b>-\$509,935</b>
<b>Obligated Balance:</b>					
Start of year	\$0	\$0	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
<b>Outlays (net)</b>	<b>\$1,125,189</b>	<b>\$782,944</b>	<b>\$1,081,593</b>	<b>\$562,781</b>	<b>-\$518,812</b>
<b>Total Obligations</b>	<b>\$1,125,948</b>	<b>\$783,535</b>	<b>\$1,083,293</b>	<b>\$564,218</b>	<b>-\$519,075</b>
<b>Budget Authority:</b>					
Appropriation, mandatory	\$963,605	\$584,088	\$882,737	\$384,155	-\$498,582
Appropriation, discretionary	\$164,558	\$198,856	\$198,856	\$178,626	-\$20,230
Liquidating Account	-\$10,261	-\$10,519	-\$8,481	-\$6,404	+\$2,077
<b>Total Budget Authority (net)</b>	<b>\$1,117,903</b>	<b>\$772,426</b>	<b>\$1,073,111</b>	<b>\$556,377</b>	<b>-\$516,734</b>
<b>Total Outlays (net)</b>	<b>\$1,113,608</b>	<b>\$722,426</b>	<b>\$1,074,731</b>	<b>\$556,377</b>	<b>-\$518,354</b>

\*Expenses incurred for credit program loan administration.

## **Detail of Budget Request – On-Budget**

The Liquidating Account does not require an appropriation to fund account obligations because sufficient resources are available from the anticipated \$7.8 million in offsetting collections (borrower's principal and interest payments, sale of homes, etc.). Obligations for 2018 are estimated at \$1.4 million which, when netted against collections, results in a negative budget authority of \$6.4 million. The Liquidating Account includes activity for all loans disbursed prior to 1992. The Liquidating Account loans have no benefit loan subsidy cost under the law.

In 2018, budget authority of \$562.8 million is requested for the Housing Credit Program Account to provide funding for loan administration costs of \$178.6 million, subsidy payments of \$384.2 million to the Veterans Guaranteed Loan Financing Account. Loan subsidy appropriations are not required for the Guaranteed Loan Sales Securities and the Vendee Direct Loan programs as they have zero or negative subsidy rates. VA stopped new vendee loan sales in 2013, which eliminates the requirement for new loan sales securities subsidy appropriation.

The Guaranteed Transitional Housing Loan program stopped originating new loans in 2009. No loan subsidy is requested for this program.

Loan subsidies for federal credit programs represent the estimated cost to the Government of making and guaranteeing loans. Veterans' Housing loans are generally for 30 years and the subsidy rates reflect the cost to the Government for that 30-year period. A subsidy rate is the net present value of all cash inflows (fees, down payments, sales of inventory property, etc.) less the cash outflows (claim and acquisition payments, property expenses, etc.) for 30 years. Risk-adjusted cash inflows and outflows are estimated for each year of the 30 years. The loan subsidy budget authority requested is the subsidy rate for the program multiplied by the total loan level projected for 2018. A negative subsidy rate results when cash inflows exceed cash outflows, thus government funds in the form of subsidy are not required. Details on loan levels and subsidy rates for all credit programs are displayed in the Workload Summary table of this chapter.

## **Changes from Original 2017 Budget Estimate**

The current 2017 Housing Credit Program Account budget authority of \$1.08 billion is a net increase of about \$299.7 million from the original 2017 budget estimate. This is primarily the result of an increase of \$80.7 million in upward reestimates for the Guaranteed Loan, Guaranteed Loan Sales Securities, the Direct Acquired and Vendee Loan Housing programs, and \$217.9 million in Guaranteed Loan subsidy obligations (that is, the subsidy increase is because of the growth in the 2017 loan volume projection).

**Housing Liquidating and Program Accounts**  
**Analysis of Increases and Decreases - Outlays**  
(dollars in thousands)

	<b>2017 Current Estimate</b>	<b>2018 Request</b>
Prior Year Outlays	\$1,113,608	\$1,074,731
<b>Liquidating:</b>		
Liquidating Obligations	+\$942	-\$264
Liquidating Collections	+\$2,323	+\$2,341
Liquidating Change in Obligated Balance	+\$1,455	-\$1,619
Change in Uncollected Customer Payments	\$0	\$0
<b>Housing Program:</b>		
Guaranteed Loan Subsidy	+\$347,388	-\$418,646
Loan Sales Loan Subsidy	\$0	\$0
Direct Acquired Loan Subsidy	+\$66	+\$748
Transitional Housing Loan Subsidy	\$0	\$0
<b>Upward reestimate, with interest:</b>		
Guaranteed Loans	-\$400,446	-\$65,062
Loan Sales Securities	-\$2,457	-\$4,952
Direct Acquired Loans	-\$18,574	-\$8,870
Direct Vendee Loans	-\$6,846	-\$1,800
Change in Obligated Balances/other	\$0	\$0
<b>Administrative Expenses</b>	+\$37,272	-\$20,230
<b>Net Change</b>	<b>-\$38,877</b>	<b>-\$518,354</b>
Estimated Outlays (net)	<b>+\$1,074,731</b>	<b>+\$556,377</b>

Net outlays for mandatory programs in 2017 are projected to decrease by \$38.9 million from the 2016 level. This is due primarily to decrease of \$428.3 million in upward reestimates for Housing programs, and offset by a \$347.5 increase in Guaranteed Loan Subsidy and a \$37.2 million increase in administrative expenses. The increase in loan guaranteed subsidy appropriations is due to changes in home loan production and loan composition and associated average loan funding fee rate and collections. Home loan production composition or make-up drives average funding rate. Purchase, Refinance (cash-out and interest rate reduction, or IRR), and Service-connected loan types make up home loan production. A higher share of IRR and Service-connected loans in total home loan production would lead to lower average funding fee rate and higher subsidy appropriations. The Service-connected loans accounts for 35 percent of home loan production in 2017, an increase from 34 percent of home loan production in 2016. Refinance loans accounts for 18 percent of home loan production in 2017, an increase from 11 percent of home loan production in 2016.

The loan administrative expense appropriations increase funds investment in loan administration systems, or Veterans Affairs Loan Electronic Reporting Interface (VALERI), and other administrative spending in 2017.

Net outlays for mandatory programs in 2018 are projected to decrease by \$518.4 million from the 2017 level. This is due primarily to a decrease of \$418.6 million in Guaranteed Loan Subsidy. Based on economic assumptions and Mortgage Bankers Association forecasts, VA estimates decreases in 2018 purchase and refinance loan volumes and loan subsidy rate, compared with the 2017 levels. The lower loan volume and subsidy rate will lead to a lower guaranteed loan subsidy appropriations request necessary to support the established loan levels. In addition, Service-connected loans will account for 34 percent of home loan production. Refinance loans will account for 10 percent of home loan production, a decrease from the refinance loan share in 2017.

<b>Financing Accounts Financial Summary (dollars in thousands)</b>					
	2016 Actual	2017		2018 Request	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
<b>Guaranteed Loans:</b>					
Obligations	\$2,880,107	\$4,299,876	\$4,477,499	\$4,855,347	+\$377,848
Collections	\$4,654,791	\$5,338,984	\$4,490,697	\$5,320,337	+\$829,640
Financing Authority (net)	\$0	\$0	\$0	\$0	\$0
Financing Disbursements (net)	-\$1,819,812	-\$1,050,460	+\$291,807	-\$506,334	-\$798,140
<b>Loan Sales Securities:</b>					
Obligations	\$48,121	\$18,621	\$27,954	\$16,884	-\$11,070
Collections	\$15,047	\$19,707	\$24,659	\$21,538	-\$3,121
Financing Authority (net)	\$0	\$0	\$0	\$0	\$0
Financing Disbursements (net)	\$33,074	-\$1,086	\$3,295	-\$4,654	-\$7,949
<b>Direct Loans:</b>					
Obligations	\$36,830	\$745,526	\$731,482	\$858,744	+\$127,262
Collections	\$107,939	\$73,451	\$60,309	\$73,979	+\$13,670
Financing Authority (net)	-\$18,092	\$672,076	\$671,172	\$784,765	+\$113,592
Financing Disbursements (net)	-\$70,921	\$670,031	\$663,524	\$783,463	+\$119,939
<b>Transitional Housing Loans:</b>					
Obligations	\$553	\$212	\$550	\$208	-\$342
Collections	\$501	\$553	\$557	\$520	-\$37
Financing Authority (net)	-\$70	-\$2	-\$39	-\$2	+\$36
Financing Disbursements (net)	\$52	-\$341	-\$7	-\$312	-\$305
<b>Housing Financing Accounts Totals:</b>					
Obligations	\$2,965,611	\$5,064,235	\$5,237,484	\$5,731,182	+\$493,698
Collections	\$4,778,278	\$5,432,694	\$4,576,222	\$5,416,374	+\$840,152
Financing Authority (net)	-\$26,224	\$672,073	\$671,133	\$784,762	+\$113,629
Financing Disbursements (net)	-\$1,857,607	-\$381,855	\$958,619	\$272,163	-\$686,456

## **Detail of Financing Accounts – Off-Budget**

The Veterans Housing Guaranteed Loan program has a subsidy rate of 0.27 percent in 2018 and will require subsidy to guarantee 518,851 Veterans Housing loans, totaling \$141,928.9 million in commitments.

The Veterans' Benefits Improvement Act of 2008, P.L. 110-389, extended the VA's authority to guarantee adjustable rate mortgages (ARMs) and hybrid adjustable rate mortgages (HARMs) through September 30, 2012. The Act also increased the maximum guaranty for cash-out refinance loans to the same as purchase loans. In addition, cash-out refinance loans were authorized for up to 100 percent of the appraised value of the home. Sections 208 and 209 of the Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012 subsequently made permanent VA's authority to guarantee ARMs and HARMs.

Section 204 of The Veterans' Benefits Improvement Act of 2010, P.L. 111-275, enacted October 13, 2010, authorized the Housing program to originate loan guarantees without funding fees for Veterans with service-connected disabilities who had been called to active duty.

Section 206 of the Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012 extended the home loan guaranty entitlement to surviving spouses of certain totally disabled Veterans. The Act, for the purpose of home loan benefits, includes as a "Veteran" a surviving spouse of a Veteran who died and who was in receipt of or entitled to receive compensation at the time of death for a service-connected disability rated totally disabling. The surviving spouses are also exempt from paying the funding fee.

Section 207 allowed an active-duty Servicemember's dependent child to satisfy the occupancy requirement for obtaining a VA-guaranteed home loan. Previously, only a Veteran or a Veteran's spouse was able to certify the occupancy requirement in 38 U.S.C. 3704(c).

Section 210 amended 38 U.S.C. 3729(c) allowing an individual to receive a loan fee waiver if, during a pre-discharge program, he or she receives a disability rating for purposes of VA compensation based on existing medical evidence, such as service medical and treatment records. This change authorizes an eligible individual to purchase a home without having to pay a VA funding fee even if he or she has not undergone a pre-discharge examination or a VA disability evaluation.

Section 702(a) reinstated VA's authority to issue or approve the issuance of, and guarantee the timely payment of principal and interest on, certificates or other securities evidencing an interest in a pool of mortgage loans. This guaranty authority previously expired on December 31, 2011. While the authority is extended through December 31, 2016, no securitized loan sales are currently planned. Section 410 of the Department of Veterans Affairs Expiring Authorities Act of 2016, P.L. 114-228 modified the authority so that the VA may not guarantee the payment of principal and interest on certain mortgage loan pool certificates or other securities issued or approved after December 31, 2017.

P.L. 112-154, Section 710(d) of the Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012 amended Section 303(c) of the Servicemembers Civil Relief Act (SCRA) by extending the period in which a Servicemember may exercise SCRA protections from nine months after the period of service ends to one year. The amendments made by Section 710(d) had a sunset date of December 31, 2014, at which time the protection reverted to a 90-day period. P.L. 113-286, Section 2 of the Foreclosure Relief and Extension for Servicemembers Act of 2014 amended P.L. 112-154, Section 710(d) by changing the sunset date from December 31, 2014 to December 31, 2015.

The VA Expiring Authorities Extension Act of 2013, P.L. 113-59, extended the requirements of the Vendee Loan Program to December 31, 2014. Section 3733(a)(7) within Title 38 originally amended Section 3733(a)(1) by deleting the sentence that allowed the maximum as 80 percent and changing "65 percent" and "may be financed" to "85 percent" and "shall be financed." Section 303 of the Department of Veterans Affairs Expiring Authorities Act of 2014, P.L. 113-175, extended the requirements of the Vendee Loan Program to September 30, 2015. Section 203 of the Department of Veterans Affairs Expiring Authorities Act of 2015, P.L. 114-58 extended the requirements to September 30, 2016. Section 203 of the Department of Veterans Affairs Expiring Authorities Act of 2016, P.L. 114-228 extended the requirements to September 30, 2017.

The VA Expiring Authorities Extension Act of 2013, P.L. 113-59, extended through December 31, 2014 VA's authority to use homes acquired through the guaranteed loan program or Homeless Shelter Program (HSP) to help provide shelter to homeless Veterans. Section 205 of the Department of Veterans Affairs Expiring Authorities Act of 2014, P.L. 113-175, extended the requirements to September 30, 2015. Section 303 of the Department of Veterans Affairs Expiring Authorities Act of 2015, P.L. 114-58, extended the requirements to September 30, 2016. Section 304 of the Department of Veterans Affairs Expiring Authorities Act of 2016, P.L. 114-228 extended the requirements to September 30, 2017.

The Department of Veterans Affairs Expiring Authorities Act of 2013, P.L. 113-37, extended through October 1, 2014 VA's authority to calculate the net value of a property securing a VA-guaranteed loan when the loan goes into default. Section 302 of the Department of Veterans Affairs Expiring Authorities Act of 2014, P.L. 113-175, extended the requirements to October 1, 2015. Section 202 of the Department of Veterans Affairs Expiring Authorities Act of 2015, P.L. 114-58 extended the requirements to September 30, 2016. Section 202 of the Department of Veterans Affairs Expiring Authorities Act of 2016, P.L. 114-228 extended the requirements to September 30, 2017.

In 2018, the Vendee Loan Sales Securities Program will not issue new loan guarantee commitments, which eliminates any requirement for loan sales securities subsidy funding.

Through the Guaranteed Loan Program, VA will continue to pay varied types of claims for guaranteed loan terminations based on current laws and regulations. The claims are going to result from VA loan guaranty responsibility to private mortgage lenders.

In 2018, the Guaranteed Transitional Housing Loan Program will not require any subsidy funding. The program stopped new loan originations as of 2009 because of a lack of demand for transitional loans.

**Analysis of Financing Account Increases and Decreases**  
**Non-Budgetary Disbursements**  
(dollars in thousands)

<b>Financing</b>	<b>2017 Current Estimate</b>	<b>2018 Request</b>
Prior Year Net Disbursements	-\$1,857,607	+\$958,619
Veterans Housing Financing Accounts:		
Guaranteed Loans:		
Obligations	+\$1,597,391	+\$377,848
Offsetting collections	+\$164,094	-\$829,640
Change in obligated balances	+\$350,134	-\$346,349
Change in Uncollected Customer Payments	\$0	\$0
Subtotal:	+\$2,111,619	-\$798,140
Loan Sales Securities:		
Obligations	-\$20,167	-\$11,070
Offsetting collections	-\$9,612	+\$3,121
Change in obligated balances	\$0	\$0
Change in Uncollected Customer Payments	\$0	\$0
Subtotal:	-\$29,778	-\$7,949
Direct Loans:		
Obligations	+\$694,652	+\$127,262
Offsetting collections	+\$47,629	-\$13,670
Change in obligated balances	-\$7,836	+\$6,347
Change in Uncollected Customer Payments	\$0	\$0
Change in Prior Year Recoveries	\$0	\$0
Subtotal:	+\$734,445	+\$119,939
Transitional Housing Loans:		
Obligations	-\$3	-\$342
Offsetting collections	-\$55	+\$37
Change in obligated balances	-\$1	\$0
Change in Uncollected Customer Payments	\$0	\$0
Subtotal:	-\$59	-\$305
<b>Net Change</b>	<b>+\$2,816,226</b>	<b>-\$686,456</b>
Estimated Net Disbursements	+\$958,619	+\$272,163

In 2017, the total financing net disbursements (outlays) are projected to increase by \$2,816.2 million, which is primarily due to Guaranteed and Direct Loan obligations. Net disbursements for Guaranteed Loans are estimated to increase by \$2,111.6 million, which is mostly due to an increase in obligations of \$1,597.3 million, and an offsetting change in obligated balance of \$350.1 million. Net disbursements for Loan Sales Securities are estimated to decrease by \$29.7 million, which is due to a \$20.1 million decrease in obligations offset by a \$9.6 million increase in collections (i.e., results to less outlays). The financing net disbursements for Direct Loans are estimated to increase by \$734.4 million, which is primarily due to an increase in obligations of \$694.7 million driven by vendee loan activity, and offset by a decrease in collections of \$47.6 million (i.e., results to more outlays).



In 2018, the total financing net disbursements (outlays) are projected to decrease by \$686.5 million, which is mostly due to increases in loan offsetting collections, changes in obligated balances, and partially offset by obligations. Net disbursements for Guaranteed Loans are estimated to decrease by \$798.1 million, which is due to an increase of \$829.6 million in collections (i.e., results to less outlays), a \$346.3 million decrease change in obligation balances, and offset by a \$377.8 million increase in obligations. Net disbursements for Loan Sales Securities are estimated to decrease by \$7.9 million primarily due to decrease in obligations of \$11.0 million and an offset of \$3.1 million in collections. The financing net disbursements for Direct Loans are estimated to increase by \$119.9 million, which is primarily due to an increase in obligations of \$127.2 million and offset by an increase in collections of \$13.7 million (i.e., results to less outlays). The upward and downward reestimates for all credit accounts will not be performed for 2018 until the 2019 President's Budget formulation.

### **Proposed Legislation for the 2018 Budget**

#### **Extension of Net Value Authority**

This proposal would extend VA's authority for calculating the net value of a property and using that calculation to determine VA's liability to pay claims at the time of foreclosure through the end of fiscal year 2022. Section 202 of the Department of Veterans Affairs Expiring Authorities Act of 2016, P.L. 114-228 extended the requirements to September 30, 2017. This proposal would also provide the Secretary with the discretion to determine what costs should be included in the net value calculation, based on prevailing economic conditions. Mandatory benefits loan subsidy costs associated with this proposal are insignificant. The tangible benefits gained by this proposal are predictability of foreclosure liabilities for VA.

#### **Extend Housing Assistance for Homeless Veterans Under 38 U.S.C § 2041 to Include Permanent Housing Options**

This proposal would extend the Secretary's authority to use homes acquired through the guaranteed loan program to assist homeless Veterans, including through the Homeless Shelter Program (HSP), through September 30, 2027. Without extension of the proposal, the Secretary would stop using HSP, but would continue to sell already acquired properties and to acquire new properties and sell them. The acquired properties that were already sold using HSP would continue serving homeless Veterans.

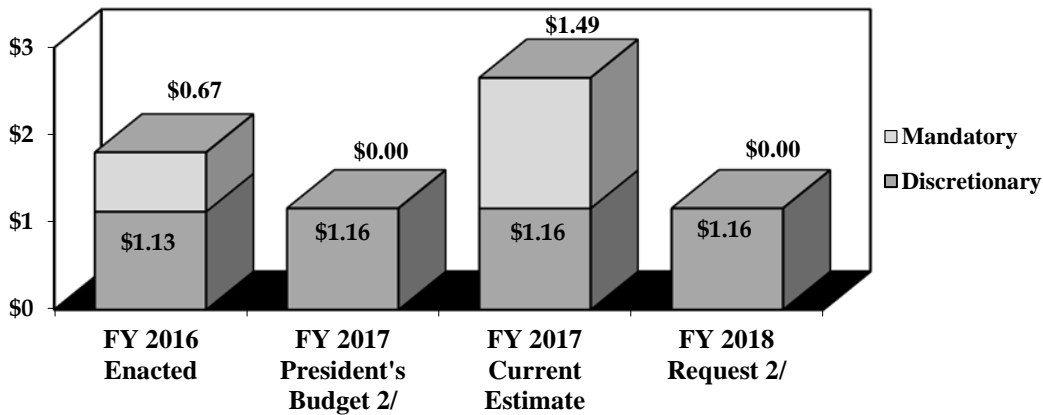
Conditional on approval, this proposal would amend 38 U.S.C. § 2041 by adding that properties acquired under this section may also be used to provide permanent housing. This change would better reflect current Federal housing policy regarding homelessness. Section 304 of the Department of Veterans Affairs Expiring Authorities Act of 2016, P.L. 114-228 extended the requirements to September 30, 2017. The proposal is estimated to incur loan subsidy costs of \$32.6 million in 2018, \$32.6 million over five years, and \$32.6 million over 10 years. This cost is derived from proposed acquired property sales discounts, or reductions in cash inflows, of \$76 million for already existing and new budget baseline loan guarantees over the 10 years. The \$32.6 million cost is the proposal budgetary impact on the cash inflows for already existing loan guarantees as of 2018 and

over the 10 years. Funding for such a 10-year cost is requested upfront for the budget year of the proposal. The portion of the sales discounts for new loan guarantees would produce insignificant cost over the 10 years. No Discretionary costs are associated with this proposal. The proposed cost has no offsets by raising fees or eliminating spending elsewhere.



## Native American Veterans Housing Loan Program

### Summary of Budget Authority <sup>1/</sup> -- Native American Veterans Housing Loan Program (Appropriations \$ in millions)



**Notes:**

1/ Budget authority is for spending on loan administration (discretionary) and federal subsidy (mandatory) expenses.

2/ The FY 2017 President's Budget and FY 2018 Request reflect initial subsidy reestimates for only new direct loans.

### Appropriation Language

For administrative expenses to carry out the direct loan program authorized by subchapter V of chapter 37 of title 38, United States Code, [\$1,163,000] *\$1,163,000*.

Summary of Net 2018 Estimates (dollars in thousands)				
	Budget Authority	Outlays	Financing Authority	Financing Disbursements
Program Account	\$1,163	\$1,163	\$0	\$0
Direct Loan Financing Account	\$0	\$0	\$5,727	\$5,512
<b>Total</b>	<b>\$1,163</b>	<b>\$1,163</b>	<b>\$5,727</b>	<b>\$5,512</b>

### Summary of Budget Request

An appropriation of \$1.163 million is requested to reimburse the General Operating Expenses account for expenses necessary to administer the Native American Housing program. This program has a negative 20.22 percent subsidy rate in 2018, and therefore will not require new subsidy appropriation. This program has an unobligated indefinite subsidy authority balance of \$2.3 million.

## **Program Description**

The Native American Veterans Housing Loan Program (“the Program”) is authorized by 38 U.S.C. Chapter 37, Section 3761 to provide direct loans to Veterans living on trust lands. The loans are available to purchase, construct, or improve homes to be occupied as Veterans’ residences. The principal amount of a loan under this authority generally may not exceed \$424,100 (in some locations, this limit may be higher, depending on median area home prices). Veterans pay a funding fee of 1.25 percent of the loan amount, but Veterans with a service-connected disability are exempt from paying the funding fee. The law also requires that, before a direct loan can be made, the Veteran's tribal organization signs a Memorandum of Understanding with the Department of Veterans Affairs with respect to the terms and conditions of the loan.

The Program began in 1993 as a pilot program. Indefinite subsidy authority of \$4.5 million was provided for by Public Law (P.L.) 102-389, "Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriation Act, 1993." The initial authority for this pilot program expired September 30, 1997. The authority was extended through December 31, 2001, by P.L. 105-114, “Veterans Benefits Act of 1997”, through December 31, 2005, by P.L. 107-103, ”Veterans Education and Benefits Expansion Act of 2001,” extended through December 31, 2008, by P.L. 108-454, “Veterans Benefits Improvement Act of 2004,” and became permanent by P.L. 109-233, “Veterans Housing Opportunity and Benefits Act of 2006.”

## **Credit Reform**

The "Federal Credit Reform Act of 1990," P.L. 101-508, changed the accounting for Federal credit programs to more accurately measure the costs of credit programs and to make credit programs consistent with and comparable to non-credit transactions. The intent of credit reform is to separate the subsidy costs, the cost to the government, from the non-budgetary cash flows of credit transactions and to focus on the former for budgeting and analysis. To accomplish this objective, the Native American Housing Loan Program is managed using two accounts: the Credit Program Account and the Direct Loan Financing Account.

## **Program Account – On-Budget**

The Native American Housing Loan’s Program Account was established to receive loan subsidy appropriations for the Native American Veterans Housing Direct Loan Financing Account and to request appropriations for credit program administrative expenses in order to reimburse the Department of Veterans Affairs’ General Operating Expenses (GOE) Account. The subsidy cost is calculated on a net present value basis; the administrative expenses are estimated on a cash basis. This account holds the unobligated balance of the original appropriation for loan subsidy.

**Native American Direct Loan Program Account**  
**Summary of Appropriation Highlights**

(dollars in thousands)

	2016 Actual	2017		2018 Request	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
<b>Obligations:</b>					
Upward reestimates, plus interest	\$673	\$0	\$1,491	\$0	-\$1,491
Administrative expenses:					
Veterans Benefits Administration	\$1,114	\$1,143	\$1,143	\$1,143	\$0
General Counsel	\$10	\$20	\$20	\$20	\$0
Total administrative expenses	\$1,124	\$1,163	\$1,163	\$1,163	\$0
<b>Total obligations</b>	<b>\$1,797</b>	<b>\$1,163</b>	<b>\$2,654</b>	<b>\$1,163</b>	<b>-\$1,491</b>
<b>Unobligated Balance:</b>					
Start of year	-\$2,256	-\$2,256	-\$2,266	-\$2,256	+\$10
End of year	\$2,266	\$2,256	\$2,256	\$2,256	\$0
<b>Budget authority (net)</b>	<b>\$1,807</b>	<b>\$1,163</b>	<b>\$2,644</b>	<b>\$1,163</b>	<b>-\$1,481</b>
<b>Obligated Balance:</b>					
Start of year	\$0	\$0	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
<b>Outlays (net)</b>	<b>\$1,797</b>	<b>\$1,163</b>	<b>\$2,654</b>	<b>\$1,163</b>	<b>-\$1,491</b>
<b>Financing:</b>					
Appropriation, discretionary	\$1,134	\$1,163	\$1,163	\$1,163	\$0
Mandatory Indefinite	\$673	\$0	\$1,491	\$0	-\$1,491
<b>Workload:</b>					
Number of direct loans established	17	60	60	60	0
Average direct loan amount (dollars)	\$141,241	\$215,084	\$143,500	\$146,370	+\$2,870
Amount of direct loans established	\$2,401	\$12,905	\$8,610	\$8,782	+\$172
NA direct loan subsidy rate	-18.08%	-18.62%	-18.62%	-20.22%	-1.60%

Notes: Dollar amounts may not add due to rounding in this and subsequent charts.

### Detail of Budget Request

The direct loan subsidy reflects the portion of loan disbursements that the Government does not expect to recover; i.e., the cost to the Government in net present value terms. The subsidy rate is calculated after discounting the estimated net cash flows of loan disbursements by comparable rates on Treasury securities. The discounted net cash value divided by the total loan disbursements equals the subsidy rate.

When the Native American Direct Loan Program was initiated, a positive subsidy rate was estimated based on the assumption that these loans would have a default rate consistent with the default rate that VA had experienced for other direct loans. Funds used to make the loans are borrowed from Treasury and lent at market rates; the difference between these two numbers is the interest rate spread. The interest rate spread, coupled with minimal defaults, generated a negative subsidy rate. Therefore, no new initial subsidy will be transferred from the program account to the financing account in 2018.

To provide for origination, servicing, management, investment and common overhead expenses, \$1.163 million is required for the Program Account. This amount will provide VBA seven FTE at a cost of \$1.143 million in payroll and non-payroll expenses. The Office of the General Counsel will be reimbursed \$20 thousand to support one FTE dedicated to this Program.

<b>Native American Direct Loan Program Account</b> <b>Analysis of Increases and Decreases – Outlays</b> (dollars in thousands)		
	<b>2017</b>	<b>2018</b>
	<b>Current Estimate</b>	<b>Estimate</b>
<b>Prior year outlays (net)</b>	<b>+\$1,797</b>	<b>+\$2,654</b>
<b>Increases (+) and Decreases (-)</b>		
Upward reestimates, including interest	+\$819	-\$1,491
Administrative expenses	\$39	\$0
Change in obligated balance/other	\$0	\$0
<b>Net Change</b>	<b>+\$858</b>	<b>-\$1,491</b>
<b>Estimated Outlays (net)</b>	<b>+\$2,654</b>	<b>+ \$1,163</b>

In 2017, net outlays will total \$2.7 million, which is an increase of \$0.9 million from the 2016 level. The change in net outlays is primarily due to an increase in upward reestimates of \$0.8 million. The upward reestimates will not be performed for 2017 until the 2018 President's Budget formulation.

In 2018, net outlays will total \$1.2 million, which is a decrease of \$1.5 million from the 2017 level. The change in outlays is mainly the result of a decrease in upward reestimates of \$1.5 million because it is assumed no upward reestimates are required after 2017. The 2018 upward reestimates will not be calculated until the end of 2017 and will be shown in the 2019 Congressional Budget submission.

### **Direct Loan Financing Account – Off-Budget**

The Native American Veterans Housing Loan Program, Direct Loan Financing Account is an off-budget account that records all financial transactions; i.e., obligations, collections, and outlays associated with direct loan originations. The Direct Loan Financing Account is used primarily for the financial tracking of each cohort year's loan activity and is not included in the budget totals when calculating total government spending.

## Native American Direct Loan Financing Account Financial Summary

(dollars in thousands)

	2016 Actual	2017		2018 Request	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
<b>Obligations:</b>					
Direct loans	\$2,433	\$12,905	\$8,610	\$8,782	+\$172
Negative subsidy	\$664	\$2,403	\$1,603	\$1,776	+\$173
Interest on Treasury borrowing	\$2,465	\$3,630	\$3,324	\$3,604	+\$280
Property expenses	\$67	\$111	\$94	\$104	+\$10
Other Expenses	\$0	\$0	\$0	\$0	\$0
Treasury Receipt account:					
Downward Reestimates	\$111	\$0	\$146	\$0	-\$146
Int. on Downward Reestimates	\$131	\$0	\$97	\$0	-\$97
<b>Total obligations</b>	<b>\$5,870</b>	<b>\$19,049</b>	<b>\$13,874</b>	<b>\$14,266</b>	<b>+\$392</b>
<b>Unobligated Balance:</b>					
Start of year	\$4,145	\$4,145	\$1,125	\$1,125	\$0
End of year	\$1,125	\$4,145	\$1,125	\$1,125	\$0
<b>Obligated Balance:</b>					
Start of year	\$827	\$1,621	\$1,585	\$573	-\$1,012
End of year	\$1,585	\$1,928	\$573	\$788	+\$215
<b>Offsetting Collections:</b>					
Payments from Program account	\$673	\$0	\$1,491	\$0	-\$1,491
Interest on Un-invested funds	\$297	\$0	\$0	\$0	\$0
Loan repayments	\$3,396	\$6,777	\$5,317	\$5,527	+\$210
Interest received on loans	\$1,139	\$3,353	\$2,754	\$2,953	+\$199
Fees	\$5	\$66	\$37	\$44	+\$8
Other	\$10	\$17	\$15	\$15	+\$1
<b>Total offsetting collections</b>	<b>\$5,519</b>	<b>\$10,214</b>	<b>\$9,614</b>	<b>\$8,539</b>	<b>-\$1,074</b>
<b>Financing:</b>					
Financing authority, net	\$290	\$8,836	\$4,260	\$5,727	+\$1,467
Financing disbursements, net	-\$407	\$8,529	\$5,272	\$5,512	+\$240

### Summary of Off-Budget Financing Account

Obligations are estimated at \$14.2 million in 2018, which would support 60 direct loans to Native American Veterans with a value of over \$8.7 million and a subsidy rate of negative 20.22 percent. Obligations also reflect interest on Treasury borrowing of \$3.6 million and negative subsidy of \$1.8 million. Interest on Treasury borrowing is computed based on average financing authority net of offsetting collections, using current interest rate assumptions on Treasury securities.

Total offsetting collections in 2018 are estimated at \$8.5 million, including \$5.5 million in repayments and prepayments of principal and \$2.9 million in borrower's interest payments. Offsetting collections are \$1.1 million lower in 2018 than in 2017 mainly because the net effect of a decrease of \$1.5 million of payments from the program account, an offsetting increase in loan repayments of \$0.22 million, and an increase of \$0.15 million in interest received on loans.

## Changes from Original 2017 Budget Estimate

The current estimate for 2017 obligations is \$5.1 million lower than the original estimate primarily because of decreases in direct loan obligations of \$4.3 million and negative subsidy of \$0.8 million.

<b>Native American Direct Loan Financing Account</b>		
<b>Analysis of Increases and Decreases – Outlays</b>		
(dollars in thousands)		
	<b>2017</b>	<b>2018</b>
	<b>Current Estimate</b>	<b>Estimate</b>
<b>Prior year outlays (net)</b>	<b>-\$407</b>	<b>+\$5,272</b>
<b>Increases (+) and Decreases (-)</b>		
<b>Obligations:</b>		
Direct loans	+\$6,178	+\$172
Negative Subsidy	+\$939	+\$173
Interest on Treasury borrowing	+\$859	+\$280
Property Expenses	+\$28	+\$10
Other Expenses	\$0	\$0
Payments to Treasury Receipt account:		
Downward Reestimates	+\$35	-\$146
Int. on Downward Reestimates	-\$35	-\$97
Subtotal Obligations	+\$8,004	+\$392
<b>Offsetting collections:</b>		
Payments from Program account	-\$819	+\$1,491
Interest on Uninvested funds	\$297	\$0
Loan repayments	-\$1,921	-\$210
Interest received on loans	-\$1,615	-\$199
Fees	-\$32	-\$8
Other	-\$5	-\$1
Change in obligated balances	+\$1,769	-\$1,227
Change in Uncollected Customer Payments	\$0	\$0
Subtotal Offsetting Collections and Other	-\$2,325	-\$152
<b>Net Change</b>	<b>+\$5,679</b>	<b>+\$240</b>
<b>Estimated Outlays (net)</b>	<b>+\$5,272</b>	<b>+\$5,512</b>

In 2017, net outlays are estimated at \$5.3 million, which is an increase of \$5.7 million from the 2016 level. The increase is due to a net increase in obligations of \$8.0 million offset by a net decrease in offsetting collections of \$2.3 million. The net obligations increased by \$8.0 million due to increases in direct loans of \$6.2 million, a negative subsidy increase of \$0.94 million, and interest on Treasury borrowing increase of \$0.86 million. The net offsetting collections increase of \$2.3 million mainly is due to a change in the obligated balance of \$1.8 million, offset by increased payments from program account of \$0.82 million, increases in loan repayments of \$1.9 million, and increases in interest received on loans of \$1.6 million.

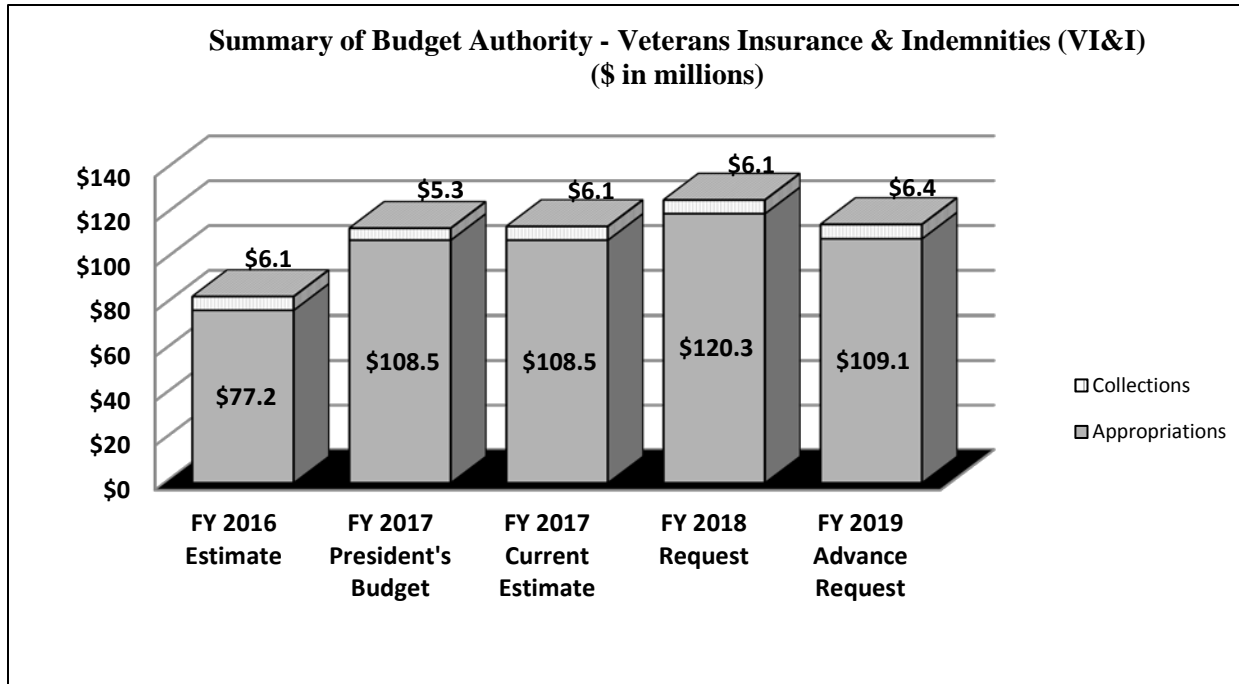


In 2018, net outlays are estimated at \$5.5 million, which is an increase of \$0.24 million from the 2017 level. The increase in net outlays is due to a net increase in offsetting collections that was exceeded by the net increase in obligations. The net increase in obligations of \$0.39 million primarily result from an increase in interest on Treasury borrowing of \$0.28 million, direct loans of \$0.17 million and a negative subsidy of \$0.17 million with an offsetting decrease in downward reestimates (including interest) of \$0.24 million. The net decrease in offsetting collections of \$0.15 million mainly is due to change in the obligated balance of \$1.2 million, an increase in loan repayments (including interest) of \$0.40 million, offset by a decrease in payments from program account of \$1.5 million. The 2018 upward reestimates will not be calculated until the end of 2017 and will be shown in the 2019 Congressional Budget submission.

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## Insurance Benefits



*Note: For the FY 2018 Request, combined appropriations of \$120.3 million, collections of \$6.1 million and a prior year carry-over balance of \$2.0 million will fund total obligations of \$128.4 million. For FY 2019, combined appropriations of \$109.1 million and collections of \$6.4 million will fund obligations of \$115.5 million.*

### Appropriation Language

#### Veterans Insurance and Indemnities

*For military and naval insurance, national service life insurance, servicemen's indemnities, service-disabled Veterans insurance, and Veterans mortgage life insurance as authorized by chapters 19 and 21, title 38, United States Code \$121,529,000, to remain available until expended, of which \$109,090,000 shall become available on October 1, 2018. Public Law 114-113, Consolidated Appropriations Act, 2016 on December 18, 2015, enacted associated advance 2018 appropriations of \$ 107,899,000 that shall become available on October 1, 2017.*

## Insurance Summary of Appropriation Highlights

(dollars in thousands)

	2017				
	2016 Actual	Budget Estimate	Current Estimate	2018 Request	2019 Request
<b>Mandatory</b>					
<b>Lives Insured:</b>					
Veterans (Administered Programs)	628,818	571,448	573,866	524,000	479,945
Veterans (VGLI)	430,809	428,000	431,900	432,600	432,800
Servicemembers (SGLI)	2,245,500	2,243,000	2,243,000	2,243,000	2,243,000
Spouses and Children (FSGLI)	2,810,000	2,845,000	2,845,000	2,845,000	2,845,000
<b>Total Lives Insured</b>	<b>6,115,127</b>	<b>6,087,448</b>	<b>6,093,766</b>	<b>6,044,600</b>	<b>6,000,745</b>
<b>Face Amount In Force</b>	<b>\$ 1,226,496,624</b>	<b>\$1,229,661,170</b>	<b>\$1,232,988,180</b>	<b>\$1,234,537,010</b>	<b>\$1,236,043,092</b>
<b>Obligations:</b>					
Death Claims	\$917,018	\$912,340	\$904,670	\$825,460	\$747,666
Dividends	93,544	82,934	84,730	71,209	58,708
Premiums Paid to Prudential	783,527	791,514	792,734	792,622	792,517
Transfers to Insurance Funds	44,943	77,685	73,285	86,188	73,070
Payments for Administrative Expenses	36,370	43,481	43,491	40,832	40,947
Capital Investments	47,155	48,300	48,910	49,040	49,380
All Other Obligations	174,398	194,751	214,034	200,286	190,859
<b>Total Mandatory Obligations</b>	<b>\$2,096,955</b>	<b>\$2,151,004</b>	<b>\$2,161,854</b>	<b>\$2,065,637</b>	<b>\$1,953,147</b>
<b>Funding:</b>					
<b>Offsetting Collections</b>					
Premiums	\$93,576	\$89,578	\$96,160	\$94,870	\$93,610
SGLI Premiums	786,305	794,620	795,840	795,840	795,840
Interest on U.S. Securities	90,702	81,400	80,860	71,650	63,100
Payments for S-DVI	44,400	77,595	73,195	86,108	73,000
Extra Hazard Payments	0	0	0	0	0
TSGLI Payments	450	0	0	0	0
All Other Collections	65,898	127,444	115,842	105,938	98,676
<b>Total Collections</b>	<b>\$1,081,330</b>	<b>\$1,170,637</b>	<b>\$1,161,897</b>	<b>\$1,154,406</b>	<b>\$1,124,226</b>
<b>Unobligated balance (SOY)</b>	<b>\$-5,507,077</b>	<b>\$-4,837,407</b>	<b>\$-4,825,540</b>	<b>\$-4,145,214</b>	<b>\$-3,528,901</b>
<b>Unobligated balance (EOY)</b>	<b>\$4,825,540</b>	<b>\$4,172,635</b>	<b>\$4,145,214</b>	<b>\$3,528,901</b>	<b>\$2,951,490</b>
<b>Budget Authority, net:</b>					
Insurance Benefit (VI&I)	\$77,160	\$108,525	\$108,525	\$120,338	\$109,090
Transfer From C&P	\$0	\$0	\$0	\$0	\$0
Trust Funds	\$822,272	\$756,558	\$775,847	\$681,121	\$597,998
<b>Total Mandatory:</b>					
<b>Budget Authority (net)</b>	<b>\$899,432</b>	<b>\$865,083</b>	<b>\$884,372</b>	<b>\$801,459</b>	<b>\$707,088</b>
<b>Outlays (net)</b>	<b>\$1,124,647</b>	<b>\$1,135,081</b>	<b>\$1,128,704</b>	<b>\$1,022,225</b>	<b>\$939,561</b>

<sup>1</sup> The Insurance program depicts lives insured rather than showing the number of policies. This more accurately reflects the population Insurance serves and the true scope of the insurance programs, because some Veterans in our administered programs have more than one policy, and because our supervised programs (SGLI, FSGLI and VGLI) are in fact only one "group policy".  
Note: Dollars may not add due to rounding in this and subsequent charts.

## **Summary of Budget Request**

The Insurance business line administers six life insurance programs, including two trust funds, two public enterprise funds, a trust revolving fund, and Veterans' Mortgage Life Insurance (VMLI), and supervises four additional programs for the benefit of Veterans, Servicemembers, their families and their beneficiaries. All programs are operated on a commercial-like basis, to the extent possible, consistent with all applicable statutes.

Budget authority (permanent and indefinite) is made available automatically to the United States Government Life Insurance (USGLI) and the National Service Life Insurance (NSLI) funds each year by virtue of standing legislation. All obligations of the Veterans' Special Life Insurance (VSLI) and Veterans' Reopened Insurance (VRI) funds are paid from offsetting collections and redemption of investments in U.S. Treasury securities. All obligations of the Service-Disabled Veterans' Insurance (S-DVI) fund are paid by transfers from the Veterans Insurance and Indemnities (VI&I) fund and other offsetting collections. No action by Congress is required. Obligations of the Servicemembers' Group Life Insurance (SGLI) program are financed from premium collections, interest on investments, and extra hazard payments from service branches.

In 2018, the VI&I account will require an appropriation of \$120.3 million to finance its operation. This will enable VA to transfer \$86.1 million to the S-DVI program, \$34.1 million to the VMLI program, and \$80,000 to the NSLI program. In 2019, VI&I will require \$109.1 million to finance its operation, which will allow for the \$73.0 million transfer to the S-DVI program, \$36.0 million to the VMLI program, and \$70,000 to the NSLI program. The budget request includes advance appropriations estimates. This request satisfies the requirements created by the Consolidated and Further Continuing Appropriations Act (P.L. 113-235). Detailed explanations for these transfers are included under Insurance – VI&I Appropriated Fund.

## **Changes from Original 2017 Budget Estimate**

The 2017 current estimate for total obligations increased by \$10.9 million from the original 2017 estimate. The increase in total obligations is mainly attributed to an increase in the estimate of NSLI Matured Endowments (included in All Other Obligations). The increase is partly offset by a decrease in Death Claims estimates.

Offsetting collections in 2017 are projected to decrease by \$8.7 million from the original 2017 estimate. This change is a result of a decrease in NSLI Cash Premiums (included in All Other Collections). The decline in NSLI Cash Premiums is due to a technical re-estimate.

<b>Insurance</b>		
<b>Analysis of Increases and Decreases- Outlays</b>		
(dollars in thousands)		
<b>Mandatory</b>	2017 Current Estimate	2018 Request
Prior Year Outlays	\$1,124,647	\$1,128,704
<b>Increases (+) and decreases (-)</b>		
Death Claims	-12,348	-79,210
Dividends	-8,814	-13,521
Premiums Paid to Prudential	+9,207	-112
Transfers to Insurance Funds	+28,342	+12,903
Payments for Administrative Expenses	+7,121	-2,659
Capital Investments	+1,755	+130
All Other Obligations	+39,636	-13,748
Premiums	-2,584	+1,290
SGLI Premiums	-9,535	+0
Interest on U.S. Securities	+9,842	+9,210
Payments From VI&I	-28,795	-12,913
Extra Hazard Payments	+0	+0
TSGLI Payments	+450	+0
All Other Collections	-49,944	+9,904
Change in Obligated Balance	+19,725	-17,753
<b>Net Change</b>	<b>+\$4,057</b>	<b>-\$106,479</b>
Estimated Outlays (net)	\$1,128,704	\$1,022,225

In 2017, Net Outlays increased from the prior year by \$4.1 million. The increase is mainly a result of an increase in Matured Endowments and Cash Surrenders (included in All Other Obligations) and the Change in Obligated Balance. The increases are offset by increases in All Other Collections.

In 2018, Net Outlays decreased from the prior year by \$106.5 million. The decrease is primarily a result of a further decline in Death Claims and Dividends, and All Other Obligations (including Matured Endowments and Cash Surrenders) as well as a decrease in the Change in Obligated Balances.

The decrease in Death Claims is a result of the projected decline in NSLI Death Claims related to the decreasing number of policies. Dividends decrease as a result of a lower portfolio rate and a declining number of policyholders.

## SUMMARY OF INSURANCE PROGRAMS 2018

(dollars in millions)

	VI&I (VMLI)	NSLI (WWII)	USGLI (WWI)	VSLI (Korean)	VRI (WWII- Korean)	SDVI (Open)	SGLI (Open)	Family SGLI (Open)	VGLI (Open)	TOTAL
Beginning	08/11/71	10/08/40	01/01/19	04/25/51	05/01/65	04/25/51	09/29/65	11/01/2001	08/01/74	
Closing Date	Open to New Iss.	04/24/51	04/24/51	12/31/56	05/01/66	Open to New Iss.	Open to New Iss.	Open to New Iss.	Open to New Iss.	
Number of lives insured	2,870	182,873	10	83,059	6,718	248,470	2,243,000	2,845,000	432,600	6,044,600
<b>Number of Policies Inforce</b>										
5-year term	2,870	49,070	n/a	5,780	n/a	66,910	n/a	n/a	n/a	124,630
Permanent plans	n/a	157,577	14	85,008	7,698	213,842	n/a	n/a	n/a	464,139
<b>Total number of policies inforc</b>	<b>2,870</b>	<b>206,647</b>	<b>14</b>	<b>90,788</b>	<b>7,698</b>	<b>280,752</b>	<b>2,243,000</b>	<b>2,845,000</b>	<b>432,600</b>	<b>6,109,369</b>
<b>Total value inforce (1)</b>	<b>\$401</b>	<b>\$2,577</b>	<b>\$0.04</b>	<b>\$1,340</b>	<b>\$73</b>	<b>\$2,975</b>	<b>\$1,037,298</b>	<b>\$113,764</b>	<b>\$76,108</b>	<b>\$ 1,234,537</b>
Average amount per policy (2)	\$139,721	\$12,439	\$2,778	\$14,735	\$9,454	\$10,568	\$462,460	\$39,987	\$175,932	
Average age	61.7	90.2	96.3	86.2	91.0	63.8	29.4	33.5 (3)	53.0	
Annual death rate per 1,000	109.9	163.7	287.1	89.4	197.0	38.0	0.7	0.7 (4)	7.9	

(1) The total value of inforce includes paid-up additional insurance ; USGLI total value inforce is \$40 Thousand; SGLI includes Traumatic Injury Protection Coverage

(2) The average amount of insurance is represented in whole numbers.

(3) Average age for spouses only.

(4) Average annual death rate for spouses only.

## **Veterans Insurance and Indemnities Appropriation**

The VI&I appropriation is the funding mechanism for several government life insurance activities. Payments made from this fund include transfers to the S-DVI and the NSLI funds as well as direct payments to insured Veterans and their beneficiaries. Also included under the VI&I appropriation is the VMLI program.

The largest category of obligations is the subsidy provided to the S-DVI fund. The S-DVI fund requires a subsidy because it provides life insurance protection to Veterans with service-connected disabilities at standard premium rates and is, therefore, not self-supporting. Transfers to the NSLI fund are for premiums being waived where the disability was caused by the extra hazards of military service. By law, these extra hazard costs are borne by the government.

The other category of VI&I obligations is the subsidy provided to support the VMLI program. The VMLI program requires a subsidy because it provides up to \$200,000 of mortgage protection life insurance to severely disabled Veterans who have received a grant for specially adapted housing. Similar to S-DVI, these policies are issued at standard premium rates and are, therefore, not self-supporting.

**Servicemembers' Group Life Insurance - Public Enterprise Fund** - Includes Servicemembers' Group Life Insurance (SGLI), Veterans' Group Life Insurance<sup>2</sup> (VGLI), Family Servicemembers' Group Life Insurance (FSGLI), and Servicemembers' Group Life Insurance Traumatic Injury Protection (TSGLI).

The SGLI program provides low-cost group life insurance protection to persons on active duty in the military service, ready reservists, members of the Coast Guard, the Commissioned Corps of the National Oceanic and Atmospheric Administration and the Public Health Service, cadets and midshipmen of the four service academies, members of the Reserve Officer Training Corps, and members who volunteer for assignment to a mobilization category in the Individual Ready Reserve. The maximum amount of SGLI coverage for all Servicemembers is \$400,000. Service personnel separated from active duty and the reserves have the right to convert their SGLI coverage to renewable term insurance coverage offered by the VGLI program. SGLI also offers FSGLI coverage for a Servicemember's spouse and children if the Servicemember is on active duty or a member of the Ready Reserve of a uniformed service. Maximum coverage for spouses is \$100,000 or the amount of the Servicemember's SGLI, whichever is less. Unlike SGLI, spouses' premiums are age-based. All dependent children are insured for \$10,000 at no charge.

The SGLI program is supervised by VA and administered, under a contractual agreement, by Prudential Insurance Company of America through the Office of Servicemembers Group Life Insurance (OSGLI). DoD collects premiums from members of each of the uniformed services and forwards the funds to VA. VA disburses those funds to Prudential for the payment of claims and administrative expenses. SGLI premiums also fund VA's discretionary expenses associated with supervision activities. The SGLI program is entirely self-supporting, except for any costs resulting from excess mortality traceable to the extra hazard of duty in the uniformed services. On July 1,

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<sup>2</sup> VGLI is a conversion option for SGLI insurance carried by Servicemembers. Prudential Insurance Company of America administers the program under a contractual agreement, which is supervised by VA. The financial operation of the program is handled by Prudential and is, therefore, not included in the Insurance budget.



2014, the monthly SGLI premium rate increased to \$.07 per \$1,000 of insurance coverage from \$.065 per \$1,000 of insurance coverage.

TSGLI is a traumatic injury protection rider under SGLI that provides for payment between \$25,000 and \$100,000 (depending on the type of injury) to any member of the uniformed services covered by SGLI who sustains a traumatic injury that result in certain severe losses. The premium charged for this coverage is \$1 per month from each Servicemember insured under SGLI. TSGLI also contains a retroactive provision that provides TSGLI coverage to Servicemembers who suffered a qualifying loss on or after October 7, 2001, and through and including November 30, 2005, with a benefit under TSGLI.

### **Administered Programs**

The following five insurance programs operate in a similar manner. The maximum amount of basic coverage available under any of these programs is \$10,000. However, under the NSLI, VRI, and VSLI programs, policyholders can purchase additional protection by electing to use their dividends to buy paid-up additional (PUA) insurance. Also, under the S-DVI program, supplemental coverage is available to policyholders who are eligible for waiver of premiums due to total disability.

#### **United States Government Life Insurance – Trust Fund**

USGLI was established in 1919 as a successor to the War Risk Insurance program. The program was closed to new issues on October 8, 1940, except for World War I Veterans who could apply for coverage until April 25, 1951. This program is self-supporting<sup>3</sup>.

#### **National Service Life Insurance – Trust Fund**

NSLI was created on October 8, 1940, to handle the insurance needs of World War II service personnel. Policies were issued from 1940 until April 25, 1951. The program is self-supporting, except for the cost of claims traceable to the extra hazards of service in the armed forces.<sup>3</sup>

#### **Service-Disabled Veterans' Insurance - Public Enterprise Fund**

S-DVI was established on April 25, 1951, and is still open to new issues. S-DVI is open to Veterans separated from service, under other than dishonorable conditions on or after April 25, 1951, who are approved for service-connected disability ratings of zero percent or greater. Because S-DVI insures Veterans with service-connected disabilities at standard premium rates, it requires an annual subsidy from the VI&I account. S-DVI policyholders who are eligible for waiver of premiums can purchase up to an additional \$30,000 in coverage at standard rates, based on their current age. No waiver of premiums can be granted on the supplemental coverage.

#### **Veterans' Reopened Insurance – Public Enterprise Fund**

Policies in the VRI program were issued during a re-opening of the NSLI program from May 1, 1965, through May 2, 1966. This program made life insurance available to certain World War II and Korean Conflict Veterans who met the eligibility requirements. By law, the VRI program is entirely self-supporting, and funds are transferred annually from the VRI fund to the general operating expenses account to cover the cost of operations.

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<sup>3</sup> Authority for the payment of administrative expenses out of excess earnings in these funds is contained in the annual appropriations bill. This budget assumes that the payment from excess earnings will continue.

**Veterans' Special Life Insurance - Trust Revolving Fund**

VSLI was established in 1951 to meet the insurance needs of Veterans who served during the Korean War and the post-Korean War period. Individuals separating from service between April 25, 1951, and January 1, 1957, had 120 days to apply for VSLI. This program is self-supporting.<sup>3</sup>

## *Highlights by Account*

(dollars in thousands)

	2016 Actual	2017 Current Estimate	2018 Request	2019 Request
<b>Obligations</b>				
USGLI	\$1,085	\$781	\$352	\$99
NSLI	846,811	847,038	742,687	651,745
SDVI	151,470	163,320	168,210	172,520
VRI	29,396	29,890	25,830	22,150
VSLI	197,948	210,550	204,260	195,253
SGLI	786,755	795,840	795,840	795,840
VI&I	83,490	114,435	128,458	115,540
<b>Total obligations</b>	<b>\$2,096,955</b>	<b>\$2,161,854</b>	<b>\$2,065,637</b>	<b>\$1,953,147</b>
<b>Budget authority (gross)</b>				
USGLI	\$1,085	\$781	\$352	\$99
NSLI	846,776	847,038	742,687	651,745
SDVI	131,063	\$166,105	\$182,308	172,520
VRI	7,571	\$7,870	\$6,640	5,560
VSLI	124,227	\$113,970	\$101,560	89,990
SGLI	786,768	795,860	795,860	795,860
VI&I	83,272	114,645	126,458	115,540
<b>Total budget authority (gross)</b>	<b>\$1,980,762</b>	<b>\$2,046,269</b>	<b>\$1,955,865</b>	<b>\$1,831,314</b>
<b>Outlays (gross)</b>				
USGLI	\$1,703	\$1,526	\$582	\$229
NSLI	940,297	926,435	825,677	730,655
SDVI	150,953	178,598	151,072	172,490
VRI	33,780	35,203	29,750	25,630
VSLI	211,260	237,225	245,250	223,403
SGLI	786,755	795,841	795,842	795,840
VI&I	83,522	115,775	128,458	115,540
<b>Total outlays (gross)</b>	<b>\$2,208,270</b>	<b>\$2,290,601</b>	<b>\$2,176,631</b>	<b>\$2,063,787</b>
<b>Offsetting collections</b>				
USGLI	\$16	\$12	\$8	\$6
NSLI	25,573	71,960	61,910	53,840
SDVI	131,063	166,105	182,308	172,520
VRI	7,571	7,870	6,640	5,560
VSLI	124,227	113,970	101,560	89,990
SGLI	786,768	795,860	795,860	795,860
VI&I	6,112	6,120	6,120	6,450
<b>Total offsetting collections</b>	<b>\$1,081,330</b>	<b>\$1,161,897</b>	<b>\$1,154,406</b>	<b>\$1,124,226</b>

## *Highlights by Account*

(dollars in thousands)

	2016 Actual	2017 Current Estimate	2018 Request	2019 Request
<b>Budget authority (net)</b>				
USGLI	\$1,069	\$769	\$344	\$93
NSLI	821,203	775,078	680,777	597,905
SDVI	0	0	0	0
VRI	0	0	0	0
VSLI	0	0	0	0
SGLI	0	0	0	0
VI&I	77,160	108,525	120,338	109,090
<b>Total budget authority (net)</b>	<b>\$899,432</b>	<b>\$884,372</b>	<b>\$801,459</b>	<b>\$707,088</b>
<b>Outlays (net)</b>				
USGLI	\$1,687	\$1,514	\$574	\$223
NSLI	914,724	854,475	763,767	676,815
SDVI	19,890	12,492	-31,236	-30
VRI	25,882	27,333	23,110	20,070
VSLI	85,067	123,255	143,690	133,413
SGLI	-13	-19	-18	-20
VI&I	77,410	109,655	122,338	109,090
<b>Total outlays (net)</b>	<b>\$1,124,647</b>	<b>\$1,128,704</b>	<b>\$1,022,225</b>	<b>\$939,561</b>
<b>Number of lives insured</b>				
USGLI	346	102	10	0
NSLI	273,314	225,296	182,873	146,363
SDVI	240,824	244,868	248,470	251,577
VRI	10,614	8,532	6,718	5,169
VSLI	101,066	92,278	83,059	73,896
SGLI	2,245,500	2,243,000	2,243,000	2,243,000
FSGLI	2,810,000	2,845,000	2,845,000	2,845,000
VGLI	430,809	431,900	432,600	432,800
VI&I	2,654	2,790	2,870	2,940
<b>Total number of lives insured</b>	<b>6,115,127</b>	<b>6,093,766</b>	<b>6,044,600</b>	<b>6,000,745</b>
<b>Dividends</b>				
USGLI	\$94	\$70	\$20	\$0
NSLI	57,494	52,570	44,829	38,128
VRI	2,349	2,170	1,910	1,580
VSLI	33,606	29,920	24,450	19,000
<b>Total Dividends</b>	<b>\$93,544</b>	<b>\$84,730</b>	<b>\$71,209</b>	<b>\$58,708</b>

Note: The table totals may differ from OMB MAX totals due to rounding.

## **Proposed Legislation for 2018 Budget**

### **Technical Amendment to Allow VA to Contest S-DVI Policies Issued Due to Administrative Error**

This proposal will allow VA to contest erroneously issued, reinstated, and converted S-DVI policies, resulting in a cost savings for the S-DVI program. VA discovers approximately 20 S-DVI policies per year that are erroneously issued due to administrative error. Contesting such policies would preclude the establishment of reserve funds needed to pay future claims on these policies. Given that the maximum face amount of an S-DVI policy is \$10,000, and the average annual death rate for S-DVI is 38.3 per 1,000, enactment of this proposal would result in an average annual savings of about one claim payment, or approximately, \$10,000. There is no cost to the government associated with this proposal.

### **Technical Amendment to Clarify that Supplemental S-DVI Coverage is Not Available to Beneficiaries Who Receive Gratuitous S-DVI**

Enactment of this proposal would result in modest cost savings for the S-DVI program by eliminating Supplemental S-DVI coverage for Veterans who were granted S-DVI under 38 U.S.C. § 1922(b) for which they paid no premiums. Approximately 40 gratuitous S-DVI policies are issued per year. The maximum amount of Supplemental S-DVI is currently \$30,000. The cost savings of not granting Supplemental S-DVI on the 40 gratuitous policies would be \$1.2 million per year. There is no cost to the government associated with this proposal.

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## *Filipino Veterans Equity Compensation Fund*

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### **Program Description**

The Filipino Veterans Equity Compensation (FVEC) Fund was established under the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009 (P.L. 110-329) to make payments to eligible persons who served in the Philippines during World War II. The release of a one-time, lump-sum payment to eligible World War II Filipino Veterans was subsequently authorized and appropriated by Congress in the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). These payments are made from the FVEC Fund, originally resourced with a \$198,000,000 appropriation (available until expended) established for this purpose.

As of September 2016, the unobligated balance available for FVEC payments was \$55.8 million. This balance is funding comprised from the original appropriation of \$198 million and an additional \$67 million that Congress provided authority to transfer in unobligated balances from bid savings from the Major Construction account for 2010 or prior years in section 901, P.L. 111-212. P.L. 114-223, Division A, Title II, section 241 prohibited VA from transferring any amount from the FVEC Fund to any other account in the Treasury of the United States.

To consider a claim for this one-time, lump-sum payment, the Veterans Benefits Administration had to receive an application from an eligible Filipino Veteran for this benefit no later than February 16, 2010, which was one year from the date the legislation was enacted. Claims had to be made by the Veteran; no other parties were eligible to file a claim for this benefit. In the event an eligible Veteran dies after applying for the benefit, but before receiving the payment, the payment may be made to his surviving spouse. No other family members may receive this payment.

### **Eligibility**

Those eligible for the program include the following:

- Persons who served before July 1, 1946, in the organized military forces of the Government of the Commonwealth of the Philippines, while such forces were in the service of the Armed Forces of the United States;
- Members of the organized guerrilla forces under commanders appointed, designated, or subsequently recognized by the Commander in Chief, Southwest Pacific Area, or other competent authority in the Army of the United States; and
- Persons who served in the Philippine Scouts under section 14 of the Armed Forces Voluntary Recruitment Act of 1945.

All persons must have been discharged or released from service under conditions other than dishonorable.

## Payments

Eligible Veterans who are *not* United States citizens receive a one-time payment of \$9,000 irrespective of where they reside.

Eligible Veterans who *are* United States citizens will receive a one-time payment of \$15,000 irrespective of where they reside.

<b>Filipino Veterans Equity Compensation - Status of Funds (\$000s)</b>					
FY	Appropriation	Transfer	Obligations	EOY Balance	Outlays
2009	\$198,000	\$0	\$82,438	\$115,562	\$82,438
2010	\$0	\$67,000	\$113,131	\$69,431	\$113,131
2011	\$0	\$0	\$10,099	\$59,332	\$10,099
2012	\$0	\$0	\$1,659	\$57,673	\$1,659
2013	\$0	\$0	\$1,080	\$56,593	\$1,080
2014	\$0	\$0	\$558	\$56,035	\$558
2015	\$0	\$0	\$177	\$55,858	\$177
2016	\$0	\$0	\$51	\$55,807	\$51
2017 Estimate	\$0	\$0	\$42	\$55,765	\$42
2018 Estimate	\$0	\$0	\$33	\$55,732	\$33

All original claims were adjudicated by the end of September 2011. Estimates of obligations for 2017 and 2018 reflect historical experience and the number of pending appeals. As of September 2016, 28 appeals were pending with VBA and the Board of Veterans' Appeals, and VA paid \$51 thousand for appeals granted in 2016. VA estimates four additional appeals will be granted by the end of 2017 for estimated obligations of \$42 thousand; and three appeals will be granted in 2018, for estimated obligations of \$33 thousand.

## Administration of the Fund

Section 1002 of P.L. 111-5 also required the submission of specific information in the annual budget submission of the Department:

*(k) Reports- The Secretary shall include, in documents submitted to Congress by the Secretary in support of the President's budget for each fiscal year, detailed information on the operation of the compensation fund, including the number of applicants, the number of eligible persons receiving benefits, the amounts paid out of the compensation fund, and the administration of the compensation fund for the most recent fiscal year for which such data is available.*



<b>Administration of Filipino Veterans Equity Compensation Fund</b>					
Claim Type	Payment	Claims Processed	Claims Paid	Claims Denied	Obligations (\$ in millions)*
Total		42,755	18,967	23,788	\$226**
Filipino Citizen	\$9,000		9,660		\$87
U.S. Citizen	\$15,000		9,307		\$139

\*From 2009 through September 2016

\*\* Obligations include \$16.8 million in returned checks and other financial accounting adjustments.

All FVEC appeals processing for VBA is centralized at the Manila Regional Office (RO) in the Philippines. As of September 29, 2011, all original claims had been adjudicated. Since inception of the program, 42,755 claims have been processed. Of this total, 18,967 claims have been granted, and 23,788 have been denied. Just over half (50.9 percent) of the claims awarded were to Filipino citizens at the one-time payment amount of \$9,000. The remaining 49.1 percent of the claims were awarded to the Veterans who are United States citizens at the one-time payment amount of \$15,000 in recognition of their service during World War II.

Although 18,967 claims have been paid as of the end of September 2016, some Filipino Veterans believe their claims were improperly denied or that they did not receive a satisfactory explanation as to why their claims were denied. To address these concerns, the White House Initiative on Asian Americans and Pacific Islanders, in collaboration with the Office of Management and Budget and the Domestic Policy Council, created the FVEC Fund Interagency Working Group (IWG) in October 2012. The IWG was comprised of VA, the Department of Defense (DoD), and the National Archives and Record Administration (NARA), and was tasked with analyzing the process faced by Filipino Veterans in demonstrating eligibility for compensation in order to ensure that all applications receive thorough and fair review. This effort culminated in July 2013 with a report from each member of the IWG and resulted in increased transparency and accelerated the processing of appeals within the existing framework.

As a result of the IWG, VA created a special team to expedite the processing of FVEC appeals. In addition, VA created a standard notification letter for appellants requesting submission of all available service records and information. VA personnel also obtain copies of the Affidavit for Philippine Army Personnel (AGO Form 23) for appeals that are submitted without a Form 23 from the Adjutant General. VA anticipates these steps will further expedite the processing of appeals for the appellants with advanced age by minimizing the turnaround time for service verification requests and hearing requests.

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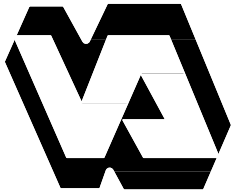
*Veterans Benefits Administration*

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## *General Operating Expenses, Veterans Benefits Administration*

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### **Appropriation Language**

For necessary operating expenses of the Veterans Benefits Administration (VBA), not otherwise provided for, including hire of passenger motor vehicles, reimbursement of the General Services Administration for security guard services, and reimbursement of the Department of Defense for the cost of overseas employee mail, [\$2,856,160,000] \$2,844,000,000: *Provided*, That expenses for services and assistance authorized under paragraphs (1), (2), (5), and (11) of section 3104(a) of title 38, United States Code, that the Secretary of Veterans Affairs determines are necessary to enable entitled Veterans: (1) to the maximum extent feasible, to become employable and to obtain and maintain suitable employment; or (2) to achieve maximum independence in daily living, shall be charged to this account: *Provided further*, That, of the funds made available under this heading, not to exceed five percent shall remain available until September 30, [2018] 2019. (*Military Construction and Veterans Affairs, and Related Agencies Appropriations Act, 2017.*)

### **Mission Statement**

The [Veterans Benefits Administration's](#) mission is "To serve as a leading advocate for Veterans, Servicemembers, and their families, delivering with excellence Veteran-centered and personalized benefits and services that honor their service, assist in their readjustment, enhance their lives, and engender their full trust."

VBA's mission demonstrates VA's strong Core Values: Integrity, Commitment, Advocacy, Respect, and Excellence ("I CARE") and Characteristics: Trustworthy, Accessible, Quality, Agile, Innovative, and Integrated. These values and characteristics define who we are, our culture, and how we care for Veterans, their families, and other beneficiaries.

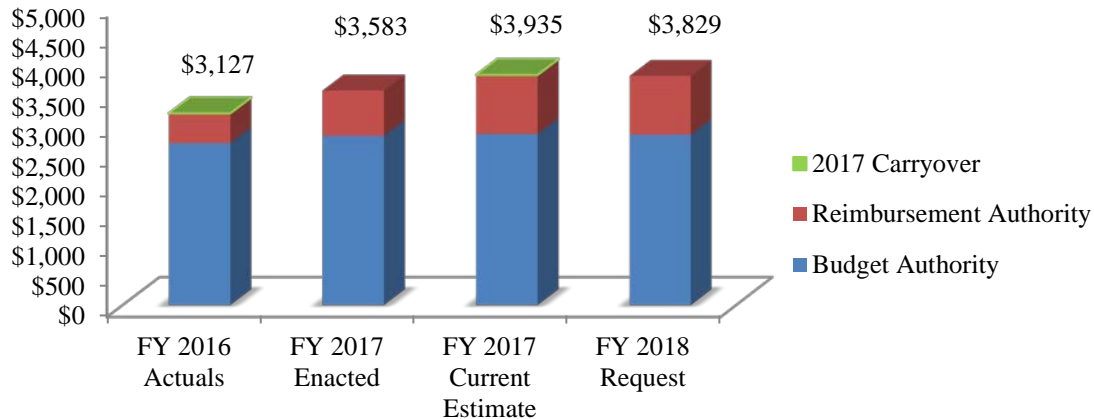
### **Vision Statement**

"To fulfill our Nation's promise to those who serve by delivering the benefits and services they have earned to enable full, independent, and productive lives."

VBA's vision is to be a Veteran-centric service organization in which VBA engages Servicemembers from the time they enter service, throughout their life, to the final tribute when their service is memorialized. VBA's integrated network of internal and external partners deliver timely and high-quality benefits and services to Veterans, their families, and Survivors to support this lifelong engagement.

## Summary of Budget Request

**Summary of Budget Authority - Veterans Benefits Administration**  
(\$ in millions)



VBA’s 2018 Budget Request reflects a sustained commitment to deliver benefits and exceptional services to Veterans, their dependents, and Survivors—both timely and with a high level of quality. This request includes \$2.8 billion in discretionary General Operating Expense (GOE) budget authority and \$984.7 million in reimbursements from other VA offices for a total of \$3.8 billion for administrative obligations. The GOE appropriation, along with reimbursements from credit appropriations, surplus earnings from certain insurance programs, and other miscellaneous accounts, provides for 22,721 FTE and the non-pay costs to support the administration of all non-medical benefits and support functions within VBA. These administrative resources will support the distribution of over \$103 billion in benefits and services to Veterans and other beneficiaries – and VBA is able to deliver those at an operating cost of about three cents for every dollar of benefits delivered.

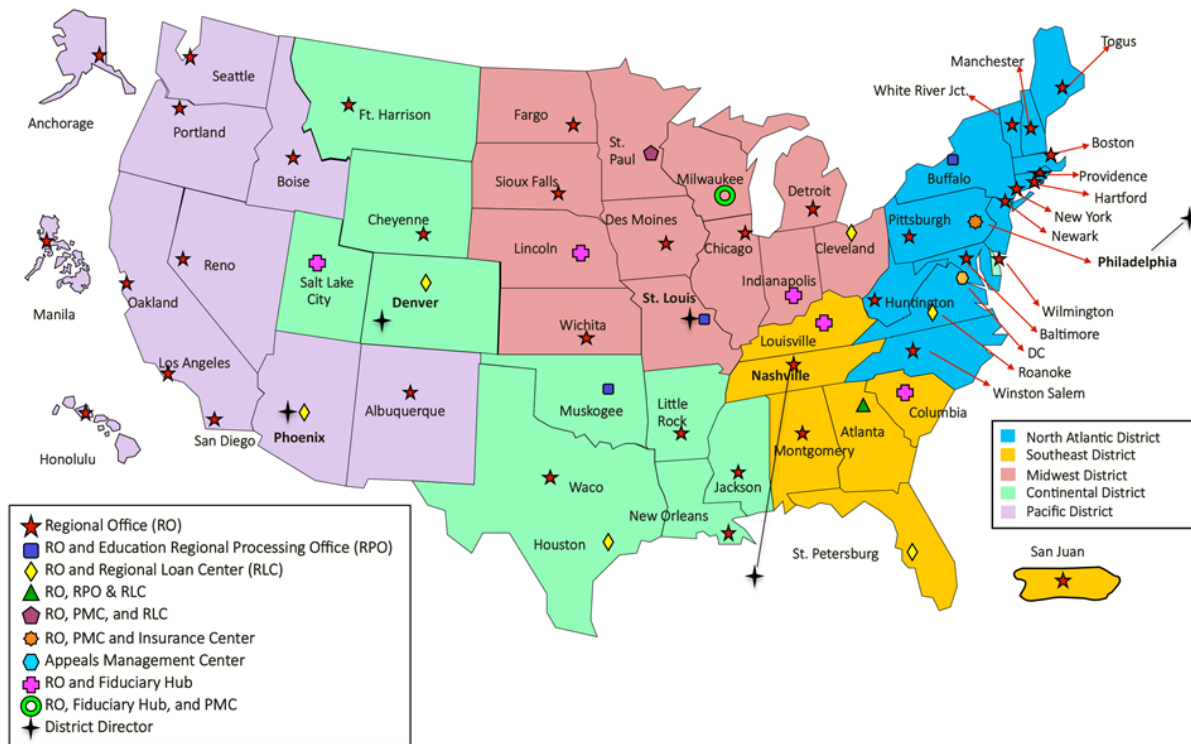
The following chart summarizes VBA’s total 2018 discretionary budget request, with subsequent sections providing an overview for each of the six lines of business:

<b>Total VBA Summary</b>					
<b>Summary of Discretionary Appropriation Highlights</b>					
<b>(dollars in thousands)</b>					
	2016	2017		2018	2018-2017
<b>Discretionary</b>	<b>Actuals</b>	<b>Budget Estimate</b>	<b>Current Estimate</b>	<b>Request</b>	<b>Increase(+) Decrease(-)</b>
<b>FTE</b>					
Direct	19,296	20,006	20,500	20,493	-7
Management Direction and Support	2,262	2,165	2,221	2,228	7
<b>Total FTE</b>	<b>21,558</b>	<b>22,171</b>	<b>22,721</b>	<b>22,721</b>	<b>0</b>
<b>Obligations</b>					
Personal Services	\$2,151,085	\$2,238,580	\$2,294,332	\$2,271,518	-\$22,814
Travel	19,318	39,633	41,321	29,555	-11,766
Interagency Motor Pool	4,523	4,663	4,600	4,494	-106
Transportation of Things	1,733	2,390	2,085	1,606	-479
Rent, Communications & Utilities	160,266	180,458	171,499	169,747	-1,753
Printing	2,677	3,705	3,705	3,762	58
Other Services	767,557	1,082,343	1,387,903	1,323,370	-64,533
Supplies and Materials	8,076	10,955	8,084	7,026	-1,058
Equipment	9,955	19,383	19,429	15,761	-3,668
Insurance Claims	2,143	500	2,001	2,002	1
<b>Total Administrative Obligations</b>	<b>\$3,127,333</b>	<b>\$3,582,610</b>	<b>\$3,934,959</b>	<b>\$3,828,841</b>	<b>-\$106,119</b>
Reimbursements	-\$498,602	-\$756,449	-\$987,701	-\$984,841	\$2,860
<b>Unobligated SOY</b>	<b>-\$47,906</b>	<b>\$0</b>	<b>-\$103,098</b>	<b>\$0</b>	<b>\$103,098</b>
GOE Carry Over	-\$47,854	\$0	-\$103,000	\$0	\$103,000
Recycling	-\$52	\$0	-\$98	\$0	\$98
<b>Unobligated EOY</b>	<b>\$100,051</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
GOE Carry Over	\$100,000	\$0	\$0	\$0	\$0
Recycling	\$51	\$0	\$0	\$0	\$0
Unobligated Bal Expiring	\$22,804	\$0	\$0	\$0	\$0
<b>Net Appropriation</b>	<b>\$2,703,680</b>	<b>\$2,826,160</b>	<b>\$2,844,160</b>	<b>\$2,844,000</b>	<b>-\$161</b>
Transfer to VHA Denver Medical Center	\$4,054	\$0	\$0	\$0	\$0
<b>Rescission</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,000</b>	<b>\$0</b>	<b>-\$12,000</b>
<b>Total Appropriation</b>	<b>\$2,707,734</b>	<b>\$2,826,160</b>	<b>\$2,856,160</b>	<b>\$2,844,000</b>	<b>-\$12,161</b>
<b>Outlays (net)</b>	<b>\$2,453,335</b>	<b>\$2,741,133</b>	<b>\$2,731,425</b>	<b>\$2,779,353</b>	<b>\$47,928</b>

Overall, the 2018 Budget Request for GOE budget authority of \$2.8 billion is consistent with the enacted 2017 budget as reflected in the Current Estimate column. However, based on the increase for the estimated 1.9 percent pay raise and increase for associated benefits (e.g. health benefits, Medicare, and employer matching programs), coupled with the 1.7 percent increase for non-pay inflation, administrative costs for Specially Adapted Housing, and costs to sustain 550 FTE to support the rating and fiduciary workloads (VBA evaluated the trade space within FY 2017 and made several adjustments that better aligns with achieving our top mission priorities. The key adjustments include a reduction in overtime from \$80 million to \$35 million to offset the increase in rating and fiduciary FTE; decrease in available funding for the TAP contract by \$15 million, which aligns the program closer to current execution levels; a reduction of \$25 million for scanning operations, which will impact plans for automation in VBA claims processing, and the extraction of files from aging file storage facilities; and, a reduction in travel of \$11.8 million, which will impact training, conferences and mission related travel. Those adjustments are further enumerated in the subsequent sections for each of the business lines.

## Program Descriptions, Highlights, and Major Accomplishments

VBA operates a national network of 56 regional offices (ROs), three Pension Management Centers (PMCs), six Fiduciary Hubs, three Education Regional Processing Offices, nine Regional Loan Centers, and the Philadelphia Insurance Center, which are the main contact points for Veterans regarding VBA benefits and services.



While aligned in Districts, VBA applies an enterprise approach in serving Veterans and providing benefits via the following six distinct lines of business.

### Disability Compensation

VBA oversees the delivery of disability compensation, a tax-free monetary benefit paid to Veterans with disabling conditions that are the result of a disease or injury incurred or aggravated during active military service. Disability compensation rating claims are requests for benefits based upon the effects of disabilities caused by injury or disease, which VA typically decides by reviewing medical evidence. VBA provided disability assistance to more than 4.3 million Veterans and completed nearly 1.1 million disability compensation claims in 2016, and has processed over a million claims for seven consecutive years. Since its peak of 583,000 claims in the inventory in 2013, VBA has reduced the number of disability compensation rating claims pending more than 125 days by 514,000, or 88 percent, through the end of 2016. Veterans are currently waiting, on average, 203 fewer days for a decision than they were 42 months ago. VBA remains committed to continued improvements in providing timely service to Veterans.



### ***VBA At Work***

88 Phoenix RO employees volunteered to work the claims clinic at the annual Maricopa County Stand Down event, which provides supplies and services including food, shelter, health screenings, and benefits counseling. Representatives from the Veterans Service Center, National Call Center, Vocational Rehabilitation and Employment, and Home Loans were on hand to respond to questions from 483 Veterans and accept 235 disability compensation claims. Phoenix RO employees also brought in items to stock a total of 94 Compassion Care Kits that were given out to homeless Veterans.

### **Pension, Dependency and Indemnity Compensation, Burial and Fiduciary Programs**

VBA provides program oversight that helps wartime Veterans, their families, and Survivors with financial challenges by providing supplemental income through Veterans Pension, Death Pension, and Dependency and Indemnity Compensation (DIC). VBA protects the benefits paid to our most vulnerable beneficiaries who, because of disease, injury, or infirmities of advanced age, are unable to manage their VA benefits. In 2016, VBA served nearly 495,000 Veterans and survivors receiving Pension, almost 400,000 spouses receiving DIC benefits, and more than 233,500 Fiduciary beneficiaries. Additionally, the agency has made traction in reducing the pension claims inventory from a peak of 36,000 to 11,900 a reduction of 63 percent. The most notable improvement in this space stemmed from automation of the burial payment process which now pays surviving spouses within six days of notification, down from a peak of 198 days in 2013.

### **Vocational Rehabilitation & Employment**

The Vocational Rehabilitation & Employment (VR&E) Program assists Servicemembers and Veterans with service-connected disabilities to prepare for, obtain, and maintain suitable employment; start their own business; or receive independent-living services. This program served 137,000 Veterans, a 4.1 percent increase over 2015, and paid an estimated \$1.3 billion in benefits in 2016. Furthermore, it oversees their education and provides career counseling services to help guide career paths and ensure the most effective use of VA benefits. Since 2009, VR&E expanded the VetSuccess on Campus (VSOC) program, placing counselors on college campuses to assist student Veterans – today the program has grown to 94 colleges and universities.

### **Education**

VBA is charged to administer VA's education programs that provide education and training benefits to eligible Active Duty, National Guard, and Reserve Servicemembers, Veterans, and dependents. A critical program for the VA, it provided approximately \$12 billion in benefits to one million beneficiaries for all education programs with reenrollment claims processed in an average of six days in 2016. VBA provided \$67.7 billion in Post-9/11 GI Bill benefits for 1.67 million Veterans and dependents since the program began in 2009.

### **Housing Program**

The Housing Program provides oversight of the VA Guaranteed Home Loan Program that guarantees home loans in varying amounts and ensures Veteran's rights are protected when purchasing a home under this program. VBA has several programs designed to prevent Veterans' homelessness, including assisting Veterans in avoiding foreclosure through the Relocation Assistance Program, referred to as "Cash for Keys," which helps Veterans get cash for relocation

assistance, as well as the Homeless Shelter Program, which offers VA-acquired properties at a discount to qualified non-profits that provide shelter to homeless Veterans and their families.

Additionally, the Housing Program oversees administration of specially adapted housing (SAH) grants for certain severely disabled Servicemembers and Veterans so they can adapt or acquire suitable housing. Since 2009, VBA saved 600,000 Veterans and their families from foreclosure through the Home Loan Guaranty Program, saving taxpayers \$19 billion. In 2016 the Housing Program had a record breaking year of serving Veterans; it guaranteed 705,000 loans totaling \$179 billion, which was 12 percent more than 2015. It also approved a record 1,914 SAH grants exceeding \$100 million, an increase of 6 percent over the previous year.

### **Insurance Service**

The Insurance Service maintains life insurance programs that give financial security and peace of mind for Servicemembers, Veterans, and their families, providing more than \$1.2 trillion in coverage. In 2016, it paid over two billion dollars in benefits to insure 6.1 million lives, including over 114,000 death claim payments to beneficiaries in an average of 3.5 days at nearly 100 percent accuracy.

## **VBA's Strategic Goals and Key Priorities**



VBA continues to work towards achievement of the goals set forth in the VBA 2014-2020 strategic plan, with an onus to organizing the goals into Veteran facing and Internal VA facing. MyVA puts Veterans in control of how, when, and where they wish to be served and empowers employees to become more engaged with their leadership and work environment. It is a catalyst to make VA a world-class service provider – a framework for modernizing VA's culture, processes, and capabilities to put the needs, expectations, and interests of Veterans and their families first and ensure the timely delivery of benefits and services to Veterans, Servicemembers, their families, and Survivors.

Over the past five years of claims transformation, VBA implemented the people, process, and technology innovations necessary to optimize productivity and efficiency. Now, in addition to its continued emphasis on rating and non-rating claims processing, VBA is focused on addressing challenges associated with the appeals process, timeliness of fiduciary initial appointments and follow-up exams, and the blocked call rate at call centers. The ultimate goal is to sustain a culture of continuous process improvement with a focus on enriching the Veteran's experience by implementing customer centric enhancements, support, and integration across our programs and organizational components inside VBA and across VA.

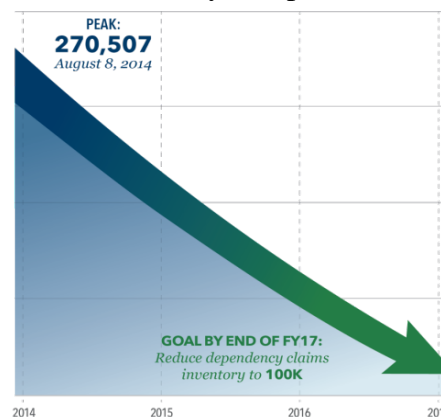
### **Rating and Non-Rating Claims Processing**

In 2016, VA completed 1.3 million disability compensation and pension rating claims—the seventh year in a row of more than one million claims completed—and reduced the claims inventory 57 percent from a peak of 884,000 in July 2012 down to 377,100 as of September 2016. VA completed 5.76 million issues within its claims with 95 percent accuracy within an average of 123 days, a 225-day reduction from 348-day peak in September 2013. VA's focus on claims transformation and the transition from a manual, paper-based process to a streamlined electronic claims processing environment enabled the processing gains and efficiencies VA realizes today.

Today, VBA is processing 99.7 percent of disability compensation claims electronically in the Veterans Benefits Management System (VBMS) – a tremendous difference from just a few years ago when claims processors handled 5,000 tons of paper annually, the equivalent of 200 Empire State Buildings stacked end-to-end. This translates to over 5.9 million rating decisions and nearly 3.3 million claims processed in VBMS. Increased automation now enables Veterans to file claims, upload evidence, and check the status of their claims on-line through eBenefits, helping to improve accuracy and productivity. VBA is able to efficiently manage the claims workload centrally, prioritizing and distributing the claims electronically across its network of ROs to maximize resources and improve processing timeliness at the national level with the National Work Queue (NWQ). In 2017 and 2018, VBA will phase in more sophisticated workload management tools and metrics, and will include non-rating and appeals workload distribution and the implementation of the diagnostic tool that will reduce re-work and improve the quality of our decisions.

VBA has also continued to improve claims processing time and accuracy through the delivery of new and improved functionality in VBMS with 24 software releases in 2016. Some of the enhancements included: letter automation for additional award actions, the ability for end users to view information necessary to process claims from one central location rather than navigating to different screens, the ability for end users to add PDF documents from the eFolder as enclosures, and the full deployment of NWQ functionality to all ROs. Releases in 2017 will focus on deploying functionality to support process improvement, workload management across ROs, and integration with stakeholders to improve the ability for end-users to proficiently process claims within VBMS. In 2018, VBA will focus on leveraging capabilities enabled by centralized mail intake as well as VBMS to include automation of original Pension claims and automation of Routine Future Exams. These capabilities will be driven by the desired Veteran experience and associated interoperability goals. The long-term vision for VBMS involves a shift from application-centric development to an enterprise business capabilities model that leverages a modular approach to business architecture and emphasizes reusable components.

As VBA completes more rating claims and adds new Veterans to our disability compensation and pension rolls, these decisions open access to other VA benefits and services. As a result, VBA receives an increase of non-rating claims. In 2016, 2.4 million non-rating and administrative action end products were completed in comparison to 1.3 million in 2012. As a subset of non-rating claims, VBA's 2017 Agency Priority Goal (APG) focuses on decreasing both inventory and the time it takes to process a dependency claim. The goal is to have 100,000 or fewer dependency claims pending and improve the average days to complete to 125 days by September 30, 2017. VBA has reduced the dependency claims inventory from its peak of 270,507 in August 2014 to 115,000 in September 2016. VBA has also developed a Rules-Based Processing System (RBPS) to automate dependency claim submission and payment through self-service features. Now, one in four Veterans submit their request to add or change their dependency status online and 65 percent of the dependency claims filed through RBPS are automatically processed and paid within one-to-two days. VBA



continues to pursue automated solutions to address the non-rating work in order to deliver timely and accurate benefit decisions.

### **Veterans Appeals Process**

The VA claims appeals process provides Veterans with a venue for requesting a claims decision to be revisited. The appeals process, which is set in law, is a complex, non-linear process. The current VA appellate process has multiple processing steps, most of which occur at the agency of original jurisdiction (AOJ) (VBA, NCA, or VHA). VA is working closely with its stakeholders and Congress to fix the current appeals process to provide Veterans with a timely decision on their appeals and greatly improve the efficiency of the appeals process for years to come.

From 2010 through 2016, VBA completed more than one million rating claims annually. Approximately 11 to 12 percent of VBA decisions are appealed, with four-to-five percent of those formally appealed to the Board of Veterans' Appeals (the Board). While the appeal rate has remained steady over the last two decades, the appeals volume has increased proportionately to the increase in claims decisions. The average processing time for appeals resolved in 2016 was three years; six years for those that reached the Board with thousands of Veterans waiting much longer.

In order to ensure Veterans receive timely and quality appeals decisions, comprehensive legislative reform is needed. Appeals reform provides multiple benefits to Veterans. First, it replaces the current complex, confusing, multi-step, and inefficient process with one that is simple and easy to understand. Next, it provides Veterans with clear multiple options after receiving an initial decision on a claim, rather than one, to resolve any disagreements, and it provides Veterans with a timely early resolution of their appeal.

In order to fully support the Secretary's appeals modernization initiatives and legislative reform efforts, VBA realigned its appeals policy and oversight of its national appeals operations under a single office, the Appeals Management Office (AMO). The realignment positions VBA to focus oversight of program operational work, standardize policies and procedures to facilitate consistent benefit delivery and higher customer satisfaction, and also increase the ability to make data-driven decisions. In addition, the realignment promotes accountability for appeals performance by having one VBA office responsible for policy development and implementation. The realignment also facilitates more effective cooperation between VBA and the Board, and better serves Veterans by having the AMO focus exclusively on appeals policy and operational performance.

### **Fiduciary Program**

The Fiduciary Program ensures protection of VA's most vulnerable beneficiaries and oversight of the fiduciaries who serve them. Fiduciary Program oversight is conducted through audits of a fiduciary's annual accounting and supporting financial documentation, visits with the beneficiary and fiduciary, onsite reviews, verification of surety bonds, and investigation of misuse allegations. A field examination is one of the tools used to protect beneficiaries and oversee fiduciaries. A face-to-face visit is made to view the beneficiary's environment to:

- Ensure physical and financial welfare of the beneficiary
- Assess adequacy of living situation
- Evaluate needs and wants of beneficiary and dependents
- Ensure beneficiary is living to the standard that his/her income affords
- Monitor performance of the fiduciary

VA conducts a field examination prior to initial appointment of a fiduciary, which includes any subsequent new fiduciary. The entire initial appointment process, consisting of the time from finalization of the incompetency rating to the initial should be completed within 76 days, but took 287 days in 2016. In many cases, the appointment of a fiduciary is necessary to release withheld retroactive benefits to the beneficiary.

The Fiduciary Program experienced a 62 percent increase in the number of beneficiaries from 122,271 in 2011 to 233,500 in 2016. In 2017, VBA has allocated an additional 51 FTE to meet the program's oversight responsibilities in order to avoid delays in the initial appointment of fiduciaries.

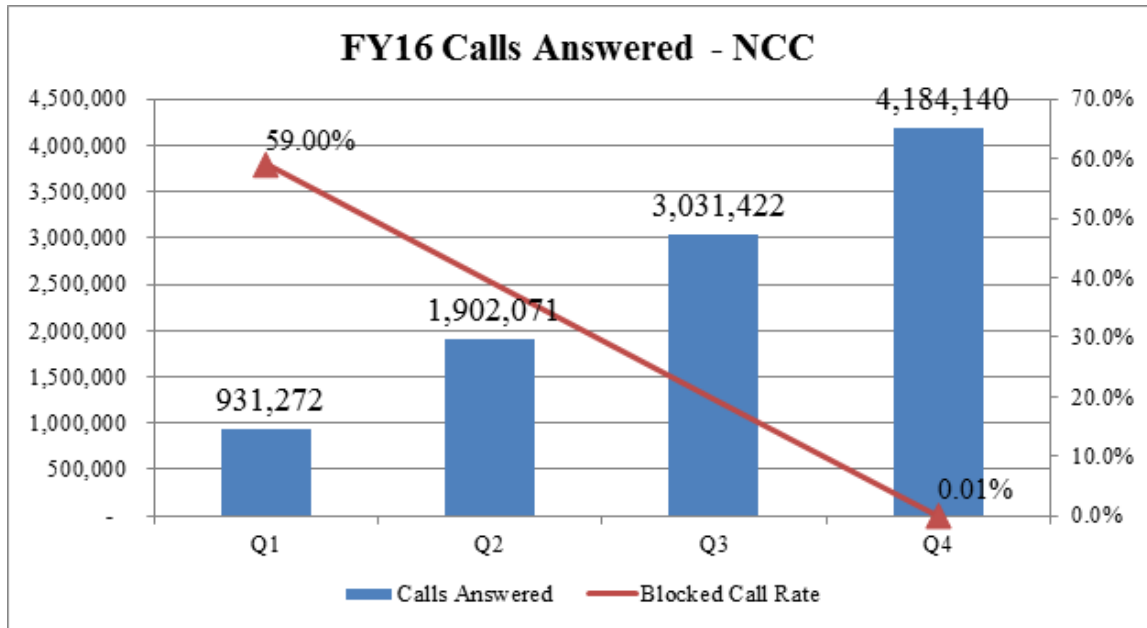
### **National Call Centers**

As part of MyVA Breakthrough priorities, VBA strives to provide excellent customer service to ensure Veterans receive prompt and accurate answers to their questions and are always treated with kindness and respect. VBA is transforming its seven National Call Centers (NCCs) and National Pension Call Center model to provide multiple access channels and point-of-call resolutions. The multi-channel model provides traditional and interactive care including live phone agents, online, e-mail, and live chat. The call centers provide the delivery of benefits and services to Veterans across time zones from 8:00am - 9:00pm eastern time. This model will enable VBA to provide enhanced world-class service to those who seek assistance in applying for, or obtaining information about, VA benefits and services.

At the end of fiscal year 2015, VBA's blocked call rate was 59.0 percent. To improve the level of service provided to Veterans, VBA executed a hiring plan in 2016 to add 435 phone agents at various NCC locations across the country, which resulted in answering 4.2 million calls and reducing the blocked call rate to 39.5 percent for the fiscal year—and the blocked call rate in September 2016 was 0.01 percent. The J. D. Power overall customer satisfaction score for 2016 was 796 out of 1,000 index points, which exceeds the J.D. Power Government Benchmark of 754 by 42 points.

VBA will continue to implement electronic processing and agent technology tools to create a more positive service experience and improve access for Veterans by:

- Increasing point-of-call processing,
- Re-designing the interactive voice response system to be more streamlined and user friendly, and
- Piloting Computer Telephony Integration and online chat to expand contact capability



## MyVA Breakthrough Priority Initiatives

As VA looks to the future, MyVA is the blueprint for how VA will operate – designed to transform and modernize VA to best serve Veterans by leveraging VA’s exceptional mission, ICARE values, vision to be the No. 1 customer-service agency in the Federal government, and strategic plan. As part of MyVA, the organization encourages innovative approaches to improve customer service. The following breakthrough priorities identify the initiatives VBA will focus on to improve and deliver a unified Veteran experience, improve the compensation exam process, and improve the employee experience.

### Improve Veteran Experience

As the composition of the Veteran population shifts, VBA must continue to diversify and expand upon how we serve Veterans. A key VBA goal is to provide benefits and services to meet Veterans’ needs in the most efficient and effective way possible within given resource levels. VBA works to accomplish this goal by collaborating with partners, both inside and outside of government, such as with the implementation of the Community Veteran Engagement Boards (CVEBs), claims clinics, and technology advances achieved with NWQ, and empowering employees to serve Veterans reliably, efficiently, and with compassion.

- **National Work Queue** - Based on the identified need to improve efficiencies in claims processing to increase throughput, eliminate claims over 125 days old, and improve quality processing, VBA has continued to develop its paperless workload management initiative. NWQ is designed to improve the overall production capacity by prioritizing and distributing paperless disability compensation and pension claims in accordance with existing RO capacity to address Veteran’s claims as quickly as possible.

With the full deployment for the rating claims workload to all 56 ROs in 2016, Veterans are receiving more timely decisions than before as the work is prioritized and distributed based on resources regardless of the Veteran’s place of residence. Claims are moving

through the claims process faster than before NWQ—on average, claims are ready for decision 14 days faster.

- **Community Veteran Engagement Boards - CVEBs** unite local community leaders with Veteran advocates around a common mission to improve outcomes within the Veteran community. The goal of the initiative is to ease access to services, bridge gaps in services, brainstorm local solutions, and create open lines of communication across local communities to improve the Veterans experience. These events are open to the public and offer Q&A sessions, presentations, networking opportunities, and knowledge exchange. The nascent effort had over 1,000 people register for the E-Summit on September 9, 2016 and received over 100 questions during the event.

VBA worked with the MyVA Communities Team to have 100 CVEBs stood up by December 2016. The team exceeded this target, establishing 101 CVEBS as of November 28, 2016. Currently, 117 CVEBs have joined VA in this effort with an additional 40 communities working to create a board or leverage an existing group to network with VA. The 117 CVEBs have the potential to reach and impact approximately 12.5M transitioning Service members, Veterans, families, caregivers, and survivors nationwide based on their catchment areas and the population those VA facilities and Regional Offices serve. While the Veterans Experience Office supports and fosters the entire network of CVEBs, the RO Director is the board participant to come up with local solutions and ensure VA's portfolio of benefits services are available to everyone in the local community to include those Veterans not enrolled and address gaps in services where needed. Understanding community trends and the issues they are focused is one of the goals of VA that will inform the transformation of business processes and outreach effort.

- **Veteran Town Halls and Claims Clinics** – Each RO holds quarterly town halls and claims clinics to update Veterans about VA, answer questions, and help with claims. In 2016, VBA had approximately 350 town halls/claims clinics, serving over 20,000 Veterans.
- **eBenefits** - eBenefits is a joint DoD and VA initiative launched in October 2009 which enables Veterans to access information about their VA Benefits anytime and anywhere and will eventually migrate to VETS.gov. In 2016, eBenefits surpassed six million issued credentials, totaling over 56 million visits by its users. These users have the ability to access over 58 self-service features to include, but are not limited to, checking the status of a disability claim which has 66.7 million views since the functionality was deployed in April 2010 and 1.32 million views in October 2016; generating letters that verify benefits of which 12.9 million were generated since the functionality deployed in January 2011 and 371,000 generated in October 2016; ordering medical equipment, such as hearing aid batteries; and verifying education enrollment or home loan benefits. The home loan certificate of eligibility letter was released in January 2011 and has since generated 1.1 million letters.

### **Deliver a Unified Veterans Experience**

Vets.gov is a VA-wide website that will consolidate numerous Websites into one location to provide a one-stop shop for Veterans to access VA benefits and services online in 2018. Certain VBA content has been consolidated: Disability Compensation, Education Benefits, Careers and

Employment (Veterans Employment Center), and the GI Bill Comparison Tool. Here are the following sites which have already been migrated:

- Compensation Service, portions only (VBA URL: <http://www.benefits.va.gov/compensation/index.asp>)
- Education Service, portions only (VBA URL: <http://www.benefits.va.gov/gibill/index.asp>)
- GI Bill Comparison Tool (Vets.gov URL: <https://www.vets.gov/gi-bill-comparison-tool/>)
- Careers and Employment (Vets.gov URL: <https://www.vets.gov/employment/>)

### **Improve the Disability Compensation Exam Process**

VA has pilot tested a set of easy-to-implement initiatives in Tucson, Arizona and Nashville, Tennessee to improve the Veteran experience around the Compensation exam process and are implementing these initiatives nationwide. Mandating a modified RSVP process for all clinics has provided for increased flexibility to schedule exams, which should significantly reduce missed appointments. This will improve the Veteran experience with scheduling exams and, by extension, improve the employee experience as well during select touch points between the Veteran and VA. As a result of the initiative, VA has seen an increase in overall Veteran satisfaction with exams, from a baseline of 75 percent Veteran satisfaction to 84 percent currently. On July 1, 2016, VBA started a national marketing campaign and coordinated messaging across Compensation projects for consistency and branding, including a short video explaining the Compensation exam process to properly set Veteran expectations: <http://www.benefits.va.gov/compensation/claimexam.asp>.

### **Improve Employee Experience**

VBA is committed to developing a strong workforce that is engaged and empowered to serve Veterans, Servicemembers, and their families—today and in the years to come. Through its Office of Employee Development and Training, VBA is fostering a culture of continuous improvement and providing a variety of leadership development programs and job-skill training programs to include:

- **Emerging Leaders Program (ELP)** - ELP targets junior-level employees, GS 7-9, to cultivate their leadership potential and provide foundational elements to increase leadership acumen through competency-based material and scenario-based activities. Through the Tuckman Group & Team Development Model, the program promotes and enhances leadership characteristics within the individual, as well as strengthens the connection between their foreseen leadership roles and the systems through which they influence organizational operations. To date, ELP has seen career promotion rate of nearly 50 percent within 12 months of program completion.
- **Leadership Enhancement and Development (LEAD) Program** - LEAD is a national leadership and professional development program for current GS 9-12 that is aligned to VA Leadership Competencies and OPM Executive Core Qualifications. This program seeks to enhance and develop individual leadership capabilities through a team-centric, collaborative approach. Participants are assigned to teams, develop project charters, create work process structures, and design project timelines as they cultivate relationships



through the lens of the Tuckman Group & Team Development Model. The program has driven innovation in the organization through the individual and group efforts of participants in the development, analysis, and proposed solutions to organizational problems. Participant teams work on projects selected by VBA senior leaders and highlights potential concerns within the organization. The groups investigate the problem, develop solutions, test the proposed solutions, and present their findings to Senior Executives. To date, LEAD has seen career promotion rate of nearly 54 percent.

- **Leadership Enrichment and Progression (LEAP) Program** - LEAP is designed as a national leadership development program for current GS 13-14 employees. This is VBA's flagship leadership development program that focuses on training and preparing future leaders, who can develop cutting-edge human capital strategies, communicate effectivity, manage performance, and lead with a high emotional IQ level. LEAP measurably benefits the organization by maximizing employee engagement by providing career coaching, one-on-one mentorship, critical individual insight through assessment tools and other developmental pathways that help support the Administration in achieving its goal of employee retention and overall satisfaction. To date, LEAP has seen career promotion rate of nearly 60 percent.
- **Job-Skill Training Improvement and Support** - VBA delivered entry-level and advanced job-skill training to more than 1,000 new employees and new supervisors in 2016. Approximately half of the training, in courses ranging from two weeks to 10 weeks, was delivered through virtual instruction by remote instructors at a cost of \$680,000 that resulted in an \$8.4 million travel cost avoidance, and the return of 600 man-days to claims-production due to decreased resident instructor requirements and course-length efficiencies. VBA will continue to leverage and expand the use of virtual instruction, both web-based, asynchronous lessons and instructor-led synchronous lessons to improve student interaction, in 2017 and 2018 to further increase employee job performance and job satisfaction.

### ***VBA At Work***

VA 101 training was created by employees, for employees to better serve Veterans. "This is a historic effort," said VA Acquisition Academy Chancellor Ruby Harvey. "The training has resulted in a greater understanding of VA, and has translated to improved customer service for Veterans where employees are able to direct Veterans and their families to the right place to get help," said Harvey. As of April 2017, more than 15,819 VBA employees have participated in VA 101 training at duty stations across the country. VBA has already met the performance goal to train 85% of the workforce by the end of 2017.

## **Key Outreach Initiatives**

Veteran's outreach activities continue to be a priority for VA. In 2016, VBA completed over 132,000 hours of outreach at over 69,000 events and engaged in over 2.14 million encounters with

Veterans, family members, Survivors, and those that support them. VBA is also actively engaged at military installations, educating Servicemembers about benefits and services available as they transition from military service and in communities across the country to increase employment opportunities for Veterans and their families.

In November 2011, the VOW to Hire Heroes Act (P.L. 112-56) mandated an enhanced Transition Assistance Program (TAP) for separating Servicemembers. Also in 2011, the President directed VA and DoD to co-lead the interagency Veteran Employment Initiative (VEI) Task Force to further combat Veteran unemployment and homelessness. In addition to VA and DoD, the VEI Task Force included representatives from the Departments of Labor, Homeland Security, and Education, and also the Small Business Administration and the Office of Personnel Management. On April 4, 2013, the interagency VEI Task Force transmitted an implementation plan to the White House that redesigned TAP into a new curriculum known as Transition GPS (Goals, Plans, Success), to ensure Servicemembers are ‘career ready’ when they depart from the military and become Veterans. In response to these recommendations and the requirements of the VOW Act, VA now has a dedicated workforce focused on providing benefits briefings and other transition activities for Servicemembers transitioning to Veteran status. Approximately 250,000 Servicemembers are expected to transition from the military to civilian life each year over the next four years.

Through the VOW contract initiative, VA has trained more than 300 VA Benefits Advisors to over 300 locations around the world. VA Benefits Advisors conduct two mandatory benefits briefings, which provide separating Servicemembers with information on all VA benefits and services. In addition, the Benefits Advisors support the DoD components of Transition GPS (Military Life Cycle and Capstone events and activities) and provide individual assistance to Servicemembers and dependents on all VA benefits and services.

## **Overview of VBA Workload**

The following sections provide a summary of the VBA workload and FTE projections, which are discussed in greater detail in each specific business line chapter.

### **Disability Compensation**

Overall, the 2018 Budget Request for GOE budget authority of two billion dollars is consistent with the enacted budget as reflected in the Current Estimate. The GOE appropriation supports VBA efforts to continue processing record numbers of Veteran claims, while transitioning to a Veteran centric organization. VBA is focused on improving the Veterans experience during the entire claims process and in all their interactions with VBA – including establishing better communication upfront and more frequently, improving the compensation exam process, modernizing our call centers, implementing a NWQ to balance our benefits delivery to Veterans nationwide no matter where they live, improving dependency claims processing, and considering new ways to simplify the appeals process with help from our stakeholders and partners.

The disability compensation rating claims workload continues to increase as more than one million transitioning Servicemembers will become Veterans over the next four years. The growth in disability compensation claims receipts is driven by a number of factors, including: VA’s successful outreach efforts; improved access to benefits through the joint VA and DoD Pre-Discharge Programs; increased demand as a result of more than a decade of war; the aging of the

Veteran population; new regulations for processing certain claims related to Gulf War service, traumatic brain injuries, and Post Traumatic Stress Disorder (PTSD). The complexity of the workload will continue to grow because Veterans are claiming greater numbers of disabilities and the nature of disabilities, such as PTSD, combat injuries, diabetes and related conditions, and environmental diseases, is becoming increasingly complex. Concurrently, production on claims which do not require a disability rating decision but directly impact benefits, such as dependency and burial claims, are expected to increase significantly as well.

Therefore, it is critical that in 2018 VBA continue to maximize the gains achieved through the claims transformation initiatives. VBA will meet the diverse needs of Veterans through outreach activities, electronic claims submission, paperless claims processing and a world class accessible call center. The resources required to maintain the success of transformation as well as push forward with the break through priorities are detailed throughout this document. The following table provides a summary of the workload associated with the budget request.

<b>Projected Compensation Workload and FTE Requirements</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Compensation Direct Labor FTE	12,918	12,988	13,960	13,977
Rating Receipts Compensation Claims	1,077,428	1,132,965	1,150,124	1,183,553
Rating Production Compensation Claims	1,233,907	1,122,718	1,165,759	1,208,699
Year-end Inventory Compensation Claims	342,282	352,529	336,894	311,748

<b>Compensation &amp; Pension Appeals Workload</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Notice of Disagreement Receipts	169,068	173,829	178,590	183,351
Appeals Resolutions by VBA	93,221	110,595	127,436	145,343
Certification of Substantive Appeals to the Board	69,990	88,441	106,892	125,433
Pending Inventory	341,786	344,523	348,260	352,997

#### **Pension, Dependency and Indemnity Compensation, Burial, and Fiduciary Programs**

Overall, the 2018 Budget Request for GOE budget authority of \$303 million is consistent with the enacted budget as reflected in the Current Estimate. This appropriation supports the administrative costs to deliver benefits to the most vulnerable beneficiaries. VBA is striving to implement streamlined and automated processes in these programs to provide timely benefit decisions.

In 2016, the Burial Program provided a one-time payment for 180,800 Veterans burial claims. Much of this success is attributable to increased automation and a July 2014 rule change which enabled VBA to make automated burial payments upon notice of death. As a result of the automated processing, VBA now makes payments to eligible surviving spouses within six days, down from the previous average of 198 days.

In addition, the DIC Program provided monthly benefits to 379,813 surviving spouses and dependent children of Veterans whose death was related to military service. VBA reduced its DIC inventory by 41 percent from the peak of 19,100 in March 2012 to 11,050 in September 2016;

improving DIC timeliness by 97 days from a peak of 182 days to 85 days while maintaining 99 percent accuracy.

Due to the expansion of upfront income verification with the IRS and SSA, VBA eliminated the need for pension beneficiaries to manually file an annual eligibility verification report and was able to redirect those resources to address the backlog of pension and DIC claims. By providing VBA with the capability to verify the income of pension claimants at the time of application, the data-sharing initiative reduces pension overpayments, preserves the Pension Program for those Veterans and survivors with genuine need, and allows VBA to implement a less burdensome post-award audit process in lieu of the previous income verification matching process. Additionally, this capability positions the Pension Program to deploy automated rules based processing for certain claims, such as reopened pension, in the future.

VBA's Fiduciary Program experienced 62 percent growth in the number of beneficiaries from 2011 to 2016. The number of beneficiaries in the program will continue to grow as VBA continues to process a record number of claims annually and the beneficiary population ages. VBA consolidated the management of its fiduciary activities into a near-paperless processing environment at six fiduciary hubs in 2012. Under this hub model, fiduciary managers deploy their field examination resources according to the location of beneficiaries within the hub and without regard to state borders or RO jurisdiction, while centralizing all other fiduciary functions at the hub site. This model is designed to improve the timeliness of initial fiduciary appointments, improve quality, and reduce mileage traveled by field examiners when conducting field examinations.

The following table provides a summary of the workload associated with the budget request.

<b>Projected Pension and DIC Claims Workload and FTE Requirements</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Pension, DIC, Burial, & Fiduciary Direct Labor FTE	2,203	2,223	2,299	2,299
<b>Total Receipts</b>	<b>157,757</b>	<b>153,915</b>	<b>156,246</b>	<b>160,787</b>
Pension Claims	99,605	93,992	95,416	98,189
DIC Claims and Survivors Pension	58,152	59,923	60,831	62,598
<b>Total Production</b>	<b>153,865</b>	<b>150,089</b>	<b>155,843</b>	<b>161,583</b>
Pension Claims	97,029	93,057	96,624	100,184
DIC Claims and Survivors Pension	56,836	57,032	59,219	61,399
<b>Total Year-end Inventory</b>	<b>20,752</b>	<b>24,578</b>	<b>24,980</b>	<b>24,184</b>
Pension Claims	12,473	13,408	12,199	10,204
DIC Claims and Survivors Pension	8,279	11,170	12,781	13,980

<b>Fiduciary Program Workload Completed</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Initial Appointment Field Examinations	38,638	43,406	58,500	53,400
Follow-up Field Examinations	41,597	39,002	27,200	38,900
Follow-up Alternate Field Examinations	4,062	6,845	8,500	12,800
<b>Total Field Examinations</b>	<b>84,297</b>	<b>89,253</b>	<b>94,200</b>	<b>105,100</b>
Accountings	44,693	41,490	45,700	46,800

### **Education**

Overall, the 2018 Budget Request for GOE budget authority of \$201 million is consistent with the enacted budget as reflected in the Current Estimate. This appropriation supports the administrative costs to provide reliable and beneficial services to Veterans and others using VA education benefits to ensure their economic competitiveness. VBA also assesses Veteran educational outcomes and the impact on lifelong economic success. Continuous high-level interest in VA education programs requires VBA, more than ever, to provide efficient and effective services to beneficiaries that enable them to meet education, training, and employment objectives. VBA's understanding of service delivery has expanded, and VBA has significantly improved education claims processing timeliness and accuracy, paying \$12.6 billion to one million beneficiaries for all education programs and processing reenrollment claims in an average of six days in 2016. The following table provides a summary of the workload associated with the budget request.

<b>Projected Education Workload and FTE Requirements</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Direct Labor FTE	1,666	1,647	1,662	1,662
Total Claims Completed	4,177,406	4,114,961	3,998,771	3,886,806
Increase in Claims Completed (over previous year)	-4.50%	-1.60%	-2.70%	-2.80%
Average Days to Process Original Claims	18	17	21	21
Average Days to Process Supplemental Claims	7	7	9	9

### **Housing**

The 2018 Budget Request includes \$154.5 million in reimbursement authority from credit accounts and \$17.8 million in budget authority to fund the discretionary portion of the Housing Program. With the received resources, VBA guaranteed 705,474 home loans in 2016. Outreach efforts have broadened program popularity and pushed purchase loan originations higher. The unique no down payment feature and no mortgage insurance requirement are also continuing to attract new borrowers.

Some of our clients, like other homeowners, experience financial difficulties that may cause them to default on their home loans. The earlier the default is addressed, the more options are available to help avoid foreclosure. In 2016, VBA and its partnering loan servicers assisted over 97,000 Veterans avoid foreclosure, a 7 percent increase from 2015. By avoiding these foreclosures,

nearly \$2.8 billion in claim payments to servicers was also avoided. To assist our clients earlier in the default process, VA has delegated more loss-mitigation authority to private-sector loan servicers. This authority enables servicers to help our clients receive the most advantageous resolution option based on their circumstances. Additionally, servicers are required to report all data electronically, which results in a paperless process, while also facilitating VA's oversight responsibilities. Electronically reported data allows VA to more effectively manage the portfolio of VA-guaranteed loans, resulting in better service to our clients. The following table provides a summary of the workload associated with the budget request.

<b>Projected Housing Workload and FTE Requirements</b>	<b>2015*</b>	<b>2016**</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Direct Labor FTE	777	820	820	820
Total Guaranteed Loan Volume	614,142	713,041	589,261	518,851
Total Purchase Loans	235,625	250,422	242,952	267,364
Total Refinance Loans	134,863	160,122	126,514	63,248
Total Loan Amount	\$149,822,478,351	\$181,786,472,798	\$157,226,340,029	\$141,928,930,716

\*The 2015 guaranteed loan volume as reported in the FFPS was 614,514; however, due to system lag time the actual loan volume is 631,142. Based on the actual loan volume, the total loan amount is \$153.5B, total purchase volume is 322,115, and the total refinance volume is 309,027.

\*\*The 2016 guaranteed loan volume as reported in the Annual Financial Statements was 713,041; however, due to program administered system reports, the recognized loan volume is 705,474 and total loan amount is \$179B. Purchase loan volume is 353,002 and refinance volume is 352,472.

### **Vocational Rehabilitation and Employment**

The 2018 Budget Request for GOE budget authority of \$317.5 million is a \$13.8 million decrease reflected in the Current Estimate. As previously noted, this reduction is attributed to decrease in available funding for the TAP to align the program closer to current execution levels. VBA will continue to provide outreach to Servicemembers in order to assist in their transition and entrance into one of VR&E's five tracks leading toward achievement of their rehabilitation goals. The five tracks are Re-Employment, Rapid Access to Employment, Self-Employment, Employment through Long Term Services, and Independent Living Services. Additionally, VR&E offers educational and vocational counseling services to transitioning Servicemembers who are within six months of discharge.

VR&E is involved in early intervention to support successful reintegration by physically placing vocational rehabilitation counselors (VRCs) at Joint VA/DoD Integrated Disability Evaluation System (IDES) locations. Currently, VR&E is located at 71 military installations domestically with 145 counselors allocated to the program. Services range from comprehensive rehabilitation evaluations to determine abilities, skills, and interests for employment purposes to support services to identify, obtain, and maintain employment. By physically placing VRCs at IDES locations, benefits delivery and timely response to the needs of transitioning Servicemembers will be enhanced and more Servicemembers are anticipated to use VA benefits. This counseling also assists Servicemembers using Post-9/11 GI Bill benefits to make informed career choices. VBA estimates over 24,000 transitioning Servicemembers may be supported through this initiative in 2017. By the end of 2017, this initiative will have supported an estimated 145,000 transitioning

Servicemembers since implementation. The following table provides a summary of the workload associated with the budget request.

<b>Projected VR&amp;E Workload and FTE Requirements</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Direct Labor FTE	1,395	1,442	1,442	1,442
Actual Participants	131,607	137,121	139,134	144,091
Increase in Actual Participants (over previous year)	7%	4%	1%	4%
Veterans Entering a New Plan for Rehabilitation (over previous year)	28,814	31,235	32,797	34,437
VR&E New Claims	88,439	108,762	113,112	117,637
Increase in VR&E New Claims (over previous year)	2%	23%	4%	4%
Positive Outcomes	N/A	14,349	TBD	TBD

### **Insurance**

The 2018 Budget Request for GOE budget authority of \$902 thousand is a \$23 thousand reduction from the Current Estimate. This decrease is attributed to staffing efficiencies and a reduction in anticipated workload. The workload associated with maintaining and processing insurance benefits for the World War II and Korean War era programs is declining in line with the advancing age of the policyholders. However, the workload trend for programs that serve disabled Veterans has been increasing. This upward trend is projected to continue partly as a result of the new presumptive conditions that expanded eligibility criteria. In addition, the Insurance Center established an outreach unit in 2011 that contacts recently separated Veterans whose disabilities would prevent them from purchasing life insurance in the private sector. This special outreach program contacts approximately 1,900 Veterans per month.

Continuing the focus on improving the Veteran Experience, the Insurance Center functions in a fully operational electronic workflow environment. The increased processing efficiencies resulting from this system are a key element to maintaining high levels of client satisfaction. VBA continues to provide world-class service through its toll-free telephone service and continues to enhance its current alternative means for Veterans and their representatives to reach VBA, including e-mail, the Interactive Voice Response system, and the self-service Website. The following table provides a summary of the workload associated with the budget request.

<b>Projected Insurance Workload and FTE Requirements</b>	<b>2015</b>	<b>2016 □</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Insurance Direct Labor FTE	284	289	317	293
Death Claims	116,880	107,810	107,330	101,390
Loans and Cash Surrenders	37,896	38,879	38,650	38,020
Telephone Calls Answered	624,520	569,890	598,747	576,880
S-DVI & VMLI Applications	36,076	35,460	43,570	41,820
All Other Insurance Maintenance Actions	360,856	394,970	309,130	281,810
Veterans Contacted through Outreach	23,033	26,839	27,080	27,080

## **VBA Initiative Investments**

VBA continues to invest in eight cross-cutting programs. The 2018 request will continue to support investments that focus on the MyVA break through priorities such as improving the Veteran experience, delivering a unified Veteran experience, improving the compensation exam process, and improving the employee experience.

<b>2018 President's Budget Submission VBA Initiative Investments (000s)</b>				
	<b>2017 Estimate</b>		<b>2018 Request</b>	
<b>Initiative Name</b>	<b>FTE</b>	<b>\$s</b>	<b>FTE</b>	<b>\$s</b>
Veterans Benefits Management System (VBMS)	44	37,224	44	38,118
Veterans Claims Intake Process (VCIP)	34	140,352	34	115,432
Centralized Mail	0	26,695	0	26,695
National Work Queue (NWQ)	23	3,514	23	3,580
Veterans Relationship Management (VRM) <i>including VONAPP</i>	83	13,948	83	14,200
Integrated Disability Evaluation System (IDES) Expansion to VR&E	200	24,959	200	25,421
VetSuccess on Campus (VSOC)	79	9,197	79	9,369
Veterans Opportunity to Work Act (VOW)/Veterans Employment Initiative (VEI)	0	126,011	0	111,011
<b>TOTAL OBLIGATIONS</b>	<b>463</b>	<b>\$381,900</b>	<b>463</b>	<b>\$343,826</b>



## FTE Tables

The following tables display the estimated allocation of FTE in 2016 by grade and location and the estimated distribution of all grades from 2016 through the 2018 budget request.

<b>Analysis of FTE Distribution HQ/Field 2016 Actuals</b>			
<b>Grade</b>	<b>HQ</b>	<b>Field</b>	<b>Total</b>
SES	23	39	61
GS-15	77	133	210
GS-14	224	255	480
GS-13	447	1,827	2,275
GS-12	130	5,118	5,247
GS-11	65	4,409	4,474
GS-10	0	1,364	1,364
GS-9	40	2,978	3,018
GS-8	3	63	66
GS-7	11	2,273	2,283
GS-6	1	1,105	1,106
GS-5	3	697	700
GS-4	1	254	254
GS-3	1	16	17
GS-2	0	3	3
GS-1	0	0	0
<b>Total</b>	<b>1,025</b>	<b>20,533</b>	<b>21,558</b>

<b>Employment Summary-FTE by Grade</b>				
<b>Grade</b>	<b>2016 Actuals</b>	<b>2017 Estimate</b>	<b>2018 Request</b>	<b>2018-2017 Increase/ Decrease</b>
SES	61	63	63	-
GS-15	210	210	210	-
GS-14	480	536	536	-
GS-13	2,275	2,585	2,585	-
GS-12	5,247	5,312	5,426	114
GS-11	4,474	4,231	5,267	1,036
GS-10	1,364	2,186	2,186	-
GS-9	3,018	2,856	2,414	(442)
GS-8	66	65	65	-
GS-7	2,283	2,588	1,880	(709)
GS-6	1,106	1,121	1,121	-
GS-5	700	788	788	-
GS-4	254	166	166	-
GS-3	17	13	13	-
GS-2	3	1	1	-
GS-1	-	-	-	-
<b>Total</b>	<b>21,558</b>	<b>22,721</b>	<b>22,721</b>	<b>(0)</b>

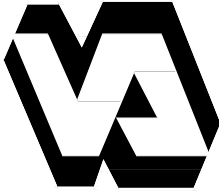
Net Changes

The following table displays the net change from the 2017 President's Budget Request to the 2018 GOE appropriation request for the VBA discretionary account.

**Veterans Benefits Administration  
2018 Summary of Resource Requirements  
(dollars in thousands)**

	<b>BA</b>
<b>2017 President's Budget</b>	<b>\$2,826,160</b>
2017 Congressional Increase	\$30,000
2017 Congressional Rescission	-\$12,000
<b>2017 Enacted</b>	<b>\$2,844,160</b>
<b>2018 Current Services Increases</b>	
Payraise Assumption Increases (1.9%)	\$33,357
Required Personnel Benefits Increases	\$12,143
Non-pay Inflation (1.7%)	\$12,507
Specially Adapted Housing Authority	\$17,846
Veteran Services FTE	\$52,384
<b>Subtotal</b>	<b>\$128,237</b>
<b>2018 Total Current Services</b>	<b>\$2,972,397</b>
<b>2018 Reduced Investments</b>	
Overtime	-\$45,000
TAP	-\$15,000
Scanning	-\$25,000
Other Contracts and Training	-\$24,533
Travel	-\$11,766
All Other Non-Pay Line Items	-\$7,098
<b>Subtotal</b>	<b>-\$128,397</b>
<b>2018 Total Budget Authority Request</b>	<b>\$2,844,000</b>

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## Disability Compensation

### Mission

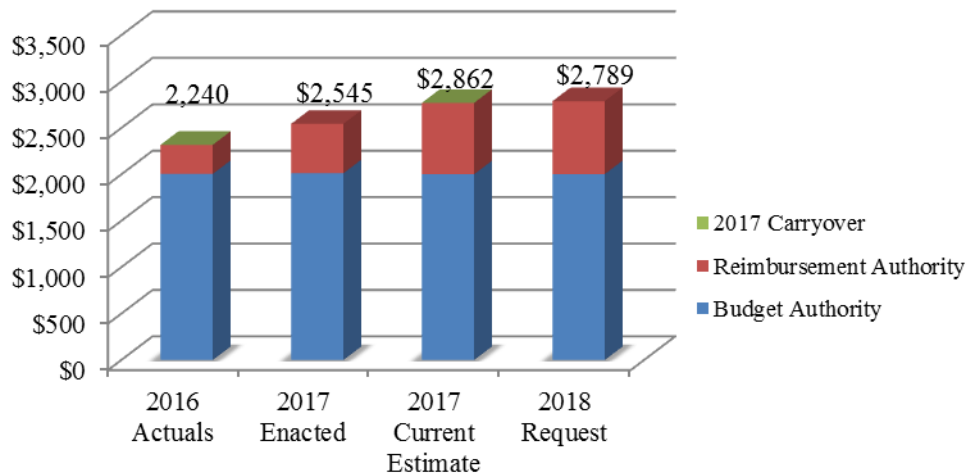
The Disability Compensation Program provides monthly, tax-free payments to Veterans, their families, and survivors in recognition of the effects of a disabling condition due to disease or injury incurred or aggravated as a result of military service.

### Summary of Budget Authority

**2018 Budget Authority Request: \$2.0 billion**

**Change over 2017 Estimate: +\$13.9 million / 1.0 percent**

**Summary of Budget Authority - Disability Compensation  
(\$ in millions)**



### Summary of Budget Request and Performance Measures

VA requests \$2.0 billion in budget authority to fund the discretionary portion of the Disability Compensation program. The request will fund the administrative expenses associated with 15,527 FTE, which represents an increase of 27 FTE from the 2017 current estimate budget authority. VA tracks this program through the following performance measures:

- Timeliness of VA Disability Rating Claims - VA uses the percentage of disability rating claims pending more than 125 days to track timeliness of VA disability rating claims.

- National Issue-Based Accuracy Rate for Disability Compensation Rating Claims - Issue-based accuracy is based on the individual issues such as knee, back, or mental conditions contained within the rating claim.
- Percentage of Integrated Disability Evaluation System (IDES) Participants Receiving Benefit Notices Within 30 Days of Discharge - IDES helps facilitate the transition for Servicemembers facing medical discharges by eliminating the need for separate VA/DoD processes. Through this VA/DoD partnership, IDES participants undergo a single set of examinations and receive single ratings, which both VA and the military use to determine their respective benefits. As part of IDES, participants are awarded VA benefits promptly upon their discharge from service. VA tracks IDES by the percentage of Veterans receiving Benefit Notices within 30 day of discharge.
- Number of Registered eBenefits Users - VA's extensive outreach efforts led more Veterans to interact with VA using the joint DoD/VA Web portal eBenefits (<https://www.ebenefits.va.gov/ebenefits/homepage>). This tool gives immediate access to information on benefits and services, status of any claims filed, and the ability to submit claims for disabilities or apply for health care benefits.
- Compensation Customer Satisfaction Index Score - VA developed the Voice of the Veteran (VOV) Customer Satisfaction Survey to obtain measurable feedback from Veterans and beneficiaries regarding the benefits and services provided by VA. The survey tracks overall satisfaction on a 1,000-point scale.
- National Call Center Client Satisfaction Index Score - The VOV program currently conducts a study, Call Center Satisfaction Research (CCSR), also on a 1,000-point scale. The respondents to the call center survey provide their perceptions of the services and information provided by VA's call agents during phone interactions.
- Percent of Disability Compensation Claims Received Electronically - Electronically preparing and submitting disability claims through such systems as eBenefits, the Stakeholder Enterprise Portal (SEP), or Digits-to-Digits (D2D), reduces the need for paper and shipping of hard-copy claims folders, as well as additional correspondence with Veterans. This streamlining allows VA to decide claims more accurately, quickly, and efficiently.
- Number of Accredited Veterans Advocates Registered in the SEP - The SEP (<https://www.sep.va.gov/sep/web/guest/sep>) resembles the eBenefits system on va.gov, allows VA partners and Veterans Service Organizations to electronically file claims for benefits and services on behalf of the Veterans they represent. Tools such as SEP support VA's efforts to improve the timeliness and accuracy of claims processing through technology, therefore the VA needs to increase SEP users or other emerging technologies.
- Appeals Processing - Notices of Disagreement (NODs) Pending Inventory - A Veteran can submit an NOD when they disagree with the decision on their claim. VA tracks the number of NODs pending in inventory.

- Appeals Processing - Notices of Disagreement Average Days Pending (ADP) - VA tracks the NODs ADP. Pending inventory, average days to complete, and ADP need to all decrease to show major improvements.
- Appeals Processing - Substantive Appeals to the Board (Form 9) Pending Inventory - If VA affirms the claim decision after reviewing the NOD, then a Statement of the Case (SOC) is issued to explain regulations and rationale. The Veteran can then submit a Form 9 that is a formal request for a Board Decision. VA tracks the number of Form 9 pending in inventory.
- Appeals Processing – Substantive Appeals to the Board (Form 9) Average Days Pending - VA tracks the Form 9 ADP.
- Appeals Processing – Substantive Appeals to the Board (Form 9) Average Days to Complete - VA tracks the Form 9 ADC. Pending inventory, ADC, and ADP need to all decrease to show major improvements.

<b>Disability Compensation Summary of Discretionary Appropriation Highlights (dollars in thousands)</b>					
	<b>2016</b>	<b>2017</b>		<b>2018</b>	<b>2018-2017</b>
<b>Discretionary</b>	<b>Actuals</b>	<b>Budget Estimate</b>	<b>Current Estimate</b>	<b>Request</b>	<b>Increase(+) Decrease(-)</b>
<b>FTE</b>					
Direct Compensation	12,988	13,442	13,960	13,977	17
Management Direction and Support	1,525	1,503	1,540	1,550	10
<b>Total FTE</b>	<b>14,513</b>	<b>14,945</b>	<b>15,500</b>	<b>15,527</b>	<b>27</b>
<b>Obligations</b>					
Personal Services	\$1,480,191	\$1,504,022	\$1,559,866	\$1,533,848	-\$26,018
Travel	11,426	32,203	33,891	21,866	-12,025
Interagency Motor Pool	3,120	2,711	2,648	2,643	-5
Transportation of Things	1,052	1,635	1,330	833	-497
Rent, Communications & Utilities	108,530	130,100	121,779	120,849	-930
Printing	1,838	2,182	2,182	2,211	29
Other Services	619,723	850,739	1,120,179	1,090,633	-29,546
Supplies and Materials	5,634	7,354	4,498	3,580	-918
Equipment	6,973	13,790	13,836	11,070	-2,766
Insurance Claims	1,409	356	1,857	1,857	0
<b>Total Administrative Obligations</b>	<b>\$2,239,896</b>	<b>\$2,545,091</b>	<b>\$2,862,065</b>	<b>\$2,789,389</b>	<b>-\$72,676</b>
Reimbursements	-\$313,483	-\$532,320	-\$769,279	-\$785,820	-\$16,540
<b>Unobligated SOY</b>	<b>-\$47,906</b>	<b>\$0</b>	<b>-\$103,098</b>	<b>\$0</b>	<b>\$103,098</b>
GOE Carry Over	-\$47,854	\$0	-\$103,000	\$0	\$103,000
Recycling	-\$52	\$0	-\$98	\$0	\$98
<b>Unobligated EOY</b>	<b>\$100,051</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
GOE Carry Over	\$100,000	\$0	\$0	\$0	\$0
Recycling	\$51	\$0	\$0	\$0	\$0
Unobligated Bal Expiring	\$22,804	\$0	\$0	\$0	\$0
<b>Net Appropriation</b>	<b>\$2,001,362</b>	<b>\$2,012,771</b>	<b>\$1,989,688</b>	<b>\$2,003,569</b>	<b>\$13,881</b>
Transfer to VHA Denver Medical Center	\$4,054	\$0	\$0	\$0	\$0
<b>Rescission</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,000</b>	<b>\$0</b>	<b>-\$12,000</b>
<b>Total Appropriation</b>	<b>\$2,005,416</b>	<b>\$2,012,771</b>	<b>\$2,001,688</b>	<b>\$2,003,569</b>	<b>\$1,881</b>
<b>Outlays (net)</b>	<b>\$1,785,266</b>	<b>\$1,948,672</b>	<b>\$1,918,919</b>	<b>\$1,984,492</b>	<b>\$65,573</b>

Dollars may not add due to rounding in this and subsequent charts.

## Changes from Original 2017 Estimate

In February 2016, VBA's blocked call rate at the National Call Centers (NCCs) was at 54 percent. Based on VA's commitment to improve the Veteran experience and access to benefits, 75 FTE were realigned from Education Service to Compensation Service and 125 FTE were realigned within Compensation Service to support an effort aimed at reducing the blocked call rate at NCCs. As a result of this leadership decision, VBA reduced the blocked call rate for 2016 to 39.5 percent and the blocked call rate for month of September 2016 was 0.01 percent. This is a 14.5 percent reduction from February 2016 to September 2016, and VBA has sustained a blocked called rate of nearly zero percent through 2017. The FTE realignment also resulted in the shift of \$9.0 million in budget authority from Education to Compensation. Additionally, other services are estimated to increase \$269.4 million, of which the majority of this increase is to support the expansion of Contract Medical Examinations. The majority of the Contract Medical Examination increase is from shifting contracts that were under VHA to VBA; VHA no longer performs Contract Medical Exams in support of claims for compensation benefits.

## Changes from 2017 Current Estimate to 2018 Request

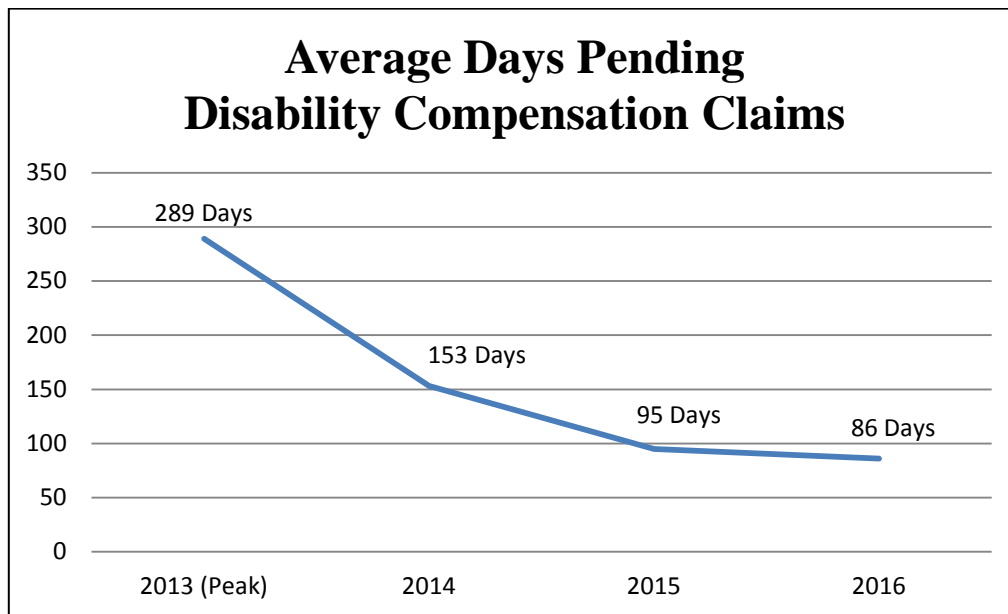
Total obligations reflect a net decrease of \$72.7 million from the 2017 current estimate. The 2018 request includes the January 7, 2018 projected 1.9 percent pay raise, an increase of fringe benefits costs (e.g. health benefits, Medicare, and employer matching programs), and 1.7 percent for non-pay inflation. VBA offset those increases with a \$26.0 million decrease in personnel services for overtime and decreased an additional \$46.6 million in non-pay line items to include a \$25.0 million reduction in scanning and a \$12.0 million reduction in travel, primarily reducing the frequency of training, conferences and mission related travel.

## Program Description, Highlights, and Accomplishments

Compensation Service oversees the delivery of [disability compensation](#), a tax-free monetary benefit paid to Veterans with disabling conditions that are the result of a disease or injury incurred or aggravated during active military service, which VA typically decides by reviewing medical evidence.

In 2016, VA completed 1.1 million disability compensation rating claims. Since the peak of 583,000 claims in the inventory in 2013, VBA has reduced the number of disability rating claims pending more than 125 days by 514,000, or 88 percent, through the end of 2016. The chart below shows the average days pending (ADP) of compensation disability rating claims (initial and supplemental).





VA has reduced the average number of days rating claims are pending from 289 days in March 2013 to 86 days at the end of 2016. On average, Veterans are currently waiting 203 fewer days for a decision than they were 42 months ago. Although VA has been in a steady state on claims inventory, VBA is committed to continued improvements in providing timely service to Veterans.

These accomplishments are the result of VBA’s investment in such systems and processes as the Veterans Benefits Management System (VBMS), the National Work Queue (NWQ), Veterans Relationship Management (VRM), Fully Developed Claims (FDCs), Challenge Training, Veterans Claims Intake Program (VCIP), Centralized Mail Operations, and Disability Benefits Questionnaires (DBQs).

VBA continues to drive its business process to improve the efficiency of its electronic claim processing environment in which work is managed and routed nationally. VBA also continues to incorporate the full use of electronic claims submission, automation, screening, and digital records receipt, while employing the necessary training and quality review mechanisms. These capabilities will increase overall Veteran satisfaction by increasing claims processing timeliness and accuracy.

VBA’s 2018 Compensation request is aligned to VA’s MyVA priorities, a framework for modernizing VA’s culture, processes, and capabilities to put the needs, expectations, and interests of Veterans and their families first and ensure the timely delivery of benefits and services to Veterans, Servicemembers, their families, and Survivors, and focuses on improving the Veteran experience in all interactions with VBA. Below is a summary of the tools and methods used to achieve VBA’s strategic goals that incorporate VA’s Breakthrough Priorities.

**Improve Veteran Experience:**

VBA has taken a variety of steps to promote and improve the overall Veteran experience. For example one of the initiatives was several pilots to Improve Veteran Exam

Experience, with the result of **nine percent improvement as measured by the Veterans.**

#### Improve Veteran Exam Experience

As one of the top MyVA Breakthrough Priorities for 2016, VA assembled a team to focus on the Compensation medical exam and claims process to make it more consistent, understandable, and easier for Veterans and employees. The medical exams process and how long it takes has been one of the major complaint received from Veterans. In conjunction with many other programs, VHA timeliness was running over 30 days average to complete an exam and it is now under 20 days. After an end-to-end analysis of the process, senior leaders identified seven areas for improvement and implemented the following pilot programs:

- **Letter Improvements**
  - Goal: Simplify exam notices to Veterans to be more easily understood, helpful, and direct;
  - Improvement Action: National implementation of revised claims acknowledgement, claim exam information, and review exam information letters as a new process for informing the Veteran and setting expectations.
- **Appointments**
  - Goal: Improve how VA schedules exam appointments;
  - Improvement Action: Documents on exam scheduling were provided to all organizations that handle Compensation exam appointments in November 2016.
- **Marketing**
  - Goal: Create a better understanding of the exam process for Veterans;
  - Improvement Action: **Conduct a national marketing campaign from July 2016 to June 2017;** aligned with the information contained on <https://www.vets.gov/>.
- **Education at Touch-Points**
  - Goal: Use certain points of the claims process to teach Veterans about that particular process;
  - Improvement Action: Posters, pamphlets, and other materials provided to facilities that conduct exams to ensure Veterans are informed about the Compensation exam process; material refreshes will occur periodically going forward.
- **Compensation Exam Education for Employees**
  - Goal: Teach VBA and VHA employees how their actions fit into the overall Compensation exam process;
  - Improvement Action: **Training module for VHA employees to understand the end-to-end exam process included in annual training for employees.**
- **Decision Ready Claims (DRC)**
  - Goal: Increase the number of claims submitted to VBA that are ready for decision, including already having completed exams;

- Improvement Action: Continue partnering with VHA to provide “self-referral clinic” capability in Compensation exam units so that Veterans can have exams scheduled and completed prior to submission of disability compensation claim. (Note: These are different from FDCs; FDCs do not have exams completed before filing the claim).
- **Satisfaction Surveys**
  - Goal: Conduct surveys of Veterans to create performance baselines and measure each work stream and overall satisfaction;
  - Improvement Action: National surveys conducted weekly in 2016. **Satisfaction scores increased from the baseline measurement of 75 percent (November 15 to December 30, 2015) to 84 percent in November 2016. The Veterans Experience Office will conduct ongoing survey efforts.**

### **Reducing Improper Payments to Veterans**

VBA is also timely addressing overpayments caused by benefits that are reduced or discontinued as required by law. VBA regularly performs data matches with other federal agencies to identify potential overpayments and duplicate payments due to a Veteran’s return to active duty, performing reserve duty, being incarcerated, or being deceased.

### **2016 Accomplishments:**

VBA continues to automate and streamline its claims processes including those that relate to benefit reductions highlighted below:

- Quarterly testing for improper payments
  - Per Appendix C of OMB Circular A-123, VBA is able to identify any improperly paid benefits and take corrective action based on fiscal year testing of a random sample of paid claims. **In 2016 testing, there were \$376.6 million dollars in improper payments found**, or 0.59 percent of all compensation payments.
  - As a result of this testing, VBA has implemented tools to include a corrective action plan outlining tasks to meet milestones for addressing improper payments, such as refresher training, mandatory use of rating evaluation job aids, continuous manual procedural updates, and a rigorous quality review process.
- Removal of a dependent
  - Dependency Rapid Response Pilot: All VBA call centers now have the capability to handle dependency adjustments at the point of call, such as removing a spouse due to death or divorce.
  - Online Dependency Claims: VBA developed the Rules-Based Processing System (RBPS) to automate adjustments for adding or removing dependents. **Over 60 percent of the dependency claims filed through RBPS are now automatically processed.**
- Temporary Total 100 percent Evaluation Adjustments

- Since April 2016, measures were put in place to track temporary total evaluations by regional offices (ROs) on a weekly basis. These cases are identified and reviewed so that appropriate action is taken to reduce or discontinue benefits when warranted. The recurring tracking and review minimizes improperly paid evaluations.

#### **Future Plans/Goals for 2017 and 2018:**

- Drill Pay Adjustments
  - By law, Veterans cannot receive VA benefits and drill pay concurrently. VBA is working with DoD to streamline and automate the drill pay offset process through an upfront agreement from National Guard and Reserve members. The goal is to go from an annual offset to a monthly offset which will help reduce the impact of drill pay reductions and improper payments. VBA recovered \$307 million through benefit offsets for concurrent drill pay earned during 2013 through 2015 from over 129,000 Veterans.

#### Veterans Benefits Management System (\$38.1M)

This request includes \$38.1 million in funding for VBMS which serves as the technological cornerstone of the Department's benefits claims processing capability. VBMS is an internally facing VA system used by VBA claims processors at all 56 ROs. Since initial phases of development, VBMS has become the foundation and platform for automating future claims processing across all VBA business lines. Additional stakeholder groups, including VHA, the Board, and VSOs, access VBMS to support the claims process and execute their respective missions. VBA works closely with OIT to sustain the current capabilities of VBMS, and to develop new functionality using an agile approach that allows subject matter experts to validate requirements, processes, and system functionality in increments to support delivering functionality to users in shorter cycles.

On a monthly basis, VBA processes approximately \$6.2 billion in service connected disability compensation benefits for over 4.6 million beneficiaries. With each release, VBMS has improved the overall speed, accuracy, and consistency of decisions for Veterans by providing the tools the workforce needs to meet growing demand and increased claim complexity. Some specific improvements achieved through the VBMS effort include:

- Reducing Paper Handling: In 2012, just 0.4 percent of all disability compensation claims were electronic. In 2016, nearly all disability claims are processed electronically. This eliminates dozens of manual handoffs required to simply move paper between offices.
- Expediting Mail Handling: Average mail handling time to process inbound mail is now only four days, down from 55 days in 2015 - resulting in quicker overall claims processing and allocation of staff resources to tasks that are more complex.
- Speeding Digital Transfer of STRs: VA receives STRs from DoD's Health Artifact and Image Management Solution through Data Access System into

VBMS. Since October 2014, VBA has received 3.2 million images via this method, speeding claims processing and eliminating scanning costs. The agencies leveraged VBMS functionality to completely eliminate a backlog in requested personnel files in 2016. VBA received 240,000 personnel files in 2016, totaling 40 million images and reduced the time it took to acquire personnel records from almost a year to less than 30 days.

VBMS was built and designed to enable even more improvements, and as new tools, functionality and automation are added to VBMS, VA will gain increased capabilities without the need to reinvest in baseline programs. Separate from improvements in claims processing, VBMS has also enabled VA to address legacy systems. Although not the primary focus of VBMS development, careful management of requirements has enabled VA to retire Rating Board Automation 2000 system, and Virtual Veterans Affairs is slated for retirement in 2017; VA is also positioned to expand VBMS across other business lines and expect to retire other systems.

### **2016 Accomplishments:**

VBA processed 99.7 percent of disability compensation claims electronically. VBMS improved claims processing time and accuracy through the delivery of new and improved functionality in a total of 24 software releases in 2016. Features of some of these software releases include:

- Development:
  - Letter automation for additional award actions;
  - Ability for end users to view information necessary to process claims from one central location rather than navigating to different screens;
  - Ability for end users to add PDF documents from the eFolder as enclosures;
  - Full deployment of NWQ functionality to all ROs (development for non-rating and appeals).
- Sustainment:
  - Chapter 18 benefits (Spina Bifida and Child Defects) processing in VBMS;
  - Validation by United States Postal Service (USPS) of Veteran mailing address;
  - Foundational work to support initial eFolder access to Veterans (Sustainment for foundational; still development needed).

### **Future Plans/Goals for 2017 and 2018:**

Benefits Systems Modernization is an ongoing effort. VBMS will continue to reduce reliance on legacy systems, integrate and enhance information exchange with the DoD, implement improvements to electronic communications and access to the eFolder, and provide additional automation capabilities. Additionally, VBA plans to accomplish the following:

- Releases in 2017 will focus on deploying functionality to support process improvement, workload management across ROs, and integration with stakeholders to improve the ability for end-users to fully process claims within

VBMS. Examples of planned functionality of 2017 include:

- Integration of non-rating and administrative decision claims processing;
  - Continued integration of tools developed by VA Digital Services to support additional stakeholders;
  - Automate the exchange of information with VA Medical Centers and Medical Disability Examination Contractors;
  - Adding NWQ inventories to support VBA workload distribution;
  - Automation of Military Pay Adjustment Calculation for Compensation;
  - Automation of Due Process and Benefit Pay Adjustments for Compensation and Pension.
- In 2018, VBA will focus on leveraging capabilities enabled by centralized intake and mail as well as VBMS to include automation of original Pension claims and automation of Routine Future Exams. These capabilities will be driven by the desired Veteran experience and associated interoperability goals. The long-term vision for VBMS involves a shift from application-centric development to an enterprise business capabilities model that leverages a modular approach to business architecture and emphasizes reusable components. VBMS will offer a more integrated approach to benefits delivery, making enhancements for Veterans, end-users, and stakeholders as described below:
    - For Veterans
      - Single source of data and documentation in one central place;
      - Easier access to full array of eligible benefits;
      - Improved transparency ;
      - Greater underlying infrastructure for more robust self-service capabilities accessed via external sites;
      - Reduced administrative burden in applying for multiple benefits.
    - For end-users
      - Better workload management and distribution across business lines;
      - Ability to shift work to maximize productivity and leverage specialized expertise across VBA;
      - Reduced delays in processing non-C&P claims resulting in quicker service/benefit delivery;
      - Greater visibility into workloads and distribution for better workforce management and issue resolution.
    - For stakeholders
      - Greater transparency for Veterans and their representatives;
      - Enhanced stakeholder integration;
      - Better access to information, bi-directional data exchange, security improvements, and infrastructure to support self-service capabilities.

#### Veterans Claims Intake Program (VCIP) (\$115.4 M)

Document conversion provides digital intake and processing services for claims and evidence, which populates VBMS with digital images for upload into Veterans' eFolders.

Contracts started in 2012, and currently VBA has contracts awarded to Systems Made Simple (SMS) and CSRA to provide document conversion services (DCS) to convert paper claims material and other physical media into searchable images and data.

This budget requests \$115.4 million in funds for VCIP's centralized mail, document scanning and intake services contracts (mail portal, fax, direct upload, independent validation and verification and post scan storage services) enabling the management of Veterans' claims-related source materials. The contractors receive, control, and convert claims and evidence source materials into standardized, indexed, and searchable electronic images and data; store the duplicate paper source material; then populate the digital images into VBMS, VBA's electronic claims processing environment, which is a part of VBA's system of records. This request enables VCIP to support VBA as it continues to modernize business processes and capabilities and improve the Veteran's experience.

### **2016 Accomplishments:**

- Scanned 2.3 billion images for claims to date, and uploaded an average of 89,600 mail packets each week during the 4th quarter of 2016. This reduced the average mail processing time for ROs to less than four business days from a peak of 55 business days in the beginning of 2015.
- Improved claims processing timeliness and increased employee efficiencies by reducing claims processed in paper; now processing 99.7 percent of all disability compensation claims electronically.
- Improved the claims appeals process by scanning over 9,000 claim folders at the Board of Veterans Appeals, eliminating the need for ROs to maintain temporary files and allowing ROs to process subsequent Veteran claims without waiting for a file transfer.
- More than 24 percent of incoming claim materials were received through the centralized mail portal via fax as opposed to receipt in paper either at a PO box or a Regional Office, ensuring rapid delivery of images to the centralized mail portal for review and processing by RO personnel; this helped VA achieve its strategic goal of faster claims processing.
- VCIP launched Direct Upload functionality on September 26, 2016, providing VSOs with the ability to directly upload Veteran evidence through the centralized mail portal. Preliminary data as of May 1, 2017, 705 VSO users uploaded 1,045,764 images with an estimated cost savings of \$28,561.
- VA automated the processing of dependency and burial benefits, enabling payment in a few days rather than months. One in four Veterans submitted their dependency requests online – with 62 percent receiving payment in under one day; automated burial benefits were paid to surviving spouses within six days (down from 190 days).

## **Future Plans/Goals for 2017 and 2018:**

- By the end of 2017, the amount of paper source material converted and uploaded into VBMS will total more than 2.5 billion images.
- In 2017, VBA will continue executing its document disposition strategy in order to reverse the escalating costs of storage which will allow VA to improve the overarching intake processes for all Veteran information and claims evidence to support the streamlining of services and benefits provided to Veterans, beneficiaries, and survivors.
- By the end of 2018, VCIP will have completed the Full Service Shipping project, relocating the entire file banks of remaining ROs and converting the documents electronically, which is an integral element of VBA's comprehensive Transformation and Modernization strategy.
- Additional goals for 2018 allows VCIP to:
  - Automatically assign the proper power of attorney to a Veteran's claim as part of the Centralized Intake process;
  - Automate ordering of Official Military Personnel Files upon receipt of a claim or Intent to File document through the Centralized Intake process;
  - Expand automation activities related to the management and processing of dependency actions and burial benefits.

### Centralized Mail Operations (\$26.7 M)

This request includes \$26.7 million for Centralized Mail operations. This initiative was deployed in May of 2014 and assists VBA in transitioning from a manual, paper-based operation to a fully-digital environment. Additionally, Centralized Mail processing increases operational efficiency at the Veteran Service Centers (VSCs) and Pension Management Centers (PMCs) by eliminating activities such as paper handling, sorting, triage, shipping to the scanning vendor, and storage. Under Centralized Mail, mail processing times decreased from a high of 55 business days to less than 4 business days on average for the nation. These operational efficiency gains result in faster overall claims processing, which is the main goal of Centralized Mail improving the Veteran and Employee Experiences.

## **2016 Accomplishments:**

- Automated the referral process for private medical records (PMR) requests. PMRs are now received in 12 days or less (on average), expediting the resolution of claims, and cutting as much as 29 days from the traditional development process. Since the automated referral process began 393,405 private medical requests have been automatically referred.
- Deployed Centralized Mail to the Milwaukee and St. Paul PMCs. This effort has improved the employee experience by leveraging a digital solution to mail management, which also incorporates a comprehensive auditing capability.



- Reinforced one centralized intake location for evidence from 57 separate locations and consolidated multiple fax lines to ensure one centralized intake point for faxes. These efforts improve the Veteran experience by eliminating unnecessary decision points and consolidating operations and messaging to a single location.

**Future Plans/Goals for 2017 and 2018:**

- Develop and roll out automatic claims establishment and tracking, further improving timeliness for control of Veteran correspondence.
- Expand Centralized Mail to additional stakeholders to include the Board, VR&E, Fiduciary Service, Support Services Division, DMC, and Loan Guaranty.
- Improve the Veteran experience by simplifying correspondence for disability claim decisions.

Homelessness

VBA aims to eliminate Veterans' homelessness by providing outreach and referral services targeted to reach homeless Veterans and those at risk of becoming homeless, prioritizing processing of homeless and at risk Veterans' compensation claims, and programs designed to help Veterans avoid foreclosure. VBA has 20 full-time Homeless Veteran Outreach Coordinators (HVOCs) at the ROs with the highest homeless Veteran populations and an additional 15 ROs have appointed an HVOC in 2016. VBA has a Homeless Veterans Claims Coordinator (HVCC) at every RO and its three PMCs. The HVCCs' primary responsibility is to ensure that claims from homeless Veterans are expedited. Some HVCCs perform duties similar to the HVOCs (conducted outreach at shelters; attended community events; and Stand Downs, etc.).

For more information on Homeless Veterans VA programs please see <http://benefits.va.gov/BENEFITS/factsheets/limitedincome/Homeless.pdf>.

**2016 Accomplishments:**

- VBA conducted 7,594 hours of outreach targeted to homeless and at risk Veterans and their families, meeting 45,446 attendees at outreach events.
- ROs made 2,000 contacts with homeless shelters; 2,450 contacts to homeless agencies; and received or made referrals to the Department of Labor and Homeless Chronic Mental Illness (HCMI) for 1,232 homeless Veterans.
- In addition, VBA worked with 23,446 Veterans who sought assistance from VBA by coming to an RO or an out-based VBA location.
- HVOCs conducted outreach at shelters, attended community events, Stand Downs (see <http://www.va.gov/homeless/events.asp> for details), and visited prisons and jails.

- As of September 30, 2016, VBA averaged 95 days to complete a homeless Veteran claim, as compared to 115 in 2015 and 133 in 2014. VBA decided 15,583 homeless claims in 2014; 17,853 in 2015; and **26,337 in 2016, an increase of 48 percent.**

#### **Future Plans/Goals for 2017 and 2018:**

- Increase outreach targeted towards homeless and at risk Veterans and their family members.
- Develop a comprehensive shelter directory that specifies community agencies and shelters that house homeless Veterans, women Veterans, and Veterans with children to increase community partnerships and ensure all Veterans with known shelter addresses are flagged as homeless.
- Work with Community Veteran Engagement Boards to develop ongoing relationships with landlords who accept Housing and Urban Development – Veterans Affairs Supportive Housing (HUDVASH), shelters, and agencies to ensure VBA is notified that a Veteran is homeless, at risk, or housed within 24 hours of contact.
- Work with VHA to ensure referrals to the Homeless Program Office (or designee) are sent within 24 hours of contact with VBA.
- Develop nationwide C&P exam protocol for homeless or at risk Veterans with a pending claim.
- Ensure the 20 mandated HVOCs are aligned to the ROs that need them most.

#### National Work Queue (\$3.6 M)

This request includes \$3.6 million for NWQ which enhances the efficiency of decisions and supports MyVA by improving the Veteran experience through a national paperless workload distribution mechanism. NWQ functionality gives VBA the ability to assign any claim from any one of its 56 ROs. VBA can more evenly distribute the workflow among offices, expedite and improve the claim process, increase productivity, and improve consistency and quality. It also gives VBA insights used to improve processes and accuracy at the national level by providing visibility into the claims process, something that was impossible prior to VBMS and NWQ.

#### **2016 Accomplishments:**

- With 99.7 percent of its pending disability compensation claims inventory converted to digital format in VBMS in 2016, VBA is able to efficiently manage the claims workload centrally, prioritizing and distributing the claims electronically across its network of ROs to maximize resources and improve processing timeliness at the national level.

- The average days pending decreased to 85 days in September 2016 from its peak of 282 days in March 2013. This is an improvement of 197 days from its peak and 8.8 days since the deployment of NWQ. Veterans continue to receive quality decisions with a sustained issue based quality of 95 percent.

#### **Future Plans/Goals for 2017 and 2018:**

- VBA is phasing in the NWQ strategy as it adds functionality to the electronic claims distribution system. The next phase will include more sophisticated workload management tools and metrics. It will also include mechanisms for other key VBA priorities such as the non-rating and appeals workload distribution and the implementation of the diagnostic tool that will reduce re-work and improve the quality of our decisions. Examples of these functionalities are:
  - Improved assignment of work tools at the station level;
  - Improved workload management metrics to capture rework.

Under the national workload distribution approach, Veterans will continue to have real-time access to updated claims information online through their eBenefits accounts. Veterans can also visit ROs or call VA's NCCs for personal assistance with their claims. VSOs will continue to maintain full access to claims information for the Veterans they represent through VBMS at each RO and online through the Stakeholder Enterprise Portal (SEP).

- VSO enhancements:
  - Provide authorized end-users the ability to bypass the VSO review process when requested by VSOs;
  - Ability to capture metrics that show the reasons for claims bypassing the VSO process.

#### Non-Rating Claims Initiative

It is important to recognize that rating claim decisions open access to other VA benefits and services. Rating claims involve the review of medical evidence because Veterans seek benefits based upon the lasting effects of disabilities caused by diseases or injuries incurred or aggravated during active military service. Claims for additional benefits generally do not require another rating decision and are, therefore, tracked and managed in the non-rating claim categories. As VBA completes more rating claims and adds more Veterans to our disability compensation and pension rolls, VBA also receives more non-rating claims. Most non-rating claims are filed after receiving a rating claim decision. VBA completes almost twice as many non-rating claims as rating claims. VA completed nearly 54 percent more non-rating work in 2016 (2,367,585) than 2013 (1,534,607), 26 percent more than 2014 (1,878,452), and 25,000 more than 2015 (2,342,662).

Examples of the non-rating claims VBA receives include:

- Adding additional allowances for dependents.

- Deciding whether certain individuals qualify as Veterans based on their character of discharge.
- Adjusting awards based on changes to Veterans' eligibility for benefits (e.g., incarceration for a felony or return to active duty).
- Determining eligibility for a Veteran and/or beneficiary to ancillary benefits, such as Special Housing Adaptation (SHA), Specially Adapted Housing (SAH), Automobile Adaptive Equipment (AAE), and Survivors' and Dependents' Educational Assistance (DEA).

### **2016 Accomplishments:**

- Completed 2.4 million compensation non-rating and administrative action end products in 2016.
- Decreased non-rating inventory from its **peak in March 2015 of 823,210 down to 572,246 in September 2016—an improvement of 30 percent.**
- Under the first-year of a two-year Agency Priority Goal plan, VBA reduced dependency claims inventory from 226,000 to 115,000 (C&P combined) (40 percent ahead of projections of 190,000), completing over 516,000 dependency claims during the year.
- Rules-Based Processing System (RBPS) automatically processed, without user intervention, certain dependency claims filed through the eBenefits application. RBPS processed 62 percent of dependency claims filed through eBenefits in 2016.
- Automated processing of certain award adjustments, release of due process letters, and forms dealing with such issues as drill pay (Notice of Waiver of VA Compensation or Pension to Receive Military Pay and Allowances, VA Form 21-8951).

### **Future Plans/Goals for 2017 and 2018:**

- Launch non-rating NWQ workload distribution in 2017.
- Automate data sharing with the Bureau of Prisons to adjust awards.
- Continue to improve RBPS by reducing claims off-ramped to manual processing and improving initial data quality of submissions.
- Complete all Federal incarceration adjustments that were identified during an Office of Inspector General review.
- Commence a review and corrective action on inaccurate recoupment balances identified in a Management Quality Assurance Service.

### Quality Assurance (QA) and Quality Review Teams (QRTs)

Adjudicating a Veteran's claim right the first time is one of the elements vital to improving the Veteran's experience with VBA. VBA's national QA program measures all elements of compensation claims processing accuracy. The QA program includes regular compliance oversight visits to ROs. These visits encompass a thorough review of all operational elements of claims processing to improve the consistency and accuracy of benefits delivery and provide immediate on-site training.

There is a perpetual focus on improving decision accuracy of Veterans' claims to enhance the Veterans' experience with VA, and QRTs are a vital part of the VBA quality improvement process. The QRTs are comprised of Quality Review Specialists (QRSs) (813 employees at the end of 2016, up from 784 at the end of 2015). QRSs are trained by VBA's National Quality Assurance Staff to ensure consistency in claims processing as well as provide feedback to employees, thereby improving both national and local quality. These teams evaluate decision accuracy for both individual employees and the RO as a whole and perform in-process reviews (IPRs) to eliminate errors at the earliest possible stage in the claims process.

The National Quality Assurance Staff captures and analyzes data on the largest source of errors. This trend analysis identifies the need for new tools and the creation or adjustment of nationwide training and procedures.

### **2016 Accomplishments:**

- Conducted comprehensive accuracy reviews of the adjudication of disability compensation claims at all ROs and the Appeals Management Center (AMC).
- Conducted multiple special-focused reviews, which included military sexual trauma cases, Quick Start Pre-discharge applications, Gulf War, Hospital Adjustments, and Improper Payments Elimination and Recovery Act (IPERA). Special focus reviews address accuracy and consistency issues on topics of special interest to VA and other stakeholders and are conducted as needed in support of the VA's mission and needs.
- QRTs completed 145,182 IPRs to help mitigate the occurrence of decision errors. These efforts have enabled VBA to address areas that required clarification in policies and procedures; identify areas suitable for automation; and, address specific training needs at the individual, RO, or national level.
- The QRT program has enabled a consistent issue-based accuracy of approximately 96 percent (+/- 0.3 percent margin of error).
- Conducted six QRT training events for more than 95 new QRT members.

## **Future Plans/Goals for 2017 and 2018:**

- Redesign the Quality Checklist – New design will allow quality reporting on the various stages of the claim, i.e., development, rating, and promulgation, as VBA continues into the NWQ environment and multiple ROs possibly working various cycles of the same claim.
- Develop an improved quality database – This will enable the capture of all quality data to include IPRs, Individual Quality Reviews (IQRs), Systematic Technical Accuracy Review (STAR), special-focus reviews, site-visit reviews, consistency studies, and skill-certification tests. Data will be consolidated to reflect accuracy at the national, district, RO, and individual levels and assist with the identification of training opportunities for employees.
- Expand development of consistency studies for continued assessment of Decision Review Officers (DROs), Senior Veteran Service Representatives (VSRs), and claims assistants. The outcome of these studies will lead to root cause analysis and corrective actions as needed to improve the quality of claims for our Veterans.
- Increase reporting of quality numbers in the NWQ by state in which Veteran resides, RO performance and national number.
- Complete 140,000 IPRs over the course of 2017, and 175,000 during 2018. Analysis has shown a correlation between IPRs at this level and increased accuracy of rating claims.
- Administer 40 consistency studies in 2018 to support effective pre-testing, training, and post-testing on error trends, special issues, and changes in law, procedure, or policy.

Since 2011, VA has improved the decision accuracy of claims from 84 percent to 88 percent. These additional changes will help VBA continue improvement by uncovering the next lower-level systemic errors and consistency issues.

### Training and Skills Certification

#### Warrior Training Advancement Course (WARTAC)

The WARTAC is a skill-bridge education and employment opportunity for Wounded Warriors and transitioning Servicemembers to complete a national-level VBA training program while still on active duty. Servicemembers completing the program are afforded employment opportunities at VBA's 56 ROs as VSRs.

WARTAC training is the same Challenge training used for new employees when they start as a VSR. Because WARTAC students are active duty Servicemembers who are trained at their military installation, Compensation Service does not incur the travel cost for the students, which has resulted in a cost avoidance of over one million per year compared to Challenge training.

### Challenge Training (\$11.6 M)

This request includes \$11.6 million for Challenge training which focuses on providing new VSR/Rating Veterans Service Representatives (RVSR) employees with the technical skills required for claims development and decision-making. Centralized Challenge training has improved the Veteran experience by preparing the claims processing workforce to manage Veterans claims thoroughly and accurately. During Challenge training, employees are trained on claim development, and work on and complete real claims during the resident phase. Challenge training is mandatory for all VSR/RVSR employees.

In May 2013, VBA moved to a blended delivery format for Challenge, which now consists of Instructor Web-based Training (IWT) followed by four-to-six weeks of resident training. This new format for Challenge enabled VBA to decrease costs by reducing employee travel from eight weeks to six weeks for VSRs and to four weeks for RVSRs.

### Skills Certification Program

Public Law 110-389, Section 225 requires that the SECVA provide a skill certification examination for employees and managers who are responsible for processing claims for C&P benefits. The skills certification program is an essential element in meeting VBA's strategic goal of achieving a high-performing workforce. Currently, VBA administers certification testing to employees serving as VSRs, RVSRs, DROs, QRSs, and Coaches at Veterans Service Centers (VSCs), Pension Management Centers (PMCs), and the AMC. Skills certification testing is mandatory for all compensation claims processors at or above the journeyman level and their supervisors. Certification validates competency, enhances job proficiency, and encourages professional development, which improves the Veterans experience with faster and more accurate decisions.

### **2016 Accomplishments:**

- Compensation Service expanded WARTAC to eight military installations: Ft. Carson, Joint Base Lewis McChord, Camp Pendleton, Ft. Stewart, Ft. Riley, Ft. Hood, Ft. Buchanan, and Walter Reed National Military Medical Center.
- 304 Servicemembers participated in the WARTAC program, and 280 graduated during 2016.
- VBA has hired 257 of the 280 WARTAC graduates as of September 30, 2016.
- A total of 943 VBA employees graduated from Challenge training:
  - 682 VSRs;
  - 261 RVSRs.
- In 2016, 3,420 employees (60 percent) obtained certification. VBA provided enhanced training opportunities and feedback to successfully prepare personnel to retake the test. QRSs are required to recertify annually, while other claims processors and managers are required to recertify every two years.

## **Future Plans/Goals for 2017 and 2018:**

- Increase WARTAC participation to 400 graduates in 2017.
- Pilot a WARTAC RVSR class during 2017.
- VBA will implement an instructor-based, journey-level RVSR Challenge Phase II course in 2017 to improve decision accuracy.
- Develop an Assistant Coach test during 2017 and plan to begin regular administration of this new test in 2018.

### Advisory Committees

VBA has several Advisory Committees that use external advisors to provide advice and recommendations to improve processes, performance, and the Veterans experience with VBA.

The Advisory Committee on Disability Compensation (ACDC) is a statutorily mandated Federal advisory committee that provides advice and recommendations to the Secretary regarding VBA's Disability Compensation Program and the needs of Veterans with disabilities, especially those who served in a theater of combat operations. ACDC carefully monitors ongoing progress of VBA's revision to the VA Schedule for Rating Disabilities (VASRD). The revision to VASRD will reflect modern medical science and technology so Veterans benefit from more accurate and thorough rating evaluations in the future. In addition, the Committee monitors VBA's efforts to deliver benefits more efficiently and offers advice for improvement to the Secretary.

The Former Prisoners of War (FPOW) committee is a statutorily mandated Federal advisory committee that provides advice and recommendations to the Secretary regarding VBA's Disability Compensation Program and the needs of FPOWs with disabilities. In addition, the Committee monitors VBA's efforts to deliver benefits and offers advice for improvement to the Secretary. This committee concluded and recommended to the Under Secretary for Benefits that the Committee's Fiscal Year 2016 activities were fully compliant with the authorizing statute, 38 U.S.C. § 541, and of significant value to VA. The Committee continues its success in affecting VA policies and federal legislation mandating improved services to FPOWs.

Other advisory committees provide recommendations regarding Veterans engaged in radiation-risk activities, women Veterans, minority Veterans, and homeless Veterans.

### Fully Developed Claims (FDCs)

The [FDC program](#) focuses on increasing the volume of claims that are submitted with all the information and evidence in the claimant's possession, thereby reducing the time needed for development and allowing for timely decisions. Through eBenefits, Veterans can appoint accredited VSOs to help initiate their claims, gather the required medical records and evidence, and submit their claims online.



ROs work closely with Veterans and local stakeholders to promote the FDC process and ensure familiarity with FDC procedures. Due to successful outreach and partnership, FDCs account for about 50 percent of total claims received.

#### Decision Ready Claims:

The DRC program is an initiative that offers Veterans and survivors faster decisions from VA on compensation and survivor benefit claims.

Veterans and survivors must work with accredited VSOs to participate in the DRC program. As part of the program, the VSO will certify on a Veteran's or survivor's behalf that all relevant records and evidence (including all necessary Federal records and DBQs from licensed clinicians), needed to make a decision on the claim, are included at the time of claim submission.

Successful participation in the DRC program will result in a claim decision within 30 days of submission.

#### **2016 Accomplishments:**

- VBA revised the guidelines pertaining to FDCs to further clarify the basis for exclusion from the FDC program.
- VBA promoted FDCs at its outreach events through local stakeholders, congressional staff, and VSOs, who encouraged the use of FDCs.
  - As a result of VA outreach, VBA received 663,284 FDCs in 2016 (after adjusting for exclusions) — 50 percent of receipts were FDCs in comparison to 3 percent when the program began in 2012;
  - During 2016, VBA completed FDCs 13 percent faster than traditional disability claims.

#### **Future Plans/Goals for 2017 and 2018:**

- VBA will continue to focus on leveraging current resources in innovative ways to expand submission of FDCs. VBA is now looking at the concept of Veterans submitting their FDCs along with the completed DBQs. Completed DBQs will substantially improve claim processing time by ensuring VBA has medical information needed to resolve the claim up front.
- Pilot DRC model at a RO and subsequently expand pilot to five additional stations before rollout of DRC model nationally.
- Leverage data from pilot sites and national rollout to determine how to increase throughput and accuracy of claims processed under the DRC model.

#### Private Medical Records (PMR) Program

This initiative reduces the time it takes VBA to obtain records from private healthcare providers, improving the Veteran experience by lowering the overall claims processing

time. Contractors contact the medical providers and upload the results of the requests into the claimant's VBMS eFolder in an average of 12 days or less. This includes claimant/POA notification, contact with the provider (fax, phone, and/or letter); journaling development actions, and packaging the request/medical records for upload into the VBMS eFolder. The program enables VA staff to focus on more complex claim activities, which improves claims processing time by cutting as much as 29 days from the traditional development process.

### **2016 Accomplishments:**

- VBA received responses to over 154,000 requests for medical records through the PMR process, with more than 375,000 pages scanned.
- The average number of days to receive the private-provider records under this program was 11 days, compared to the average of over 40 days under the traditional process, a 72.5 percent increase in timeliness.
- The program released a new training video, "The Private Medical Records Program, Transforming VA Claims Processing & Improving the Veterans Experience," which provides an overview of the business operations and efficiencies. The video also contains claimant testimonials, or 'success stories,' describing how the program has helped claimants receive benefits quicker. This video is viewable at [https://youtu.be/T\\_B\\_mvU5RfM](https://youtu.be/T_B_mvU5RfM).
- The program's "Expedite Lane" process has been particularly successful for Veteran claims with special issues (e.g., terminally ill and homeless). Records were retrieved within five days or less. In some cases, records were retrieved the same day, resulting in faster retroactive payments to the Veterans.

### **Future Plans/Goals for 2017 and 2018:**

- Maintain response time of obtaining PMRs to 11 days or less.
- Pilot the use of eHealth Exchange to obtain medical treatments from participating network providers for even faster records retrieval.
- Focus on continuous process improvement through sharing best practices with other organizations such as the SSA.

### Rating Schedule Modernization

In 2009, VBA was directed to revise and update the 15 body systems contained in VASRD, 38 CFR § 4, under the authority of 38 USC § 1155.

VBA held workgroups and forums that were attended by the public, VSOs, and the medical community in order to receive input on its 14 regulations for VASRD body systems. The update of these regulations will apply current medical science and econometric earnings loss data to VASRD. This will provide VA with a more accurate

rating system and ensure that Veterans with service connected diseases or injuries are compensated based on modern standards.

**2016 Accomplishment:**

- At the end of 2016, VBA published the following six body systems in the Federal Register as proposed regulations: Hemic and Lymphatic, Gynecological and Breast, Eye, Endocrine, Dental/Oral, and Skin.

**Future Plans/Goals for 2017 and 2018:**

- By the end of 2017, VBA will publish the remaining body systems in the Federal Register as proposed regulations. VBA will complete its update for all 15 body systems as final regulations in the rating schedule by the end of 2018.

Integrated Disability Evaluation System (IDES)

In coordination with DoD, VA has developed and implemented IDES to provide wounded, ill, or injured Servicemembers with fitness-for-duty determinations for continued military service and, if separated, expeditious payment of VA disability benefits. In 2016, DoD referred 29,921 Servicemembers into IDES. IDES currently operates at 139 military treatment facilities worldwide.

VBA maintains two disability rating activity sites (DRAS) at the Seattle and Providence ROs. DRAS staffs are dedicated exclusively to supporting Servicemembers undergoing the disability evaluation process through IDES.

**2016 Accomplishments:**

- In 2016, Seattle and Providence ROs awarded benefits to 23,746 IDES participants. In these cases, benefit notification time averaged 29 days after separation or retirement, a five-day improvement over the 2015 average of 34 days.
- In May 2016, VA added a new field to the Veterans Tracking Application (VTA) that indicates whether service treatment records (STRs) were received electronically, which improves claims processing times. From May 2016 to September 2016, 11,004 (88 percent) of 12,466 IDES referrals contained electronic STRs.

**Future Plans/Goals for 2017 and 2018:**

- Continue to collaborate with DoD on improving IDES performance, maintaining timeliness standards, and improving Servicemember satisfaction.
- Continue moving toward a totally paperless IDES process to reduce costs and increase efficiencies.

Benefits Delivery at Discharge (BDD)

The [BDD program](#) is available to Servicemembers who have between 60 and 180 days remaining on active duty and are able to complete their VA disability examination(s) prior to separating from service.

The BDD program has centralized rating locations with dedicated staffs at two sites: Winston-Salem, NC, and Salt Lake City, UT.

### **2016 Accomplishments:**

- The average BDD claim completion time was 127 days following discharge, compared to 150 days the previous year, an improvement of 15 percent. BDD claims were pending for an average of 61 days (11 days less than the previous year).
- The BDD program completed 29,241 claims in 2016 while also reducing the number of claims pending over 125 days by 32 percent (from 719 at the end of 2015 to 491 at the end of 2016). The BDD inventory was reduced by 11 percent, from 9,746 at the end of 2015 to 8,710 at the end of 2016.

### Quick Start

The Quick Start program is available to Servicemembers who have between 1 and 59 days remaining on active duty and to those who do not otherwise meet the BDD program criterion requiring availability to attend all examinations prior to discharge. Quick Start claims are processed in the ROs located in Winston-Salem, NC, and San Diego, CA. VA continues to improve Quick Start program performance.

### **2016 Accomplishments:**

- Quick Start claims were pending for an average of 68 days at the end of 2016, four days less than the previous year.
- The Quick Start program completed 25,676 claims, compared to 25,369 such claims in 2015, while also reducing the number of claims pending over 125 days by 14 percent (from 828 at the end of 2015 to 708 at the end of 2016). VBA reduced the Quick Start inventory by 13 percent, from 8,731 at the end of 2015 to 7,636 at the end of 2016.

### **Future Plans/Goals for 2017 and 2018 for both BDD and Quick Start programs:**

- Continue to work with DoD and other stakeholders to automatically receive all available STRs electronically upon the establishment of the BDD or Quick Start claim.
- Implement a re-design of the BDD and Quick Start pre-discharge programs that will streamline procedures that reduce processing times while maximizing benefits of the NWQ.

For more information about BDD and Quick Start programs, visit: <http://www.benefits.va.gov/predischarge/>.

### Rules-Based Processing System

RBPS currently processes approximately 65 percent of all claims submitted to it. The system allows for automated rules-based adjustments of compensation awards based on dependency changes. For the Veteran, RBPS was extremely valuable, shrinking a process that took months for many Veterans down to just a few days. When a Veteran adds or removes dependents from his or her disability compensation award, RBPS reviews dependent information for errors and/or factors that would prevent the automatic adjustment of their award. If no factors or errors exist, RBPS adjusts their awards, generates an award letter, and pays the Veteran within 1-2 days if they are owed payments retroactively. If not, Veterans see the increase in their next monthly check. RBPS is a building block VBA will use to automate further processes in the future, in turn improving customer service and responsiveness for the Veteran.

Average days to complete an RBPS claim submitted via eBenefits are approximately 6.7 days; however, the vast majority are completed in just 1-2 days. RBPS is a critical tool to reduce dependency claims inventory and improve dependency claims timeliness. Because of its ability to process claims without manual intervention and in very short times, increasing dependency submissions to RBPS means that labor/government staffing does not have to scale linearly with claims timeliness improvements or volume increases. Without increases in RBPS submissions or processing rates, or changes to the business process surrounding dependency to improve productivity or data quality, improvements on the VA Agency Priority Goal (APG) focused on dependency claims would rely heavily on adding more labor and their associated cost to address the problem.

### **2016 Accomplishments:**

- Expanded RBPS to increase the percentage of dependency claims filed online through eBenefits and increased claims automatically processed in 1-2 days to over 62 percent.
- RBPS processed over 152,000 dependency adjustments within 1-2 days, allowing VBA to redirect staff processing dependency claims to other tasks (approximately 9,500 days of processing time) and improving customer service for the Veteran.

### **Future Plans/Goals for 2017 and 2018:**

- Increase the percentage of dependency claims RBPS can process automatically through rule and system changes.

### VSO Training, Responsibility, Involvement, and Preparation of Claims Portal (TRIP Portal)

The TRIP program is designed to enhance VA's service to Veterans and the timeliness of claims processing through a nationwide partnership between VA and all accredited VSOs. Using an online training program focused on improving comprehension of claims and claims processing systems, the TRIP program will streamline the training for VSOs to

support the claims processing activities that they engage in regularly. VSOs that successfully complete the program have access to claims-processing-related applications and a comprehensive knowledge of fundamental VBA claims processing procedures and requirements. The TRIP portal is essential to improving and unifying the Veterans experience as it will serve as the mechanism to streamline information communicated to Veterans by VBA and our VSO partners as we share in the mission of assisting Veterans through the claims process.

#### **Future Plans/Goals for 2017 and 2018:**

- Create a tailored LMS module that will provide VSOs standardized training and certification on VBA claims processing policies and procedures.
- Grant VSOs access to VBA systems so they can better assist Veterans.
- Actively engage with stakeholders, including VA RO TRIP Coordinators and VSOs, on ways to continually improve TRIP portal offerings.
- Perform trend analysis on TRIP participant data to determine areas of strengths, weakness, and opportunity for program improvement.
- Continually improve content of TRIP Portal to include incorporating videos and additional enhancements to make the learning experience more engaging.

#### **Deliver a Unified Veteran Experience**

Collaboration and communication with Veterans and strategic partners are priorities for VBA. Stakeholders include any Veteran, dependent of a Veteran, interest groups, and State and City governments. Partners include the Veterans Health Administration (VHA), National Cemetery Administration (NCA), Board of Veterans' Appeals (the Board), Department of Defense (DoD), Social Security Administration (SSA), and VA-recognized Veterans Service Organizations (VSOs) at the National, State, and local levels.

These partnerships help increase efficiencies and reduce duplication. For instance, VBA is collaborating with DoD to improve data-sharing processes that will allow for more timely receipt of electronic Service Treatment Records (STRs) for separating and retiring Servicemembers which will allow for a disability compensation claim to be processed faster. VBA is also working with SSA to electronically receive important supporting information, such as medical records and other relevant evidence. VBA is collaborating with the VSOs to increase the volume of disability claim submissions, particularly those that are fully developed and submitted electronically through the eBenefits portal.

As one of the MyVA Breakthrough Priorities, VBA aims to provide Veterans and their families a single, easy to use, and high performing digital platform to access their benefits and learn more about VBA services.

#### **Veterans Relationship Management**

VRM will continue to transform the relationship between Veterans and VA by integrating

customer-facing channels and enhancing service delivery to build a more Veteran-centric VA. VRM will work closely with the VEO, the administrations and business lines in collaboration with other VEO activities; the Office of Information and Technology (OI&T); and other partners to build, deploy, and maintain enterprise applications, tools, and infrastructure for the delivery of Veteran experience products, services, and information. Through a unified experience, Veterans and customers will be able to:

- Enroll and register with VA in one seamless transaction.
- Effortlessly navigate VA and the entire portfolio of VA services.
- Use a single VA Website and phone number to meet the needs of Veterans and customers through the earliest point of resolution.
- Be confident that VA knows who they are by easily updating and sharing their information across the organization.
- Collect Veteran feedback to measure their experience with VA and identify process improvements.

#### **2016 Accomplishments:**

- eBenefits portal has more than six million registered users and offers 55 self-service features.
- Enterprise Veterans Self Service delivered 13 releases adding functionality, to include increased fraud prevention measures and the initial phase of eFolder exposure for eBenefits and SEP users.
- The SEP has over 3,500 registered users comprised of VSOs, attorneys, and claim agents representing more than 90 separate organizations.
  - Vets.gov was made available and allows applications for Health Care Benefits and Education Benefits to be submitted;
  - All claims statuses for pension and compensation disability claims, refilling prescriptions, and the ability to send secure messages to VA Healthcare providers are available online through [Vets.gov](https://www.vets.gov).
- Digits-to-Digits (D2D) expanded its participation from two VSOs and four State Departments of Veterans Affairs to 30 State and State American Legion VSOs, three National VSOs, and 14 Veterans of Foreign Wars locations.
- VA continued to update and improve the Customer Relationship Management (CRM) platform, providing one view of the Veteran to over 3,000 users in VBA NCCs, Fiduciary, Pension, and Education Call Centers, and Health Administration Centers.

- Deployed Identity and Access Management (IAM) release enhancing single sign-on (SSO) authentication for all users, deploying identity cards for Veterans using VA healthcare.
- The CRM added a Dependent Call Center tool now used at all VBA call centers. It has received and processed nearly 50,000 claims since implementation.
- Voice Access Modernization (VAM) transitioned 1,700 VBA call center agents onto a VA owned and managed telephony solution. VAM transitioned the Insurance, Pension, NCC, Fiduciary, and [MyVA311](#) (1-844-MyVA311 or 1-844-698-2311) business lines onto the VA owned and managed telephony solution.
- The Contact Center Customer Data Warehouse has begun to bring in data from phone systems and Interactive Voice Response (IVR) systems across the agency. The data will be used to demonstrate the Veteran Customer's journey as they maneuver through various VA contact centers. Already imported and being configured is data from the MyVA311 number.
- VAM transitioned a dozen toll free numbers onto the VA owned and managed telephony solution and transitioned 1,300 call center agents onto the VA owned and managed call recording Quality Assurance system, while adding the capabilities to 100 Insurance agents as well.
- VAM deployed self-service applications via telephone IVR's for Insurance Policy information, Compensation and Pension payments, and MyVA311 facility lookups.
- VAM deployed a new toll free number and IVR for Veteran service, the MyVA311 service. This includes transfer functionality to VBA, VHA, and NCA as well as closest facility self-service options.
- VAM deployed telephone and QA solutions handled an average of 100,000 calls per day, at a savings of 75 percent system cost over prior hosted solutions.

**Future Plan/Goal for 2017 and 2018:**

- Migrate existing functionality from eBenefits, SEP, MyHealthVet, Veterans Online Application (VOA), and the Veterans Online Application (VONAPP) to [Vets.gov](#).
- Deploy the second phase of eFolder exposure capability online through [Vets.gov](#).
- Pilot and deploy CRM to Public Contact Teams to provide a consistent experience for Veterans who are visiting the VBA ROs.
- Through Vets360, each VA business line will have a single, shared view of Veterans, regardless of where they live and no matter how many different VA



facilities they have visited.

- Integrate with VBMS, Corporate Database, and Master Veteran Index;
- Implement Contact Information Management online and across VA.
- Provide a Web-based tool for Interactive Customer Evaluation (ICE), collecting patient/customer feedback (ratings and comments) related to the quality of services and/or products provided by VA facilities.
- The Veteran's Experience (VE) Customer Experience Management (CEM) Suite (formerly known as VOICE) IT project suite will synthesize three tiers of customer experience feedback into actionable insights on the Medallia platform:
  - APG survey will be released quarterly aimed at gauging strategic impact and enterprise trends towards increasing Veterans' trust;
  - Transactional "Moments that Matter" surveys identify customer experience drivers and detractors leveraging real-time, service-level surveys;
  - The VA Feedback Tool (Point of service feedback) is an early warning indicator enabling VA to resolve Veterans' issues, concerns, and questions at the point of service, focusing on service recovery.
- Scheduled for deployment in 2018, the CRM Vocational Rehabilitation and Employment-Case Management System will provide the current functionality of CWINRS (Corporate Waco-Indianapolis-Newark-Roanoke-Seattle) with substantial enhancements to better serve counselors and Veterans.
  - VRE counselors will use this new system across the country. It will also provide for the digital storage of Veteran's information, which will help eliminate the need for VR&E to create paper folders for Veterans;
  - Sun-setting the current CWINRS system and moving to the CRM enterprise sustainment platform will result in an annual cost savings of \$737,000 to VA.
- CRM Interaction History will provide VA the ability to document or trace a Veteran customer's interactions through multiple contact center points used within the CRM enterprise platform. CRM Interaction History will allow the agency to produce a more positive Veteran experience and will provide leadership with data and metrics they will need to be better able to improve the customer's experience through more effective strategic planning and better resource allocation throughout the agency.
- The Contact Center Customer Data Warehouse has begun to bring in data from phone systems and IVRs across the agency. The data will be used to demonstrate the Veteran Customer's journey as they maneuver through various VA contact centers. Already imported and being configured is data from the MyVA 311 number. CRM data is in the early stages of being imported as well.

## **Modernize our Contact Centers**

As part of the MyVA Breakthrough priorities, VBA strives to provide excellent customer service to ensure Veterans receive prompt and accurate answers to their questions and are always treated with kindness and respect.

### **National Call Center**

VBA is transforming its seven NCCs (Columbia, SC; Cleveland, OH; Nashville, TN; Philadelphia, PA, Phoenix, AZ; Salt Lake, UT; and, St. Louis, MO) and National Pension Call Center (Philadelphia, PA) model that supports the VA Breakthrough Priority “Modernize our Contact Centers,” to provide multiple access channels and point-of-call resolutions. The multi-channel model provides traditional and interactive care including live phone agents, online, e-mail, and live chat. Results from VBA’s customer satisfaction research studies show that approximately 41 percent of compensation customers and 20 percent of pension customers prefer communication by email. The call centers provide the delivery of benefits and services to Veterans across time zones from 8:00am - 9:00pm eastern time. If a Veteran calls after normal business hours, he or she can access some information and self-service features through the IVR system. Callers also receive a message that they can access benefit information via our eBenefits online channel, Callers are also provided with the business hours for the call center and information on how to submit an inquiry via the on line site 24 hours a day seven days a week. This model will enable VBA to provide enhanced world-class service to those who seek assistance in applying for, or obtaining information about, VA benefits and services.

### **2016 Accomplishments:**

- **Over 4.2 million calls answered by the NCCs and Pension Call Center.** The top call types are as follows: Status of claim 40%, Correspondence and Forms 15%, Payments 9%, and Appeals 6%. The Customer Relationship Management/Unified Desktop contains core demographic Veteran data and creates a caller history record to capture specific call type information for each call. Certain transactions are completed and tracked at point of call, yet other transactions are be forwarded to other VBA business units for completion.
- Reduced blocked call rate from 59 percent in 2015 to 39.5 percent in 2016 – blocked call rate for the month of September 2016 was 0.01 percent.
- Over 120,000 chats answered.
- Over 94,000 e-mails answered by the Inquiry Routing and Information System (IRIS) Response Center.
- Dependency program implemented at all NCCs. Agents initiated dependency claims at point-of-call for certain types of claims. Agents initiated an average of 500 claims per week.
- Agents processed an average of 900 privacy act requests a week at point-of-call.

- In addition to checking the eFolder for documents, receipt agents are now checking the centralized mail portal at point-of-call. Agents can now tell Veterans if we have received their documents, which eliminates repeat calls and organizational hand offs.
- External J.D. Power (JDP) overall customer satisfaction score increased by 133 out of 1,000 index points since the inception of the program in March 2010. VBA's current overall customer satisfaction score of 796 exceeds the JDP Government Benchmark of 754 by 42 points. JD Power measures multiple service attributes such as:
  - Knowledge of the Representative;
  - Representative's concern for your needs;
  - Knowledge of the Representative;
  - Courtesy of the Representative;
  - Ease of navigating the phone system;
  - Promptness in speaking to a person.
- To improve the level of service provided by our NCCs, VBA executed a hiring plan to add 435 call center phone agents. The agents are located across all the call centers. VA expanded the phone coverage and support across time zones from 8:00 am - 9:00 pm eastern time. With the addition of these agents, the blocked call rate for September was under one percent.

**Future Plans/Goals for 2017 and 2018:**

- Implementing industry standard technology and an updated Customer Relationship Management Unified Desktop Optimization (CRMUDO) program to increase call agent efficiency and effectiveness.
- Continue to increase point-of-interaction resolution options by addressing more requests from Veterans, while on the phone, thus reducing processing timeframes, eliminating unnecessary organizational hand-offs, and reducing the need for Veterans to call back to check on the status of a pending request.
- An assessment is in process on how to align the chat access channel with our current service hours of operation and structure to load balance Veteran contacts across agent access channels (phone, email, and live chat) as well as our primary self-service access channel, eBenefits.
- Realign staff and establish a Veteran Experience Contact Center Program Management Office (PMO) to strengthen operational oversight and support. The PMO will provide centralized direction and support for the various contact centers in areas including agent scheduling, real time monitoring of agent schedule adherence, workforce optimization, and enhanced metrics reporting.
- Implement a new Workforce Management system that will automate the agent schedule adherence process and generate staffing forecasts and optimization

reports. It will also further enhance the ability to make real-time adjustments to better manage events and peak call volumes.

### **Improve the Compensation Examination**

As part of the 12 MyVA Breakthroughs, Compensation Service is contracting some of the disability medical examinations, with the goal of Veterans receiving shorter waiting periods for exams, standardize the exam process, and improving Veteran satisfaction. This will help reduce the average days of completion for Veterans claims. DBQs are also being improved with auto population of VBMS and easier recording of examination findings to improve examination quality.

### **Contract Medical Examinations**

On October 9, 1996, Congress enacted Public Law (PL) 104-275, Sec. 504 that authorized VA, through the Under Secretary for Benefits, to enter into contracts for medical disability examinations (MDEs) from non-VA medical sources. The authority also allowed VBA to cover the cost of MDE contracts from compensation and pension program funding. Considered a pilot program, PL 104-275 also stipulated that not more than 10 ROs could receive services under MDE contracts.

PL 113-235, Sec. 241, passed in December 2014, provided VA the authority to increase the number of ROs authorized to use MDE contracts. The expansion authority allowed for the addition of five regional offices over 2015 and 2016, for a total of 15 ROs by September 2016. Beginning in 2017, VA was granted the discretion to expand the MDE program across as many ROs as the Secretary considers appropriate.

In 2016, VBA provided disability examinations/reviews for approximately 220,000 Veterans and Servicemembers through 15 ROs and various military bases in support of IDES across the United States. The service areas include urban centers as well as rural areas where Veterans would otherwise have to travel greater distances to undergo VA examinations.

### **2016 Accomplishments:**

- New contracts for MDEs to be performed across the continental United States have been awarded, but are pending resolution of a contract protest. VA is using various contract vehicles to provide nationwide coverage with no impact to the Veteran until the contract protest is resolved.
- Contractors completed exams in 23 days on average and helps VBA deliver faster claims decisions to Veterans. Without contract exams, benefits are delayed because the time to complete exams takes longer.

## **Future Plans/Goals for 2017 and 2018:**

- VA is moving towards contract exam integration within the VBMS, simplifying the exam ordering process for employees.
- Starting in 2017, the MDE program includes national quality reviews, verification of examiner licensing, and transfer of ownership of DBQs from VHA to VBA.
- A mandatory contract examination quality staff, consisting of analysts and medical officers, will assess the performance of the contract vendors and hold them accountable to the requirements of the contract.
- VBA will use the customized quality review database that was developed in 2016 for entering, storing, and tracking contract examination quality data. This quality data will be used to implement improvements in the exam process to provide higher quality exams for our Veterans.
- In 2017, VBA will evaluate the performance of contract vendors by reviewing a statistically valid sample of examinations at the 95 percent confidence level with a 5 percent margin of error.
- The MDE program staff will provide feedback, training, and any other resources needed to achieve the expected standard of performance or higher (92 percent or greater quality), which allows VA to complete claims more efficiently and with greater quality.

### Disability Benefits Questionnaires (DBQs)

DBQs are standardized medical examination forms designed to capture essential medical information for purposes of determining entitlement to disability benefits. DBQs provide specific responses to questions focused on the evaluation criteria contained in VASRD.

Currently, VBA, VHA, the Board, and OI&T are working together to accelerate and streamline the disability claims adjudication process by enhancing the capability to collect the required medical evidence to adjudicate a claim. DBQs directly relate to improving the Veterans experience in the compensation exam process by increasing examination accuracy, making examination reports easier and less time consuming, and by allowing the Veteran, if they choose, to have their disability exam completed by their private medical providers.

Using DBQs, the accuracy of examination requests and completed examinations improved above 95 percent nationwide. DBQs help eliminate the largest category of examination challenges that delays claims processing, which is examinations that contain insufficient information to rate the claims.

### **2016 Accomplishments:**

- VHA conducted nearly one million examinations resulting in over 2.6 million completed DBQs.

- DBQs supported the expansion of VBA's Contract Exam Authority under PL 104-275 with VBA contracted exam providers completing over 270,000 examinations consisting of over 723,000 DBQs.
- VBMS can electronically intake all DBQs in a PDF format. Additionally, 37 of the 80 DBQs are transmitting XML data, which can be used to auto-populate the evaluation builders to propose a rating decision.

#### **Future Plans/Goals for 2017 and 2018:**

- Convert the four remaining legacy examination worksheets into DBQs.
- Continue expansion of auto-population of VBMS calculators.
- Develop a Clinician User Interface (DBQ 2.0) to aid recording of examination findings.
- Continue DBQ outreach to healthcare providers and VSOs.

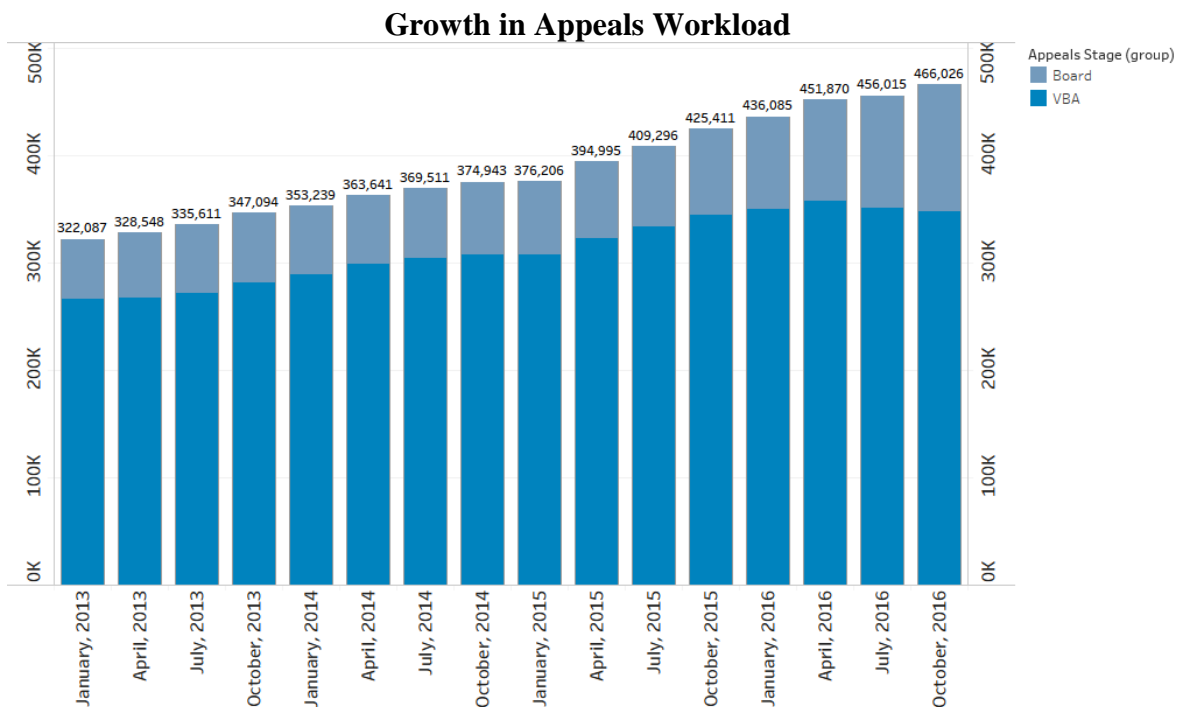
#### Reform the Appeals Process

The current VA appeals process, which is set in law, is broken and is providing Veterans a frustrating experience. It is complex, inefficient, confusing, and splits jurisdiction of appeals processing between VBA and the Board. A feature of the current appeals process is an open record that allows appellants to submit or identify new evidence and/or make new arguments at any point in the process. Additionally, the statutory duty to assist requires VA to gather further evidence on the Veteran's behalf. When a claimant presents or VA obtains new evidence, VA generally must readjudicate the appeal, which lengthens the timeline for final appellate resolution. This is not an appeal in the true meaning of the term and differs from other appellate bodies, which generally limit their review to evidence included in the record at the time of the initial decision. The current VA appeals process takes too long, as there is no defined endpoint or timeframe; Veterans do not understand the process and are frustrated by the experience.

Appealed cases include compensation, pension, burial, survivor, and accrued benefits, which account for 99 percent of all appeals in the Department. The following workload chart shows the combined total of VBA C&P appeals and the estimated growth of the pending inventory despite increased appeals production.

<b>Compensation &amp; Pension Appeals Workload</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Notice of Disagreement Receipts	169,068	173,829	178,590	183,351
Appeals Resolutions by VBA	93,221	110,595	127,436	145,343
Certification of Substantive Appeals to the Board	69,990	88,441	106,892	125,433
Pending Inventory	341,786	344,523	348,260	352,997

VA continues to face rapid growth in its appeals workload. VBA has received and completed more than one million claims annually over the last seven years, which has resulted in proportional increases in its appeals workload, despite the fact that the annual appeal rate has remained static since 1996, averaging 11 to 12 percent of claim decisions. As of September 2016, the inventory of appeals pending action by VBA was 313,545. An additional 30,978 appeals were pending a response from the appellant to VA’s statement of the case. The inventory of appeals pending with the Board was 112,529.



As of October 2016, the total workload of VBA C&P appeals pending in VBA and the Board combined consisted of 466,026 appeals, a 44 percent increase since January 2013 as the chart above illustrates. Modernizing the appeals process through legislative reform is a VA priority. Comprehensive legislative reform is required to replace the current lengthy, complex, and confusing VA appeals process with a new framework that provides a simple, timely, transparent, and fair resolution of a Veteran’s disagreement with a decision on a claim.

**2016 Accomplishments:**

- VA sponsored an “Appeals Summit” – a series of meetings beginning in March 2016 with VSOs, advocacy groups, and congressional staff to design a new appeals process, with additional meetings and ongoing communication following. The product of these collaborative, detailed discussions was a legislative proposal for a new appeal framework. The essential feature of this new framework is to step away from a unified appeals process that tries to do many unrelated things inside a single process and replace it with differentiated lanes, which give Veterans clear options after receiving an initial decision on a claim. This new framework makes sense for Veterans, their advocates, stakeholders, VA, and taxpayers.
- The legislative proposal, setting forth this framework, was introduced in several bills in the last Congress, and has been reintroduced in the 115<sup>th</sup> Congress as H.R. 457, S. 712, and section 8 of H.R. 611 and S. 152.
- VA submitted to Congress a detailed plan for addressing the current pending inventory. In addition, VA continues to explore options in ongoing meetings with VSOs and other stakeholders that could provide greater potential for Veterans who have legacy appeals to transition to the new process at various points in the legacy process.
- The Board and VBA developed an aggressive but responsible 18-month timeline to implement the new framework legislation from the date that it is enacted. This implementation plan has been shared with congressional staff, the Government Accountability Office, and our stakeholder partners.
- VBA added 200 FTE to appeals processing in 2016, increasing the appeals workforce to 1,495 FTE, and allocated \$10.5 million in overtime funds to support the appellate workload. The additional funding allowed VBA to increase its appeals output to more than 202,000 appeals actions in 2016, **which represents a 20 percent increase over 2015.**
- VBA lowered its Substantive Appeal to the Board (VA Form 9) inventory by 11 percent, and its Board remand inventory by eight percent in 2016.
- VBA issued over 30,000 more statements of the case in 2016, compared to 2015, and **increased the rate of certification of appeals to the Board by 26 percent in 2016.**
- VBA resolved 113,197 appeals in 2016 – a 16 percent increase and over 15,000 more appeal resolutions compared to 2015.
- With regards to technology improvements, beginning in November 2015, VBA started gathering system requirements for processing appeals in VBMS. These requirements provide for automation of many of the functions to increase efficiency of appeals processing and leverage NWQ to maximize appeal workload distribution among ROs.



## **2017 Plan:**

- In order to fully support the Secretary's appeals modernization initiatives and legislative reform efforts, VBA realigned its appeals policy and oversight of its national appeals operations under a single office, the Appeals Management Office (AMO). The realignment positions VBA to focus oversight of program operational work, standardize policies and procedures to facilitate consistent benefit delivery and higher customer satisfaction, and also increase the ability to make data-driven decisions. In addition, the realignment promotes accountability for appeals performance by having one VBA office responsible for policy development and implementation. The realignment also facilitates more effective cooperation between VBA and the Board, and better serves Veterans by having the AMO focus exclusively on appeals policy and operational performance.
- VBA will evaluate the ability to achieve further efficiencies in appeals processing by consolidating all Board remands to the AMO and a few ROs. This will allow RO appeals staff to focus on improving overall appeals processing. Currently, the AMO processes approximately 60 percent of remands, while the remainder is returned to the ROs to process. With its focus on remands, the AMO is processing the work on average over 250 days faster than the ROs that have the full range of appeal work.
- VBA will conduct an internal study and reassess the structure of the RO appeals teams to determine if further efficiencies can be gained in standardizing the composition of the appeals teams across the nation.
- VBA plans on releasing a national appeals training curriculum in 2017.
- VBA will continue to gather business requirements to provide for automation of many appeal functions to increase efficiency of appeals processing and leverage NWQ to maximize appeals workload distribution to ROs.

VBA alone received more than 176,000 new appeals in 2016 – nearly 63,000 appeals more than it was able to resolve. Within the current legal framework, the average processing time for all appeals resolved in 2016 was approximately three years. For those appeals decided by the Board in 2016, Veterans waited on average six years from the date of filing of their notice of disagreement for the Board's decision.

## **2018 Future Plans:**

Subject to successful legislative action in 2017 to reform VA's appeals process and depending upon annual appropriations, Veterans will have a new appeals process that will resolve most appeals within one year of filing.

The sizable inventory of appeals stemming from decisions issued prior to the effective date of the new law would be completed under legacy procedures. VA continues to explore options in ongoing meetings with VSOs and other stakeholders that could provide greater potential for Veterans who have legacy appeals to transition to the new process at

various points in the legacy process. The rate at which VA can resolve its legacy appeals inventory will depend upon the rate that Veterans opt-in to the new process.

Following enactment of the appeals reform legislation, there will be a collaborative effort, led by the Board and VBA, to oversee implementation. The Board and VBA have already developed a detailed plan to implement the new appeals reform legislation. The plan includes estimated timelines to complete different phases of implementation during the 18-month delayed effective date of the legislation. VA has distributed the implementation plan to its stakeholders, including VSOs, U.S. Government Accountability Office, SVAC, and HVAC. VA will continue to engage with stakeholders in its appeals reform efforts, to include during the implementation process.

### **Improve Employee Experience**

Compensation Service takes improving the employee experience seriously. All employees are encouraged to develop their own “Individual Development Plans.” Employee training is a major part of these development plans.

### **2016 Accomplishments:**

- Compensation Service developed a training strategy that involves the systematic training and improvement of agency employees to support professional development and agency goals.
- Employees participated in over 200 job-related training events.
- Professional development training topics included leadership development, project management, written and oral communication, and critical thinking.
- Provided employees opportunities to improve their skills through detail assignments in leadership positions at ROs and at central office.
- Cascaded Leaders Developing Leaders training to Compensation Service Leadership. These employee engagement training sessions provided leadership with an understanding of the MyVA vision.

### **Future Plans/Goals for 2017 and 2018:**

- Provide leadership development classes and more opportunities for employees to gain management experience through detail assignments.
- Deploy CS Leadership program that will provide leadership training to high-performing CS employees to potentially prepare them for leadership positions.
- Continue employee job-related training to support professional development and the agency goals.

## Workload

The following chart provides a summary of the VBA compensation workload and FTE projections, which are discussed in greater detail in this section. The summary includes data for only those claims considered “compensation rating claims.” Through data analysis, VBA can quantify the categories of claims that take longer than 125 days to complete, such as when:

- Veterans claim new conditions before VA decides their earlier claim.
- Veterans submit new, additional evidence for pending claims late in the process.
- Veterans ask VA to reschedule their medical examinations for personal reasons, such as travel, living overseas, etc.
- VA identifies additional disabilities that the Veteran did not claim that are related to service connected disabilities.
- VA identifies additional benefits, such as adapted housing or a total evaluation based on the inability to maintain gainful employment as a result of service connected disabilities that are unclaimed but intertwined with VA’s decisions.

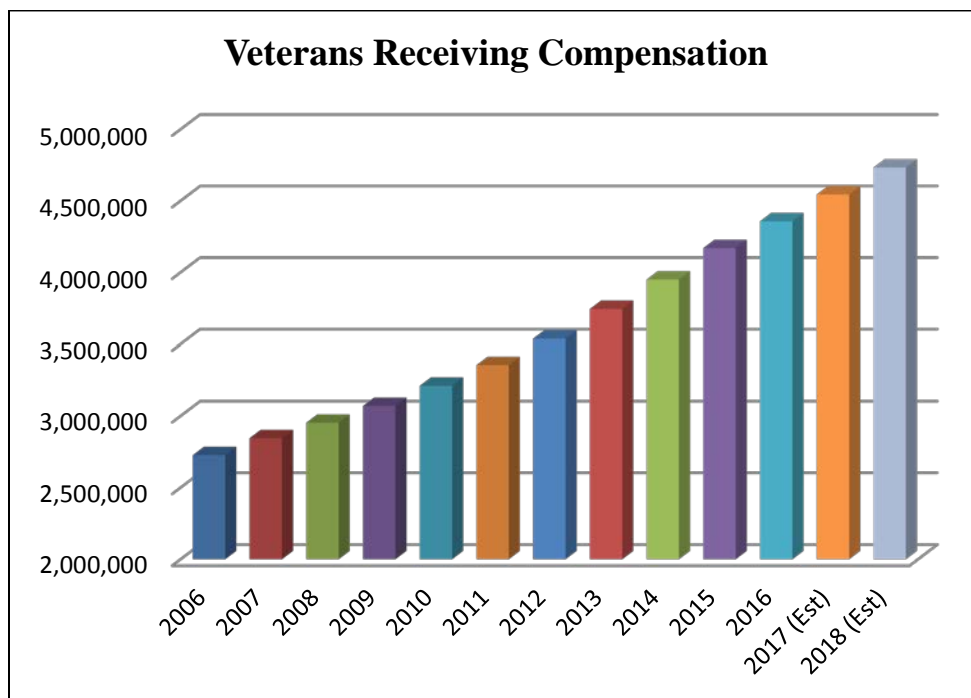
Claims that involve radiation, Camp Lejeune Contaminated Water, or Veterans located outside the U.S.

<b>Projected Compensation Workload and FTE Requirements</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Compensation Direct Labor FTE	12,918	12,988	13,960	13,977
Rating Receipts Compensation Claims	1,077,428	1,132,965	1,150,124	1,183,553
Rating Production Compensation Claims	1,233,907	1,122,718	1,165,759	1,208,699
Year-end Inventory Compensation Claims	342,282	352,529	336,894	311,748

VBA continues to track and report on the combined compensation, pension, and survivors (e.g., Dependency and Indemnity Compensation, or DIC) rating-related workload. The following chart provides a summary of the total VBA disability decision workload (referred to as all “rating-related claims”) and FTE projections with the combined totals for compensation, pension, and DIC claims.

<b>Projected Compensation and Pension Benefits Workload and FTE Requirements</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Compensation and Pension Direct Labor FTE	15,121	15,094	16,141	16,158
Receipts	1,235,185	1,286,880	1,306,370	1,344,340
Production	1,387,772	1,272,807	1,321,602	1,370,282
Year-end Inventory	363,034	377,107	361,875	335,933

Since 2006, the demand for benefits and services from Veterans, dependents, and survivors has steadily increased.

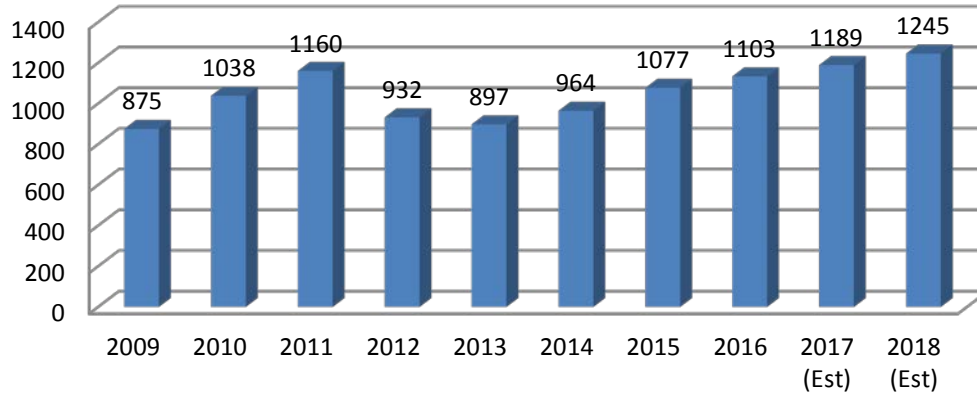


After 15 years of sustained combat in Iraq and Afghanistan and the addition of several Agent Orange presumptive conditions, the number of Veterans receiving compensation has increased over 89 percent since 1999, from just over 2.3 million Veterans to over 4.3 million in 2016 as shown in the previous chart.

The increased number of compensation beneficiaries resulted in increased award adjustments due to dependency changes; requests for ancillary benefits, such as automobiles for those with impaired movement, clothing allowances, and specially adapted housing; requests for eligibility certifications for determining entitlement to benefits and services from other agencies; program reviews; and appeals when Veterans disagree with one or more aspects of VBA’s decision. Historically, VBA has found that rating claims received and completed is a good indicator for overall demand.

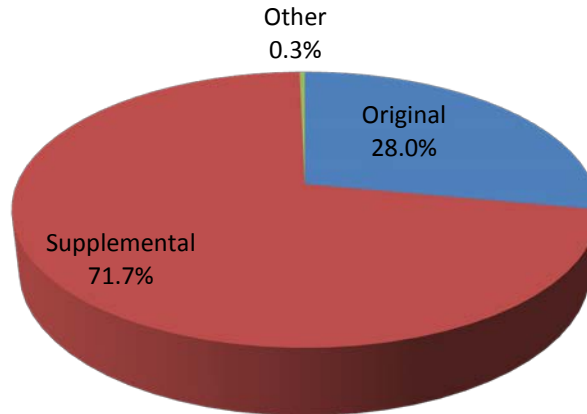
As the subsequent chart illustrates, disability rating claims received has steadily increased since 2013; this trend is projected to continue into 2018.

**Compensation Disability Rating Claims Receipts  
(does not include Pension or DIC Claims)  
(in thousands)**



Similar to previous years, supplemental Veterans claims dominate the claims receipts as shown in the next chart.

**Categories of  
Disability Rating Claims Receipts**



**Compensation Rating and Non-Rating Claims**

VBA assigns credits for various types of work performed. These work credits assist in monitoring the workload, i.e., tracking and reporting on claims, as well as monitoring individual and RO performance. This work is aggregated into the following categories:

- Compensation Rating Claims – Claims filed by Veterans for benefits based upon the effects of disabilities, due to diseases or injuries incurred or aggravated during active military service. These claims filed by Veterans traditionally require a rating decision. (Note: Claims from survivors are administered by the Pension and Fiduciary Service).

- Compensation Other Claims
  - Compensation Non-Rating Claims – Involves the modification of benefits based upon additional ancillary factors. Such modifications, including adjustments for dependents, usually occur when Veterans are receiving benefits;
  - Compensation Controlled End Products – Includes the review of claim folders under the provisions of current regulations, instructions, directives, or procedures; review of radiation cases; and temporary 100 percent disability evaluation reviews;
  - Compensation Non-Rating Other End Products – Includes program benefit claims for Veterans’ children due to spina bifida, other birth defects, and other special issues; reviews of historical awards of amyotrophic lateral sclerosis, exposure to environmental hazards or mustard gas; requests for basic eligibility of vocational rehabilitation and employment or Dependents Educational Assistance; Social Security verification; and continued eligibility to Individual Unemployability. This category also combines workload received from Veterans and internal sources that does not affect entitlement or require any adjustment to monetary benefits, such as responding to correspondence and Privacy Act requests for copies of claims records.

<b>Received Claims</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Compensation Rating	1,077,428	1,132,965	1,150,124	1,183,553
Compensation Other Claims	2,360,939	2,239,317	2,380,421	2,357,824
<b>Total Compensation Workload</b>	<b>3,438,367</b>	<b>3,372,282</b>	<b>3,530,545</b>	<b>3,541,377</b>

<b>Completed Claims</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Compensation Rating	1,233,907	1,122,718	1,165,759	1,208,699
Compensation Other Claims	2,342,662	2,367,585	2,488,251	2,500,458
<b>Total Compensation Workload Actions</b>	<b>3,576,569</b>	<b>3,490,303</b>	<b>3,654,010</b>	<b>3,709,157</b>



## *Pension, Dependency and Indemnity Compensation, Burial, & Fiduciary Programs*

### **Mission**

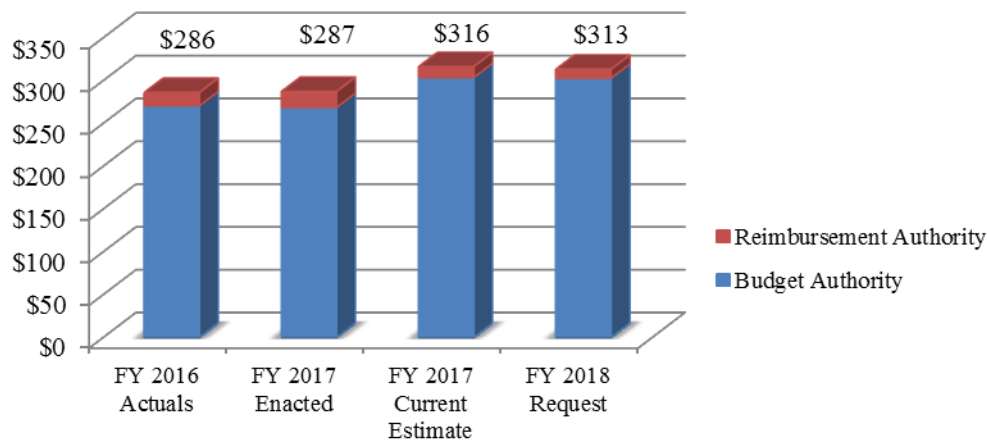
The mission of the Pension Program is to provide supplemental income for qualifying wartime Veterans and their survivors. The Dependency and Indemnity Compensation (DIC) Program provides supplemental income for survivors of Veterans who died as a result of their service-connected disabilities. The Burial Program provides financial assistance for the dignified burial of Veterans. The mission of the Fiduciary Program is to protect beneficiaries who, as a result of injury, disease, the infirmities of advanced age, or by reason of being less than age 18, are unable to manage their VA benefits.

### **Summary of Budget Authority**

**2018 Budget Authority Request: \$303.0 million**

**Change over 2017 Estimate: -\$880,000 / -0.3 percent**

**Summary of Budget Authority - Pension, DIC, Burial, &  
Fiduciary  
(\$ in millions)**



### **Summary of 2018 Budget Request and Performance Measures**

VA requests \$303 million in budget authority to fund the discretionary portion of the Pension, Dependency and Indemnity Compensation (DIC), Burial, and Fiduciary Programs. The request will fund the administrative expenses and 2,546 FTE to meet mission requirements. VA tracks these programs through the following performance measures:

- **Percentage of Original and Reopened Pension Claims Inventory Over 125 Days.** This represents the number of original or reopened pension claims that have been awaiting a decision for more than 125 days.
- **Percentage of DIC Claims Inventory Over 125 Days.** This represents the number of Dependency and Indemnity Compensation claims that have been awaiting a decision for more than 125 days.
- **Average Days to Complete Original Survivors Pension Claims.** This represents the number of days to complete a decision on a pending original survivors pension claim.
- **Overall Customer Satisfaction Index Score.** The overall satisfaction index score is a measure of customer satisfaction on a 1,000-point scale.
- **Pension Call Center Client Satisfaction Index Score.** The Voice of the Veteran Call Center Satisfaction Research Program's overall satisfaction index score is used to track customer satisfaction with the Veteran's call center experience.
- **Average Days to Complete Initial Fiduciary Appointment Process.** Average days from receipt date to completion date for the initial appointment of a fiduciary to include finalization of incompetency, face-to-face field examination, and release of any withholdings.
- **Average Days to Complete Fiduciary Follow-up Field Examinations.** Average days from receipt date to completion date for follow-up field examinations.



Pension, DIC, Burial, & Fiduciary Summary of Discretionary Appropriation Highlights (dollars in thousands)					
	2016	2017		2018	2018-2017
Discretionary	Actuals	Budget Estimate	Current Estimate	Request	Increase(+) Decrease(-)
<b>FTE</b>					
Direct Pensions & Fiduciary	2,106	2,130	2,181	2,181	0
Direct Burial	117	118	118	118	0
<b>Total Direct</b>	<b>2,223</b>	<b>2,248</b>	<b>2,299</b>	<b>2,299</b>	<b>0</b>
Management Direction and Support	262	228	247	247	0
<b>Total FTE</b>	<b>2,485</b>	<b>2,476</b>	<b>2,546</b>	<b>2,546</b>	<b>0</b>
<b>Obligations</b>					
Personal Services	\$221,299	\$242,272	\$249,092	\$251,051	\$1,959
Travel	2,507	2,029	2,029	2,029	0
Interagency Motor Pool	486	1,039	1,039	857	-182
Transportation of Things	149	248	248	253	4
Rent, Communications & Utilities	17,915	17,471	17,471	17,471	0
Printing	292	375	375	381	6
Other Services	41,488	21,123	43,359	38,496	-4,863
Supplies and Materials	760	1,051	1,051	1,019	-32
Equipment	1,032	1,664	1,664	1,692	28
Insurance Claims	204	51	51	52	1
<b>Total Administrative Obligations</b>	<b>\$286,131</b>	<b>\$287,324</b>	<b>\$316,380</b>	<b>\$313,301</b>	<b>-\$3,080</b>
Reimbursements	-\$15,399	-\$18,551	-\$12,547	-\$10,347	\$2,200
<b>Net Appropriation</b>	<b>\$270,732</b>	<b>\$268,773</b>	<b>\$303,834</b>	<b>\$302,954</b>	<b>-\$880</b>
<b>Total Appropriation</b>	<b>\$270,732</b>	<b>\$268,773</b>	<b>\$303,834</b>	<b>\$302,954</b>	<b>-\$880</b>
<b>Outlays (net)</b>	<b>\$265,269</b>	<b>\$261,711</b>	<b>\$274,036</b>	<b>\$287,812</b>	<b>\$13,776</b>

Dollars may not add due to rounding in this and subsequent charts.

## Changes from Original 2017 Estimate

Personal services are estimated to increase \$6.8 million as a result of an additional 70 FTE, 51 of which are primarily to conduct fiduciary field examinations. Other services are estimated to increase \$22.2 million which is attributed to the incorporation of Pension claims into the Veterans Management Benefit System (VBMS), Scanning and Centralized Mail. VBMS, Scanning, and Centralized Mail investments will provide the continued support of electronic claims processing activities to include document intake, conversion, mail handling, and elimination of paper at the sources. Incorporating Pension claims into these processes will allow VBA to leverage automated business processes for effective management of resources and ultimately efficient processing of Pension claims.

## Changes from 2017 Current Estimate to 2018 Request

Total obligations decrease \$3.1 million from the 2017 current estimate. The 2018 request includes the January 7, 2018 projected 1.9 percent pay raise, an increase of fringe benefits costs (e.g. health benefits, Medicare, and employer matching programs), and 1.7 percent for non-pay inflation. VBA offset those increases with decreases in non-pay line items, the majority of which are attributed to other services at \$4.9 million. This request reflects the

current capabilities without proposed program or reductions in VBA initiative investments such as VBMS, Scanning, or Centralized Mail.

## **Program Description, Highlights, and Accomplishments**

### Pension for Veterans and Survivors

Pension for [Veterans](#) is a needs-based benefit program for wartime Veterans who are 65 years old or older or have a permanent and total non-service-connected disability or are in receipt of Social Security benefits, and who have limited income and net worth. Based on financial need, this benefit may provide a single Veteran up to \$12,907 annually in 2017, based on eligibility requirements. Veterans who are more seriously disabled may qualify for pension at increased housebound rates (up to \$15,773 annually in 2017) or aid and attendance rates (up to \$21,531 annually in 2017). In addition, [surviving spouses](#) and dependent children of deceased wartime Veterans are eligible for monthly pension benefits if they meet the net worth and income requirements. Based on need, this benefit may provide a surviving spouse up to \$8,656 annually in 2017. Surviving spouses may also qualify for pension at the increased housebound rate (up to \$10,580 annually in 2017) or aid and attendance rate (up to \$13,836 annually in 2017) for a more serious disability.

In 2015, VA paid greater than \$5.5 billion in pension benefits to over 506,000 Veterans and survivors. In 2016 over 495,000 Veterans and survivors received VA pension benefits amounting to \$5.4 billion.

As part of a broader VBA internal initiative aimed at maintaining the integrity of the pension program and ensuring the claimants eligibility, VBA expanded its deployment of upfront income verification to include original and reopened pension claims, using Federal tax information from the IRS and SSA, at each of its Pension Management Centers ([PMCs](#)). VBA has been working with VA's Office of Information and Technology to expand this process to include all other pension claims, such as reopened pension claims and pension benefit adjustments and anticipates implementation of this expanded process by the end of 2017. This exchange of data between relevant agencies allows VBA to reduce reliance on self-reported information, improve program integrity, reduce improper payments, reduce claimant burden, and position the Pension Program for automated rules-based processing.

VBA reduced its Veterans pension inventory by 63 percent from the peak of 36,000 in June 2013 to 11,900 in September 2016. VBA also reduced its Veterans pension backlog by 96 percent from a peak of 15,300 in June 2013 to 551 in September 2016.

### *VBA At Work*

On March 27, 2017, the St. Paul Pension Management Center (PMC) received correspondence regarding the surviving spouse of a Veteran. The Veteran passed away on March 5, 2017. On March 27, 2017, a Veterans Service Representative (VSR) at the PMC, contacted the Veteran's surviving spouse to offer any assistance. She reported she had been informed by external sources that she would not be eligible for survivor benefits due to the cause of the Veteran's death. The VSR explained that she may, in fact, be entitled to survivor benefits, and proceeded to assist her in completing an application for Dependency and Indemnity Compensation (DIC) at her request. After review of the application and the Veteran's record, she was found to be entitled to DIC benefits. In a matter of hours, the surviving spouse's claim had been established, reviewed, rated, and authorized, due largely to the VSR's dedication to providing accurate and efficient service to Veteran's and their families, and his ability to tactfully and respectfully communicate with survivors in a time of need.

### DIC and Parents DIC

[DIC benefits](#) are provided to two categories of veteran survivors. VA provides monthly benefits to surviving spouses (basic monthly rate of \$1,257.95 in 2017) and dependent children in recognition of the economic loss caused by a Veteran's death during military service or, subsequent to discharge from military service, as a result of a service-connected disability. VA also pays these benefits to the survivors of a Veteran whose death is not service-connected but who was rated by VA as being totally disabled due to a service-connected disability for a specified period of time immediately preceding death. In addition to the DIC Program for surviving spouses and dependent children, surviving dependent parents of a Servicemember or Veteran whose death is service connected may be eligible for parents DIC if they meet the income requirements. In 2016, VA paid over \$6.4 billion in DIC benefits to over 394,000 survivors, an increase from the \$6.2 billion in DIC benefits to over 386,000 survivors in 2015.


VBA reduced its DIC claims inventory by 42 percent from the peak of 19,100 in March 2012 to 11,050 in September 2016 and improved DIC timeliness by 97 days from a peak of 182 days to 85 days while maintaining 99 percent accuracy.

### Burial

VA's [Burial program](#) provides a one-time payment for the burial of a Veteran. The amount of the benefit varies depending upon whether the death was service connected or non-service connected and whether the Veteran died in a VA facility. The benefit will


generally cover a portion of the actual cost of funeral and burial expenses up to the maximum amount prescribed by law, and may include a plot allowance and an allowance for the cost of transporting the decedent to the place of burial.

In 2016, VBA completed over 180,800 burial claims, an 11-percent increase over the 162,000 burial claims completed in 2015. In July 2014, VBA automated the processing of burial claims to eligible survivors allowing benefits to be paid within six days of receiving notification of the Veteran's death without the need to submit a claim. As a result of automated processing, the average days to process a burial claim is expected to continue to decrease over time and has shown an improvement from 198 days in 2013 to 97 days in 2016, a reduction of 101 days or 51 percent.



### *VBA At Work*

VBA expanded the automated burial process to include the payment of the plot benefit, if the Veteran is not buried in a State of National Veterans Cemetery. Since deployment, VBA has paid 81,027 automated burial payments to eligible surviving spouses. This means that 81,027 spouses were paid automatically within six days of the notice of the Veteran's death without filing a claim.



### Fiduciary

VA's [Fiduciary Program](#) provides oversight for VA's most vulnerable beneficiaries who are unable to manage their VA benefits. The Fiduciary Program served almost 233,500 beneficiaries in 2016 represented in all VA benefit categories. Almost 65 percent of its beneficiaries are in receipt of Veteran or survivor pension benefits. Over 50 percent of beneficiaries in the Fiduciary Program are 80 years old or older. Upon appointment by VA, a fiduciary is authorized to receive direct payment of a beneficiary's VA benefits and to disburse funds to creditors and the beneficiary according to the best interest of the beneficiary. During 2016, fiduciaries received almost \$3.3 billion in VA benefit payments on behalf of the beneficiaries they serve.

In recent years, VA's Fiduciary Program has experienced significant growth as a result of an increase in the total number of beneficiaries receiving VA benefits and an aging population. For example, the Fiduciary Program experienced a 61 percent increase in the number of beneficiaries from 122,271 in 2011 to 197,136 in 2014. Fiduciary Program growth has continued, with almost 223,700 beneficiaries served by the Fiduciary Program in 2015 and almost 233,500 served in 2016. During 2015, the Fiduciary Program changed the way it captures beneficiary population data and now reports all beneficiaries served during the course of the fiscal year.

Over the last several years, VBA has taken steps to improve the efficiency of, and protections afforded by, VA's Fiduciary Program by developing training tools for Fiduciary Program personnel and enhancing the processes and procedures for identifying and addressing fiduciary misuse of VA benefits. In addition, VBA continues to enhance the Beneficiary Fiduciary Field System (BFFS), which is VBA's information technology system used for managing the Fiduciary Program caseload, deployed in May 2014. BFFS improves reporting processes to enhance workload management capabilities, integrates an automated field examination report generator, and enhances fiduciary misuse monitoring. VBA designed this system to provide more usable data to identify trends and allow review of caseload information to realign resources, improve timeliness, and reduce travel costs.

VBA's 2018 P&F request is aligned to VA's MyVA priorities, a framework for modernizing VA's culture, processes, and capabilities to put the needs, expectations, and interests of Veterans and their families first and ensure the timely delivery of benefits and services to Veterans, Servicemembers, their families, and Survivors, and focuses on improving the Veteran experience in all interactions with VBA. Below is a summary of the tools and methods used to achieve VBA's strategic goals that incorporate VA's Breakthrough Priorities.

## **Pension, DIC, and Burial Programs**

### **Improve Veteran Experience**

The eight national VBA contact centers answer veteran inquiries on general benefits such as compensation, pension, death, and other benefits provided by VBA. Additionally, these contact centers process first-notice-of-death (FNOD) and intent-to-file notifications. Previously these notifications were forwarded to the respective PMC for processing. The expanded capabilities of the contact centers provide Veterans and other beneficiaries with a more timely and personal means of submitting these notifications allowing the contact centers to process FNODs and establish intent-to-file notifications as part of the phone call with the claimant. In these instances the processing and establishment time is zero days.

VBA expanded the automated burial claims process in October 2015 to include plot payments for Veterans not buried in a State or National Veterans Cemetery. The automated burial process provides payment of both burial and plot benefits to the survivor of record at the time of first notification of the Veteran's death. This increased functionality will allow VBA to expedite the full delivery of burial entitlements to survivors shortly after the Veteran's death, and reduce the number of claims VBA must manually adjudicate. Burial benefits are paid within six days of the notification of the Veteran's death without the need for an application for these benefits.

Dedicated Quality Review Teams (QRTs) are maintained at each PMC. These teams evaluate decision accuracy for the PMCs and individual employees, and perform in-process reviews to eliminate errors at the earliest possible stage in the claims process. The QRTs are comprised of 54 Quality Review Specialists across the three PMCs at an estimated cost of \$5.3 million annually. The QRTs are trained by national quality assurance staff to ensure local reviews are consistently conducted according to national standards. The QRTs help to ensure that

the claims submitted by Veterans and their survivors are efficiently and effectively adjudicated and have directly contributed to the overall accuracy rate of more than 95 percent for all claims. Additionally, this high accuracy rate has been sustained from FY15 to FY16. .

Quality assurance is also conducted by VBA's Pension and Fiduciary (P&F) Service, which uses VBA's Systematic Technical Accuracy Reviews (STAR) quality assurance methodology to identify training gaps and ensure that any error trends are identified quickly and corrected. P&F Service reviews a random sampling of cases to determine whether the decision made and the payment provided to the claimant is correct. In the event that P&F Service identifies a deficiency, the PMCs must correct the error. Based on the findings of these quality reviews, P&F Service issues improved guidance and provides specific training to ensure claims are processed accurately and consistently across the PMCs.

P&F Service conducts site visits to PMCs to provide a thorough hands-on review of all operational elements of the claims process in order to improve workload management and ensure consistency of operations and compliance with VBA policies and procedures. Upon conclusion of a site visit, the PMC is provided a list of best practices, commendable items, and challenges. For example, as a result of a site visit finding related to mail processing, VBA accelerated the deployment of centralized mail processing to the three PMCs in February 2016. The accelerated deployment of centralized mail processing ensures that incoming mail is more accurately controlled and accounted for which directly resulted in a decrease in the average turnaround time for mail processing from 17 days in 2015 to seven days in 2016.

### **Deliver a Unified Veterans Experience**

Collaboration and communication with Veterans and strategic partners are priorities for VBA. Stakeholders include any Veteran, dependent of a Veteran, and survivor of a Veteran. Partners include VA-recognized Veterans Service Organizations and other VA and Federal Government agencies, such as the Veterans Health Administration, the National Cemetery Administration, the Board of Veterans' Appeals, the Department of Defense (DoD), the Internal Revenue Service (IRS), and the Social Security Administration (SSA).

VBA is committed to delivering a unified Veterans experience through collaboration with other agencies to provide a more efficient administration of benefits. Below are additional details on some of the ways VBA has worked to achieve this commitment.

- VBA is transforming its National Call Center model to provide multiple access channels and increased point-of-call resolution options for call center agents. This model enables VBA to provide enhanced world-class service to those who seek assistance in applying for, or obtaining information about, VA benefits and services. Currently the Pension Call Center handles stop and resume benefit payments at the point of call. As part of the transformation initiatives agents will begin to do simple processing activities at the point of call. Also, as part of the

transformation the Computer Telephony Integration (CTI) is being piloted. CTI will capture and autopopulate Veteran data on the agent desktop after a Veteran enters their information into the Interactive Voice Response (IVR) system. This will increase efficiency in the Identification Protocol process.

- In administering the Pension Program, VBA routinely collaborates with other agencies, including SSA and IRS. SSA-Government Services Online (GSO) is a web-based interface owned and operated by SSA. Access to SSA-GSO allows Veterans Benefits Administration (VBA) employees to request and receive electronic copies of claimants' SSA disability records through a secure electronic messaging system, improving physical security of claimants' medical records. These changes resulted in a 75-percent reduction in end-user processing time. As part of the GSO initiative, SSA and VBA created a secure process for VA to electronically request SSA medical records to decide benefit claims. By using the GSO messaging application, VA improves the timeliness of those claims that require SSA records and alleviates security concerns associated with faxing sensitive documents.
- VBA continues to collaborate with SSA and IRS to improve interagency data sharing for purposes of verifying income for its needs-based benefit programs. This collaboration resulted in a completion of over 91,000 original claims in 2016. Upfront verification allows VBA to verify a claimant's income shortly after receiving the application for pension resulting in upwards of 50,000 additional pension claims processed per fiscal year. Initially, the up-front verification process was limited to original claims for pension benefits, however because the process resulted in a reduction of overpayments and the preservation of the Pension Program for only those Veterans and survivors with genuine need VBA expanded the up-front verification process to reopened pension claims which will allow for the implementation of a less burdensome post-award auditing (PAA) process.
- A periodic PAA process based on a statistically valid sample of applicable claims replaced the income verification match (IVM) annual process in March 2017. This new PAA process will reduce the number of claims selected for audit, schedule matches periodically, increase the screening of claims through filters, compress due process, and use electronic and automated processes. VBA's intent is to maintain the program's integrity by ensuring compliance, reduce the workload previously created by IVMs, and efficiently process an audit resulting in a reduction in overpayment.
- VBA initiated up-front scanning of claims documentation for all claims received by PMCs. Up-front scanning allows for more efficient processing of claims by removing the burden of transferring paper claims throughout the PMC. Up-front scanning also ensures the integrity of the claim by ensuring that all claims data is securely maintained electronically.

- VBA's Centralized Mail initiative assists VBA in transitioning from a manual, paper-based operation to a fully-digital environment. Centralized Mail processing increases operational efficiency at the regional offices by eliminating activities such as paper handling, sorting, triage, shipping to the scanning vendor, and storage. These operational efficiency gains result in the ability to provide faster benefits delivery to claimants and a reduction in the receipt, movement, and storage of paper.
- The Improper Payments Act of 2012 requires Federal agencies making awards and payments to match against several Federal databases, including the SSA Death Master File. Automatic awards suspense ensures VBA does not continue to pay benefits to Veterans and surviving spouses who are deceased. In 2016, VBA suspended more than 100,000 awards automatically using this process and avoided \$119 million in improper payments as well as the need to recoup these benefits.

In administering the Fiduciary program, VBA routinely collaborates with other agencies, including SSA and the Department of Justice (DOJ). VBA recognizes that fiduciary misuse of benefits can cause financial hardship for beneficiaries and has been working hard on initiatives designed to prevent and detect misuse and ensure activities associated with investigating misuse are conducted timely and appropriately. VBA coordinates with SSA to provide notice of misusing fiduciaries to ensure each agency takes action to bar the fiduciary from further appointment. In January 2017, in collaboration with DOJ, VBA provided training to field personnel regarding financial exploitation to further assist in identifying possible misuse and abuse and further protect Veterans and survivors. As part of the training, VA provided resources from other federal agencies and local agencies to assist in equipping beneficiaries with information to protect themselves from fraud and abuse and the avenues to seek assistance.

### **Improve Employee Experience**

VBA is committed to improving the overall positive employee experience by providing the knowledge management (KM) portal, the skills certification testing as well as a paperless environment through the Veterans Benefits Management System (VBMS). Below are additional details.

- The VBA knowledge management (KM) portal is an integrated system that provides VBA staff with a single source for the laws, regulations, policy guidance, and procedures that govern benefit programs. It employs intuitive search functionality and provides the ability to link related information. It also allows for quick updates by program staff to ensure that the PMCs have the most current guidance. VBA continues to update the Adjudication Procedures Manual to ensure that field personnel have access to the proper procedures for processing pension, burial, and DIC claims, thereby increasing accuracy and timeliness in claims processing. The improved access to policy and procedures provided by KM have allowed the PMCs to reduce the average days to process all claims while maintaining an overall quality rating of 96.69 percent.



- Additionally, VBA uses a skill certification program as an essential element in achieving a high-performing workforce that process claims for Veterans' and their survivors' with a high level of accuracy. A tangible result of VBA's focus on this element has been the sustained 95 percent accuracy rate since FY15. Skill certification testing can take up to six hours and is used to measure employees' skill levels, enhance job proficiency, and encourage professional development. Employees are given an additional three hours of self-directed study time and at least two and a half hours of instructor-led training in preparation for the testing. The testing is mandatory for journey-level employees serving in the VSR, RVSR, Decision Review Officer, Quality Review Specialists and Coach positions at the PMCs. In 2016, 265 PMC employees completed the skill certification test, of which 199 passed the test and obtained certification. In 2015, 259 PMC employees completed the test and 212 obtained certification. Both 2015 and 2016 show an improvement from 2014 when 227 PMC employees completed the test and only 60 employees obtained certification. VBA provides each employee with information regarding the areas where additional proficiencies are needed as well as enhanced training opportunities and feedback to assist employees in successfully retaking the test and obtaining certification. The PMC's Quality Review Specialists must recertify annually. Claims processors and coaches must recertify every two years.
- PMCs process DIC and survivors pension claims in a paperless environment. VBMS and VBMS Awards serve as the enabling technology for quicker, more accurate and integrated claims processing.

### **2016 Accomplishments:**

- Removed the requirements for Marital Status Questionnaires (MSQs) mailed in error to beneficiaries of DIC who attained age 57 which has resulted in an estimated cost savings of \$656,619. The awards systems were updated to prevent the mailing of these questionnaires to new DIC beneficiaries. Additionally, corrective action was taken to address the thousands of beneficiaries who had already received this questionnaire erroneously. This action resulted in 445 pending Message Work Items and 247,027 diaries in the field being corrected and cancelled, which would have caused erroneous mailings.
- Coordinated the rollout of Veterans Information Solution (VIS) Viewer access to all PMCs which has allowed for expedited processing of Survivor Benefits claims, which include mostly DIC claims. VIS Viewer is a Web-based application that provides a consolidated view of eligibility and benefits data from VBA and DoD. VIS is considered an authoritative source for verifying and validating military payment information. DIC inventory was reduced to 11,200 claims in September 2016 from a peak of over 19,000 claims in March 2012, and timeliness of DIC processing reduced to 85 days in September 2016 from a peak of 182 days in December 2012.

- Conducted rigorous test sampling of 600 payments in FY 2016 to determine IPERA (Improper Payment Elimination Recovery Act) compliance which resulted in a reduced error rate from 4.53 in 2015 to 2.27 in 2016. This process ensures proper payments were made to beneficiaries in receipt of Pension and DIC benefits.
- Completed functionality enhancements to the automated burial and month-of-death processing. Automated plot allowance was implemented to production in October 2015, which pays eligible surviving spouses an additional payment for plot within six days of notification of the Veteran's death.
  - In 2016, 4,130 automated plot allowance awards were generated totaling approximately \$3 million in payments.
  - In 2016, the automated burial allowance paid 28,776 burial awards and dispersed over \$2 million per month on average.
  - In 2016, the automated DIC process paid 3,169 DIC awards totaling approximately \$4 million in benefits.
- Implemented Centralized Mail at the Milwaukee and St. Paul PMCs in February 2016. All PMCs are now fully deployed into Centralized Mail, which standardizes mail operations; decreases the reliance on the receipt, movement, and storage of paper; and ensures an increased efficiency associated with paper claims files.

**Future Plans/Goals for 2017 and 2018:**

- VBA will continue the implementation of pension system functionality in VBMS. The targeted functionality will include the processing of live pension claims in VBMS Awards as well as the ability to establish all claim types for all claimants in VBMS. Delivery of VBMS functionality to support all pension programs will continue throughout 2017 and 2018 and is estimated to cost \$1.39 million.
- Finalize the Net Worth, Assets Transfer, and Income Exclusions for Needs-Based Benefits final rule by the end of calendar year 2017. This final rule will provide claimants and beneficiaries with a clear VA pension net-worth limit; establish look-back and penalty periods for those who transfer assets prior to claiming pension benefits; define what VA considers to be a deductible medical expense for applicable VA needs-based benefits; and, consolidate in one regulation statutory income exclusions that apply to all VA needs-based benefits.
- VBA will continue to increase point-of-interaction resolution options by addressing more requests from Veterans while on the phone, thus reducing processing timeframes, eliminating unnecessary organizational hand-offs, and reducing the need for Veterans to call back to check on the status of a pending request. For example, Dependency Point-of-Call Processing allows agents to document the necessary information to initiate a dependency claim for the Veteran

while on the phone. This action secures the potential effective date for the dependency claim, eliminates the need for the Veteran to submit a paper application, reduces the claim processing time, and may ultimately eliminate the need for Veterans to call back to check on the status.

## **Fiduciary**

The purpose of the Fiduciary Program is to protect VA beneficiaries, who as a result of injury, disease, and the infirmities of advanced age, or by reason of being less than 18 years of age, are unable to manage their VA benefits. VA's role is to conduct oversight of beneficiaries to ensure their well-being, and appoint and conduct oversight of fiduciaries who manage their benefits. The appointment of a fiduciary via field examination is one of the most critical tools VBA uses to protect beneficiaries and conduct oversight of fiduciaries. A field examiner conducts a face-to-face visit to personally view the beneficiary's home environment to ensure the physical and financial welfare of the beneficiary, assess the adequacy of the living situation, evaluate the needs and wants of the beneficiary and dependents, ensure the beneficiary is living to the standard that his/her income affords, and monitor the performance of the fiduciary.

VBA must conduct a field examination prior to initial appointment of a fiduciary, which includes any subsequent new fiduciary, to be completed within 76 days. In many cases, the appointment of a fiduciary is necessary to release withheld retroactive benefits to the beneficiary. During the initial appointment process, VBA completes a mandated investigation of the proposed fiduciary, which includes a face-to-face interview, credit report, criminal background check, and the ability to obtain a surety bond.

In addition, VA conducts follow-up field examinations, with target timelines of 120 days of the scheduled date, on one-to-three-year intervals, depending upon the beneficiary's situation, to ensure that the fiduciary is properly managing the beneficiary's VA funds and ensuring the beneficiary's well-being. Fiduciary hubs prioritize initial appointment field examinations to expedite the delivery of any retroactive benefits and ensure beneficiaries are protected.

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### ***VBA At Work***

In Richland County, Ohio, an Indianapolis Field Examiner found a young Army Veteran huddled under a bridge during a count of the region's homeless population. She was taken to the local woman's shelter the next evening. In hopes there were other female Veterans who might like to help the homeless Veteran, the Examiner posted a note at the local VA medical center and talked to people she knew, and soon was leading a group of "Lady Vets" who were meeting weekly. The group, which varies in meeting size between five and 15 ladies, prides itself in helping each other and other lady Veterans. The Lady Vets have helped women Veterans in need find homes, find jobs, learn to navigate the VA system for benefits, and get help for PTSD and other military related issues.

The Mansfield VA medical center has a Woman's PTSD/Military Sexual Trauma group that meets weekly under the careful supervision of mental health professionals. The Examiner has adopted this group and makes sure they know about community programs available to them. She has also recruited a Ladies American Legion Auxiliary to put together an annual "Christmas Bag" for the Lady Vets. Rebecca wishes she could tell you the Veteran who first inspired her to form the Lady Vets group had moved on to a better life, but unfortunately she had late stage breast cancer and passed shortly thereafter. Rebecca is grateful to have met her, and honors her memory with the Lady Vets program which continues to touch so many people.

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### **Improve Veteran Experience**

In March 2012, VBA consolidated management of its fiduciary activities to six fiduciary hubs nationwide. VA moved all fiduciary workload from individual VA Regional Offices (ROs) to fiduciary hubs to improve controls and consistency in processing fiduciary work. As part of hub consolidation, fiduciary program, began an effort to identify and complete all pending misuse matters, including final misuse determinations, debt establishment, and benefit reissuance. Misuse of benefits is rare in the Fiduciary Program; approximately one-tenth of one percent of beneficiaries are the victims of fiduciary misuse. However, VBA recognizes that fiduciary misuse of benefits can cause financial hardship for beneficiaries and has taken additional steps to identify and address fiduciary misuse, to include requiring fiduciaries to submit detailed financial documents, emphasizing the identification and reporting of misuse allegations to fiduciary field personnel, and aggressively pursuing recoupment of VA benefits in all cases of misuse.

Through formal guidance and field staff training, VBA significantly increased the number and amount of debts established as a result of fiduciary misuse. In certain cases, VA is not authorized to reissue misused benefits and recoupment of the misused funds is the only option available to make the victims of misuse whole. In 2016, VBA established \$13.1 million in debt collection activities against 408 fiduciaries who misused the VA funds under management.

VBA deployed training videos targeted to the 34,000 fiduciaries required to provide an accounting. These videos provide step-by-step instructions to complete an accounting form and information on necessary documentation. Also, VBA is improving the language and increasing the frequency of accounting letters to notify fiduciaries of the importance of submitting timely and correct accountings.

### **Improve Employee Experience**

VBA developed and provided fiduciary field examiner centralized training and fiduciary field examiner journey-level self-study course to 344 employees during 2016. These training courses include technical training on the Fiduciary Program, field examination techniques, and methods for enhancing customer service.

VBA deployed a Web-based misuse training course designed for the specific roles of fiduciary field personnel. The misuse training is mandatory for all fiduciary staff and provides the knowledge and tools necessary to properly address misuse allegations, conduct investigations, and finalize misuse determinations. In 2016, VBA assigned the courses to all field personnel of which 672 completed the mandatory training course and received a passing score on the post-test.

Throughout 2016, VBA provided onsite training to field Fiduciary Program personnel at each of the six fiduciary hubs on hub-specific topics, such as misuse procedures, BFFS tools and reports, and error trends discovered during quality reviews or site visits.

VBA expanded its program oversight function, which is currently limited to site visits and the quality assurance program, to include Targeted Program Reviews (TPRs). TPRs consist of a remote, centralized, and detailed analysis of fiduciary-related topics for the purpose of better informing and assisting VBA leadership. TPRs identify best practices and the need for national areas of improvement, to include IT enhancements, training, operations, and policy and procedures.

### **2016 Accomplishments:**

- Issued internal procedures to expedite spouse appointments for certain cases for the purpose of expediting control, establishing Fiduciary Program protection, and releasing retroactive benefit payments.
- Introduced a new end product (EP 590) to control benefit awards when the record indicates that a beneficiary cannot manage his or her own VA benefits. The EP improves VBA's internal identification of this workload and replaces and discontinues the use of E-mails and diaries for transfer/control of work. Controlling proposed ratings with an EP 590, in lieu of E-mail notification, reduces the risk of uncontrolled finalization of rating and allows for improved timeliness tracking, thereby improving the delivery of benefits to individuals who may require the assistance of a fiduciary. During 2017, VBA has experienced a reduction of 8,027 claims in the finalization of incompetency cycle and a reduction

of 108 days in the national average days of completion for the initial appointment process.

- Implemented national In-Process Reviews (IPRs) for work associated with the identification of beneficiaries delayed fiduciary appointments due to claims processing errors. IPRs are conducted at strategic points in the initial appointment process to identify any processing errors with immediate feedback given to employees. VBA completed 175 IPRs in 2016. Of the 175 reviews, 99 cases contained errors for a 44 percent accuracy rate. IPR reviews allowed fiduciary hubs to take corrective action prior to completion of the appointment process, improving our overall service to beneficiaries.
- Added several enhancements to BFFS, to include an enhanced business intelligence platform and comprehensive real-time data analytics metrics, which allows the 1,260 BFFS end-users to drill down to the case management level. In addition, VBA developed and released employee productivity tools in BFFS which automatically pulls the number of completed work tasks and assigns the appropriate weight to the task.
- Issued policy and procedures concerning system updates to BFFS 3.0 field examination report generator tool to include the automated identification of less than excellent situations and enforces required actions.

#### **Future Plans/Goals for 2017 and 2018:**

- VBA rewrote VA's fiduciary regulations to prescribe new rules for all aspects of the program's administration. The new rules will fully explain beneficiaries' rights when they are declared unable to handle their funds, clearly define fiduciaries' responsibilities, and describe VA's oversight role in ensuring that fiduciaries properly manage beneficiaries' finances. VBA anticipates publication of the final regulations in 2017.
- VBA finalized a project plan for the complete rewrite of the Fiduciary Program manual, which will update and outline procedures for the full range of fiduciary processes. The rewrite will incorporate the new fiduciary regulations into manual guidance as well as establish updated procedures for paperless processing, and revise procedures for many other aspects of fiduciary work. This is the first major update to the program manual since 2005. VBA anticipates completion of the manual rewrite to coincide with the publication of the final regulations in 2017.
- VBA will release manual guidance requiring standardization of the fiduciary hub structural model to ensure consistency and improve the quality of services provided to beneficiaries.
- VBA is developing procedures to initiate a review for potential misuse when a fiduciary fails to submit an accounting within 120 days. In order to assist

fiduciaries in preparing their accountings, VBA is improving the language and increasing the frequency of accounting letters to notify fiduciaries of the importance of submitting timely and correct accountings.

## Workload

The following chart provides a summary of the VBA pension and DIC rating workload and FTE projections. The summary includes data for only those pension and DIC claims considered to be part of VBA’s overall disability claims inventory (i.e., “rating claims”).

<b>Projected Pension and DIC Claims Workload and FTE Requirements</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Pension, DIC, Burial, & Fiduciary Direct Labor FTE	2,203	2,223	2,299	2,299
<b>Total Receipts</b>	<b>157,757</b>	<b>153,915</b>	<b>156,246</b>	<b>160,787</b>
Pension Claims	99,605	93,992	95,416	98,189
DIC Claims and Survivors Pension	58,152	59,923	60,831	62,598
<b>Total Production</b>	<b>153,865</b>	<b>150,089</b>	<b>155,843</b>	<b>161,583</b>
Pension Claims	97,029	93,057	96,624	100,184
DIC Claims and Survivors Pension	56,836	57,032	59,219	61,399
<b>Total Year-end Inventory</b>	<b>20,752</b>	<b>24,578</b>	<b>24,980</b>	<b>24,184</b>
Pension Claims	12,473	13,408	12,199	10,204
DIC Claims and Survivors Pension	8,279	11,170	12,781	13,980

VBA anticipates that pension claim receipts will moderately increase through 2017 due to increased outreach and publicity about pension and special monthly pension based upon the need for aid and attendance or being housebound. DIC claim receipts are expected to slightly increase because of the expansion of Veterans’ service-connected conditions associated with service in Vietnam.

VBA expects production levels to remain consistent with efficiency gains realized from the management, policy, and process changes made in 2014 and 2015. VBA implemented a national prioritization workload management plan and, combined with simplified DIC processing procedures, the prioritization efforts have already produced significant improvement in the timeliness of certain claims.

## **Pension Management Center Workload**

VBA assigns work credits for various types of work performed. These credits assist VBA in monitoring the workload (i.e., tracking and reporting on claims). This system additionally acts as a management tool to monitor individual and PMC performance. This work is aggregated into the following categories:

- Veterans Pension Claims – pension claims filed by Veterans, including claims for pension at the aid and attendance or housebound rates.
- DIC – claims filed for Dependency and Indemnity Compensation.
- Survivors Pension Claims – pension claims filed by survivors, including claims for pension at the aid and attendance or housebound rates.
- Burial Claims – claims for burial, funeral, plot, and transportation allowances.
- Accrued Benefits – any money VA owes the Veteran but did not pay prior to his/her death.
- Other Pension Non-Rating Claims – benefit adjustments based upon dependency and/or income changes, other changes in circumstances, and program reviews initiated by VBA.
- Pension Controlled End Products– The end product system is the primary Pension Management Center workload monitoring and management tool. Correct use of the end product system facilitates proper control of pending workloads, and appropriate work measurement credit.
- Pension Other – combination of workload from Veterans, survivors, and internal sources that is not included in the regular pension non-rating claims, e.g., correspondence and Privacy Act/Freedom of Information Act requests.



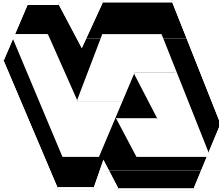
<b>Pension Management Center - Receipts</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Veterans Pension Claims (Includes Reopened Claims)	99,605	93,992	95,416	98,189
Dependency and Indemnity Compensation (Includes Reopened DIC Claims)	44,265	47,172	47,886	49,278
Survivors Pension Claims	13,887	12,751	12,944	13,320
Burial Claims (Non-Add to Other Pension Non-Rating)	164,473	187,199	174,290	180,049
Accrued Benefits (Non-Add to Other Pension Non-Rating)	17,974	17,189	23,937	24,350
Pension Non-Rating Claims	433,728	402,245	428,657	413,667
Pension Controlled End Products	140,910	125,012	125,676	128,392
Pension Other End Products	109,832	69,430	72,416	79,103
<b>Total</b>	<b>1,024,674</b>	<b>954,990</b>	<b>981,222</b>	<b>986,348</b>

<b>Pension Management Center - Production</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Veterans Pension Claims (Includes Reopened Claims)	97,029	93,057	96,624	100,184
Dependency and Indemnity Compensation (Includes Reopened DIC Claims)	42,744	44,643	46,354	48,062
Survivors Pension Claims	14,092	12,389	12,865	13,337
Burial Claims (Non-Add to Other Pension Non-Rating)	162,249	180,875	181,694	179,950
Accrued Benefits (Non-Add to Other Pension Non-Rating)	15,044	16,397	23,480	23,930
Pension Non-Rating Claims	429,120	394,467	434,776	425,762
Pension Controlled End Products	142,316	125,205	125,507	128,737
Pension Other End Products	121,690	74,191	66,968	79,129
<b>Total</b>	<b>1,024,284</b>	<b>941,224</b>	<b>988,268</b>	<b>999,091</b>

## Fiduciary Program Workload

VBA's Fiduciary Program provides services for Compensation, Pension, DIC, and Insurance beneficiaries who are unable to manage their VA benefits. In 2016, VBA paid almost \$3.3 billion in benefits to almost 233,500 beneficiaries. The workload estimates shown below assume fiduciary hubs prioritize initial appointment field examinations to expedite the delivery of any retroactive benefits and ensure beneficiaries are protected. In 2017, fiduciary hubs will complete more initial appointment field examinations. As a result, the number of pending follow-up field examinations will continue to grow.

<b>Fiduciary Program Workload Completed</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Initial Appointment Field Examinations	38,638	43,406	58,500	53,400
Follow-up Field Examinations	41,597	39,002	27,200	38,900
Follow-up Alternate Field Examinations	4,062	6,845	8,500	12,800
<b>Total Field Examinations</b>	<b>84,297</b>	<b>89,253</b>	<b>94,200</b>	<b>105,100</b>
Accountings	44,693	41,490	45,700	46,800



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## *Education*

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### **Mission**

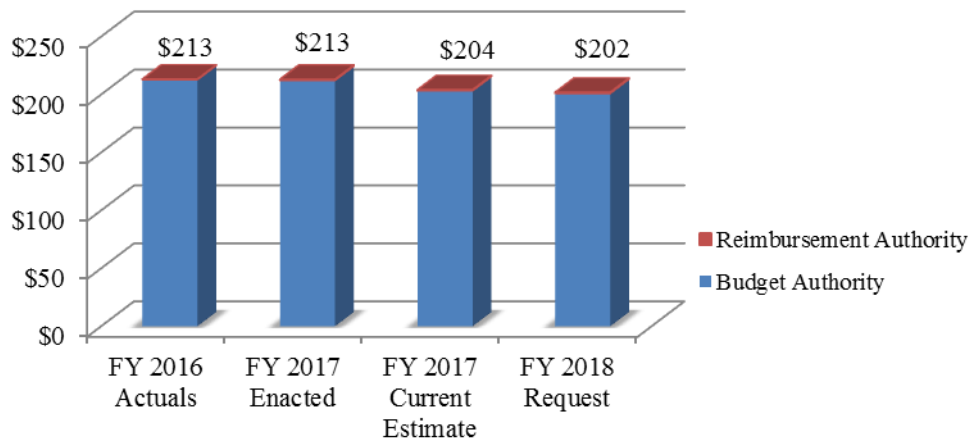
The mission of the Education Program is to provide VA educational assistance programs to Veterans, Servicemembers, National Guard and Reserve members, and eligible dependents for their military service to the Nation. This mission is accomplished by providing financial assistance, generally in the form of monthly benefit payments, as mandated in Title 38 and Title 10, United States Code.

### **Summary of Budget Authority**

**2018 Budget Authority Request: \$201.2 million**

**Change over 2017 Estimate: - \$2.3 million / -1.1 percent**

**Summary of Budget Authority - Education**  
(\$ in millions)



### **Summary of Budget Request and Performance Measures**

VA requests \$201.2 million in budget authority to fund the discretionary portion of the Education Program. Combined budget authority and offsetting collections will fund obligations of \$196 million and enables VBA to continue administering VA educational programs to eligible Servicemembers, Veterans, and their dependents. This request will fund the administrative expenses associated with 1,829 FTE. VA tracks this program through the following performance measures:

- Average Days to Complete Original Education Claims - This represents the average number of days it takes to process the initial application received for education benefits.
- Average Days to Complete Supplemental Education Claims - This represents the average number of days it takes to process subsequent claims for education benefits after eligibility is established.
- Percent of Post-9/11 GI Bill Participants who Successfully Completed an Education or Training Program - This is measured by the graduation rate and certificate completion rate. Currently, the graduation rate measures first-time Post-9/11 GI Bill students that have successfully completed a degree program at an Institutions of Higher Learning. The certificate completion rate measures first-time Post-9/11 GI Bill students that have successfully completed a certificate program at a Non College Degree granting institution.
- Education Call Center Client Satisfaction Index Score - The Education Call Center Client Satisfaction Index Score is a measure of client satisfaction on a 1,000-point scale.
- Overall Customer Satisfaction Index Score - The overall customer satisfaction score is a measure of customer satisfaction on a 1,000-point scale.

<b>Education</b>					
<b>Summary of Discretionary Appropriation Highlights</b>					
<b>(dollars in thousands)</b>					
	<b>2016</b>	<b>2017</b>		<b>2018</b>	<b>2018-2017</b>
<b>Discretionary</b>	<b>Actuals</b>	<b>Budget Estimate</b>	<b>Current Estimate</b>	<b>Request</b>	<b>Increase(+) Decrease(-)</b>
<b>FTE</b>					
Direct	1,647	1,737	1,662	1,662	0
Management Direction and Support	194	167	167	167	0
<b>Total FTE</b>	<b>1,840</b>	<b>1,904</b>	<b>1,829</b>	<b>1,829</b>	<b>0</b>
<b>Obligations</b>					
Personal Services	\$160,974	\$176,214	\$169,302	\$168,652	-\$649
Travel	2,103	1,429	1,429	1,429	0
Interagency Motor Pool	380	330	330	335	6
Transportation of Things	75	194	194	197	3
Rent, Communications & Utilities	14,002	12,614	11,976	11,179	-796
Printing	222	611	611	621	10
Other Services	33,859	19,530	18,098	17,798	-299
Supplies and Materials	595	787	772	735	-37
Equipment	807	1,300	1,300	822	-478
Insurance Claims	181	41	41	40	0
<b>Total Administrative Obligations</b>	<b>\$213,198</b>	<b>\$213,048</b>	<b>\$204,051</b>	<b>\$201,811</b>	<b>-\$2,241</b>
Reimbursements	-\$171	-\$595	-\$576	-\$603	-\$27
<b>Net Appropriation</b>	<b>\$213,027</b>	<b>\$212,453</b>	<b>\$203,475</b>	<b>\$201,207</b>	<b>-\$2,268</b>
<b>Total Appropriation</b>	<b>\$213,027</b>	<b>\$212,453</b>	<b>\$203,475</b>	<b>\$201,207</b>	<b>-\$2,268</b>
<b>Outlays (net)</b>	<b>\$198,819</b>	<b>\$207,248</b>	<b>\$200,168</b>	<b>\$191,349</b>	<b>-\$8,819</b>

*Dollars may not add due to rounding in this and subsequent charts.*

## Changes from Original 2017 Estimate

In February 2016, the blocked call rate at the National Call Centers (NCCs) was at 54 percent. Based on VA's commitment to improve the Veteran experience and access to benefits, 75 FTE were realigned from Education Service to Compensation Service to support the build-up of the NCCs. As a result of this leadership decision, VBA reduced the blocked call rate for 2016 to 39.5 percent—and the blocked call rate for month of September 2016 was 0.01 percent. The realignment of FTE also resulted in the shift of \$9.0 million in total obligation authority from Education to Compensation.

## Changes from 2017 Current Estimate to 2018 Request

Total obligations reflect a net decrease of \$2.2 million. The 2018 request includes the January 7, 2018 projected 1.9 percent pay raise, an increase of fringe benefits costs, and 1.7 percent for non-pay inflation. VBA offset those increases with decreases in personal services at \$649,000, and other non-pay line items at \$1.6 million. This reflects the current status quo level of capability less any proposed program or investment reductions.

### ***VBA At Work***

A Veteran of the United States Navy, served in multiple deployments in support of the Global War on Terrorism. Upon leaving the Navy, while working, he completed his Associate's degree using his Montgomery GI Bill benefits. After a stint working in professional sports operations, he returned to education and earned a Bachelor of Science degree and Master of Public Administration using his remaining Montgomery GI Bill benefits and Post-9/11 GI Bill benefits. Now he is the President and CEO of a respected national Veterans organization leading the way in advocating for Veterans to succeed in their academic and career goals. This is a great example of a Veteran coming full circle to help other Veterans with their transition to education and employment.

## **Program Description, Highlights, and Accomplishments**

VBA's Education Service provides access to and timely and accurate delivery of education benefits to eligible Active Duty, National Guard and Reserve members, Servicemembers, Veterans, and eligible dependents.

Education Service informs Servicemembers of their earned [educational benefits](#) at various key points in their military career allowing them to use these benefits while still on active duty. VBA also conducts outreach to ensure Servicemembers and Veterans are well-informed regarding educational benefits as they plan for the transition to civilian life, whether this involves learning a trade or obtaining a degree.

VA education benefits may be used for licensing and certification exams and on-the-job training programs, as well as for study at institutions of higher learning (IHLs) or non-college degree programs. Through implementation of the Principles of Excellence (POE), VA provides resources to assist Veterans and Servicemembers in making informed educational decisions to achieve their academic and career goals. VBA makes these resources available online and has multiple avenues for Veterans and their dependents to obtain information about their individual entitlement, including the [GI Bill Comparison Tool](#), the [GI Bill Feedback System](#), the joint VA/DoD eBenefits portal, and the Education Call Center (ECC): 1-888-GIBILL1 (1-888-442-4551).

Education Service's focus is moving towards a more holistic evaluation of its business functions and performance and integration with business processes and systems across VBA. Many changes in legislation have propelled the Education Program in this direction. For example, legislation enacted in Public Law 114-228, the Department of Veterans Affairs Expiring Authorities Act of 2016, allows VA the authority to continue to treat a course of education as an approved course for up to 18 months following the withdrawal of recognition of an accrediting agency by the Secretary of Education, so that beneficiaries have time to either complete their program without losing time and benefits,

or continue to receive benefits while they search for a new school. Subsequent legislation in Public Law 114-315, the Jeff Miller and Richard Blumenthal Veterans Health Care and Benefits Improvement Act of 2016, contains 15 provisions that impact the Education Program, including a provision that amends the criteria for determining the expiration date for surviving spouses under the Marine Gunnery Sergeant John David Fry Scholarship.

VBA continues to work with key stakeholders to ensure that Veterans using their educational benefits are paid in a timely and accurate manner. In particular, VBA leverages its partnerships with other Federal agencies, as well as SAAs, VSOs, and other groups, to improve outreach and transparency in educational opportunities for Veterans and Servicemembers; streamline the Veteran's experience; and achieve increased efficiency in internal operations.

VBA's request for 2018 is aligned to VA's MyVA priorities and focuses on improving the Veteran experience in all interactions with VBA. Below is a summary of the tools and methods used to achieve VBA's strategic goals that incorporate VA's Strategic Priorities and Breakthrough Initiatives.

### **Improve Veteran Experience**

MyVA is the largest transformation in VA history, taking service to Veterans to the next level using the Veterans' perspective as a key driver to provide world-class service. MyVA seeks to begin a connection with an individual from the moment he or she joins the military and continue to provide service through his or her military career and through transition to civilian life.

In 2016, VBA processed approximately 4.1 million education claims and \$12 billion in education benefits to over one million beneficiaries. Of those, original claims were processed in an average of 16.7 days and supplemental claims were processed in an average of 6.7 days at an accuracy rate of 99 percent. This exceeds the national timeliness goal of 28 days for original claims and 14 days for supplemental claims. Education Service implemented important initiatives focused on improving the Veteran experience as described below.

#### **Oversight of the Education Regional Processing Offices (RPOs)**

Education Service provides oversight of three RPOs in Buffalo, NY; St. Louis, MO; and, Muskogee, OK. Education Service continues to work to improve the Veteran experience through strategic collaboration between the operations, policy, and training elements of education programs, improving efficiency and effectiveness through greater consistency to RPO processes and operations.

Centralized oversight of the employees who deliver education benefits helps ensure consistency to Veterans and their dependents regardless of the RPO processing the claim. In late 2015, Education Service initiated a process to gather data on volume and processing times at the RPOs. This performance measurement data is critical to VBA's efforts to improve upon standardized key processes across all RPOs and further improve

the timeliness of education claims processing and service to Veterans.

At a national level, Education Service brokers cases between the RPOs to manage resources, minimize variances in timeliness, and ensure Veterans, Servicemembers, and dependents have claims addressed timely regardless of jurisdiction. In 2016, 59,198 claims were processed through brokering.

#### Expansion of Compliance and Liaison Activities

In 2016, Education Service completed 5,435 compliance surveys, which was the most ever. These surveys, completed by either VBA staff or SAA, helps to ensure that schools and other educational programs comply with Title 38, U.S. Code. In 2015, VBA initiated risk-based program reviews for a number of institutions in addition to standard reviews. VBA continuously reviews the findings of these surveys to refine programmatic guidance, provide more information to schools on VA policy, and take corrective actions as necessary. VBA has also conducted 135 risk-based reviews since the [GI Bill Feedback System](#) started in January 2014. As a result of these reviews, 12 schools were withdrawn for engaging in fraudulent, deceptive practices, of which three were withdrawn in 2016.

Education Liaison Representatives (ELRs) are responsible for providing training to School Certifying Officials (SCOs), monitoring the performance of SAAs within their contractual responsibilities, and managing 53 SAA contracts. Education Service worked with SAA partners to finalize a more equitable funding allocation model for 2017 and beyond. This model is partially being implemented in 2017 and full implementation is planned for in 2018.

#### **Deliver a Unified Veterans Experience**

Collaboration and communication with Veterans and strategic partners are priorities for VBA. Stakeholders include Veterans, Servicemembers, National Guard and Reserve members, and eligible dependents. Partners include educational institutions, training establishments, State Approving Agencies (SAA), Veterans Service Organizations (VSOs), Congress, Department of Defense (DoD), Department of Homeland Security, Department of Health and Human Services, Department of Commerce, Department of Labor, Department of Education (ED), and other entities. To the extent practicable, VA works with these stakeholders and partners to increase efficiencies and avoid duplication of efforts.

Education Service has expanded upon several of its initiatives and improved systems to deliver a unified experience to Veterans. Some of those efforts are highlighted below.

#### Improved Internal Controls

Education Service strengthened its internal controls with added requirements for payments totaling over \$20,000. The new controls consist of an audit worksheet, reviewed by at least three separate individuals in Education Service for payments between \$15,000 to \$20,000. The audit worksheet must be approved by all three levels before a payment can be released. For any payment at or above \$20,000, an additional 4th review of the audit is



completed. The payment memorandum is then released to the Director of the RPO to maintain a record of the completed action. Full compliance was achieved with the Improper Payment Elimination and Recovery Act (IPERA) targets for all three tested programs including Chapters 33, 1606, and 1607.

Additionally, Education Service initiated the process to revise the M22-4 manual, cover to cover, for field staff. The M22-4 provides detailed claims processing and course approval procedures for the three RPOs.

#### Strengthened and Enhanced Information Provided to and Received by Veterans

Education Service vastly expanded Veteran outreach by communicating directly with the thousands of students affected by potential or actual school closures. Since launching the [GI Bill Comparison Tool](#), several enhancements have been made to include caution flags, outcome measures, advanced search functionality, and mobile friendly capabilities. In 2016, there were over 3.2 million unique page views on the Comparison Tool with over 2.3 million school searches.

Through the use of the [GI Bill Feedback System](#), an online system designed for reporting negative experiences with educational institutions receiving funding from Federal military and Veterans educational benefit programs, Education Service improved complaint processing. As of the end of 2016, there were over 72,000 landing-page views with 7,162 complaints submitted, of which 7,134 have been closed and 28 remain active and open. VBA continues to provide [CareerScope](#), an online tool that allows Veterans and Servicemembers to assess if they are ready to engage in postsecondary education or training opportunities, or need any remedial preparation. This resource helps Veterans assess their vocational and academic aptitudes so that they can gain maximum value through the use of their GI Bill benefits when pursuing a program of education and determining the best career path for transition to civilian life. CareerScope resides on the [GI Bill Website](#). In 2016, there were 30,558 assessments initiated in CareerScope and of these, 12,046 were completed.

Education Service increased its social media presence as well. In 2016, there were more than 6,000 new subscribers to the [GI Bill Facebook](#) page and it received over 1.5 million views and had 161 posts shared over 90,000 times.

#### Improved Oversight and Enforcement Activities

Education Service worked with its stakeholders to improve oversight and enforcement activities. In 2016, Education Service and SAAs completed 5,435 compliance surveys at VA-approved schools. As a result of these surveys, Targeted Based Risk Reviews were conducted and based on the findings VBA withdrew three schools.

In response to increased interest among our stakeholders, VA hosted a symposium on safeguarding the integrity of GI Bill benefits, which generated several action items related to enforcement tools, information sharing, and regulation development. The symposium further opened the communication lines between government and VSOs, and enhanced the dialogue as to how to best protect the interests of our Veteran students against

predatory and deceptive practices by schools. VA, DoD, ED, Justice, Federal Trade Commission, Consumer Finance Protection Bureau, and 18 VSOs met to discuss our respective enforcement authorities and examined ways to improve collaboration and information sharing.

VA trademarked the term “GI Bill®” to ensure that Websites and programs do not deceptively and fraudulently market educational services and benefits to beneficiaries. To date, VA has carried out enforcement efforts against 13 Websites and four Facebook pages. Trademark violation investigation of the Internet domain culminated in Education Service’s first legal filing of a Uniform Domain Name Dispute Resolution Policy in defense of the GI Bill trademark. The legal action was successful and resulted in redirection of this Website to the GI Bill Comparison Tool. This was a significant legal win and enhanced VA’s efforts to further pursue other entities misusing the term GI Bill.

### **Improve Employee Experience**

In addition to the MyVA strategic priority of improving the Veteran experience, there is an emphasis on improving the employee experience. Education Service has focused on more development training and engagements with its employees as described below.

#### **Employee Training**

In 2016, Education Service developed and implemented over 10 National Training Curriculum training packages for education field staff, to include the call center technicians. These trainings included refresher sessions on topics identified through quality assurance reviews as well as instruction on new legislative changes and policy. From a national perspective, this ensured all field staff had consistent training. Education Service also updated and provided several training packages to its employees to include focus on Transition Assistance Program briefings and ECC employee training.

#### **Stakeholder Training**

Education Service provided extensive nationwide training to almost 2,000 SCOs at both a micro level (individual school workshops) and a macro level (national training events). This ensured that SCOs are thoroughly trained and the quality of work submitted is maximized.

Education Service is actively engaged on an ongoing basis to assist in the training of SAAs on procedural matters and best practices pertaining to VA education benefits. VA routinely supports regional/national conferences to provide up-to-date training regarding new and existing VA regulations. Training on compliance surveys is one example of the content provided at conferences. The SAA is given a quality score on a sample of surveys performed each quarter. SAA quality of work is also measured through monitoring of the performance standards noted on their business plan, and SAAs must complete a report each quarter so that the Contracting Officer’s Representative may review and provide feedback on performance. In addition, VA also provides support at the two National Association of State Approving Agencies (NASAA) conferences held each year where training topics vary based on current need; flight training was prominent at the most

recent NASAA summer conference. NASAA in conjunction with VA also sponsors a training titled the National Training Institute for New SAA and VA Liaison Representatives. This is generally held once each fiscal year and is a three-day intensive training covering all statutes, regulations, and procedures relating to SAA work. ROs also tailor training specific to their regional partners to include regularly scheduled teleconference training calls and one-on-one onsite assistance as necessary. Equally important is the support SAAs receive from the ELR of jurisdiction and the RO on an as-needed basis.

#### Employee Town Halls and Engagements

To improve communication between central office and field employees, Education Service hosts quarterly RPO conferences virtually and face-to-face with RPO leadership to address key issues impacting Veteran and employee experiences.

Education Service also conducts quarterly town halls between the Director and employees and has initiated the first ever Virtual Town Hall. These sessions include employee recognition and updates and comments on national level initiatives or messages from the Director and Deputy Under Secretary for Economic Opportunity. The town halls, held virtually, ensure that employees are available to receive information first-hand and without delay. This also provides the opportunity for employees to ask leadership direct questions.

#### **Future Plans/Goals for 2017 and 2018:**

- VA will process 3.9 million education claims in 2018 with an average of no more than 21 days to process original claims and 9 days to process supplemental claims.
- VA will continue working towards implementing a fully automated system for all education claims and retiring legacy systems. Currently the Long Term Solution (LTS), the automated system used to process Post-9/11 GI Bill educational benefits, fully automates approximately 45 percent of Post 9/11 GI Bill supplemental claims. EDU is working to increase supplemental claims automation to 50 percent in 2018. EDUs strategic goal is to reduce the average processing time to adjudicate claims to five days by increasing automation of supplemental claims and automating Certificates of Eligibility (COE). In 2017, EDU began exploring options for retiring the legacy Benefits Delivery Network (BDN) system and migrating all benefits types to the LTS. The combination of retiring legacy systems and increasing automation will decrease the time to adjudicate claims and to provide benefits to Veterans, Servicemembers and their families.
- In 2017, VA redesigned the education benefits application making it easier and faster for Servicemembers, Veterans and their families to apply to change schools and programs. EDU has been working with the digital service team to migrate education forms from the legacy VONAPP system to Vets.gov. Four of six application forms have been migrated. The remaining two forms will be migrated in May 2017. This migration from VONAPP to Vets.gov reduces the time to

submit applications to the VA.

- VA will continue working to establish oversight and compliance protocols focused on safeguarding the integrity of the GI Bill benefits through:
  - Ongoing communication and coordination with Federal partner agencies to include information sharing on oversight activities. This will ensure that EDU is responsive to actions taken by other Federal agencies against IHLs and can mitigate any problems faced by beneficiaries;
  - Development of messaging to articulate to stakeholders and beneficiaries the importance of safeguarding the integrity of GI Bill program. This will ensure that beneficiaries and stakeholders will be familiar with VA resources that provide information on schools, allow for informed choices, and provide the opportunity to submit complaints about potential bad actors;
  - Comprehensive reviews of education and training programs to analyze and strengthen operations to ensure proper oversight of the VA education programs. This will include a bottom-up review of compliance and enforcement procedures to strengthen training and processes. This will ensure that the approximately 15,000 approved educational institutions are complying with GI Bill approval, reporting and record keeping requirements.
  
- Establish Veteran-centric education outcomes, which include:
  - The next phase of enhancements for the GI Bill Comparison Tool will include: school profile page, four-year metrics, and school rating system. These changes will provide more information to Servicemembers, Veterans, and their families to assist in making decisions on how to use educational benefits;
  - VA plans to collect Veteran-specific data on loan default rates to report the percentage of Veterans who took out Federal student loans and defaulted within three years of repayment. This information will provide VA with a better understanding of Veterans' borrowing habits and will inform future EDU program decisions;
  - New and expanded partnerships with U.S. Census Bureau, ED, U.S. Internal Revenue Service, and the National Student Clearing House to determine the educational outcomes and civilian employment success for individuals who have used benefits under the Post 9/11 GI Bill program. These partnerships provide a better understanding of Veteran educational outcomes. Overall, VA is striving to have a holistic understanding of Veteran educational outcomes to influence future EDU program decisions. These partnerships enable the most extensive program evaluation of the Post-9/11 GI Bill, which has paid nearly \$75 billion in benefits to over 1.75 million individuals to date since program inception in 2009.

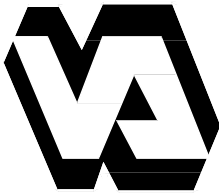
## Workload

Over the last three years, there has been a reduction in claims received. As a result, the 2017 workload is projected to decrease by 2.7 percent. To meet 2017 targets, it is estimated that nearly 4 million claims will be completed. Also, there has been a reduction in claims received over the last three years and, as a result, the 2018 workload is projected to decrease 2.8 percent. To meet 2018 targets, it is estimated that 3.9 million claims will be completed.

The following chart provides a summary of the Education's workload and FTE projections.

<b>Projected Education Workload and FTE Requirements</b>	<b>2015</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Direct Labor FTE	1,666	1,647	1,662	1,662
Total Claims Completed	4,177,406	4,114,961	3,998,771	3,886,806
Increase in Claims Completed (over previous year)	-4.5%	-1.6%	-2.7%	-2.8%
Average Days to Process Original Claims	18	17	21	21
Average Days to Process Supplemental Claims	7	7	9	9

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## Housing

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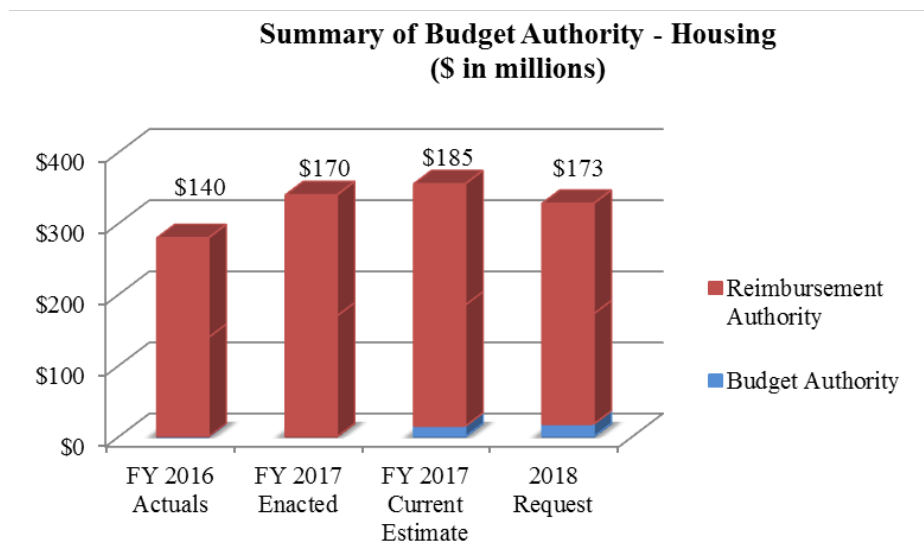
### Mission

The mission of the Housing Program is to maximize Veterans' and Servicemembers' opportunity to obtain, retain, and adapt homes by providing a viable and fiscally responsible benefit program in recognition of their service to the Nation.

### Summary of Budget Authority

**2018 Request: \$17.8 million**

**Change over 2017 Estimate: + \$2.8 million/ 19.0 percent**



### Summary of Budget Request and Performance Measures

VA requests \$154.5 million in reimbursement authority from credit accounts and \$17.8 million in budget authority to fund the discretionary portion of the Housing Program. Administrative funding includes \$153.4 million for the Veterans Housing Program and \$1.1 million for the Native American Housing Program. This request enables VBA to continue administering programs that guarantee home loans and provide specially adapted housing grants for certain severely disabled Servicemembers and Veterans. This request will fund the administrative expenses of 907 FTE. VA tracks this program through the following performance measures:

- **Default Resolution Rate (DRR)** - The default resolution rate targets are set based on national mortgage and economic trends in the housing industry. VA continuously monitors these trends and adjusts performance targets accordingly.

VA will continue to leverage the Web-based servicing application, VA Loan Electronic Reporting Interface (VALERI), to track data on VA guaranteed home loans, and to provide proactive default and foreclosure avoidance assistance to Veteran borrowers who are behind on their VA guaranteed mortgage payment.

- Veterans' Satisfaction Level with the VA Loan Guaranty Program - VA will use the Veterans' satisfaction data to evaluate areas of the Loan Guaranty Program that will require additional policy enhancements or technological improvements to ensure continued Veterans' satisfaction.
- Specially Adapted Housing (SAH) Grantees Who Believe Adaptation Obtained Under the Program Helped Them Live More Independently - This grant program is to provide severely disabled Veterans with the ability to live independently in their homes. Data collected directly from Veterans provides the program with the level of success realized. Results will also be used to identify enhancements to allow for greater levels of independent living.

<b>Summary of Discretionary Appropriation Highlights</b>					
<b>(dollars in thousands)</b>					
	<b>2016</b>	<b>2017</b>		<b>2018</b>	<b>2018-2017</b>
<b>Discretionary</b>	<b>Actuals</b>	<b>Budget Estimate</b>	<b>Current Estimate</b>	<b>Request</b>	<b>Increase(+) Decrease(-)</b>
<b>FTE</b>					
Direct	772	820	820	820	0
Management Direction and Support	92	87	87	87	0
<b>Total FTE</b>	<b>865</b>	<b>907</b>	<b>907</b>	<b>907</b>	<b>0</b>
<b>Obligations</b>					
Personal Services	\$92,729	\$99,901	\$99,901	\$101,328	\$1,427
Travel	1,454	1,473	1,473	1,737	264
Interagency Motor Pool	205	278	278	399	121
Transportation of Things	166	134	134	143	8
Rent, Communications & Utilities	5,355	5,665	5,665	6,020	355
Printing	87	69	69	74	4
Other Services	39,152	61,617	76,933	62,302	-14,631
Supplies and Materials	364	406	406	432	25
Equipment	321	489	489	520	31
Insurance Claims	65	16	16	17	1
<b>Total Administrative Obligations</b>	<b>\$139,898</b>	<b>\$170,049</b>	<b>\$185,365</b>	<b>\$172,970</b>	<b>-\$12,395</b>
VA Housing Administration Reimbursement	-\$139,391	-\$169,799	-\$169,799	-\$154,548	\$15,251
USDA Portfolio Work Reimbursement	-\$507	-\$250	-\$566	-\$576	-\$10
<b>Total Reimbursements</b>	<b>-\$139,898</b>	<b>-\$170,049</b>	<b>-\$170,365</b>	<b>-\$155,124</b>	<b>\$15,240</b>
<b>Net Appropriation</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$17,846</b>	<b>\$2,846</b>
<b>Total Appropriation</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$17,846</b>	<b>\$2,846</b>
<b>Outlays (net)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,800</b>	<b>\$17,553</b>	<b>\$2,753</b>

Dollars may not add due to rounding in this and subsequent charts.



## Changes from Original 2017 Estimate

Total obligations increase \$15.0 million from the original estimate. These changes include an increase of \$316,000 in the reimbursement from the United States Department of Agriculture (USDA). VBA and USDA have entered into an Interagency Sharing Agreement (IAA), which allows USDA to use VBA's property management and disposition processes. The change also includes a request in budget authority of \$15 million for the administration costs associated with the Specially Adapted Housing (SAH) Program.

## Changes from 2017 Current Estimate to 2018 Request

Total obligations decrease \$12.4 million from the 2017 current estimate. The 2018 request includes the January 7, 2018, projected 1.9 percent pay raise, an increase of fringe benefit costs, and 1.7 percent for non-pay inflation. These changes include an increase of \$10,000 in the reimbursement from USDA. This request reflects the current status quo level of capability less any proposed program or investment reductions.

## Program Description, Highlights, and Accomplishments

VA helps Servicemembers, Veterans, and eligible surviving spouses become homeowners. As part of our mission to serve, we provide [home loan guaranty](#) benefits and other housing-related programs such as SAH to help buy, build, repair, retain, or adapt a home for personal occupancy.

### *VBA At Work*

An elderly Veteran in Florida waited all his life to purchase his very first home using his VA home loan benefit. Unfortunately, there were some hurdles along the way because the Veteran had been ruled ineligible back in 2014. The Veteran was experiencing his third contract extension and a resolution of an approval for his loan was not expected. His realtor contacted VA for assistance. Multiple VA program offices coordinated to get this case resolved in an expedited manner. Within a few days, VA was able to move forward on the loan process, lifting any barriers that were holding it back resulting in the Veteran closing on his first home loan using his earned benefit.

In 2016, VBA continued tremendous success in achieving its mission of helping Veterans obtain homes with their home loan benefit and retain homes in times of default. The 2016 guaranteed loan workload of 705,474<sup>1</sup> loans was a record-setting year for total loan volume

<sup>1</sup>The 2016 guaranteed loan volume as reported in the Annual Financial Statements was, 713,041; however, due to program administered system reports, the recognized loan volume is 705,474.

and a 12 percent increase from 2015. In addition to the record-setting numbers of Veterans achieving home ownership, VBA and its partnering loan servicers were able to assist a record 97,368 Veterans and their families with an alternative to foreclosure, an 8 percent increase from 2015.

VBA's request for 2018 is aligned to VA's MyVA priorities and focuses on improving the Veteran experience in all interactions with VBA. Below is a summary of the tools and methods used to achieve VBA's strategic goals that incorporate VA's Breakthrough Priorities.

### **Improve Veteran Experience**

VBA outreach efforts to educate Veterans and industry partners continues to expand by providing additional training mechanisms using virtual and social media delivery platforms at reduced costs to the program. These additional efforts such as Webinars and social media platforms are resulting in clear and consistent messaging of how the VA Home Loan Program can be used by Veterans and/or Servicemembers. Overall, VA market share of the mortgage industry continues to grow, indicating that our outreach and communication efforts are reaching the desired audience.

Efforts to enhance the Veteran experience include expanding access to the VA Home Loan benefit through issuing a record volume of Certificates of Eligibility (COEs). The COE is used to verify that a Veteran and/or Servicemember is eligible to use the VA Home Loan Program. VA received a record 1,074,130 automated COE requests, an increase of 14.1 percent over the 941,779 requests received in 2015.

A record 698,725 COEs were automatically issued in 2016, a 10.7 percent increase over the 630,969 COEs automatically issued in 2015.

VBA personnel provide exception-based servicing to Veterans and their families in default on their VA home loans. They identify and provide Veteran borrowers with home retention solutions to avoid foreclosure and potential homelessness. In 2016, VBA helped 97,368 Veterans and their families avoid foreclosure, while maintaining one of the lowest foreclosure rates in the industry. VBA's exception-based servicing resulted in nearly \$3.1 billion saved in potential claim payments in 2016.

Essential to VBA's achievements in assisting Veteran borrowers in retaining their home after experiencing a loan default is VALERI, a paperless oversight and servicing system. The VALERI servicer Web portal is the primary means of communicating with VBA to report events, submit documents and appeals, perform revisions, and loan cancellations. VBA provides status and feedback on Veteran loans through reports in the portal. VALERI improves VBA's program oversight capability and reduces the cost to the Government for the servicing and liquidation of VA loans in default.

Since the onset of the mortgage crisis in 2009, VBA has leveraged VALERI to assist over 587,000 borrowers in default avoid foreclosure, which in turn saved over \$19.4 billion in potential claim payments. This comprehensive and robust system enables VBA to track those most at risk for loan default, which is a key measure to prevent Veteran homelessness. It is estimated this tool impedes approximately 80,000 Veterans and their families from losing their homes, saving \$2 billion annually in claim payments.

To ensure Veterans and taxpayers that VA loans have received the proper loan valuation, VBA has implemented the Appraisal Management System/Automated Valuation Model (AMS/AVM). This system provides an in-depth risk assessment of every completed appraisal, over 623,000 completed in 2016, allowing employees to focus on and research high-risk appraisals and to increase the quality of appraisals and appraisers. The requested resources mitigate risks and avoid impacting the ability of AMS/AVM to process and analyze over \$100 billion in annual total loan value.

### **Deliver a Unified Veterans Experience**

Collaboration and communication with Veterans and strategic partners are priorities for VBA. Stakeholders include Veterans, Servicemembers, eligible surviving spouses, and members of the Reserves and National Guard. Partners include Congress, Veterans Service Organizations (VSOs), state and county Veterans representatives, the housing finance industry, homebuilders, real estate agents, and fee personnel.

VA home loans are provided by private lenders, such as banks and mortgage companies. VA guarantees a portion of the loan, enabling the lender to provide Veterans with more favorable loan terms. Lenders and real estate agents are essential partners in helping deliver the home loan benefit. They educate Veterans on the VA Home Loan Program and articulate its advantages when they commence the home-buying process. Loan servicers provide the first line of assistance in finding ways to resolve borrower defaults.

Employees and fee personnel such as appraisers, inspectors, and management brokers are also critical to providing Veterans with quality and timely service. For instance, VA maintains a fee panel of appraisers nationwide. This creates tremendous efficiencies because VA can hire appraisal services for Veterans on an as-needed basis, in any part of the country, without having to maintain full-time personnel.

In 2016, VBA continued its efforts to improve and unify the Veteran's experience by implementing a national toll-free number for loan origination and eligibility inquiries. Every call received by a Veteran, stakeholder, or partner is now routed to the next available loan specialist for assistance. The COE national work queue effectively distributed a record 1,074,130 automated COE requests, an increase of 14.1 percent. A record 698,725 COEs were automatically issued in 2016, a 10.7 percent increase. While experiencing a record volume of COE applications, the average COE processing time remained below three business days, ensuring prompt service to all Veterans, stakeholders, and partners. Timely processing of COEs is critical to ensure that loans are closed on time, otherwise Veterans may miss loan

closing dates and experience increased fees and charges as a result.

### **Improve Employee Experience**

The employee experience continues to improve as the Housing Program field staff was provided additional capabilities and resources to conduct training and outreach for stakeholders and Veterans. Training and outreach delivery methods have allowed the staff to be more flexible and meet the needs of their respective audience, with less cost to the program. The additional collaboration between the staff and stakeholders helped usher in a new environment of collaboration and teamwork, resulting in an improved Veteran experience.

VALERI is also a critical component of improving the employee experience by providing a comprehensive and robust workflow tool that directs employees to focus their efforts to assisting Veterans and identifying all possible home retention strategies and alternatives to foreclosure.

### **2016 Accomplishments:**

- Guaranteed 705,474 loans with a total value of \$179 billion. This consists of a record 353,002 purchase loans, an increase of 9.6 percent over 2015. This also consists of 352, 472 refinance loans, an increase of 14.3 percent over 2015.
- Serviced over 2.6 million total outstanding loans with a total loan value of \$556 billion.
- Helped 97,368 Veterans and their families avoid foreclosure, saving over \$3.1 billion in claim payments, while maintaining one of the lowest foreclosure rates (1.19 percent) in the industry for the past eight years.
- Exceeded the DRR performance goal of 79 percent; ended at 84 percent.

### **Future Plans/Goals for 2017 and 2018:**

- The request for VALERI will ensure that over 2.6 million Veteran borrowers will continue to receive home retention assistance, while continuing progress to internally develop the next iteration of VALERI in 2017. Without VALERI, Veterans would no longer receive exception-based servicing to assist in home retention and timeliness of claim payments to holders of VA-guaranteed loans would suffer significantly.
- The internal development of the next generation VALERI platform in 2017 will:
  - Expand to include lender-provided Automated Underwriting System (AUS) data and full file reviews on closed VA-guaranteed loans;
  - Provide insight into how VA lenders use credit requirements and overlays, underwrite Accept/Refers, and ensure quality, which will result in potential policy changes.

- This data will be developed to evaluate the credit risk of VA loans that are submitted to an AUS and develop performance metrics to evaluate loan characteristics, quality, and loan penetration.
- To underwrite a VA loan electronically, a mortgagee must process the request through an AUS that can communicate with this system. Additionally, the full file reviews of closed VA loans will enhance VBA's capability to provide oversight and consistency on a greater scale by providing a rules-based loan file review. This will help Veterans by using automated rules to detect such issues as fees and overcharges, income, debt ratio, credit, and residual income guidelines.
- Customer Relationship Management (CRM) has now been moved under VALERI. CRM houses the Customer Service Transformation system providing a clear, direct line of communication for Veterans, Servicemembers, and other stakeholders to obtain information regarding the VA Home Loan Program.
- The Real Estate Owned and Portfolio Servicing contract (RPSC) is critical to VBA's ability to service loans held by VA, in addition to the acquisition, management, marketing, and disposition of VA Real Estate Owned properties. This contract enables VA to accept newly conveyed properties, as well as manage and sell the existing 7,212 properties in inventory currently valued at \$750 million. Additionally, with this contract vehicle VA performs mortgage servicing actions, including collecting payments and loss mitigation efforts on over 5,600 VA loans. Conducting maintenance on property inventory is a critical step in preventing liability from local code violations and financial loss due to property holding times.

## Workload

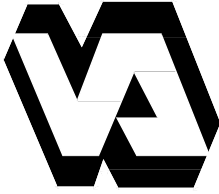
The following chart provides a summary of the VBA housing workload and FTE projections, which are listed in greater detail in this section.

<b>Projected Housing Workload and FTE Requirements (\$000s)</b>	<b>2015*</b>	<b>2016**</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Direct Labor FTE	777	772	820	820
Total Guaranteed Loan Volume	614,142	713,041	589,261	518,851
Total Purchase Loans	235,625	250,422	242,952	267,364
Total Refinance Loans	134,863	160,122	126,514	63,248
Total Loan Amount	\$149,822,478	\$181,786,473	\$157,226,340	\$141,928,931

\*The 2015 guaranteed loan volume as reported in the FFPS was 614,514; however, due to system lag time the actual loan volume is 631,142. Based on the actual loan volume, the total loan amount is \$153.5B, total purchase volume is 322,115, and the total refinance volume is 309,027.

\*\*The 2016 guaranteed loan volume as reported in the Annual Financial Statements was 713,041; however, due to program administered system reports, the recognized loan volume is 705,474 and total loan amount is \$179B. Purchase loan volume is 353,002 and refinance volume is 352,472.

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## Vocational Rehabilitation & Employment

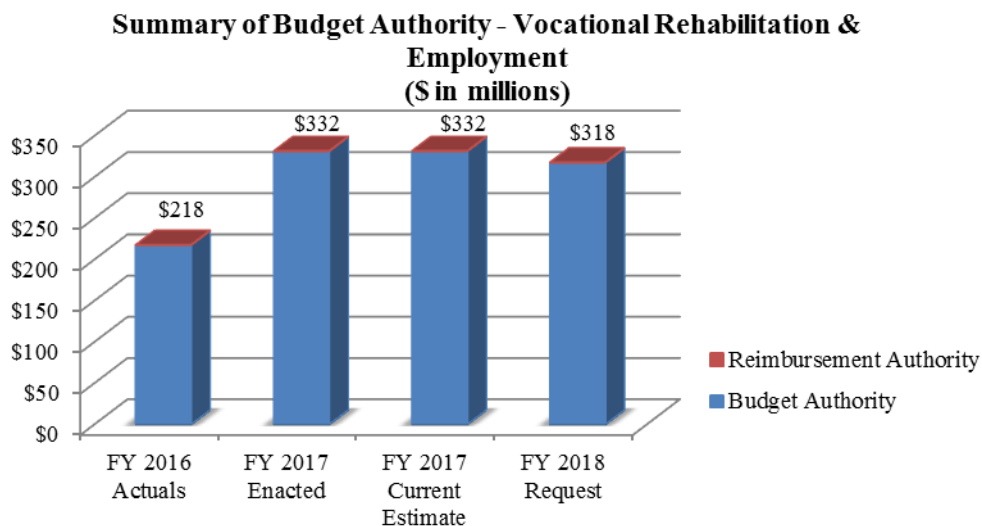
### Mission

The mission of the Vocational Rehabilitation and Employment (VR&E) Program is to provide comprehensive services and assistance to enable Veterans with service-connected disabilities and an employment handicap to prepare for, find, and maintain suitable employment. For Veterans with service-connected disabilities so severe that they cannot immediately consider work, the VR&E Program offers services to improve their ability to live as independently as possible in their homes and communities.

### Summary of Budget Authority

**2018 Budget Authority Request: \$317.5 million**

**Change over 2017 Estimate: -\$13.8 million / -4.2 percent**



### Summary of Budget Request and Performance Measures

VA requests \$317.5 million in budget authority to fund the discretionary portion of the VR&E Program. This request is a decrease of \$13.8 million below the 2017 level and enables VBA to continue administering programs to help over 135,000 Veterans with service-connected disabilities and an employment handicap prepare for, obtain, and maintain suitable employment or live more independently. The request will also fund the administrative expenses associated with 1,594 FTE to meet mission requirements.

VA tracks these programs through the following performance measures. Veterans who either achieved their rehabilitation plan goal, pursued higher education, obtained suitable

employment, or became employable due to their participation in the VR&E Program are considered as “positive outcomes.” New VR&E performance measures support a national model of Veteran success, similar to a college graduation rate, and track:

- **Class Success Rate:** Percentage of Veterans after six years who obtain a positive outcome, measured against all Veterans in their year group (class).
- **Class Persistence Rate:** Percentage of Veterans after six years who obtain a positive outcome and the number of Veterans persisting in their enrollment, measured against all Veterans in their year group (class).
- **Employment Outcome Rate:** (Interim Measure) Percentage of Veterans who obtain employment, measured against all Veterans determined Job Ready in a given fiscal year.
- **Veterans’ Satisfaction with the VR&E Program:** Based on the Overall Satisfaction (OSAT) score captured in the J.D. Power & Associates (JDPA) Voice of the Veteran Continuous Measurement Survey.

<b>Vocational Rehabilitation and Employment Summary of Discretionary Appropriation Highlights (dollars in thousands)</b>					
	2016	2017		2018	2018-2017
<b>Discretionary</b>	Actuals	Budget Estimate	Current Estimate	Request	Increase(+) Decrease(-)
<b>FTE</b>					
Direct	1,377	1,442	1,442	1,442	0
Management Direction and Support	162	152	152	152	0
<b>Total FTE</b>	<b>1,538</b>	<b>1,594</b>	<b>1,594</b>	<b>1,594</b>	<b>0</b>
<b>Obligations</b>					
Personal Services	\$168,850	\$185,098	\$185,098	\$186,939	\$1,841
Travel	1,767	2,405	2,405	2,404	0
Interagency Motor Pool	326	300	300	255	-45
Transportation of Things	280	177	177	180	3
Rent, Communications & Utilities	11,867	11,693	11,693	11,692	0
Printing	207	454	454	461	8
Other Services	32,815	128,557	128,557	113,543	-15,014
Supplies and Materials	609	1,112	1,112	1,031	-81
Equipment	740	1,843	1,843	1,374	-469
Insurance Claims	285	37	37	36	0
<b>Total Administrative Obligations</b>	<b>\$217,746</b>	<b>\$331,673</b>	<b>\$331,673</b>	<b>\$317,916</b>	<b>-\$13,757</b>
Reimbursements	-\$367	-\$389	-\$389	-\$395	-\$6
<b>Net Appropriation</b>	<b>\$217,379</b>	<b>\$331,285</b>	<b>\$331,284</b>	<b>\$317,521</b>	<b>-\$13,763</b>
<b>Total Appropriation</b>	<b>\$217,379</b>	<b>\$331,285</b>	<b>\$331,284</b>	<b>\$317,521</b>	<b>-\$13,763</b>
<b>Outlays (net)</b>	<b>\$202,881</b>	<b>\$322,644</b>	<b>\$322,644</b>	<b>\$297,286</b>	<b>-\$25,358</b>

*Dollars may not add due to rounding in this and subsequent charts.*



## Changes from Original 2017 Estimate

Obligations remain unchanged from the original estimate.

## Changes from 2017 Current Estimate to 2018 Request

Total obligations decrease \$13.8 million from the 2017 current estimate. The 2018 request includes the January 7, 2018 projected 1.9 percent pay raise, an increase of fringe benefits costs, and 1.7 percent for non-pay inflation. VBA offset those increases with decreases in non-pay line items, the majority of which are attributed to other services to account for a \$15.0 million reduction in funding for the Transition Assistance Program (TAP). This reduction more accurately reflects program operations and does not negatively impact services currently provided to Veterans. This request reflects the current status quo level of capability less any proposed program or investment reductions.

## Program Description, Highlights, and Accomplishments

[VR&E](#) helps Servicemembers and Veterans with service-connected disabilities prepare for, obtain, and maintain suitable employment by enabling their education and providing career counseling to help guide career paths to ensure the most effective use of VA benefits. For Veterans with an employment handicap so severe that they cannot immediately consider work, VR&E helps them receive independent-living services.

### ***VBA At Work***

A Veteran served 26 years in the United States Air Force, working as a client system administrator. After separation from military service, he worked various part-time jobs, but was unable to transfer his military experience into a new civilian career. He applied for VR&E services and was found entitled, and participated in VR&E's Non-Paid Work Experience (NPWE) program. This experience led him to his next career and employment as an advanced medical support assistant. He supports several outpatient units with administrative duties and determines health-care eligibility for Veteran patients, among other tasks. His success is a great example of what a Veteran with a disability can accomplish with the assistance of VR&E. He is a vocal supporter of VR&E and the NPWE program to other Veterans so that they can refine their skills for future careers.

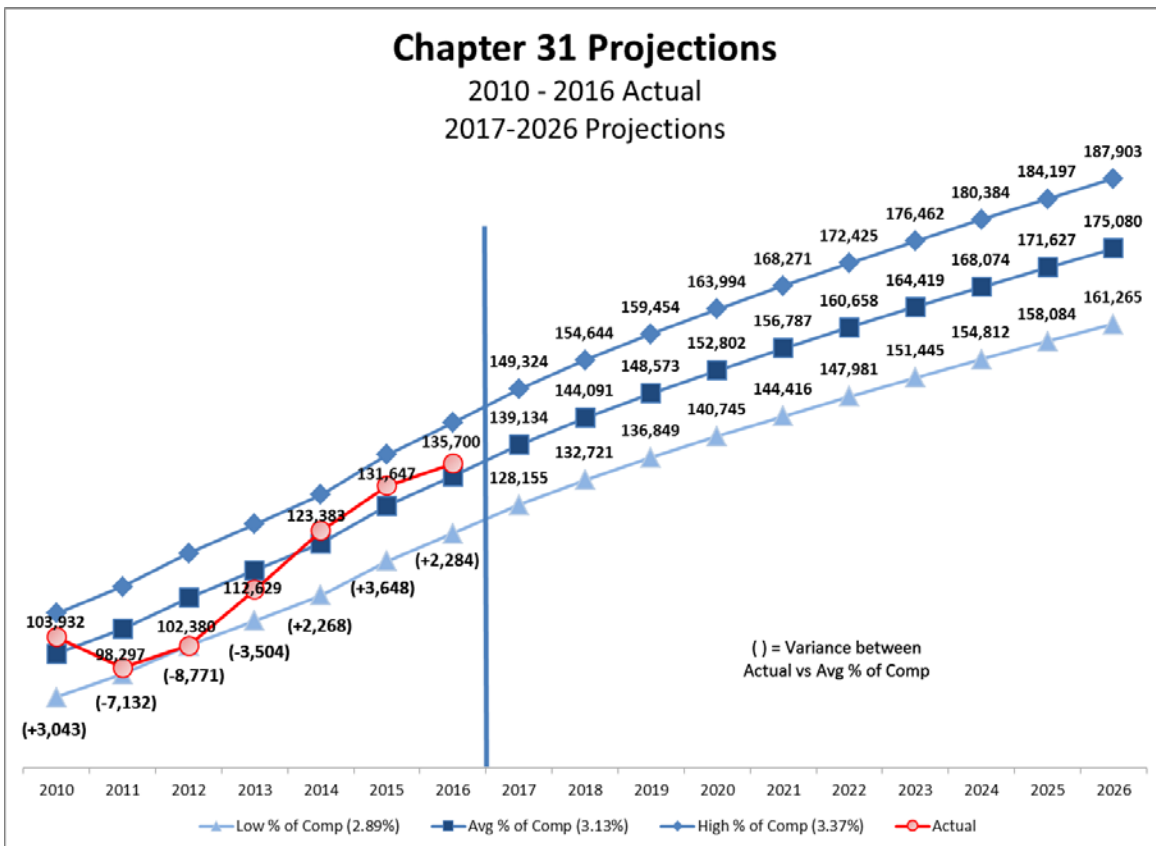
VR&E employs nearly 1,000 professional Vocational Rehabilitation Counselors (VRCs) and delivers service through a network of over 350 office locations. VR&E's service delivery model works to support Veterans where they are located, and include operations at 56 regional offices (ROs); the National Capital Region Benefits Office; approximately 142 out-based offices; 71 Integrated Disability Evaluation System (IDES) installations; and 94 VetSuccess on Campus (VSOC) schools/sites.

VR&E continues to work towards re-aligning resources and transforming VR&E to best meet the needs of Veterans and counselors. VBA's request for 2018 is aligned to VA's

MyVA priorities and focuses on improving the Veteran experience in all interactions with VBA. Below is a summary of the tools and methods used to achieve VBA's strategic goals that incorporate VA's Breakthrough Priorities.

**Improve Veteran Experience**

Driven by the reduction in the compensation claims backlog, the number of VR&E participants has steadily increased and is expected to continue to increase over time. Due to this projection, VR&E strives to maximize resources available to improve the overall Veteran experience, and works toward providing Veterans the support needed to take full advantage of benefits.



**VR&E Longitudinal Study**

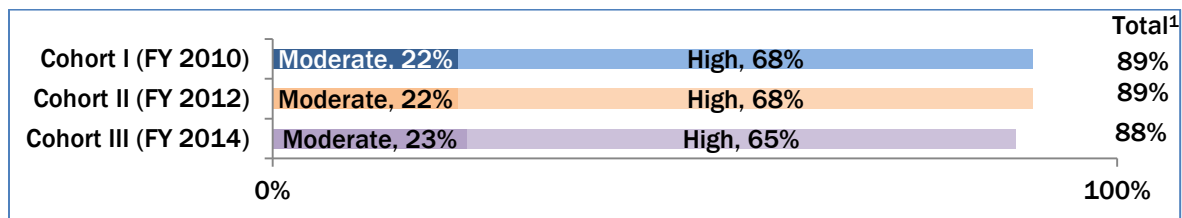
VBA continues to execute the congressionally mandated 20-year VR&E Longitudinal Study of Veterans who began their VR&E programs in 2010, 2012, and 2014. Reports are submitted to Congress annually on the long-term benefits of participating in the [Chapter 31 Program](#). VR&E will continuously analyze trends among Veterans receiving services and improve and adapt services to their changing needs. As VR&E continues to follow these three cohorts over time, more data will be available on the long-term outcomes of Veterans and key programmatic and demographic factors influencing these outcomes.

A "rehabilitated" Veteran is one who successfully completes the rehabilitation program plan and is equipped with the required skills and tools needed to obtain and maintain

suitable employment or gain independence in daily living. Veterans are considered rehabilitated once suitable employment has been maintained for at least 60 days. Over time, the longitudinal study will allow for more robust comparison across all three cohorts, and as the cohorts mature and more participants re-enter the program after discontinuation or after having achieved rehabilitation, analyses can assess how entering the program more than once may influence long-term outcomes.

VBA provided the following trends in the 2016 report to Congress for FY 2015:

**Percentage of VR&E Participants Reporting Moderate or High Overall Satisfaction with the Program as of end of 2015**



*NOTE: Percentages (%) reported in figure are based on survey data that has been weighted up to reflect the cohort population.*

<sup>1</sup> Percentages for moderate and high satisfaction may not sum to total percentages due to rounding.

Source: VR&E Longitudinal Study, Annual Report 2016 for 2015.

- Nearly 90 percent of the participants surveyed for all cohorts reported moderate to high program satisfaction (see chart above).
- Nearly 70 percent of discontinued participants reported moderate to high satisfaction with the program in 2014 and 2015.
- For all three cohorts, more than 90 percent of Veterans who achieved rehabilitation from an employment plan were employed in the past year.
- Veterans who achieved rehabilitation reported higher annual income than discontinued participants. Amounts were at least \$18,000 higher for individual income as compared to \$15,000 from the previous year’s report. Household income amounts were \$20,000 higher for both 2014 and 2015.
- Veterans who successfully complete the VR&E Program report more positive economic outcomes, including higher employment rates and annual earnings, and more frequent home ownership, as compared to those Veterans who discontinued their participation in the VR&E Program.
- On average, women make up a larger percentage of VR&E Program participants (17–20 percent) than the overall female Veteran population (nine percent).

- Nearly one quarter or more of participants in each cohort have a primary rating for Post-Traumatic Stress Disorder (PTSD).

### Online Application Capability

In September 2015, VBA implemented online capability through eBenefits Enterprise Veterans Self Service (EVSS) for eligible participants to apply for [Chapter 31](#) and [Chapter 36](#) counseling services. With this capability, eligible participants can submit their application for services and are no longer required to print and deliver an application to an RO. The application is available to view or print in the Veteran's electronic folder. In 2016, Chapter 31 applications increased by 27 percent, as 68,417 applicants submitted applications through EVSS and 43,738 applicants submitted applications through paper and VonApp Direct Connect. This resulted in a total of 112,155 applications for Chapter 31. Additionally, 14,886 Veterans applied for Chapter 36 services through EVSS.

### CareerScope

CareerScope, an online career assessment tool, allows Veterans to take a computerized test that promotes Veteran transition planning. Upon completion of the assessment, both the Veteran and the VR&E counselor review the results as an integral part of the counseling and evaluation process. The results provide the VR&E counselor and the Veteran with a basis for selecting educational objectives and career goals based on the Veteran's individual interests and aptitude, which helps to develop an individualized rehabilitation plan. Nearly 37,000 assessments were completed in 2015 and over 40,000 assessments completed in 2016.

### **Deliver a Unified Veterans Experience**

Collaboration and communication with Veterans and strategic partners are priorities for VBA. Stakeholders include Veterans, Servicemembers, Guard and Reserve members, and dependents of certain Veterans. Partners include the Veterans Health Administration (VHA); Department of Labor (DOL); Small Business Administration; Office of Personnel Management; Department of Defense (DoD); education, training, and rehabilitation facilities; General Services Administration; Social Security Administration; Internal Revenue Service; Congress; and Veterans Service Organizations.

Through VR&E, VBA continues to partner with Federal, state, and private-sector agencies and organizations to increase efficiencies and avoid duplication of efforts. VR&E works on the Interagency Care Coordination Committee (IC3) with the goal to harmonize programs, reduce confusion, and simplify processes for wounded, ill, and injured Servicemembers transitioning between DoD and VA healthcare, benefits, and services. VR&E partners with service-based government, non-profit, private-sector, and community organizations to facilitate Veterans' adjustment to the workplace, enhance self-awareness, and connect Veterans to employers.

VBA is committed to delivering a unified Veterans experience through collaboration with others to advocate for Veterans and provide a more efficient administration of benefits.

The Client Relations Team (CRT), formerly named the Veteran Advocacy Assistance Team (VAAT), was established in 2015 to respond to an increase in incoming VR&E Veteran-related inquiries. Inquiries are received from a wide range of internal and external sources, including congressional leaders and Veterans. This increase in inquiries is related to greater transparency and a focus on prompt Veteran service delivery.

### **Improve Employee Experience**

#### National Contracts

VA has over 1,000 VRCs and Employment Coordinators (ECs) who provide VR&E services to Veterans annually. In order to improve the employee experience, provide additional support, and render timely services, VBA continues to procure supplementary VR&E services by contract. These contracts provide VR&E support services on an as-needed basis for:

- Initial Evaluations and Assessments;
- Case Management Service;
- Employment Services;
- Educational/Vocational Counseling.

These services enable entitled Veterans with service-connected disabilities to achieve maximum independence in daily living, and to the maximum extent feasible, become employable and obtain and maintain suitable employment.

#### Workload Management Reports

In 2016, VR&E continued the development and implementation of 14 additional Oracle Business Intelligence Enterprise Edition workload reports, totaling 25 deployed workload reports. These reports are vital in supporting VR&E leadership, Area Directors, VR&E Officers, VRCs, and ECs in monitoring the workload. Reports such as the “Percent Active Caseload” monitors workload with respect to timeliness standards and ensures that Veterans receive timely service delivery and active counselor/EC engagement through every phase of program participation. This, and similar reports, support VR&E personnel in taking timely and appropriate actions towards assisting Veterans in successfully completing their rehabilitation programs.

### **Future Plans and Goals for 2017 and 2018:**

- VR&E Case Management System (VRE-CMS)  
VRE-CMS will replace VR&E’s 20 year old legacy case management system, Corporate WINRS (CWINRS). This system will transition legacy paper-based VR&E processes to the Microsoft Dynamics © Customer Relationship Management (CRM) platform, while leveraging existing VA IT applications and processes. VR&E anticipates a production pilot of the Minimally Viable Product (MVP) in early 2018.

As VR&E transitions to a digital and paperless environment, counselors will

be able to manage their workload more efficiently and effectively, allowing more time to provide high-quality counseling and employment services to VR&E participants. Administrative burden on VR&E counselors is expected to decrease, as the system will be more flexible to the changing needs of both Veterans and counselors. When VRE-CMS is deployed to the field, counselors will no longer need to create paper VRE folders, thereby immediately eliminating duplication of work. Instead, counselors will store case documentation in the VBMS eFolder. Additionally, integration enhancements with various VBA systems in the VRE-CMS platform will minimize the need for counselors to log into multiple systems to gather Veteran specific information. VR&E will provide train-the-trainer sessions to approximately 120 VR&E staff. These specially trained staff members will become on-site resources to answer questions and provide support during VR&E CMS implementation.

### VR&E “Next Generation” Case Management System Roadmap for Integrating VA’s Benefit Delivery Systems

**TO BE:** “Next Generation” Case Management System, with collaborative user interface in eBenefits, driving an efficient and Veteran-centric paperless service delivery process.



Integrating with VA business lines and benefit information systems to enhance relationship management and support vocational rehabilitation success.



- **Increased Use of VR&E Tele-counseling**

VBA collaborated with VHA’s Telehealth Program to deploy Tele-counseling nationwide in March 2015 and effectively uses secure video teleconferencing technology to enable VRCs to remotely meet with and counsel Veterans receiving VR&E services. It was developed as an option for Veterans who have busy schedules, live in rural locations, or have transportation challenges in order to meet with their VRC to discuss their rehabilitation goals. Tele-counseling is expected to reduce the need for staff and Veterans to travel to scheduled appointments and improve accessibility to VR&E services.

As the program continues to gain momentum, VBA continues to look for opportunities to increase participation and the number of appointments scheduled by the approximately 1,000 VRCs that span all VBA Regional

Offices. One of VR&E's operational goals for 2018 is to continue to expand the use of Tele-counseling services. VR&E will implement two pilots during the course of 2017 and 2018 to study a variety of changes to current Tele-counseling policy. One pilot will study the use of Tele-counseling for the completion of the initial evaluation and entitlement determination. We expect that this effort will expedite the entitlement determination process by providing an additional option for appointment scheduling, and decrease the need for the applicant to travel to the VR&E office for the initial appointment with the VRC. This potential use of Tele-counseling will have the added benefit of reducing travel time for our participants, as well as travel costs for VR&E. The use of Tele-counseling to provide an expedited entitlement process will provide faster access to VR&E benefits and services to VR&E participants.

VR&E also intends to sponsor and execute another pilot to further expand the use of Tele-counseling to VRCs located on college campuses through the VSOC initiative, as well VRCs located on military installations through the IDES program. This pilot will further expand the use of Tele-counseling by allowing its use in all phases of the rehabilitation process, and is also intended to leverage the use of VR&E's Chapter 36 Vocational and Educational counseling. The outcomes and best practices resulting from these pilots should lead to further improvements in VR&E business processes by increasing efficiency and Veteran engagement.

- Lean Six Sigma

In 2017, VR&E will complete four Lean Six Sigma projects in order to further improve VR&E business processes. These include:

- Improving the Chapter 31 third-party invoicing to facilitate streamlined paperless processing, accounting, and reconciliation to reduce delays in payment of invoices for Veterans' school expenses;
- Increasing the use of Tele-counseling services for Veterans;
- Improving the Quality Assurance Reconsideration Board process; and
- Improving the RO Director's Performance Dashboard by implementing automation methods to generate at, or near, real-time data.

- VR&E Officer's Technical Training Conference

In June 2017, VR&E will provide face-to-face technical training to approximately 75 managers to include information on digital and paperless transformation and the new case management system. VR&E is going through a major transformation in 2017- 2018 from paper to digital files and critical discussions and training will include VRE-CMS, Centralized Mail, VBMS e-Folder, CER Folder Scanning, Competency Based Training System (CBTS), VSOC/IDES expansion, and National Contracting and Leadership Development. It is necessary to continue training in these areas to ensure there is a seamless transition from paper to digital. Previous training offered an overview on how management would be expected to support the transition of

new digital programs. These programs are nearing deployment and require exclusive training for all managers.

- Training for VR&E Field Employees  
VR&E is providing New Counselor Training Instructor-led, Web-based Training (IWT) in 2017 each quarter to newly-hired VRCs. This training is conducted annually and focuses on how to utilize the VR&E manual (M28R) for procedures, job support tools, and overall practices to ensure new VRCs provide consistent and high quality vocational rehabilitation services to Chapter 31 Veterans.
  
- Leader Development Programs  
VR&E is committed to improving the Veteran and employee experience by promoting a culture of continuous leadership development. Goals of the VR&E Leader Development Program include providing:
  - Training to new and existing leaders to effectively manage the day-to-day operations;
  - Opportunities to increase VR&E technical knowledge to all employees to more effectively transition into leadership roles;
  - Opportunities to develop leadership skills to all employees;
  - Coaching programs to assist with job specific inquiries;
  - Mentoring programs for personal career development; and
  - Career progression roadmaps to identify skill-building opportunities.

One component of the Leader Development Programs includes the Future Leaders Development Program (FLDP). VR&E will begin soliciting and selecting nominees for the FLDP, inaugurating the first cohort in the first quarter of 2018. Nominees will participate in independent study and instructor-led web-based training. By the end of the third quarter, participants in FLDP will begin a week long residential session to increase knowledge of transitioning to leadership, political savvy, conflict resolution, team projects and an interviewing skills simulation.

A second component of the Leader Development Program includes the VR&E Coaching Program for division managers and senior level employees, which will provide guidance on how to coach newer employees through workplace challenges, help to improve their performance, and lead them through career decisions.

- In July 2017, VR&E will hold a consolidated, in-person, EC training to deliver institutional professional development, bridge gaps in service delivery, and share strategies, theories, and best practices for staff working directly with Servicemembers, Veterans, employers, and others supporting the employment of Veterans in the Chapter 31 program. The event will support the training needs of 89 VR&E ECs and VRCs providing direct employment services to



Veterans. The training conference will highlight recent changes in performance standards, the VA/DOL partnership, and overall practices to ensure consistency and quality of employment service delivery to Chapter 31 Veterans.

- VR&E plans to expand the VRC CBTS pilot to five additional ROs in 2018 for a total of 10 ROs and national deployment will occur in 2019. This expansion will provide vital data and feedback to assist VR&E in preparing for a national rollout of the CBTS. This supports VBA's touchpoints of improving the employee and the Veteran experience by targeting training to the individual employee's needs, and allowing employees to provide the highest level of counseling and employment services, while promoting local and national leadership and professional development opportunities for employees.
- In 2017, VBA plans to leverage best practices in existing VSOC mentorship programs to assist Veterans with transition issues and mitigate the stigma of seeking help. Numerous studies on the effectiveness of peer-to-peer approaches have demonstrated that peers "who have been there" can be a credible source of support to help others overcome the stigma and open the door to improved well-being. The mentoring program will equip the student Veterans with tools resulting in smooth transition from the military environment to the campus environment, and the ability to complete their educational and employment goals. Mentoring programs will be benchmarked with community best practices and evidence-based research on peer-to-peer mentorship programs. The programs can be easily established or integrated with any existing University and/or Community College peer mentorship program for non-Veteran students.
- In 2017, VBA will strengthen its partnership with the Commission on Rehabilitation Counselor Certification (CRCC) by implementing a new initiative to support the continued attainment of the Certified Rehabilitation Counselor (CRC) credential for VR&E counselors eligible for certification or renewal. This initiative will allow eligible VR&E counselors the ability to request reimbursement/sponsorship for application and renewal fees. VBA will also collaborate with VHA Employee Education System (EES) to offer CRC accreditation and continuing education (CE) to VHA users and to offer just-in-time CRC verification forms and CEs to all VHA and VBA employees. This partnership will also allow VBA to explore the provision of other accreditations as needed. These efforts demonstrate VA's commitment to the rehabilitation counseling community. They allow VA staff to provide world-class rehabilitation benefits and services to Veterans and also support VBA's touchpoints of improving the employee and the Veteran experience.
- In 2018, VR&E plans to develop Public Service Announcements (PSAs) so Veterans, Servicemembers, family members, and employers can learn more about employment services, Chapter 36 counseling, and other services offered

through VR&E. This new strategy elevates the recognition and visibility of VR&E benefits to potentially eligible Veterans. The PSAs will cover a range of subjects and will be presented in multiple formats for delivery on different digital platforms to include television, YouTube, Facebook, mobile applications, and other Web sites.

- VR&E will continue to identify and assess the most effective outcomes from the VSOC program. VR&E is reviewing possible modifications to the current field data collection to more easily capture program data and outcomes. In August 2017, a VSOC counselor training conference will be held to provide consolidated, in-person, training to include a learning objective on program outcomes and updated data collection efforts, as well as to equip them with the necessary knowledge and skills to meet the needs of the Veterans they serve. The event will discuss the development of campus-based Veteran mentoring programs, explore various challenges related to persistence and graduation, and will share best practices to enhance the Veteran experience. It will also promote the importance of public and private partnerships beyond the campus environment to facilitate improved graduation rates, employment outcomes, and post military adjustment for those they serve.
- One of VR&E's goals for 2018 is to obtain contract services to determine the feasibility and viability of self-employment business plans for Veterans. Self-employment is one of the [five tracks of services](#) under VR&E. Providing this service will greatly assist Veterans pursuing self-employment with developing solid business plans by providing expertise to ensure they have the elements needed for success in their business pursuits.

### **Supporting Initiatives:**

#### The Integrated Disability Evaluation System (IDES)

During 2012, DoD and VA identified three sites for initial integration of VR&E services at military IDES locations. Currently, VR&E is at 71 military installations with 145 allocated counselors are currently directly dedicated to the IDES program. Services range from comprehensive rehabilitation evaluations in order to determine abilities, skills, and interests for employment purposes to support services to identify, obtain, and maintain employment. By physically placing VRCs at IDES locations, benefits delivery and timely responses to the needs of transitioning Servicemembers is enhanced. This counseling also assists Servicemembers using Post-9/11 GI Bill benefits make better informed career choices.

The IDES/VR&E initiative transforms the way VA supports Servicemembers and Veterans with service-connected disabilities and their families to ease the stress of transitioning to civilian life. Public Law 110-181, Sec. 1631(b) of the National Defense Authorization Act (NDAA) establishes VR&E eligibility and automatic entitlement for severely injured active duty individuals before a VA rating is issued. Sec. 724 of Public Law 113-291 extends the sunset date of NDAA to December 31, 2017. Early intervention

helps combat homelessness and financial challenges caused by the loss of income between the transition from military service and the time it takes to obtain civilian employment. Integrating the VR&E Program early into the IDES process allows Servicemembers and their families to smoothly transition into civilian life, better adapt, and work with their service-connected disabilities. It improves the quality and timeliness of VA benefits delivery by beginning the process of developing a new career that is uniquely appropriate for each Servicemember during the transition process. VR&E estimates nearly 20,000 transitioning Servicemembers will be supported through this initiative in 2017 and 2018.

#### VetSuccess on Campus Program

VSOC was implemented in 2009 and has expanded to 94 campuses nationwide. This initiative currently supports a population of nearly 78,000 Veterans on campuses. VSOC provides outreach and transition services to Veterans during their transition from military service to college. VSOC eases the transition and ensures the coordinated delivery of benefits and services to Veterans, Servicemembers, and their eligible dependents. The mission of the VSOC VRC is to liaise with VA certifying officials, perform outreach, and communicate with Veterans ensuring their health, education, and benefit needs are met. This enables Veterans to stay in college to complete their degrees and enter career employment.

This outreach effort transforms the way VA supports Veterans with a service delivery method that is convenient for them. It improves the way VA provides services to Veterans, allowing VA employees to explore and coordinate VA benefits for individual Veterans while they are on campus. It assists Veterans in using all benefits available to them to stay in college through the completion of their degree program, and proactively to deal with medical or other barriers to retention. Helping Veterans complete degree programs and enter career employment improves the quality of Veterans' lives and further combats homelessness and poverty caused by unemployment or underemployment.

#### Voice of the Veteran

VA's [Voice of the Veteran](#) initiative was implemented to reinstitute VA's customer satisfaction research programs. This initiative provides leadership and stakeholders with robust Veteran-centric data on program enrollment, service delivery, and program exits to make effective decisions.

The program identifies critical-to-customer metrics and quantifies the importance of RO Veteran touchpoints based on feedback. Continuous feedback and briefings to VR&E leadership provide comprehensive analysis of survey results and data-driven recommendations to support action plans to improve overall service delivery to Veterans. In addition, these briefings:

- Provide transparent, timely, and actionable feedback on a continuous basis.
- Assist in identifying, documenting, and disseminating best practices throughout the field and other offices; and
- Use results as a vehicle to celebrate successful interactions and experiences.

Some of the findings in FY2016 for VR&E include:

- VR&E received an overall satisfaction score of 666 out of 1,000, an increase of +8 points from FY2015. This increase was driven by a substantial increase of VR&E Access of nearly 20 points.
- Veterans who utilize their VR&E counselor as a top job resource have a higher satisfaction than Veterans using any other job-seeking resource.

### **2016 Accomplishments:**

- 1,342 VR&E field staff assisted 14,349 Veterans to successfully achieve a positive outcome. Positive Outcomes are a combined measure of the number of Chapter 31 Employment Rehabilitations, Independent Living Rehabilitations, Education Rehabilitations, Maximum Rehabilitation Gains (MRGs), and Chapter 18 and 35 Rehabilitations achieved during a given fiscal year.
- VR&E completed national deployment of the Subsistence Allowance Module (SAM) to all 56 ROs in April 2015. SAM's user-friendly, "windows" based interface provides a more intuitive and streamlined awards processing platform, eliminating the need for using the legacy, command-based mainframe style Benefits Delivery Network (BDN) and thus speeding timeliness of Veteran award payments. As of September 2016, 94,255 Veterans have received subsistence allowance payments processed through SAM. Stations no longer use BDN to process Chapter 31 subsistence allowance awards as a result of the deployment of SAM.
- VR&E delivered:
  - Three virtual and two face-to-face New Manager Training sessions to 18 new division managers;
  - A two-day virtual Officer's Technical Training Conference focused on VR&E transformation initiatives to 75 managers; and
  - New Counselor Training to 77 newly-hired VRCs.
- Evaluation data from New Manager Training revealed that 100 percent of graduates were satisfied with the training and found the training applicable and relevant to their roles as managers.
- Six-month evaluation data from all New Counselor Training sessions indicated that 84 percent of the graduates were satisfied with the training upon completion; 69 percent were satisfied with the training at the three-month training completion benchmark; and 65 percent of the graduates were satisfied with the training at the six-month training completion benchmark. Additionally, participants' supervisors were very satisfied with their employee's job performance correlated to the training. Sixty-nine percent were satisfied with their employee's job performance

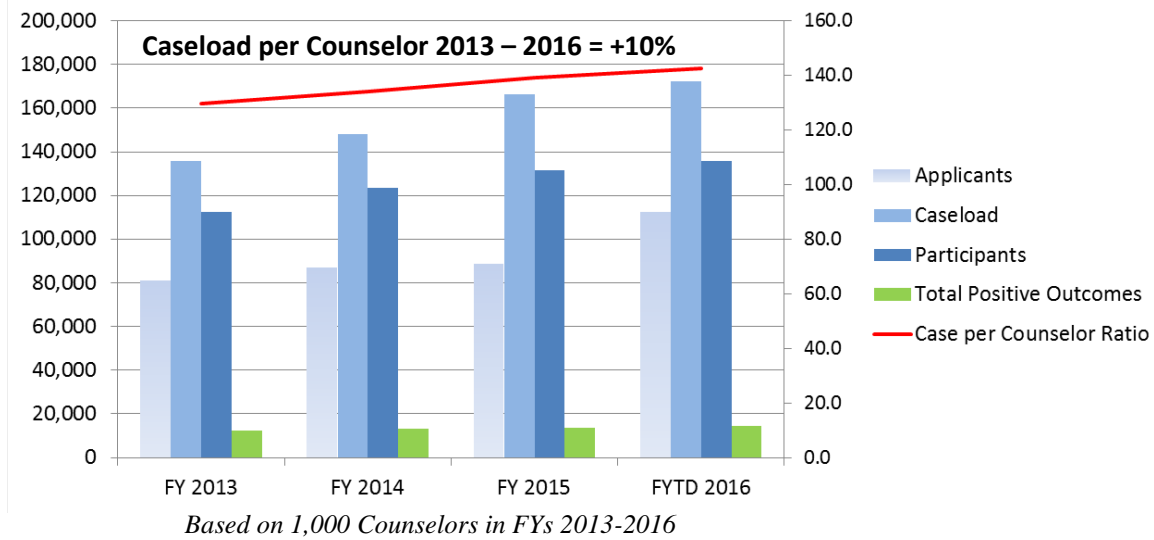
at program completion; 91 percent were satisfied with their employee's job performance at the three-month training completion benchmark; and 84 percent were satisfied with their employee's job performance at the six-month training completion benchmark.

- In 2016, the CRT facilitated timely and Veteran-Centric service delivery by responding to nearly 3,000 Veteran-related inquiries received telephonically, electronically, and by mail.
- The CBTS is a group of seven diagnostic assessments which measure job-specific technical competencies; identifies individual, RO, and national training needs; and assigns refresher training for experienced VRCs based on skill gaps. The CBTS was piloted to 92 experienced VRCs at five ROs in 2016. Pilot results indicated that overall required training hours were reduced by 36 percent, and an overall average score of 80 percent was achieved across pilot ROs. A Virtual Item Writing Workshop was also conducted with 21 Central Office and field subject matter experts which resulted in the revision and creation of 1,484 CBTS diagnostic assessment test items.
- In 2016, the VSOC Program assisted over 46,000 Veterans and eligible dependents, including over 17,000 new contacts at the 94 campus locations supported by 79 VSOC counselors. VR&E strengthened its data collection procedures to measure:
  - Length of time spent with each Veteran and/or beneficiary;
  - Type of services provided (on campus benefits assistance educational, vocational, or adjustment counseling);
  - Various outreach activities.

## Workload

While workload has continued to grow, VR&E achieved strengthened outcomes and moving forward with future plans and goals in order to continue providing consistency of service delivery.

### Increased VR&E Counseling Capability: VR&E Growth and Workload Fiscal Year 2013 to Present



Category	FY 2013	FY 2014	FY 2015	FY 2016
VR&E New Claims	80,812	87,094	88,439	112,155
Caseload	135,815	148,229	166,511	172,202
Participants	112,659	123,383	131,607	135,700
Total Positive Outcomes	12,418	13,106	13,476	14,349
Case per Counselor Ratio	129.6	134.2	139.3	142.5

*Sources: VA Annual Benefits Reports, FY 2013 through 2016 and VR&E Workload Management Reports.*

The following chart provides a summary of the VBA VR&E workload and FTE projections.

<b>VR&amp;E</b>	<b>2015*</b>	<b>2016</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>
Direct Labor FTE	1,395	1,442	1,442	1,442
Actual Participants	131,607	135,700	139,134	144,091
Increase in Actual Participants (over previous year)	6.7%	3%	2.5%	3.5%
Veterans Entering a New Plan for Rehabilitation (over previous year)	28,814	29,341	30,808	32,348
Increase in Veterans Entering a New Plan for Rehabilitation (over previous year)	-12%	1.8%	5%	5%
VR&E New Claims	88,439**	112,155	116,641	121,307
Increase in VR&E New Claims (over previous year)	2%	27%	4%	4%
Positive Outcomes*	N/A	14,349	TBD	TBD
Active Caseload	N/A	85.4%	TBD	TBD

*\*The Rehabilitation Rate was eliminated as performance standard 1 July 2015 with final reporting as of 09/30/15. Replaced by Positive Outcomes performance standard.*

*\*\* Revised FY 2015 VR&E New Claims figure based on updated data received subsequent to the prior budget submission.*

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## *Insurance*

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### **Mission**

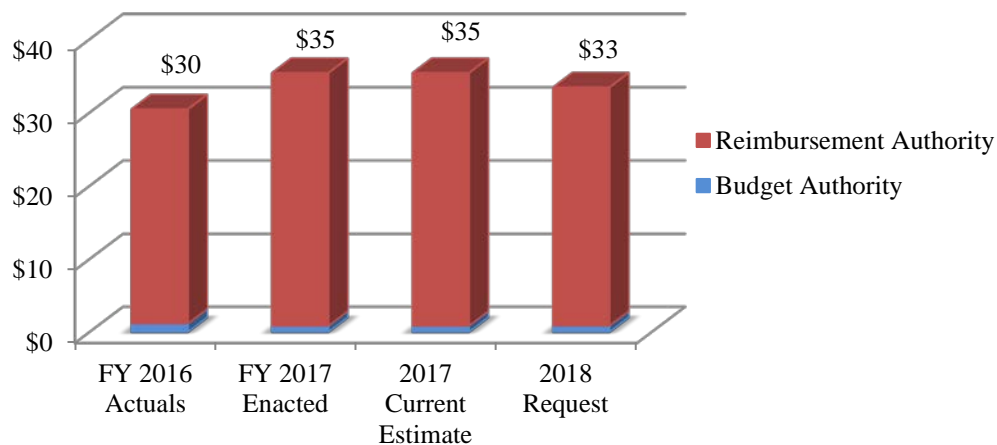
The mission of the Insurance Program is to provide high-value life [insurance services](#) to America's Veterans, Servicemembers, and their beneficiaries.

### **Summary of Budget Authority**

**2018 Budget Authority Request: \$902,000**

**Change over 2017 Estimate: + \$23,000 / 3 percent**

**Summary of Budget Authority - Insurance**  
(\$ in millions)



### **Summary of 2018 Budget Request and Performance Measures**

VA requests \$902,000 in budget authority to fund the Veterans' Mortgage Life Insurance (VMLI) Program as well projects and activities not directly associated with reimbursable programs. Expenses related to the projects and activities funded include the payroll expenses for employees assigned to non-program specific improvement efforts such as the MyVA transformation team and Plain Language teams, which are training teams focused on teaching techniques for writing clearly and concisely for target audiences. Combined budget authority and offsetting collections will fund obligations of \$33.5 million, enabling VBA to continue administering valuable life insurance benefits programs to Servicemembers, Veterans, and their families. This request also funds administrative expenses and 318 FTE.

In 2018, VA will continue to maintain a high level of performance and client satisfaction

through its toll-free Insurance Customer Service Center, e-mail, the Interactive Voice Response (IVR) system, social media, and the Insurance self-service Website. The IVR system is the VA telecommunications equipment that allows callers to speak to an Insurance representative during business hours or access policy information at any time of the day. VBA measures the success of the program using the following performance measure:

- **Rate of High Client Satisfaction Ratings on Insurance Services Delivered.**

VA surveys a total of 410 randomly selected Veterans and beneficiaries per month based on the type of Insurance service a client receives. The monthly surveys consist of a series of statements/questions pertaining to the service provided and clients are asked to rate each of the statements based on a five-point scale. The results from the surveys are tabulated on a monthly basis and serve as a good indication of the satisfaction level of Veterans and beneficiaries in the Insurance Program.

VA will implement the following strategies to achieve high client satisfaction ratings of 95 percent or higher on insurance services delivered to beneficiaries in 2018:

- Take action on customer survey responses to the question, “How can we improve our service?”
- Conduct refresher training for direct customer service employees as needed; and
- Maintain appropriate staffing levels to provide services quickly and accurately.

<b>Insurance</b>					
<b>Summary of Discretionary Appropriation Highlights</b>					
<b>(dollars in thousands)</b>					
	<b>2016</b>	<b>2017</b>		<b>2018</b>	<b>2018-2017</b>
<b>Discretionary</b>	<b>Actuals</b>	<b>Budget Estimate</b>	<b>Current Estimate</b>	<b>Request</b>	<b>Increase(+) Decrease(-)</b>
<b>FTE</b>					
Direct	289	317	317	293	-24
Management Direction and Support	27	28	28	25	-3
<b>Total FTE</b>	<b>316</b>	<b>345</b>	<b>345</b>	<b>318</b>	<b>-27</b>
<b>Obligations</b>					
Personal Services	\$27,042	\$31,073	\$31,073	\$29,699	-\$1,374
Travel	61	95	95	90	-5
Interagency Motor Pool	6	5	5	5	0
Transportation of Things	11	1	1	1	0
Rent, Communications & Utilities	2,596	2,916	2,916	2,535	-382
Printing	31	14	14	14	0
Other Services	520	778	778	598	-180
Supplies and Materials	114	245	245	229	-16
Equipment	82	297	297	282	-15
Insurance Claims	0	0	0	0	0
<b>Total Administrative Obligations</b>	<b>\$30,463</b>	<b>\$35,424</b>	<b>\$35,424</b>	<b>\$33,454</b>	<b>-\$1,970</b>
Reimbursements	-\$29,284	-\$34,545	-\$34,545	-\$32,552	\$1,994
<b>Net Appropriation</b>	<b>\$1,179</b>	<b>\$879</b>	<b>\$879</b>	<b>\$902</b>	<b>\$23</b>
<b>Total Appropriation</b>	<b>\$1,179</b>	<b>\$879</b>	<b>\$879</b>	<b>\$902</b>	<b>\$23</b>
<b>Outlays (net)</b>	<b>\$1,100</b>	<b>\$858</b>	<b>\$858</b>	<b>\$861</b>	<b>\$3</b>

*Dollars may not add due to rounding in this and subsequent charts.*

## **Changes from 2017 Current Estimate to 2018 Request**

Total obligations reflect a net decrease of \$2.0 million from the 2017 current estimate; mainly as a result of:

- A decrease in anticipated workload associated with four of the six life insurance programs administered by VA.
- Staffing efficiencies realized through the reorganization of work activities such as the consolidation of clerical support functions.

This request will provide sufficient funding and staffing levels for Insurance to continue providing high-value insurance services to America's Veterans, Servicemembers, and their families. Insurance will be able to achieve high client satisfaction ratings of 95 percent or higher on insurance services delivered and process over 139,000 disbursements in less than four days with 99 percent accuracy. In addition, Insurance will be able to answer approximately 577,000 calls within an average wait time of 20 seconds or less, which is a 35 percent improvement from 2016's response time of 31 seconds. The 2018 request also includes the January 7, 2018, 1.9 percent pay raise, an increase of fringe benefit costs (e.g. health benefits, medicare, and employer matching programs), and 1.7

percent for non-pay inflation.

	2015	2016	2017 Estimate	2018 Estimate
Calls Answered	624,520	569,890	598,747	576,880
Average Speed of Answer	32 seconds	31 seconds	20 seconds	20 seconds

## Program Description, Highlights, and Accomplishments

VA offers life [insurance coverage](#) at competitive premium rates. The Insurance Program provides Veterans with life insurance benefits that may not be available from the private insurance industry due to lost or impaired insurability resulting from military service. In addition, the Insurance program provides universally available life insurance benefits to Servicemembers and their families, as well as traumatic injury protection insurance for Servicemembers. The Insurance Program also provides Servicemembers the option to convert to either permanent plans or renewable term insurance policies after separation from service. Benefits and services are provided in an accurate, timely, and courteous manner and at the lowest achievable administrative cost of approximately \$0.03 per \$1.00 of Insurance benefit disbursement.

The following Veteran-centric programs add the peace of mind of financial security for Servicemembers' and Veterans' beneficiaries upon the insured's death:

- SGLI provides up to \$400,000 of life insurance coverage to Servicemembers that can be converted to VGLI or to a permanent life insurance policy with any of VA's participating commercial insurance companies after the Servicemember's separation from duty. Full-time coverage is available for:
  - Commissioned, warrant and enlisted members of the Army, Navy, Air Force, Marine Corps and Coast Guard.
  - Commissioned members of the National Oceanic and Atmospheric Administration and the Public Health Service.
  - Cadets or midshipmen of the four United States Service Academies.
  - Ready Reservists scheduled to perform at least 12 periods of inactive training per year.
  - Members of the Individual Ready Reserves who volunteer for assignment to a mobilization category.
- TSGLI provides short-term financial assistance to traumatically injured Servicemembers to lessen the economic burden on them and their families during an often extensive recovery and rehabilitation process. All Servicemembers who have SGLI coverage are automatically covered by TSGLI. It is not optional coverage. TSGLI coverage applies to active duty members, reservists, funeral honors duty and one-day muster duty.

- FSGLI provides life insurance coverage to spouses and dependent children of:
  - Active duty Servicemembers; and
  - Members of the Ready Reserve of a uniformed service.

Family coverage is available only for members insured under the SGLI program.

- VGLI provides for the conversion of SGLI coverage to a lifetime renewable term insurance policy after a Servicemember's separation from service. Coverage is available for the following members:
  - Full-time SGLI insureds who are released from active duty or the Reserves.
  - Ready Reservists who have part-time SGLI coverage, and who, while performing active duty or inactive duty for training for a period of less than 31 days, incur a disability or aggravate a preexisting disability that makes them uninsurable at standard premium rates.
  - Members of the Individual Ready Reserve (IRR) and Inactive National Guard (ING).
- SGLI Disability Extension provides up to two years of free SGLI coverage for insured Servicemembers who are totally disabled at the time of separation. To be considered totally disabled, the Servicemember must have a disability that prevents gainful employment, OR have one of the following conditions, regardless of employment status:
  - Permanent loss of use of both hands
  - Permanent loss of use of both feet
  - Permanent loss of use of both eyes
  - Permanent loss of use of one hand and one foot
  - Permanent loss of use of one foot and one eye
  - Permanent loss of use of one hand and one eye
  - Total loss of hearing in both ears
  - Organic loss of speech (lost ability to express oneself, both by voice and whisper, through normal organs for speech - being able to speak with an artificial appliance is disregarded in determination of total disability).
- Service-Disabled Veterans Insurance (S-DVI) provides life insurance coverage to disabled Veterans who may not be able to obtain coverage from the commercial life insurance industry due to their service-connected disabilities. In order to be eligible for S-DVI, a Veteran must have:
  - Received other than a dishonorable discharge.
  - Been released from active duty after April 25, 1951.

- Received a VA rating for a *new* service-connected disability within the last 2 years.
  - The Veteran does not need to have a 100% rating to be eligible. Veterans who receive a new rating of even 0% are eligible for the coverage.
  - The Veteran must apply for the insurance within two years from the date they are notified that VA service-connection has been established.
- VMLI is mortgage protection insurance that can help families of severely disabled Servicemembers or Veterans pay off the home mortgage in the event of their death. VMLI is only available to Servicemembers and Veterans with severe service-connected disabilities who:
  - Received a Specially Adapted Housing (SAH) grant to help build; remodel, or purchase a home; AND
  - Have the title to the home; AND
  - Have a mortgage on the home

Veterans must apply for VMLI before their 70th birthday.

- United States Government Life Insurance, National Service Life Insurance, Veterans' Special Life Insurance, and Veterans' Reopened Insurance provide life insurance coverage to Veterans of World War I, World War II, and the Korean War. These programs are closed to new issues.

### ***VBA At Work***

The VA Insurance Center located in Philadelphia, PA, won Silver in the 37th Annual Telly Award competition for *Service-Disabled Life Insurance: Don't Miss This Opportunity*. With over 13,000 entries from all 50 states and 5 continents, less than 10 percent of entries are chosen as Silver Telly Winners, its highest honor. The winning video features five Veteran/employees who have S-DVI coverage. They tell why they chose S-DVI and why others should "not miss this opportunity." Videos like this are a great service to Veterans with service-connected disabilities.

The Telly Award serves both as a means to reach more Veterans and a sign that Insurance outreach is working. Follow the link to view the video:

<https://www.youtube.com/watch?v=XoS7jmr-Ets>

VBA's 2018 insurance request is aligned to VA's MyVA priorities, a framework for modernizing VA's culture, processes, and capabilities to put the needs, expectations, and interests of Veterans and their families first and ensure the timely delivery of benefits and services to Veterans, Servicemembers, their families, and Survivors, and focuses on improving the Veteran experience in all interactions with VBA. Below is a summary of

the tools and methods used to achieve VBA's strategic goals that incorporate VA's Breakthrough Priorities.

### **Improve Veteran Experience**

The Insurance Program's focus is on providing high-value insurance service to Veterans, Servicemembers, and their beneficiaries. The program processes disbursements, which include death claims, loans, and cash surrenders, within four work days at 99 percent accuracy and less than a 0.02 percent erroneous payment rate.

The Insurance Program provides outreach services by calling disabled Veterans to inform them of their insurance options, with a special emphasis on contacting severely disabled Veterans whose disabilities would prevent them from purchasing life insurance in the private sector. In 2016, this outreach effort contacted a total of 26,839 Veterans, averaging over 2,200 Veterans per month. A total of 9,369 Veterans obtained VGLI or SGLI Disability Extension in 2016 as a direct result of the Insurance outreach program, i.e., 35 percent of those contacted were granted insurance coverage.

Employees in the Insurance Customer Service Center are trained in both technical and soft-skill services. They complete requested actions at the time of a veteran's call. The teleservice customer satisfaction survey for 2016, as detailed in the above section "Rate of High Client Satisfaction Ratings on Insurance Services Delivered", reported a 93.2 percent high customer satisfaction rate, due in part to this signature service.

The Insurance Program received a strong customer satisfaction score of 81 on a scale of 100 from the American Customer Satisfaction Index (ACSI). ACSI is an independent survey that scores customer satisfaction for more than 300 companies and Federal and local government agencies. The customer service index score of 81 is well above the Government average of 64, and higher than the Life Insurance industry average score of 77. The final score is based on favorable responses to questions of customer satisfaction compared to customer expectations.

Customer surveys solicit feedback and input on products and services that would enhance the customer's experience. The Insurance Program releases surveys each month to measure customer satisfaction in 10 product areas to ascertain process improvement efforts. The Insurance Program sends surveys to a sample of 40-50 customers for 10 different services to ensure a statistically valid sample size. Customer comments are analyzed to identify emerging performance trends and ensure appropriate follow-up and necessary program changes.

In August 2016, the Insurance Program implemented a new service for VGLI members. VGLI members can now have their premium payments automatically deducted each month from a bank account. VGLI members have often requested this feature. At the end of 2016, there were 1,923 VGLI Auto Pay Enrollments. VBA anticipates that this initiative will improve customer experience and reduce coverage lapses due to non-payment or under-payment of premiums. VGLI members can access

this service through the VGLI Self-Service Website, setting up the recurring deduction without any need to contact the customer service center.

### **Deliver a Unified Veterans Experience**

Collaboration and communication with Veterans and strategic partners are priorities for VBA. Stakeholders include Veterans who maintain VA life insurance policies and their beneficiaries; Servicemembers and Veterans insured under the Servicemembers' Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI) programs, their families, and beneficiaries; taxpayers; and Veterans Service Organizations (VSOs).

Partners include the Department of Defense (DoD); the individual uniformed service branches; Congress; the SGLI Advisory Council; the Prudential Insurance Company of America (the parent company of the Office of Servicemembers' Group Life Insurance (OSGLI)); 11 insurance companies that serve as converters, nine of whom are also re-insurers for the SGLI Program; and employees of the Insurance Center and its supporting elements.

The Insurance Program collaborates with these partners to effectively and efficiently provide benefits and services to insureds, their families, and beneficiaries. Examples of joint efforts include:

- Conducting a comprehensive review of the SGLI Traumatic Injury Protection (TSGLI) Program with DoD, Prudential, and the uniformed services. This effort has involved extensive research, site visits, and analysis with inter-organizational teams to improve the program.
- Partnering with the uniformed services and Defense Manpower Data Center to develop, test, and implement the SGLI Online Enrollment System (SOES), an online application for active Servicemembers to manage their SGLI coverage and beneficiary elections.

The cooperative and productive relationships between the Insurance Program, DoD, and Prudential ensure Veterans, Servicemembers, and their families with SGLI, Family SGLI (FSGLI), and TSGLI policies, receive compassionate and timely service during their greatest times of need.

The Insurance Program designed and implemented a communication plan that regularly provides information to customers and stakeholders about Insurance benefits and services. In addition, the Insurance Service collaborates with Prudential and DoD to document the ongoing efforts to administer the SGLI Program for the benefit of Servicemembers, Veterans, and their families.

The Insurance Program is continuing to develop on-line training materials and face-to-face training modules to meet the emerging needs of employees, DoD, the branches of the military, and other stakeholders. These training programs will assist employees



in more effectively serving Veterans, Servicemembers, and their beneficiaries.

### **Modernize Our Contact Centers**

The Insurance Program upgraded from a digital telephone line trunked system to a new Web-based, Voice-Over Internet Protocol Cloud technology. This new technology allows for a more stable telephone service and self-service environment. In addition, it allows for more fluid continuation of operations planning by allowing agents to receive incoming calls through their computer and connected headset. The newer platform has more robust reporting and monitoring systems that allows for projecting customer traffic, real-time monitoring, and customer recordings to train and assess quality.

The Insurance Program functions in a fully paperless environment. Documents from Veterans and other clients are scanned into the imaging system within approximately two hours of receipt. These imaged documents, along with the nearly 24 million existing images, are immediately available at every workstation in the Insurance Center.

The Insurance Program is continuing to expand its online applications by providing improved functionality and easier access to benefits. The redesigned VGLI Website is accessible via eBenefits and provides an improved experience for Veterans who want to enroll for life insurance, manage their existing coverage, or pay their bills online. The site includes several enhancements that follow industry best practices including user-friendly navigation and a modern look and feel due to new photos and graphics.

The Insurance Program worked in partnership with the uniformed services and the Defense Manpower Data Center to create SOES, an online application for active Servicemembers to manage their SGLI coverage and beneficiary elections. SOES is accessed through the eBenefits portal and MilConnect, which uses the DoD Self-Service (DS Log-on) or Common Access Card (CAC). When fully deployed across all military branches by the end of 2018, SOES will replace the current paper process. SOES will increase efficiency by reducing errors prevalent in the current paper process and the time needed by the branches to complete and file paper forms.

### **Improve Employee Experience**

The Insurance Program is committed to employee engagement. Insurance created Employee Action Teams in response to results from the All-Employee Survey. Employees from across the organization participate on the teams to develop ideas and recommendations for improvements to the employee experience based on the All-Employee Survey that lead to enhanced Veteran experiences through improved customer service.

The Insurance Program continues to engage employees through an Employee Suggestion Program and the Listening Post. The Listening Post is an opportunity for representatives from each of the Insurance divisions to meet with the Director each month to voice

concerns and questions. Insurance releases a summary of the discussions to all employees. The Insurance program began holding Employee Engagement Town Hall sessions to keep employees current with MyVA initiatives. These sessions provide an additional avenue for employees to address emerging issues with Insurance management.

The Insurance Program uses an Employee Communications Website that includes messages from the Director, data and statistics, training updates, media releases, and links to VA resources. The site provides links for employees to leave feedback regarding recommended site enhancements, employee surveys, and general questions.

### **2016 Accomplishments:**

In 2016, the Insurance Program obligated over \$2 billion for payments to Servicemembers, Veterans, and their beneficiaries in the form of insurance death benefits, policy loans, and traumatic injury protection payments. The Insurance program processed 146,689 insurance disbursements (death claims, loans, and cash surrenders) at 98.8 percent accuracy. The Insurance Customer Service Call Center answered an average of 2,200 calls per day from veterans with an average response speed of 31 seconds and a 0.1 percent blocked-call rate. The blocked-call rate for 2016 declined by close to 89 percent from 2015's already low rate of 0.9 percent. Similar to 2015, VA continued to maintain its high level of performance and client satisfaction and met or exceeded clients' expectations. The Insurance Program:

- Maintained a high level of client satisfaction at 93.7 percent
- Processed disbursements (death claims, loans, and cash surrenders) in 3.5 workdays with a 98.8 percent accuracy rate
- Provided more than \$1.2 trillion in coverage
- Paid \$93.5 million in dividends to policyholders
- Paid \$33.5 million in TSGLI benefits to injured policyholders
- Used Delivery.gov to reach out to 326,590 Veterans via email to notify them of their eligibility for S-DVI, contributing to an 18 percent increase in S-DVI applications over the previous year
- Transitioned all call volume to the MyVA Enterprise IVR and Call Recording System
- Created a process with the National Cemetery Administration's Burial Operations Support System to receive recurring reports of deceased Veterans that provide up-to-date beneficiary information in order to pay outstanding Insurance death claims

### **Future Plans/Goals for 2017 and 2018:**

- Achieve a 95 percent high client satisfaction rate
- Process disbursements (death claims, loans, and cash surrenders) in less than four days with 99 percent accuracy
- Achieve a less than two percent rate of abandoned calls
- Achieve a zero percent rate of blocked calls
- Achieve an average speed of answer of 20 seconds or less

- Process S-DVI applications in 8 days or less with 98 percent accuracy
- Invite insureds to update their Beneficiary Designation and Option forms to ensure accurate and timely processing of future death claims
- Deploy SOES to all branches of service
- Develop a strategy to modernize IT systems and integrate with VA enterprise systems

## Workload

The following chart provides a summary of the Insurance Program’s workload and FTE projections.

Insurance	2015	2016	2017 Estimate	2018 Estimate
Insurance Direct Labor FTE	284	289	317	293
Death Claims	116,880	107,810	107,330	101,390
Loans and Cash Surrenders	37,896	38,879	38,650	38,020
Telephone Calls Answered	624,520	569,890	598,747	576,880
S-DVI & VMLI Applications	36,076	35,460	43,570	41,820
All Other Insurance Maintenance Actions	360,856	361,830	309,130	281,810
Veterans Contacted through Outreach	23,033	26,839	27,080	27,080

Four of the six life insurance programs administered by VA no longer issue new policies. Workload associated with those programs (e.g., Death Claims, Telephone Calls Answered, and Insurance Maintenance Actions) will continue to decline in 2017 and 2018 with the advancing age of the policyholders and the decline in the total policies in force.

The remaining two insurance programs administered by VA still issuing new policies are S-DVI and VMLI. Workload for the S-DVI and VMLI applications includes the processing of applications for insurance and S-DVI waiver of premiums. The applications associated with S-DVI are projected to change in line with the number of compensation claims processed. The S-DVI Program is open to Veterans approved for service-connected disability ratings of zero percent or greater.

Other Insurance workload includes loans and cash surrenders, which are projected to remain relatively stable in 2017 and 2018. The number of Veterans contacted through outreach efforts is also estimated to remain level for 2017 and 2018.

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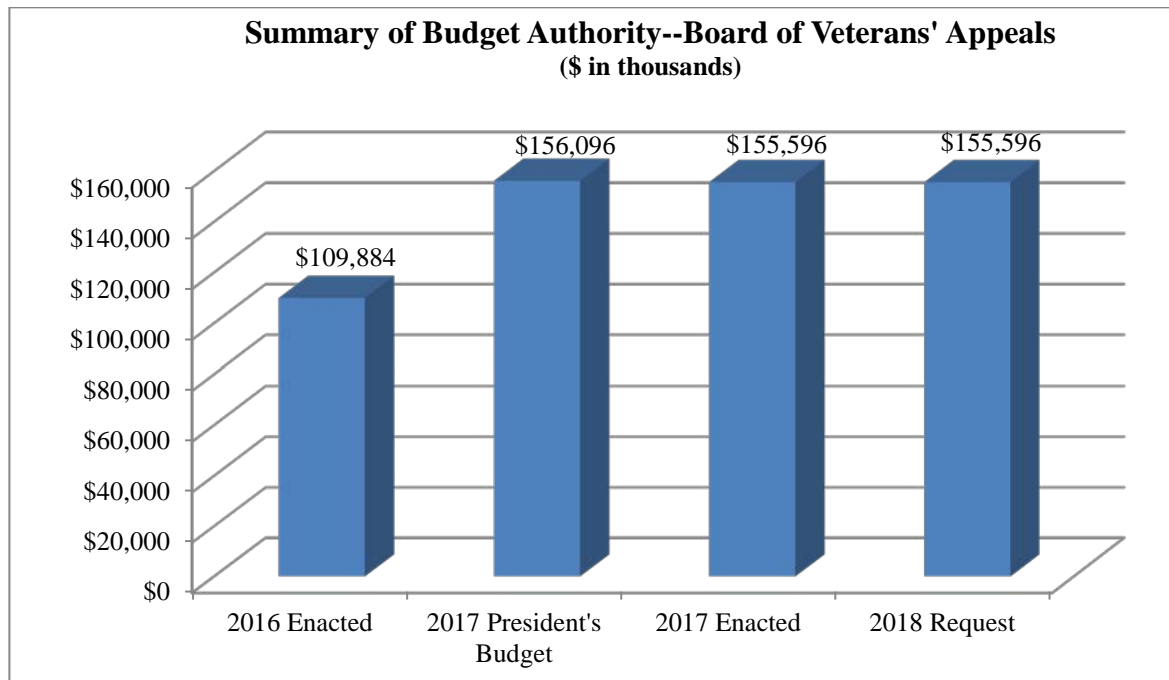
## Board of Veterans' Appeals

### 2018 Appropriation Language

For necessary operating expenses of the Board of Veterans' Appeals (Board), \$155,596,000 of which not to exceed \$15,559,600 shall remain available until September 30, 2019.

### Mission, Vision, and Values

The Board is the component of the Department of Veterans Affairs (VA or the Department) responsible for making final decisions on behalf of the Secretary for claims for Veterans' benefits that are presented to the Board for appellate review. Despite the dynamic environment in which the Board has operated since the advent of judicial review, the mission has remained relatively unchanged. The Board conducts hearings and issues timely, quality decisions for Veterans and other appellants in compliance with the requirements of law. See 38 United States Code (U.S.C.) § 7101(a) (the Board's mission is to conduct hearings and decide appeals properly before the Board in a timely manner). In addition to fulfilling its statutory mission, the Board's vision is to be the best in customer service for our Nation's Veterans and a great place to work. The Board is also committed to VA's Core Values: Integrity, Commitment, Advocacy, Respect, and Excellence.



## **Budget Highlights**

In 2018, the Board is requesting \$155,596,000 in appropriations. In 2018, total obligations are estimated to be \$171,206,000, which include \$155,596,000 in appropriations and carryover of \$15,609,600 from 2017. This carryover is a result of the Board's hiring falling short of original goals. Because personnel drive service to Veterans through appellate decisions, the Board intends to utilize these carryover funds for personnel costs in 2018. By utilizing the 2017 carryover, the Board's 2018 annualized FTE level is estimated to be 1,050, which is 164 FTE higher than the 2017 estimate. The 2018 budget request builds upon the additional funding that the Board received in 2017 and VA continues to work with VSOs and Congress to achieve legislative reform to modernize and improve the VA appeals process.

The Board also continues its enterprise-wide Appeals Modernization Information Technology (IT) initiatives to better serve Veterans and their families and provide timely and quality appeals decisions. As a part of Appeals Modernization, funds are being requested in the IT account to develop and optimize paperless functionality in VA appeals processing. This effort is part of the Board's multi-pronged approach to provide the best possible appeals process for Veterans through legislative reform, increased FTE, technology and other process improvements.

## **Summary of Budget Request**

The Board requests budget authority of \$155,596,000 in 2018 to support its operations. This request maintains the increased budgetary authority the Board received in 2017, of which approximately 88 percent was applied to personnel costs and investment in FTE. This budgetary authority, in tandem with sweeping legislative reform, is necessary to ensure that the Board and the Department are able to meet Veterans' expectations regarding appeals processing. VA has worked collaboratively with key stakeholders, including Veterans Service Organizations (VSO) and others to design a new claims/appeals process for Veterans who disagree with a VA decision. The result of that work was a draft legislative proposal that was introduced in the 114<sup>th</sup> Congress and has been reintroduced in the 115<sup>th</sup> Congress. The newly proposed process, described in the legislation currently pending, will provide a modernized claims/appeals process going forward. Concurrently, VA is also committed to reducing the pending inventory of legacy appeals. VA has worked collaboratively with stakeholders to identify opt-ins that would make the new process available to Veterans who would otherwise have an appeal in the legacy process. After assessing these various options, and collaborating with our partners, we have identified two opt-ins that we intend to implement, to address the issue of the legacy appeals inventory. One opt-in addresses decisions made during the one year period prior to the effective date of the law, and is described in detail below. The second opt-in would apply when the Veterans Benefits Administration (VBA) issues a statement of the case (SOC) or supplemental statement of the case (SSOC), after the effective date of the law, regardless of whether the legacy appeal has previously been to the Board and remanded. VBA would notify Veterans of the new process features in any case in which it

issues an SOC or SSOC, and prescribe election during the 60 and 30-day periods that are in current regulations.

<b>Board of Veterans' Appeals Board Dispositions by VA Program FY 2016</b>										
<b>APPEAL PROGRAM</b>	<b>ALLOWED</b>		<b>REMANDED</b>		<b>DENIED</b>		<b>OTHER</b>		<b>TOTAL</b>	
	<b>No.</b>	<b>Percent</b>	<b>No.</b>	<b>Percent</b>	<b>No.</b>	<b>Percent</b>	<b>No.</b>	<b>Percent</b>	<b>No.</b>	<b>Percent</b>
<b>Burial Benefits</b>	10	19.61%	13	25.49%	23	45.10%	5	9.80%	51	0.10%
<b>Compensation</b>	16,040	32.28%	23,041	46.37%	8,592	17.29%	2,017	4.06%	49,690	95.54%
<b>Education</b>	77	19.06%	135	33.42%	179	44.31%	13	3.22%	404	0.78%
<b>Insurance</b>	1	14.29%	2	28.57%	4	57.14%	0	0.00%	7	0.01%
<b>Loan Guaranty</b>	4	18.18%	13	59.09%	5	22.73%	0	0.00%	22	0.04%
<b>Medical</b>	100	24.27%	150	36.41%	129	31.31%	33	8.01%	412	0.79%
<b>Pension</b>	89	14.74%	207	34.27%	269	44.54%	39	6.46%	604	1.16%
<b>VR&amp;E</b>	3	5.00%	36	60.00%	19	31.67%	2	3.33%	60	0.12%
<b>Other Programs</b>	7	15.91%	15	34.09%	16	36.36%	6	13.64%	44	0.08%
<b>BVA Original Jurisdiction</b>	11	11.11%	3	3.03%	64	64.65%	21	21.21%	99	0.19%
<b>NCA Burial Benefits</b>	0	0.00%	3	23.08%	10	76.92%	0	0.00%	13	0.02%
<b>Fiduciary</b>	0	0.00%	1	50.00%	1	50.00%	0	0.00%	2	0.00%
<b>Multiple Program Areas</b>	202	33.50%	307	50.91%	73	12.11%	21	3.48%	603	1.16%
<b>GRAND TOTAL</b>	16,544	31.81%	23,926	46.5%	9,384	18.04%	2,157	4.15%	52,011	100%

### **Program Highlights**

The Board conducts hearings and issues decisions for Veterans and family members who have filed appeals on VA benefit claims decisions and have pursued their appeals to the Board level. The Board adjudicates appeals covering all areas of Veterans benefits, including: service connection, increased disability ratings, total disability ratings, pension, insurance benefits, educational benefits, home loan guaranties, vocational rehabilitation, waivers of indebtedness, fee basis medical care, and dependency and indemnity compensation. About 98 percent of the Board's appellate workload concerns appeals for Veteran's disability compensation and/or pension benefits, which are initiated at VBA, and a smaller percentage of the Board's workload arise from the National Cemetery Administration (NCA) and Veterans Health Administration (VHA).

The VA appeals process, which is set in law, is a complex, non-linear process that is unique from standard appeals processes found in other judicial systems. The current VA appellate process has multiple processing steps, most of which occur at the agency of original jurisdiction (AOJ) (VBA, NCA, or VHA). If a Veteran is not satisfied with the initial AOJ determination, he or she may appeal to the Board for a final agency decision. An element of the current VA appeals process is an open record that, with only narrow

exceptions, allows a Veteran, Survivor, or other appellant to submit new evidence and/or make new arguments at any point from the beginning to the end of the appeals process. Additionally, the duty to assist throughout the appeals process requires VA to develop further evidence on the Veteran's behalf and pursue new arguments and theories of entitlement. The duty to assist includes obtaining relevant Federal records, obtaining other records identified by the claimant, and providing a medical examination in certain circumstances. When new arguments are presented and evidence is added or obtained, VA generally must issue another decision considering the new arguments and evidence, which lengthens the timeline for appellate resolution.

The current VA appeals process takes too long, as there is no defined endpoint or timeframe; is too complex, as Veterans do not understand the process; and involves continuous evidence-gathering and readjudication that delays the Department in reaching a final decision. VA's appeals process essentially contains another claims process, as new contentions and evolution of a condition are picked up as part of the appeal, rather than initiated as a new claim.

## **Appeals Reform**

In order to ensure Veterans receive timely and quality appeals decisions, comprehensive legislative reform is needed. In March 2016, VA met with a wide spectrum of stakeholder groups to discuss ideas on how to best reconfigure the VA appeals process into something that provides a timely, transparent, and fair resolution of appeals for Veterans and makes sense for Veterans, their advocates, stakeholders, VA, and taxpayers. The result of these meetings was a newly designed appeals process that moves away from a complex, confusing, and frustrating single track appeals process and replaces it with differentiated lanes, which give Veterans clear options after receiving an initial decision on a claim.

This comprehensive legislative reform, coupled with a modernized appeals processing system included in the Department's Information Technology (IT) budget, would allow VA to provide Veterans with a new appeals process where Veterans receive a final, fair decision significantly faster than the current process, which has no predictable end and can continue on for many years. This proposed legislation is discussed in further detail in the following pages.

## **Workload**

The Board continues to face rapidly growing appeals receipts, projected to increase by 23 percent, from 115,847 pending appeals at the end of 2016 to 142,756 pending appeals by the end of 2017. Each year since 1996, the volume of appeals received by VBA equated to 9 to 15 percent of the total claims VBA completed in those years. Notably, as VBA has become more productive with claims decision output over the past 7 years, appeals volume has grown proportionately as VA's historical appeal rate has remained constant, with approximately 11 to 12 percent of all claimants initiating an appeal and 4 to 5 percent completing an appeal to the Board.



As of March 31, 2017, there were 469,696 benefits-related appeals pending in the Department at various stages in the multi-step appeals process, which divides responsibility between the AOJ and the Board – 327,428 were in the AOJ’s jurisdiction and 142,268 were within the Board’s jurisdiction, which were pending, on average, 1,509 days from filing of Notice of Disagreement (NOD). As the volume of receipts continues to increase, the Board has been unable to keep pace with the rise in workload.

As noted above, the current VA appeals process takes too long, as there is no defined endpoint or timeframe. Under the current legal framework, in 2016, the Board adjudicated appeals that had been traversing through the multi-step appeals process with multiple adjudications for many years. Moreover, for those appeals that were decided by the Board in 2016, on average, Veterans waited approximately 6 years (2,222 days) from filing of their NOD until the Board decision issued that year. Significantly, the current VA appeals process continuously accepts new arguments and contentions, and also requires continuous evidence-gathering and development. As a result, many Board adjudications are not final decisions, meaning that these appeals continue to churn in the system following the Board adjudication to address new matters that were not part of the initial claims decision on appeal.

The pending appeals reform legislation will establish a modern, simple system that focuses on improving the quality of VA’s decisions and providing Veterans options for early resolution. The new process provides an understandable process for Veterans, gives Veterans multiple options instead of one, provides improved notice as to which option might be best, eliminates the inefficient churning of appeals that is inherent in the current process, and improves transparency by clearly defining VBA as the claims agency and the Board as the appeals agency in VA. This new process will provide Veterans with numerous options to meet their individualized needs instead of requiring one rigid process to follow, improved notice as to which option might benefit them most, quality feedback loops to VBA, workload transparency for better workload and resource projections, and efficient use of resources for long-term savings to the government. Additionally, in the new process, if the Veteran disagrees with any or all of the Board decision, the Veteran will maintain the right to file a supplemental claim within one year of the Board issuing that decision. If the Veteran does file a supplemental claim within one year of issuance of the Board decision, the effective date of the award of any benefit granted pursuant to such supplemental claim will be considered the date of filing of the initial claim. This effective date protection is a key feature of the new process, as there is no effective date penalty for going to the Board.

<b>Table 1</b> <b>Board of Veterans' Appeals</b> <b>Workload Estimate</b> <b>Option 1 – Appeals Modernization</b> <b>Assumes Legislative Change, IT Appeals Modernization, and FTE increases*</b>			
	2016 Actual	2017	2018**
Board Full Time Equivalent (FTE)	660	886	1050
Start of Year (SOY) Appeals Inventory (from date of certification (Form 8) in field)	81,022	115,847	142,756
Legacy - Appeals Received (from date of certification (Form 8) in field)	86,836	92,868	120,735
New Framework - Appeals Received	NA	NA	NA
Legacy - Appeals Decided (Final Resolutions)	-19,566	-24,808	-30,218
Legacy - Appeals Decided (Remands to VBA)	-32,445	-41,151	-50,123
New Framework - Appeals Decided (Final Resolutions)	NA	NA	NA
New Framework - Appeals Decided (Remands to VBA)	NA	NA	NA
End of Year (EOY) Appeals Inventory (from date of certification (Form 8) in field)***	115,847	142,756	183,150
Total VA Appeals Pending Inventory (VBA + Board)	464,008	484,284	353,123
Legacy Appeals - Average Days to Complete Appeal Resolution from Notice of Disagreement	2,208	2,159	2,159
New Framework - Non-Hearing Lane - Average Days to Complete Appeals from Notice of Disagreement	NA	NA	180
New Framework - Hearing Lane - Average Days to Complete Appeals from Notice of Disagreement	NA	NA	180
<p>*Projections in this table assume passage of legislation in 2017. VA has proposed an 18-month delayed effective date for purposes of implementing the law; therefore, these projections are based on the new process being effective in 2019. Projections in this table also assume an opt-in to the new process for decisions made during the one year period prior to the effective date of the law. The second opt-in, which VA initially proposed implementing as part of the rulemaking implementing the legislation, is not included in these projections. VA is in the process of updating its modeling to include this second opt-in.</p> <p>**Board currently projects to have approximately \$15.6M in available carryover for 2018</p> <p>***Board's inventory includes action types such as motions for reconsideration, vacates, or motions to revise Board decisions based on clear and unmistakable error (CUE), which are not reflected in the Total VA Appeals Pending Inventory.</p>			

<b>Table 2</b> <b>Board of Veterans' Appeals</b> <b>Workload Estimate</b> <b>Option 2 - Status Quo - No Legislation and No Resource Increases</b>			
	2016 Actual	2017	2018*
Board Full Time Equivalent (FTE)	660	886	1,050
Start of Year (SOY) Appeals Inventory (from date of certification (Form 8) in field)	81,022	115,847	142,756
Legacy Appeals Received (from date of certification (Form 8) in field)*	86,836	92,868	89,223
Appeals Decided (Final Resolutions)	-19,566	-24,808	-30,218
Appeals Decided (Remand Decisions)	-32,445	-41,151	-50,124
End of Year (EOY) Appeals Inventory (from date of certification (Form 8) in field)**	115,847	142,756	151,637
Total VA Appeals Pending Inventory (VBA + Board)	464,008	484,284	496,212
Legacy Appeals - Average Days to Complete Appeal Resolution from Notice of Disagreement	2,208	2,159	2,191
*Board currently projects to have approximately \$15.6M in available carryover for 2018 obligations. ** Board's inventory includes action types such as motions for reconsideration, vacates, or motions to revise Board decisions based on CUE, which are not reflected in the Total VA Appeals Pending Inventory.			

## Board Initiatives

The Board continues to leverage opportunities to implement changes to enhance efficiencies in its operations in order to provide better service to Veterans. The Board is actively pursuing several business process improvements aimed at streamlining the complex appeals adjudication process in order to improve service to Veterans and their families. Such initiatives include: (1) engaging internal and external stakeholders in streamlining the appeals adjudication process; (2) maximizing available hearing resources for Veterans; and (3) leveraging technology to better modernize appeals processing.

With regard to engaging internal and external stakeholders, the Board continues to work closely with other offices in VA, such as VBA and VHA, to improve training for adjudicators and clinicians to reduce errors in the claims/appeals process. The Board continues to strengthen its collaborative relationships with VBA by regularly communicating with different areas within VBA to include Compensation Service, Pension and Fiduciary Service, the Appeals Management Office (AMO), and regional offices to discuss challenges and opportunities in a variety of areas including hearings, quality assurance, process improvements, and remands to enhance service to Veterans. Also, the Board has increased existing regular meetings with the AMO to a monthly basis

and added participation by the VBA Quality Assurance Staff to improve operational consistency and develop cooperative approaches to common problems.

The Board also partners with other components of the Department that process appeals, to include VHA, which provides expert medical opinions to the Board and administers medical examinations used as evidence in appeals and, in some situations, is the originating agency for claims on appeal. Additionally, the Office of General Counsel (OGC) provides legal opinions to the Board on questions of law and represents the Department on appeals filed with the United States Court of Appeals for Veterans Claims (CAVC). Finally, the Board partners with NCA and collaborates closely with Veterans Service Organizations (VSO), which represent 74 percent of Veterans (or other appellants) before the Board.

The Board continues to leverage technology and maximize the use of video teleconferencing (VTC) to conduct Board hearings. VTC hearings yield a number of important efficiencies for Veterans and the Board. In particular, VTC hearings can be scheduled more quickly and with more flexibility than Travel Board hearings, thereby reducing the time Veterans must wait for a Board hearing, while also saving costs through the reduction of travel. In addition, use of VTC allows the Board's VLJs to leverage any down-time created if Veterans fail to appear for their hearings. As of September 2016, 61 percent of Board hearings were conducted by VTC. The Board will continue to encourage Veterans to elect VTC hearings, although it should be noted that by law, Veterans currently have control over the type of hearing they elect (in-person vs. VTC).

The Digital Service at VA (DSVA) is working with the Board and VBA on the development of Caseflow as part of the Appeals Modernization initiative. A suite of modern web-based applications designed to improve VA's management, tracking, and adjudication of appeals, Caseflow is integrated with VBMS to enable data consistency, enhance the speed and accuracy of appeals processing, and avoid duplication of IT components. Caseflow functionality will include, an appeals work queue for tracking appeals; Caseflow Certification, a tool to streamline the transfer of appeals from VBA to the Board and permit auto-activation of appeals; attorney-specific tools, including a document review tool for claims file review, and a Decision Builder; eFolder Express, providing a one-click download of the eFolder; and Caseflow Dispatch, which places Board decisions in a work queue for VBA staff to facilitate work transfer. As a part of the DSVA initiative, the Department anticipates gaining future cost savings by being able to retire or "sunset" its outdated and unsynchronized legacy system exclusively used for appeals processing, the Veterans Appeals Control and Locator System (VACOLS), which was created in the 1980s.

While these business process improvements/initiatives will provide some assistance in streamlining the current appeals process, the Board will not be able to keep up with the growing appeals workload without fundamental legislative reform. With legislative reform, VA could provide Veterans with a modernized appeals process under which Veterans receive decisions on their appeals that are timely, transparent, and fair, as

opposed to the current appeals process which has no predictable end and can continue for many years.

## **Proposed Legislation**

As noted above, the current VA appeals process, which is set in law, is a complex, non-linear process that is unique from other standard appeals processes across Federal and judicial systems. The current VA appeals process takes too long, is too complex, and involves continuous evidence-gathering and readjudication that prolongs the Department's ability to reach a final decision for Veterans. In order to ensure that Veterans receive timely and quality appeals decisions, the following fundamental legislative reform is required. This fundamental legislative reform is the product of collaborative, detailed discussions between VA, VSOs, and other key stakeholders.

- **Appeals Reform**

Sweeping legislative reform is required to replace the current VA appeals process with a system that makes sense for Veterans, their advocates, VA, and other stakeholders. In March 2016, VA participated in an appeals summit, during which representatives from VSOs and a wide spectrum of stakeholder groups met with key officials from VBA and the Board to determine how to best reconfigure the current VA appeals process. The result was a system with three differentiated lanes, which give Veterans clear options following an unfavorable VA decision. This new system also distinguishes the AOJ as the claims agency and the Board as the appeals agency within the Department. This proposal provides the comprehensive reform needed to create this new framework that will provide Veterans with timely, fair, and quality decisions.

In the present VA appeals system, a Veteran initiates an appeal of a decision on a claim for VA benefits by filing a NOD. The AOJ then determines whether additional development is needed and, if so, undertakes that development and provides the Veteran with an SOC, which contains a summary of the evidence, a summary of the applicable laws and regulations, and a discussion of how such laws and regulations affect the determination. The Veteran can then complete his or her appeal by filing a substantive appeal. If, after issuance of an SOC and before a case is certified to the Board, additional evidence is obtained by VA, the AOJ will generally issue a new decision known as an SSOC. If more evidence is obtained prior to certification of the appeal to the Board, additional SSOCs may be required. The requirement to issue an SSOC (i.e., a new decision) each time evidence is obtained before an appeal is certified to the Board adds layers to the appeals process and results in lengthy wait times for Veterans. This proposal eliminates these redundant layers of review in the present, single-track, appeals process, and provides three lanes, or options, for a Veteran following a decision on a claim for VA benefits.

One option would be for a Veteran to elect local review by a higher-level AOJ adjudicator. The higher-level AOJ adjudicator would perform de novo review of the evidence considered in the AOJ decision and could grant the claim based upon a difference of opinion. Because the local review by the higher-level AOJ adjudicator would be limited to the evidence of record at the time of issuance of the initial AOJ decision, the delays associated with the continuous submission and development of evidence in the current system would be eliminated in this lane. To ensure that this proposal remains consistent with VA's statutory duty to assist claimants, if a higher-level reviewer identified an error on the part of the AOJ to satisfy the statutory duty to assist, and that error occurred prior to the AOJ decision being reviewed, the higher-level reviewer would return the claim back to the lower-level AOJ adjudicator for correction and readjudication, unless the higher-level reviewer could grant the claim in full.

A second option for a Veteran following a decision on a claim for VA benefits would be to file a supplemental claim with additional relevant evidence. By choosing this lane, a Veteran would be able to close an evidentiary gap in the record. An AOJ adjudicator would readjudicate the claim, taking into consideration any evidence added to the record prior to the former disposition of the claim as well as the additional, relevant evidence submitted with the supplemental claim.

A third option for a Veteran following a decision on a claim for VA benefits would be to appeal directly to the Board. Such appeal would be initiated by filing an NOD. Unlike the current appeals system, where jurisdiction over appeals is split between the AOJ and the Board, the NOD would be filed with the Board, which would have jurisdiction over the appeal.

A Veteran choosing the Board review lane would indicate in his or her NOD whether he or she requested a Board hearing, requested an opportunity to submit additional evidence without a Board hearing, or requested review by the Board without a hearing or submission of additional evidence. In the current appeals system, the Board has one docket, and, with some limited exceptions, such as cases advanced on the docket, each case must be considered and decided in regular order according to its place on the docket. This proposal creates two completely separate Board dockets: one for cases in which neither a Board hearing nor the opportunity to submit additional evidence is requested (the non-hearing option docket) and one for cases in which a Veteran requests a Board hearing or an opportunity to submit additional evidence (the hearing-option docket). The creation of two separate dockets will allow the Board to better manage its pending appeals inventory.

This proposal will allow for faster review of cases on the non-hearing option docket. For cases on this docket, the evidentiary record before the Board would be limited to the evidence of record at the time of the AOJ decision on appeal. For cases on the hearing-option docket, the evidentiary record before the Board would also be limited to the evidence of record at the time of the AOJ decision on appeal,

except that, if the Veteran requested a hearing, he or she could submit evidence at the hearing and/or during a 90-day period following the hearing. For cases on the hearing-option docket in which a hearing was not requested, the Veteran could submit evidence with the NOD and/or during a 90-day period following receipt of the NOD.

For consistency with VA's statutory duty to assist, this proposal provides that, if, in reviewing an appeal, the Board identifies an error on the part of the AOJ to satisfy the duty to assist, and that error occurred prior to the AOJ decision on appeal, the appeal shall be remanded for corrective action and readjudication, unless the Board can grant the claim in full.

Importantly, the new framework set out in this proposal protects a Veteran's potential effective date for an award of a benefit, regardless of which lane the Veteran chooses to pursue following an unfavorable AOJ decision. If a Veteran selects one lane for review, but does not receive a favorable result, he or she will have one year to pursue a different lane for additional review. So long as the claim is continuously pursued by filing a request for higher-level review, a supplemental claim, or an NOD within one year of an AOJ decision, or by filing a supplemental claim within one year of a Board decision, the date of claim, for purposes of assigning the effective date of an award of a benefit eventually granted, will relate back to the date of filing of the initial claim.

To ensure that a Veteran has sufficient information regarding which lane to choose following an AOJ decision, this proposal requires VA to provide more detailed notice of its decisions on claims for benefits. In addition to including an explanation of the procedure for obtaining review of the decision, the notice shall also include: identification of the issues adjudicated, a summary of the evidence considered, a summary of the applicable laws and regulations, identification of findings favorable to the claimant, identification of elements not satisfied leading to the denial, an explanation of how to obtain or access evidence used in making the decision, and, if applicable, identification of the criteria that must be satisfied to grant service connection or the next higher level of compensation. Any findings favorable to the claimant shall be binding on subsequent VA adjudicators unless clear and convincing evidence is shown to the contrary to rebut such favorable finding. This will further increase efficiency and streamline decisions by eliminating the need to discuss elements of a claim that VA has already determined are satisfied.

VA has worked extensively with stakeholders to design this comprehensive new process for early resolution of Veterans' disagreement with VA decisions on their benefit claims. The proposed re-design would impact VA's claim and appeal processing activities and stop the flow of Veterans' appeals into an inefficient system that has been in place throughout much of VA's long history. Recognizing the scope and complexity of this task, and the significant impact that it will have on a large number of Veterans with appeals, VA has proposed an 18-month delayed

effective date for purposes of implementing the law without undue risk to the Veterans it is intended to serve. However, given that appeals are more efficiently resolved in the new process, it is critical from the Veteran's perspective to stop the flow of appeals into the legacy process as early as possible.

To ensure that as few appeals as possible continue to flow in to the current system, the legislation should prescribe that the new process is applicable to all decisions made on or after the effective date, but is also available to Veterans who receive an adverse decision during the one-year period preceding the effective date, provided that the Veteran chooses to file a supplemental claim, higher-level review request, or an NOD on or after the effective date. This provides Veterans who disagree with a decision made during the one-year period preceding the effective date of the law the choice to file an NOD in the legacy process or wait until the effective date of the law to request a higher-level review, file a supplemental claim, or appeal to the Board and thus have the advantages of the new process. By establishing this opt-in, VA could provide Veterans earlier and more efficient resolution of their disagreement with VA decisions, by handling their disagreement under the new system.

To implement this option, VBA would begin issuing decisions with the improved notices prescribed by the legislation one year prior to the effective date of the law. In addition, these notices would explain that the law has changed to provide a new, timelier, process beginning on the effective date of the change in law, and that Veterans may elect this option by seeking a higher-level review, filing a supplemental claim, or appealing to the Board on or after the effective date. They would alternatively advise eligible Veterans that they may continue in the legacy process by filing an NOD with VBA prior to the effective date of the law. These special notices would likely also include information intended to help a Veteran choose the legacy process or the new process, such as the current processing time for legacy appeals versus VA's estimates for the new process.

While sweeping fundamental legislative reform is needed to ensure that Veterans receive timely, quality, and fair appeals decisions, absent such reform, the Board also continues to strongly promote discussion of legislative proposals aimed at increasing efficiency in the current appeals process in a way that is both fair and beneficial to Veterans and their families. The following legislation is proposed to improve timeliness in the processing of Veterans benefits appeals including:

- **Reasons and Bases:** The Board proposes to define the term “reasons and bases” in 38 U.S.C. § 7104(d) (1) to mean a plausible statement of the reasons for the Board's ultimate findings of fact and conclusions of law. This proposal seeks to simplify the content requirements of Board decisions, making them more understandable to Veterans.
- **Equal Access to Justice Act (EAJA) Reform for Veterans Benefits Appeals:** This proposal would amend the definition of “prevailing party” for purposes of



establishing eligibility to receive attorney fees and expenses under 28 U.S.C. § 2412 of EAJA for cases handled by the United States Court of Appeals for Veterans Claims (Court). This proposal would disincentivize frivolous Court appeals which do not help Veterans by eliminating the financial incentive for attorneys to obtain remands to the Board.

<i>Board of Veterans' Appeals Summary of Employment and Obligations (dollars in thousands)</i>					
	2016 Actual	2017		2018 Request	Increase (+) Decrease (-)
		Budget Request	Current Estimate		
Average Employment	660	922	886	1,050	+164
<b>Obligations:</b>					
Personal Services	94,338	133,379	123,713	152,195	+28,482
Travel	292	422	637	648	+11
Transportation of Things	80	129	120	122	+2
Rents, Communications & Utilities	9,962	13,539	10,740	9,079*	-1,661
Printing & Reproduction	55	135	80	81	+1
Other Services	5,129	7,422	6,254	7,360	+1,106
Supplies & Materials	230	511	392	399	+7
Equipment	0	189	1,000	1,017	+17
Insurance & Indemnities	5	350	300	305	+5
<b>Total Obligations</b>	<b>\$110,091</b>	<b>\$156,096</b>	<b>\$143,236</b>	<b>\$171,206</b>	<b>\$27,970</b>
Reimbursements	0	0	0	0	0
SOY Unobligated Balance (-)	(3,987)	0	(3,250)	(15,610)	
EOY Unobligated Balance (+)	3,882	0	15,610	0	
Transfer from Unobligated Balance (-)	102	0	0	0	0
<b>Budget Authority</b>	<b>\$109,884</b>	<b>\$156,096</b>	<b>\$155,596</b>	<b>\$155,596</b>	<b>0</b>

\*The lessor at 425 I St NW provided 28 months of rent abatement over the ten year term of the lease. As such, the Board will receive the final 17 months of rent abatement between 2018 and 2020. The Board will not receive a bill for rent for three months 2018, eight months in 2019, and six months in 2020.

The majority of the Board's budget (87 percent) will be allocated to labor costs. A majority of the Board's employees are on career ladders with step increases, meaning that even when the workforce remains constant, labor costs increase substantially.

<b>Net Change</b>	
<b>Board of Veterans' Appeals</b>	
<b>2018 Summary of Resource Requirements</b>	
<b>Dollar (dollars in thousands)</b>	
<b>2017 President's Budget Request</b>	<b>\$156,096</b>
Funding Rescission in Appropriation	-\$500
<b>2017 Enacted Budget Authority</b>	<b>\$155,596</b>
SOY Unobligated Balance (Carryover)	\$3,250
EOY Unobligated Balance (Carryover)	-\$15,610
<b>2017 Total Obligations:</b>	<b>\$143,236</b>
<b>2018 Current Services Adjustments:</b>	
SOY Unobligated Balance	-\$15,610
Pay Raise (1.9%)	\$1,579
Non Pay Inflation (1.7%)	\$354
Required Benefits/Promotions/WIGI Increases	\$10,427
FTE to Reduce Pending Inventory of Appeals	\$15,610
<b>Subtotal</b>	<b>\$155,596</b>
<b>2018 Total Budget Authority Request</b>	<b>\$155,596</b>

<b>Analysis of FTE Distribution Headquarters/Field</b>			<b>Employment Summary – FTE by Grade</b>			
<b># of FTE</b>	<b>2016 HQ Actuals</b>	<b>2016 Field Actuals</b>	<b>2016 Actuals</b>	<b>2017 Estimate</b>	<b>2018 Request</b>	<b>Increase (+) Decrease (-)</b>
EX	0	0	0	0	1	+1
SES	5	0	5	4	5	+1
SL	2	0	2	2	3	+1
AL	74	0	74	97	97	0
GS -15	34	0	34	15	25	+10
GS -14	223	0	223	226	269	+43
GS -13	106	0	106	99	103	+4
GS -12	70	0	70	81	394	+313
GS -11	57	0	57	279	57	-222
GS -10	0	0	0	0	0	0
GS -9	75	0	75	67	82	+15
GS -8	0	0	0	0	0	0
GS -7	3	1	4	8	5	-3
GS -6	1	3	4	4	4	0
GS -5	3	0	3	1	2	+1
GS -4	3	0	3	3	3	0
GS -3	0	0	0	0	0	0
GS -2	0	0	0	0	0	0
GS -1	0	0	0	0	0	0
<b>Total Number of FTE</b>	<b>656</b>	<b>4</b>	<b>660</b>	<b>886</b>	<b>1,050</b>	<b>164</b>

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## *General Administration*

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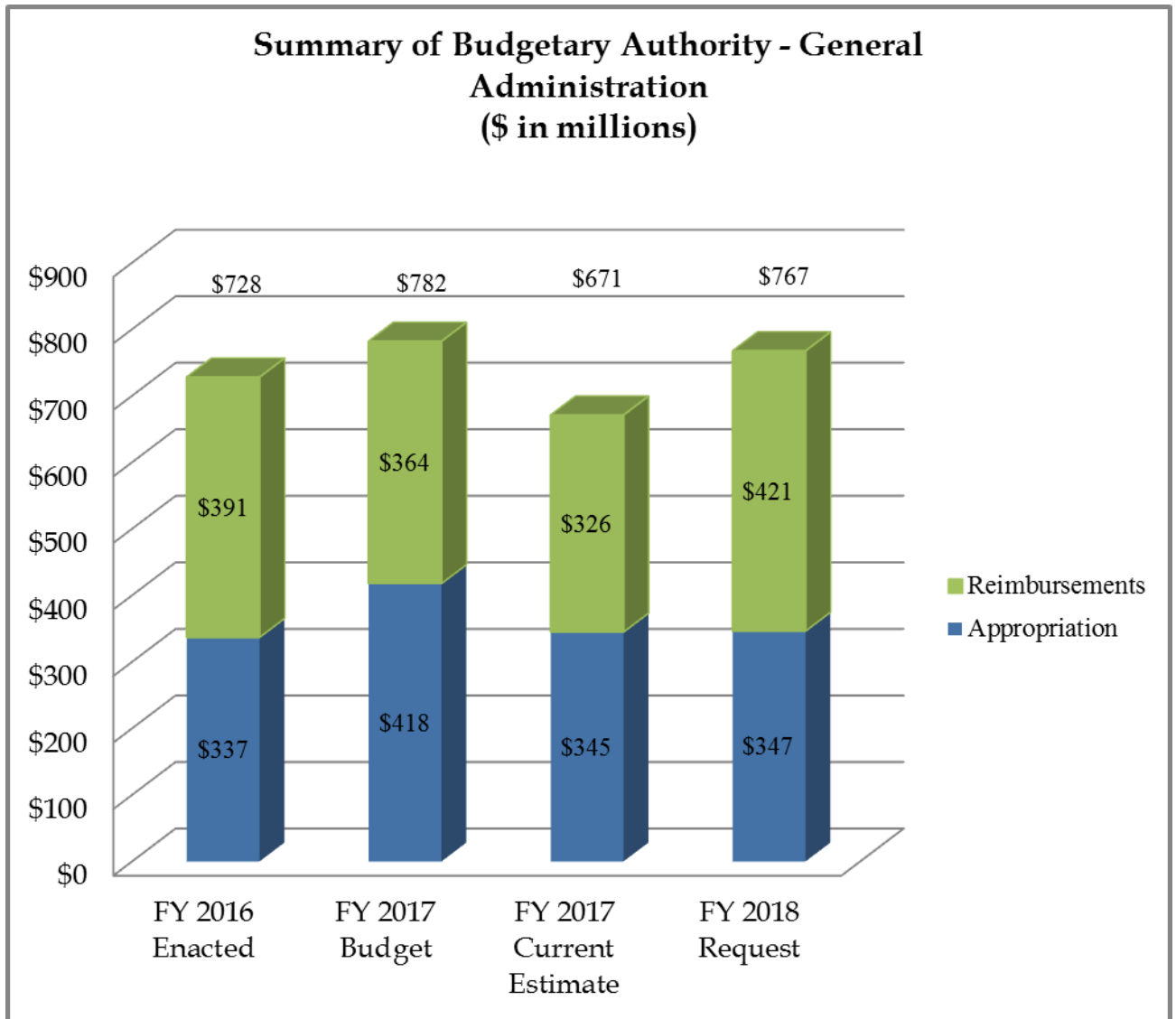
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## Departmental General Administration



1. Budget request displays both direct and reimbursable funding
2. Current Estimate reflects the Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act P.L 114-223)
3. 2018 includes the establishment of the Office of Accountability and Whistleblower Protection

# Appropriation Language

## *Departmental Administration*

### *General Administration*

For necessary operating expenses of the Department of Veterans Affairs, not otherwise provided for, including administrative expenses in support of Department-Wide capital planning, management and policy activities, uniforms, or allowances therefor; not to exceed \$25,000 for official reception and representation expenses; hire of passenger motor vehicles; and reimbursement of the General Services Administration for security guard services, [\$417,959,000] \$346,891,000, of which not to exceed 5% shall remain available until September 30, [2018] 2019: Provided, That funds provided under this heading may be transferred to “General Operating Expenses, Veterans Benefits Administration”.

## Program Description

The General Administration account provides funding for the Office of the Secretary (OSVA), six Assistant Secretaries and four VA-level staff offices, all of which report directly to the Deputy Secretary.

The Office of General Counsel (OGC) serves as the Department’s legal advisor and ensures that the agency faithfully executes all laws, regulations, and policies that the Secretary is responsible to administer.

The Assistant Secretary for Management (OM) provides executive leadership for the Department’s budget, long range investment planning, financial management, and capital asset management. Offices that report directly to the Assistant Secretary include: the Office of Asset Enterprise Management, the Office of Budget, the Office of Finance, and the Office of Programming, Analysis and Evaluation.

The Assistant Secretary for Human Resources & Administration (HR&A) formulates and executes Department-level policies and programs concerning human resources management and labor relations, and equal employment opportunity (including the timely and correct processing of EEO complaints). HR&A also oversees VA Central Office support services which include building management, renovations, and audiovisual requirements.

The Office of Enterprise Integration (OEI) leads the development of initiatives and analysis for the Secretary and VA senior leaders in the areas of Veteran policy, Departmental level policy, interagency policy, program development, strategic planning, and management to support effective and efficient delivery of benefits and services to our Nation’s Veterans. OEI ensures alignment of all policy, program, strategy, and operations with the strategic direction of the Administration and Secretary. OEI coordinates the development and implementation of the VA Strategic Plan, leads the Department in data analysis, and develops external partnerships to improve services and outcomes for Veterans and their families.



The Assistant Secretary for Security and Preparedness (OSP) is an active federal partner in VA's continuity of operations in the event of an emergency (whether natural disaster or terrorist assault) ensuring minimal disruption to ongoing services to Veterans and their families. OSP leads the Department's efforts in law enforcement and overseeing the protection of VA's infrastructure. OSP also evaluates preparedness programs and develops training programs and exercises that enhance VA's readiness.

The Assistant Secretary for Intergovernmental Affairs (OPIA) helps build and maintain public confidence in the VA by positively enforcing its commitment and readiness to serve America's Veterans of all generations.

The Assistant Secretary for Congressional and Legislative Affairs (OCLA) executes the Department's congressional affairs program with the Congress and has overall responsibility for the plans, policies, goals, and direction of legislative affairs.

The Office of Acquisition, Logistics and Construction (OALC) oversees the resources, services and projects that comprise VA's capital facilities program and also directs the Department's acquisition and logistics activities and manages the Supply Fund.

The Veteran Experience Office (VEO) brings industry best practices to government in order to support VA in becoming a premiere customer service organization for Veterans, their families, caregivers, and survivors. VEO is equipped with four unique capabilities that enable the Department to look across the entire enterprise to identify customer experience problem areas, design service delivery improvements, and deploy solutions in partnership with Administrations and Staff Offices based on the voice of the customer.

The Office of Accountability and Whistleblower Protection, a new office within the General Administration account, integrates management for related workforce accountability, resolution management, and whistleblower protection and establishes an enterprise owner (Principal Executive Director) to drive common communications, training and performance management. It consolidates numerous offices with similar functions and complies with legislative mandates to establish a Central Whistleblower Office and process.

<b>Departmental General Administration</b>				
<b>Total Budgetary Resources</b>				
(dollars in thousands)				
	2016	2017		2018
<b>Appropriation</b>	Actual	Budget	Current	Request
Rescission	\$336,659	\$417,959	\$345,391	\$346,891
Transfer				
Net BA	\$336,659	\$417,959	\$345,391	\$346,891
Start of Year Unobligated Balances	\$4,649		\$6,672	
Transfer on Unobligated Balances	-\$3,609			
<b>Direct Budgetary Resources</b>	<b>\$337,699</b>	<b>\$417,959</b>	<b>\$352,063</b>	<b>\$346,891</b>
<b>Reimbursements</b>	<b>\$391,052</b>	<b>\$364,272</b>	<b>\$326,136</b>	<b>\$420,503</b>
<b>Average Employment (FTE)</b>	<b>2,559</b>	<b>3,153</b>	<b>2,716</b>	<b>3,016</b>

<b>General Administration - Budget Authority</b>								
(\$ in thousands)								
	2016 Actual		2017 Budget		2017 Current Est 1/		2018 Request	
	BA	FTE	BA	FTE	BA	FTE	BA	FTE
Office of the Secretary	\$12,354	80	\$11,589	72	\$10,545	85	\$15,020	87
Office of General Counsel	\$89,903	561	\$94,317	602	\$93,117	582	\$91,117	574
Office of Management	\$51,748	221	\$57,729	285	\$61,354	276	\$57,729	302
Office of Human Resources & Administration	\$57,753	224	\$67,887	270	\$67,887	270	\$67,887	257
Office of Enterprise Integration	\$25,699	96	\$27,967	127	\$27,967	112	\$27,967	127
Office of Operations, Security & Preparedness	\$17,407	88	\$20,534	122	\$20,534	113	\$22,034	122
Office of Public and Intergovernmental Affairs	\$23,453	72	\$10,736	66	\$12,663	80	\$12,663	86
Office of Congressional & Legislative Affairs	\$6,839	40	\$9,208	63	\$5,900	47	\$7,050	48
Office of Acquisition, Logistics and Construction	\$51,503	250	\$45,424	228	\$45,424	229	\$45,424	225
Office of Veterans Experience	\$0	0	\$72,568	204	\$0	0	\$0	0
Office of Accountability and Whistleblower Protection	\$0	0	\$0	0	\$0	0	\$0	0
<b>Total Budget Authority 2/</b>	<b>\$336,659</b>	<b>1,632</b>	<b>\$417,959</b>	<b>2,039</b>	<b>\$345,391</b>	<b>1,794</b>	<b>\$346,891</b>	<b>1,828</b>

1/ The 2017 Current Estimate column reflects the 2017 Appropriations Act  
2/ Numbers may not add due to rounding

<b>General Administration - Reimbursements</b>								
(\$ in thousands)								
	2016 Actual		2017 Budget		2017 Current Est 1/		2018 Request	
	RA	FTE	RA	FTE	RA	FTE	RA	FTE
Office of the Secretary	\$3,426	23	\$3,532	24	\$3,932	24	\$3,932	26
Office of General Counsel	\$16,165	133	\$19,854	145	\$15,992	120	\$17,267	125
Office of Management	\$53,307	21	\$43,291	10	\$35,418	5	\$58,239	10
Office of Human Resources & Administration	\$205,384	515	\$231,574	633	\$157,477	439	\$93,151	124
Office of Enterprise Integration	\$3,164	59	\$5,500	5	\$5,500	5	\$5,500	5
Office of Operations, Security & Preparedness	\$13,478	21	\$15,830	41	\$14,130	8	\$62,413	41
Office of Public and Intergovernmental Affairs	\$2,016	4	\$0	0	\$1,821	0	\$1,886	0
Office of Congressional & Legislative Affairs	\$0	0	\$0	0	\$0	0	\$0	0
Office of Acquisition, Logistics and Construction	\$26,645	151	\$44,691	257	\$36,434	182	\$49,422	254
Office of Veterans Experience	\$67,467	0	\$0	0	\$55,432	139	\$60,432	182
Office of Accountability and Whistleblower Protection	\$0	0	\$0	0	\$0	0	\$68,261	421
<b>Total Reimbursements 2/</b>	<b>\$391,052</b>	<b>927</b>	<b>\$364,272</b>	<b>1,114</b>	<b>\$326,136</b>	<b>922</b>	<b>\$420,503</b>	<b>1,188</b>

1/ The 2017 Current Estimate column reflects 2017 Operating Plan  
2/ Numbers may not add due to rounding

## Summary of Budget Request

In 2018, VA is requesting \$346.9 million and 3,016 FTE for the General Administration account. This FTE request includes 1,828 direct funded FTE and 1,188 reimbursable FTE. These funds will ensure management oversight, accountability and process improvements throughout the Department.

Highlights of the General Administration staff office requests for 2018 include:

- \$15.0 million in budget authority and 113 total FTE to support operations within the Office of the Secretary, which includes the Center for Minority Veterans, the Center for Women Veterans, the Center for Faith Based and Neighborhood Partnerships, the Office of Survivors Assistance, the Office of Employment Discrimination Complaint Adjudication (OEDCA) and the immediate Office of the Secretary. The Office of the Secretary provides executive leadership for all programs to continue transforming VA into a Veteran-centric organization that provides life time care to Veterans, from the day the oath is taken to the day they are laid to rest.
- \$91.1million in budget authority and 699 total FTE for the Office of General Counsel. The requested funding will support OGC's continuing efforts to address an expanding legal workload, including an increasing number of cases before the United States Court of Appeals for Veterans Claims and to improve the timeliness of publishing regulations for VA's legislative and regulatory programs.
- \$57.7 million in budget authority and 312 total FTE for the Office of Management. The 2018 budget will support priorities and initiatives designed to improve business practices, enhance financial oversight, and strengthen internal controls and transparency within the Department. The request includes \$10.8 million for Financial Management Business Transformation to modernize VA's financial system. It also includes \$1.5 million for VA to achieve compliance with the Digital Accountability and Transparency Act.
- \$67.9 million in budget authority and 381 total FTE for the Office of Human Resources and Administration. In 2018, the functions of Office of Diversity and Inclusion and Office of Resolution Management will transfer to the new Office of Accountability and Whistleblower Protection. Funds for these functions are requested in the new office.
- \$28.0 million in budget authority and 132 total FTE for the Office of Enterprise Integration (OEI). The 2018 budget will allow OEI to develop and implement integrated business strategies and conduct comprehensive analysis to manage VA's breakthrough transformation initiatives. OEI will also continue to partner with DOD and other Federal agencies to maximize economies of scale and efficiencies across the Department.

- \$22.0 million in budget authority and 163 total FTE for the Office Operations, Security, and Preparedness for a variety of mission critical activities, including the continued refinement and development of the Department's continuity programs through crisis management exercises, evaluation and training. The budget supports: program offices for the Personnel Security and Suitability Program, HSPD-12 implementation and compliance; and establishment of a robust Identity, Credential and Access Management (ICAM) on boarding process. The request include \$57 million in reimbursement for the next generation Personal Identity Verification system which is a more reliable and efficient credentialing system that the current proprietary Card Management System.
- \$12.7 million in budget authority and 86 total FTE for the Office of Public and Intergovernmental Affairs. The budget request will provide for continued outreach, enhancing VA's partnership with Tribal Governments, and sustaining an Office of New Media intended to educate and empower Veterans and their families.
- \$7.1 million in budget authority and 48 FTE for the Office of Congressional and Legislative Affairs. Funding supports an increasing workload and to become more proactive in advancing congressional communications and legislative outreach. It will also continue and expand efforts to form and improve relationships and communications with Washington, DC based associations representing state and local governments and elected officials
- \$45.4 million in budget authority and 479 total FTE for the Office of Acquisition, Logistics, and Construction. This funding supports activities to improve contracting and acquisitions and VA's Facilities Transformation initiatives by: increasing the role of project management at the regional and local levels; integrating facilities management functions to maximize life-cycle performance; expanding facility assessment and planning capability; leveraging technical expertise for minor design, construction and leasing; and increasing VA's return on investment.
- \$60.4 million in reimbursement authority and 182 reimbursements FTE for the Veterans Experience Office (VEO). Modernization, accountability, and access are the cornerstones of the key VEO initiatives in 2018. Specifically, accountability initiatives include Call Center Modernization, Transactional Measurements, and Veterans Experience Feedback tool. Access Initiatives include Veterans Families Advisory Committee, Vets.gov, and MyVA 311.
- \$68.3 million in reimbursement authority and 421 reimbursement FTE for the establishment and operation of the Office of Accountability and Whistleblower Protection. The office includes Office of Resolution Management, Office of Accountability Review, the new Central Whistleblower Office, and the Office of Diversity and Inclusion.

**Net Change**  
**General Administration**  
**2018 Summary of Resources Requirements**  
(\$ in thousands)

<b>2017 President's Budget</b>	<b>\$417,959</b>
P.L. 114-223	-\$72,568
<b>2017 Continuing Appropriations Act</b>	<b>\$345,391</b>
<b>2018 Current Service Adjustments</b>	
Payraise	\$3,600
Benefits/Promotions/WIGI increases	\$800
Non Pay Inflation	\$435
	<b>Subtotal</b>
	<b>\$4,835</b>
<b>Initiatives/Programmatic Changes</b>	
Program Efficiencies	-\$4,835
Realignment of Accountability Review	-\$8,603
Realignment of Diversity and Inclusion	-\$2,973
Increases for Court and Legal workload	\$6,600
Realignment of Regulation Policy and Speechwriters	\$2,000
Human Resources Enterprise Training	\$2,973
Staffing for Congressional Workload	\$1,150
Spectrum Management Oversight	\$1,500
Realignment of Funds to Priorities	-\$1,147
	<b>Subtotal</b>
	<b>-\$3,335</b>
<b>2018 Request</b>	<b>\$346,891</b>

<b>Employment Summary - FTE by Grade</b>				
General Administration Grade	2016 Actual	2017 Current	2018 Request	Increase (+) Decrease (-)
SES	100	106	118	12
GS-15	261	277	307	30
GS-14	869	924	1,027	103
GS-13	635	674	748	74
GS-12	227	240	267	27
GS-11	190	201	224	23
GS-10	5	5	6	1
GS-9	98	104	115	11
GS-8	28	30	33	3
GS-7	93	99	110	11
GS-6	24	25	28	3
GS-5	12	13	14	1
GS-4	13	14	15	1
GS-3	1	1	1	0
GS-2	2	2	2	0
GS-1	1	1	1	0
<b>Total Number of FTE</b>	<b>2,559</b>	<b>2,716</b>	<b>3,016</b>	<b>300</b>

<b>Analysis of FTE Distribution - Headquarters/Field</b>		
General Administration Grade	2016 HQ - Actual	2016 Field - Actual
SES	66	34
GS-15	172	89
GS-14	573	296
GS-13	419	216
GS-12	150	77
GS-11	125	65
GS-10	3	2
GS-9	65	33
GS-8	18	10
GS-7	61	32
GS-6	16	8
GS-5	8	4
GS-4	9	4
GS-3	1	0
GS-2	1	1
GS-1	1	0
<b>Total Number of FTE</b>	<b>1,688</b>	<b>871</b>

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## Office of the Secretary

### Mission

The Office of the Secretary provides executive leadership and strategic direction for all VA programs, including VA's efforts to transform the Department into a continuously improving world-class organization, ensuring that the Department fulfills President Lincoln's promise and our sacred mission to care for those "who shall have borne the battle" and for their families and their survivors.

### Summary of Budget Request

(\$ in 000)	<u>2017</u>	<u>FTE</u>	<u>2018</u>	<u>FTE</u>
<b>Immediate Office of the Secretary</b>				
<b>Budget Authority:</b>	<b>\$7,300</b>	<b>46</b>	<b>\$11,698<sup>1</sup></b>	<b>68</b>
Realignment (Carryover):				
Regulation Policy and Management <sup>1</sup>	\$1,200	8		
Speechwriters and Protocol Office <sup>1</sup>	\$2,600	12		
<b>Immediate Office Total Resources:</b>	<b>\$11,100</b>	<b>66</b>	<b>\$11,698</b>	<b>68</b>
<b>Special Staff Offices</b>				
Center for Faith-Based and Neighborhood Partnerships	\$629	4	\$640	4
Center for Minority Veterans	\$1,164	7	\$1,196	7
Center for Women Veterans	\$ 863	5	\$886	5
Office of Survivors Assistance	\$589	3	\$600	3
<b>Special Staff Offices Budget Authority:<sup>1</sup></b>	<b>\$3,245</b>	<b>19</b>	<b>\$3,322</b>	<b>19</b>
<b>Reimbursement</b>				
Office of Employment Discrimination Complaint Adjudication	\$3,932	24	\$3,932	26
<b>Total Resources</b>	<b>\$18,277</b>	<b>109</b>	<b>\$18,952</b>	<b>113</b>

<sup>1/</sup> 2018 includes direct budget authority for the realignment of the Regulation & Management Office and Speechwriters and Protocol Office to the Office of the Secretary.

## Program Description

### Office of the Secretary

Provides executive leadership and strategic direction for all VA programs. Its organization includes the Immediate Office of the Secretary, the Special Staff Offices, and the Support Offices to fulfill its duties and responsibilities.

The VA's **Office of the Secretary** (OSVA) consists of the Office of Support-Mission Operations, the Office of Protocol, the Office of Strategic Engagement, the Executive Secretariat, and the Advisory Committee Management Office. Additionally, within this component are strategists, advisors and operations managers who carry out and execute Secretarial priorities including developing strategies for transformation, policies, budgets, organizations, communications and external relations – in short, providing critical oversight of strategic programs and initiatives and supporting Department operations.

The **Office of Support-Missions Operations** provides administrative, logistical, budget, and operational support for the Office of the Secretary and its subsidiary offices including executive mission support (i.e. arranging official travel and associated support for the Secretary, Deputy Secretary, Chief of Staff and others as required; coordinates transportation, security, protocol activities, and equipment). In the areas of administration and logistics support: develops and manages the OSVA budget, manages and maintains OSVA property and expendable supplies. Provides human resources guidance and coordinates with Veterans Affairs Central Office (VACO) Human Resources to provide personnel services.

The **Office of Protocol** provides protocol and executive services to the Office of the Secretary, Office of the Deputy Secretary, and Office of the Chief of Staff. Those services include:

- Directing and organizing special ceremonies and events for the VA Central Office that involve the executive leadership.
- Escorting dignitaries visiting the executive leadership.
- Providing and organizing related protocol services to include photography and media services for VIP visitors.
- Providing advice and guidance to VA Central Office and field facilities on protocol matters as they relate to visitors, both foreign and domestic, ceremonies and other special events.

The **Office of Strategic Engagement** coordinates and monitors all integrated communications activities across the Department and facilitates engagements with key audiences to achieve effects consistent with VA's interests, policies, and objectives. The office advises VA leadership on communications and engagement strategy and serves as primary advisor on all matters related to coordinated internal and external communications. Activities include: synchronizing and coordinating Department communications plans; providing guidance on messaging and overall communications

activities and priorities; and synchronizing and coordinating crisis communications actions and special projects and initiatives.

The **Executive Secretariat** staff controls and coordinates the preparation, staffing and dissemination of correspondence directed to the Secretary and Deputy Secretary, oversees all administrative operations of the Immediate Office of the Secretary and the Special Staff Offices, as well as correspondence and administrative policies for the Department.

The **Advisory Committee Management Office** (ACMO) coordinates and oversees policy implementation for VA's 24 federal advisory committees. ACMO is responsible for establishing clear goals, standards, and uniform procedures for advisory committee activities, ensuring advisory committee actions comply with the provisions of the Federal Advisory Committee Act. ACMO ensures that advisory committee meetings are open to the public and, as appropriate, announced in the Federal Register.

### **Special Staff Offices**

The **Center for Faith-based and Neighborhood Partnerships** (CFBNP) serves as VA's principal office to develop partnerships and provide relevant information to faith-based and secular organizations and expand its participation in VA programs in order to better serve the needs of Veterans, their families, and survivors. The Director serves as the liaison with the White House Office of Faith-Based and Neighborhood Partnerships.

The **Center for Minority Veterans** (CMV) was established in 1994 by Public Law 103-446. Title 38, United States Code (USC), Section 317 reflects the current responsibilities of the CMV. The Director serves as principal advisor to the Secretary on the adoption and implementation of policies and programs affecting minority Veterans. CMV serves as an advocate for minority Veterans by conducting outreach activities to promote the awareness and use of VA benefits and services.

The Center's activities include:

- Making recommendations to the Secretary, the Under Secretary for Health, the Under Secretary for Benefits, and other Department officials for the establishment or improvement of programs in the Department for which minority Veterans are eligible.
- Promoting the use of benefits authorized by this title by minority Veterans and the conduct of outreach activities to minority Veterans, in conjunction with outreach activities carried out under chapter 77 of this title [38 USC § 7701 etseq.].
- Consulting with, and providing assistance and information to, officials responsible for administering federal, state, local, and private programs that assist Veterans, to encourage those officials to adopt policies that promote the use of those programs by minority Veterans.
- Advising the Secretary when laws or policies have the effect of discouraging the use of benefits by minority Veterans.

- Conducting and sponsoring appropriate social and demographic research on the needs of Veterans who are minorities and the extent to which programs authorized under Title 38 USC meet the needs of those Veterans, without regard to any law concerning the collection of information from the public.
- Publicizing the results of medical research, which are of particular significance to minority Veterans.
  - The term “minority Veterans” includes individuals who are:
    - Asian American;
    - Black/African American;
    - Hispanic/Latino;
    - Native American (including American Indian, Alaska Native, and Native Hawaiian); or
    - Pacific-Islander American
- Providing support and administrative services to the Advisory Committee on Minority Veterans provided for under section 544 of this title.

The **Center for Women Veterans (CWV)** was established by Public Law 103-446. The Director serves as principal advisor to the Secretary on matters related to policies, legislation, programs, issues, and initiatives affecting women Veterans. CWV serves as an advocate for a cultural transformation (both within VA and in the general public) in recognizing the service and contributions of women Veterans and women in the military, and in raising awareness of the responsibility to treat women Veterans with dignity and respect.

The Center’s activities include:

- Identifying and recommending effective VA policies, practices, programs, and related activities for women Veterans and disseminating information internally and to the public.
- Communicating with women Veterans and their families on VA benefits and services in a proactive and timely manner.
- Educating external organizations on VA’s benefits and services, to improve its advocacy for women Veterans.
- Collaborating with other federal, state and local agencies, Veterans Service Organizations (VSO), faith-based and community partners to provide information on women Veterans.
- Providing support to the Secretary’s Advisory Committee on Women Veterans (ACWV), including coordinating annual briefings and publishing of a biennial report outlining recommendations, concerns, and observations on VA’s delivery of benefits and services to women Veterans.

The **Office of Survivors Assistance (OSA)** was established by Public Law 110-389, Title II, Section 222. The OSA Director serves as the principal advisor to the Secretary on all policies, programs, legislative issues, and other initiatives affecting survivors and dependents of deceased Veterans and service members. OSA serves as a resource regarding all benefits and services furnished by the Department to survivors and dependents of deceased Veterans.

OSA's activities include:

- Building and maintaining collaborative partnerships with local, state and federal agencies as well as VSOs, faith-based and community organizations and other stakeholder groups to increase awareness of benefits and services available to survivors and their dependents.
- Advocating for the needs of survivors in the policy and programmatic decisions of VA.
- Making appropriate referrals to VA administrations and staff offices to ensure survivors receive eligible benefits and services.
- Developing innovative outreach opportunities to reach survivors who are eligible but are not receiving benefits.

## **Support Offices**

The **Office of Employment Discrimination Complaint Adjudication** (OEDCA) was established by Public Law 105-114, Title I, Section 102. OEDCA is an independent office responsible for issuing final agency decisions and orders on the substantive merits of employment discrimination complaints filed by employees and applicants for employment. Final agency decisions and orders are rendered in a fair and impartial manner and are based on evidence contained in the investigation report and, if applicable, the hearing transcript and exhibits provided by an Equal Employment Opportunity Commission (EEOC) appointed administrative judge. OEDCA is also responsible for determining equitable relief and issuing final agency decisions on a complainant's entitlement to compensatory damages, attorney's fees, and costs where the complainant is a prevailing party.

Funding for this office is provided through reimbursement by the customers it services.

The **Office of Small and Disadvantaged Business Utilization** (OSDBU) was established by Public Law 95-507, Section 221(k). OSDBU serves as the Department's advocate for the participation of Service-Disabled Veteran-owned small businesses, Veteran-owned small businesses, small business concerns, small disadvantaged businesses, women-owned small businesses, and historically underutilized businesses in VA contracts and subcontracts. OSDBU works closely with VA program offices and contracting activities to ensure maximum practical opportunity for small businesses in the Department's procurements. The Executive Director serves as the Department's principal liaison to the Small Business Administration, and in matters relating to the Department's socioeconomic acquisition program, and is a liaison with the Department of Commerce, General Service Administration, and the Office of Federal Procurement Policy.

OSDBU activities include:

- Conducting procurement reviews, training acquisition officials, counseling entrepreneurs, participating at small business experts stakeholder outreach events, performing to stakeholder community, distributing informational materials that

describe how to do business with the Department and sharing acquisition information with small businesses and VSOs.

- Negotiating, establishing, and helping to manage the Department-wide procurement goals as well as reporting on the progress toward accomplishing these goals.
- Reviewing the effectiveness of current policy, procedures, and plans for enhancing use of small businesses in future departmental requirements and recommending improvements.
- Verifying the eligibility of Veteran-owned small businesses for participation in the Veterans First contracting program.

Funding for OSDBU is provided through VA's Supply Fund.

## **Budget Highlights**

The 2018 request provides for the following:

- An average employment of 113 FTE and total obligation authority of \$18,952,000 to support operations of the Office of the Secretary, which includes CMV, CWV, CFBNP, OSA, and OEDCA. This request is comprised of \$15,020,000 in budget authority and \$3,932,000 in reimbursable authority.
- Within the total obligation authority, an average employment of 87 FTE, and budget authority of \$15,020,000 to support the operations of the Office of the Secretary.
- \$3,932,000 in total recoveries to support 26 FTE and its operations. Recoveries are comprised of reimbursements from VHA, NCA, OIG, VBA and OIT. The budget authority of \$52,000 represents the Staff Office's share of the operational costs related to OEDCA.

*Office of the Secretary*  
*Summary of Employment and Obligations*  
*(dollars in thousands)*

	2017				Increase/ Decrease
	2016 Actual	Budget Estimate	Current Estimate	2018 Estimate	
<b>FTE</b>	103	96	109	113	4
<b>Obligations:</b>					
Personal services	\$15,744	\$14,357	\$17,588	\$18,300	\$712
Travel	\$320	\$312	\$306	\$304	(\$2)
Transportation of things	\$56	\$0	\$0	\$	\$
Rents, communications, and utilities	\$0	\$0	\$0	\$	\$
Printing and reproduction	\$19	\$5	\$17	\$17	\$
Other services	\$391	\$281	\$277	\$270	(\$7)
Supplies and materials	\$88	\$166	\$82	\$61	(\$21)
Equipment	\$4	\$0	\$7	\$0	(\$7)
<b>Total obligations</b>	<b>\$16,622</b>	<b>\$15,121</b>	<b>\$18,277</b>	<b>\$18,952</b>	<b>\$675</b>
Reimbursements (OEDCA)	(\$3,426)	(\$3,532)	(\$3,932)	(\$3,932)	\$0
SOY Carry over (-)	(\$900)	\$0	(\$3,800)	\$0	\$3,800
EOY Carry over (+)	\$58	\$0	\$0	\$0	\$0
<b>Total budget authority</b>	<b>\$12,354</b>	<b>\$11,589</b>	<b>\$10,545</b>	<b>\$15,020</b>	<b>\$4,475</b>

- The 2018 personal services request of \$18,300,000 provides funding for 113 FTE.
- A total of \$652,000 of the request is for travel, supplies and materials, other services and equipment.

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## *General Counsel*

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### **Mission**

The mission of the Office of General Counsel (OGC) is to facilitate the mission and priorities of the Department of Veterans Affairs by serving as a business partner, providing sound legal expertise, representation, and as needed, critical problem-solving skills and risk-management advice. As the unified national law firm for the Department, OGC must ensure the just and faithful execution of the laws, regulations, and policies that the Secretary has responsibility for administering, and by so doing enable the Department to accomplish its mission of service to our Nation's Veterans.

OGC's clients include the Secretary of Veterans Affairs, Deputy Secretary, Chief of Staff, the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), the National Cemetery Administration (NCA), and other components of the Department. Secondary stakeholders include Congress, Federal courts, Federal agencies, and Veterans Service Organizations.

### **Summary of Budget Request**

To fulfill its requirements to provide legal support to the Secretary and the Department, especially regarding the critical Veteran-focused practice areas of accountability, health law (e.g. Choice Act implementation, access issues), procurement and construction matters, personnel law (e.g. expedited removal authority), claims appeals before the Federal courts, and tort claims, OGC's 2018 budget request includes the following resources:

(\$ in 000)	2017	FTE	2018	FTE
Office of General Counsel	\$84,514	537	\$91,117	574
Office of Accountability Review	\$8,603	46		-
<b>Total Budget Authority</b>	<b>\$93,117</b>	<b>582</b>	<b>\$91,117</b>	<b>574</b>
<b>Reimbursement</b>				
MSCA	4,835	47	5,766	54
Credit Reform	2,816	19	2,927	19
Supply	8,342	54	8,342	50
Debt Management Center	-	-	232	2
<b>Total Reimbursement</b>	<b>15,992</b>	<b>120</b>	<b>17,267</b>	<b>125</b>
<b>Total Obligational Authority</b>	<b>\$109,109</b>	<b>702</b>	<b>\$108,384</b>	<b>699</b>

- In FY 2018, OGC requests direct budget authority of \$91.1 million and 574 FTE, and \$17.3 million in reimbursable authority and 125 reimbursable FTE, to provide legal support and representation to the Secretary and the Department.
- Office of Accountability Review (OAR) will be realigned within the General Administration account under the Office of Accountability and Whistleblower Protection.
- In FY 2017, OGC established a reimbursable agreement with the Debt Management Center (DMC) to ensure compliance with VA policy and Federal Claims Collection Standards regarding bankruptcy and probate cases.
- In FY 2016, OGC discontinued reimbursable activity with the VA Canteen Service because the parties ended a Memorandum of Understanding, the terms of which included Canteen Service reimbursing OGC for the cost of an OGC Staff Attorney dedicated solely to VCS matters.

## Distribution of Resource Requirements over OGC Product Lines

Product Lines:	2016	FTE	2017	FTE	2018	FTE
Benefits Law	\$ 18,457,974	115	\$ 18,567,574	112	\$ 18,097,819	117
Veterans Benefits Litigation*	\$ 8,910,563	56	\$ 11,833,426	71	\$ 14,287,454	92
Business Law	\$ 42,301,119	265	\$ 43,971,623	265	\$ 43,238,415	279
Employment Law	\$ 16,634,077	104	\$ 15,485,192	93	\$ 14,310,833	92
Health Law	\$ 13,656,836	85	\$ 13,030,643	78	\$ 12,636,162	81
Other Specialized Legal Services	\$ 6,541,259	41	\$ 6,220,249	37	\$ 5,813,049	37
<b>Total Resource Requirements</b>	<b>\$ 100,839,829</b>	<b>666</b>	<b>\$ 100,505,708</b>	<b>656</b>	<b>\$ 108,383,732</b>	<b>699</b>
Office of Accountability Review	\$ 5,662,000	28	\$ 8,603,000	46		
<b>Total Resource Requirements</b>	<b>\$ 106,501,829</b>	<b>694</b>	<b>\$ 109,108,708</b>	<b>702</b>	<b>\$ 108,383,732</b>	<b>699</b>
* OGC's practice before the US Court of Appeals for Veterans Claims and the US Court of Appeals for the Federal Circuit.						
Fiscal Year 2016 Pending @ FY Start Values are Actual Values						

## Program Description

OGC provides essential, high-quality legal services to the Department including representation before administrative and judicial forums, formal and informal legal advice, ethics advice, legislative drafting and advocacy, decision writing, legal program administration, rulemaking, training, and liaison with external parties.

Through subject-matter and geographically-focused legal teams based at Central Office and throughout VA's five Districts, OGC delivers nationwide coverage of legal services to the Department. Ten District Chief Counsel Offices and three National Practice Groups located throughout the country support VA's operations outside of Central Office. The Central Office legal staff is made up of eight VA Central Office-based Law Groups performing substantive legal work, and overseeing rulemaking, and another group provides management and operational support to all components of OGC.

OGC's practice of law may be divided into five broad subject areas or "product lines." These are Employment Law, Health Law, Benefits Law, Business Law, and Other Specialized Legal Services. Within each of these five product lines are a number of legal-specific areas or "product categories."

## Product Lines

**Benefits Law** involves the following product categories:

1. Veterans Benefits Litigation
2. Burial benefits
3. Loan Guaranty (including management of properties acquired by VA in loan default actions)

4. Appointment and removal of fiduciaries
5. Compensation and Pensions
6. Vocational Rehabilitation and Education
7. Attorney fees for claimant representation
8. Accreditation of Veterans service organization representatives
9. National Service Life Insurance, United States Government Life Insurance and Servicemembers' Group Life Insurance.

**Business Law** involves the following product categories:

1. Collections (includes debts owed to the United States by liable third parties, insurers, and Veterans)
2. Procurement (includes construction, supply, and service contracts)
3. Expanded sharing of medical facilities, equipment, and information
4. Acquisition and disposition of real property (includes leases and land acquisitions by/for VA, and easements on land owned by VA but does not include real property acquired in the administration of the loan guaranty program, which is covered under the Benefits product line above)
5. Enhanced-use leases of real property
6. Compliance with environmental and occupational safety laws
7. Non-profit research corporations (issues related to incorporation and management of these corporations)

**Employment Law** involves the following product categories:

1. Employee disciplinary actions appealed to the Merit Systems Protection Board, including expedited removal authority cases
2. Employee complaints of discrimination or harassment taken to the Equal Employment Opportunity Commission (EEOC)
3. Title 38 employee actions, including reporting personnel to the National Practitioner Data Bank and State licensing boards, and disciplinary matters before Disciplinary Appeals Boards
4. Labor management issues taken before the Federal Labor Relations Authority
5. Employee requests for representation by the Department of Justice
6. Inspector General and criminal investigations
7. General employment issues (includes Office of Special Counsel investigations, pay and leave policy issues, etc.)
8. Ethics advice and training
9. Labor-management relations, including arbitrations

**Health Law** involves the following product categories:

1. Implementation of the Choice Act, and access to care including eligibility issues
2. Administrative tort claims filed against the Department for injuries alleged to have resulted from VA-provided health care, and non-health care related claims involving VA property/employees

3. Issues relating to the administration and management of a health care system
4. Patient safety
5. Bioethics
6. Commitment of mentally disturbed/impaired Veterans to VA health care facilities;
7. Medical Research
8. Canteen Service operations
9. Final agency decisions on patent and copyright matters
10. Administration of the General Post Fund
11. Acceptance of gifts to VA

**Other Specialized Legal Services** involves the following product categories:

1. Disclosure of information (e.g. Congress, *Touhy*, FOIA, Privacy Act)
2. Organization/reorganization of VA and its component parts
3. Authorized use of appropriated funds and other fiscal matters
4. Federal Records Act
5. Paperwork Reduction Act
6. Laws prohibiting discrimination in programs receiving Federal financial assistance (e.g., title 6 of the Civil Rights Act of 1974, title 9 of the Education Act, as amended, and Section 504 of the Rehabilitation Act, as amended)

## **Recent Accomplishments**

### **Supporting Improved Accountability in VA**

OGC's Personnel Law Group (PLG) spearheaded litigation teams consisting of attorneys from across OGC to successfully defend numerous high-profile accountability actions. PLG provided technical assistance and legislative services to VA's oversight committees on accountability legislation. PLG works closely with VA leadership, and leaders in VHA, OHRA, and other administrations and staff offices, to advise on the implementation of accountability legislation, including the establishment of the Central Whistleblower Office. PLG is also working to establish an organization-wide tiger team to review systemic pay issues which have led to class-action lawsuits, and make recommendations to leadership about resolutions to those issues that can save VA millions of dollars in otherwise avoidable damages and attorney fees.

### **Ending Veteran Homelessness**

**West Los Angeles Partnership – Housing and Services for Homeless Veterans:** In June 2011, several high-profile attorneys and Veteran organizations filed a lawsuit against VA in the U.S. District Court for the Central District of California, on behalf of, among others, 10 named individuals, including Veterans in the West Los Angeles (West LA) service delivery area. The lawsuit alleged VA was misusing the West Los Angeles

campus by failing to use it as a home for disabled Veterans per the 1888 deed of the property to the United States. OGC worked in collaboration with attorneys from the Department of Justice and Plaintiffs to obtain dismissal of the lawsuit in January 2015 by executing a “Principles Agreement.”

Under the Principles Agreement, VA committed to: (1) hire a reputable urban planning firm to assist VA in developing a new master plan for the West LA campus; (2) issue a written strategy and action plan to end Veteran homelessness, and hire a national-homeless expert to implement VA’s homelessness strategy in in Greater Los Angeles (Greater LA); (3) utilize the West LA campus in a more Veteran-focused manner, including by ending non-Veteran-focused third party land uses, and providing housing for homeless, severely disabled, women, and aging Veterans; (4) and include the objectives and goals of the Principles Agreement and contemplated new master plan into VA’s annual Strategic Capital Investment Plan (a/k/a SCIP) ten year planning process.

Since the settlement agreement, VA has worked with the former Plaintiffs and other stakeholders, to revitalize the campus and make it more Veteran focused while OGC has continued to provide support to monitor adherence to the agreement. In January 2016, VA publicly issued its framework Draft Master Plan for the West LA campus, after receiving and evaluating over 1,000 comments in the Federal Register. Then in September 2016, the “West Los Angeles Leasing Act of 2016” (Public Law 114-226) was enacted. This legislation authorizes VA to execute supportive housing Enhanced-Use Leases, and supportive service leases on the West LA campus, to benefit Veterans and their families. OGC attorneys were instrumental in achieving both outcomes. These efforts will improve the lives of many Veterans in Greater LA. OGC and VA hope that the strategies and lessons learned in revitalizing the West LA campus will serve as a model for VA’s other campuses throughout the country.

## **Improving the Veteran Experience**

**Assistance with Health Eligibility Center problems:** In September 2015, the VA Office of Inspector General (OIG) issued a report after investigating allegations of mismanagement at VHA’s Health Eligibility Center (HEC), specifically relating to VHA’s processing of applications for enrollment in VA health care. OIG determined that VHA’s enrollment system had over 850,000 enrollment records in a “pending” status and that those records, and the enrollment system itself, had been mismanaged in various ways identified in the report, including that many records did not have application dates, did not actually represent individuals actively seeking enrollment, and in some cases had been “pending” for many years. OIG also determined HEC lacked adequate business processes to identify deceased individuals and update their records, leading to assertions in the press that veterans died waiting for enrollment in VA health care. In response, VHA created a National Enrollment Improvement team to examine and address the identified issues, and

OGC's Health Care Law Group has worked closely with that team since its formation. This work has included an update to VHA policy regarding what documentation constitutes evidence of death for VA purposes; a data sharing agreement with the Social Security Administration; two equitable relief packages for individuals impacted by the delayed processing of their applications; amendments to VA's enrollment regulations to authorize applications for enrollment by telephone; and development of a new online application for enrollment on vets.gov. During this time, OGC also participated in regular briefings with VA leadership. OGC continues to provide guidance to HEC's Member Services office as they work to improve the enrollment system and related business processes.

**Veterans Benefits Management System (VBMS) optimization – Successful defense of procurement protests:** The Veterans Benefits Management System (VBMS) is a paperless claims processing system that greatly reduces the time required to establish, develop, decide, and pay veteran claims, ensuring that Veterans timely receive their benefits. A formal best-value source selection was conducted for this effort, and VA awarded two (2) five (5) year-contracts. An unsuccessful bidder filed a protest with the Government Accountability Office (GAO). The protester alleged the Agency failed to conduct a proper best-value tradeoff and unreasonably evaluated its proposal. OGC attorneys filed a comprehensive response directly refuting each allegation with specific references to both GAO precedent and the procurement record. After receiving and reviewing the merits of our submission, the bidder withdrew its protest. It is significant because it reaffirms the latitude of the Government to select a higher-priced technical solution if the circumstances warrant it – thereby ensuring that Veterans receive the best services and the taxpayer the best value available.

**New Contract for VA to Meet its IT Needs and Improve Services to Veterans:** The Transformation Twenty-One Total Technology Next Generation (T4NG) is the Department of Veterans Affairs, Technology Acquisition Center's (TAC) premier information technology Indefinite Delivery/Indefinite Quantity (ID/IQ), Multiple Award Task Order (MATO) acquisition vehicle spanning ten (10) years and with a ceiling of \$22.3B. The T4NG program, the follow-on to the highly successful T4 contract, establishes the requirements for contractor-provided solutions primarily in support of the VA Office of Information and Technology (OI&T), including total Information Technology (IT) solutions encompassing all services needed to integrate systems, networks, or other IT services, to include incidental hardware, for customer requirements that vary across the entire spectrum of existing and future technical environments.

OGC was involved throughout this procurement. After the Agency selected its 39 most highly-rated offerors for inclusion in the competitive range, it received several protests. OGC attorneys defended the protests, and GAO upheld the Agency's competitive range determination and its evaluation of proposals, including its consideration of Veterans

Employment by bidders. This decision, along with another GAO decision upholding its competitive range, paved the way for the Agency to make the 28 T4NG contract awards, including 14 awards to SDVOSBs, and serves as precedent for utilizing the Veterans Employment factor in other Agency acquisitions.

Over the next 10 years, T4NG will enable the Agency to continue to efficiently meet its broad range of IT needs, while also continuing to satisfy its obligations under Veterans First Contracting Program and will serve as a model for evaluating Veterans employment across the Agency.

## **Improving Veterans Experience**

**Standard Claims and Appeals Forms:** OGC attorneys, working with attorneys from the Department of Justice, achieved favorable decisions from the U.S. Court of Appeals for the Federal Circuit, in which the court rejected five petitions from various groups challenging VA's rulemaking action requiring all claims and appeals to be initiated on standard forms. See "Standard Claims and Appeals Forms; Final Rule," 79 Fed. Reg. 57660 (September 25, 2015). The rule was designed to promote efficiency and accuracy in VA claims and appeals processing and, during the rulemaking process, VA made a number of changes in response to public comments to ensure that the final rule was as simple and claimant-friendly as possible. The petitions filed in the Federal Circuit argued, in part, that the rule exceeded VA's statutory authority, contravened Congressional intent by creating an adversarial process, eliminated VA's duty to consider claims reasonably raised by the evidence, and created technical pleading requirements for veterans. The Federal Circuit upheld the rule, rejecting all of the petitioners' arguments. See *Veterans Justice Group, LLC v. Sec'y of Veterans Affairs*, 818 F.3d 1336 (Fed. Cir. 2016); see also *Paralyzed Veterans of Am. v. Sec'y of Veterans Affairs*, 653 Fed. Appx. 759 (Fed. Cir. 2016). These court decisions have a substantial positive impact on VA claim processing, because the challenged rules are a critical component of VA's effort to standardize and modernize the VA claims and appeals processes, and required balancing the need to maintain a claimant-friendly process with VA's need for more structured, efficient process thereby providing more timely claim decisions to disabled Veterans. The use of standard forms facilitates electronic claim processing and enables VA to more efficiently identify and manage claims and appeals.

## **Budget Highlights**

- In FY 2018, OGC requests direct budget authority of \$91.1 million and 574 direct FTE, and \$17.3 million in reimbursable authority and 125 reimbursable FTE, to provide legal support and representation to the Secretary and the Department.



## Summary of Employment and Obligations

<i>General Counsel</i>					
<i>Summary of Employment and Obligations</i>					
<i>(dollars in thousands)</i>					
	2017				2017- 2018
	2016	President's	Current	2018	Increase/ Decrease
	Actual	Budget	Estimate	Request	
<b>Average Employment</b>	<b>694</b>	<b>747</b>	<b>702</b>	<b>699</b>	<b>-3</b>
Central Office (Law Groups)	340	361	344	343	-1
Field (Chief Counsels)	354	386	358	356	-2
<b>Obligations:</b>					
Personal services	\$100,156	\$107,023	\$102,140	\$101,295	-\$845
Travel	\$1,480	\$1,949	\$2,360	\$1,624	-\$736
Transportation of Things	\$66	\$83	\$75	\$78	\$3
Rent, Communications, Utilities	\$870	\$832	\$831	\$933	\$102
Printing and reproduction	\$26	\$270	\$15	\$25	\$10
Other services	\$3,522	\$3,353	\$3,300	\$3,057	-\$243
Supplies and materials	\$273	\$511	\$265	\$253	-\$12
Equipment	\$94	\$130	\$103	\$1,100	\$997
Insurance Claims	\$15	\$20	\$20	\$20	\$0
<b>Total Obligations</b>	<b>\$106,502</b>	<b>\$114,171</b>	<b>\$109,109</b>	<b>\$108,384</b>	<b>-\$725</b>
Reimbursements (-)	(\$16,165)	(\$19,854)	(\$15,992)	(\$17,267)	(\$1,275)
SOY Unobligated Balance (-)	(\$1,076)	\$0	\$0	\$0	\$0
EOY Unobligated Balance (+)	\$642	\$0	\$0	\$0	\$0
<b>Total Budget Authority</b>	<b>\$89,903</b>	<b>\$94,317</b>	<b>\$93,117</b>	<b>\$91,117</b>	<b>-\$2,000</b>

## Current Year Changes from FY 2017 Budget

<i>Changes from 2017 President's Budget Request</i>			
<b>(dollars in thousands)</b>			
	2017		
	Budget	Current	Increase (+)
	Estimate	Estimate	Decrease (-)
Average Employment	747	702	-45
Obligations:			
Personal Services	\$107,023	\$102,140	-\$4,883
Travel	\$1,949	\$2,360	\$411
Transportation of things	\$83	\$75	-\$8
Rents, communications & utilities	\$832	\$831	-\$1
Printing and reproduction	\$270	\$15	-\$255
Other services	\$3,353	\$3,300	-\$53
Supplies and materials	\$512	\$265	-\$247
Equipment	\$130	\$103	-\$27
Insurance claims	\$20	\$20	\$0
<b>Total Obligations</b>	<b>\$114,171</b>	<b>\$109,109</b>	<b>-\$5,063</b>

OGC estimates a reduction in execution from the initial FY 2017 request due to efficiencies and realignment of services:

- Litigation support services contract costs were lower than estimated resulting in reallocation of these funds to meet other contractual needs.
- Changes in billing for the Human Capital Investment Plan (HCIP) inter-agency agreement reduced Other Services spending.
- Online subscription services allowed OGC to contract for supplies at a lower cost than direct spending on these materials.
- The Credit Reform reimbursement achieved efficiencies through OGC's FY 2016 realignment and the Supply Fund reimbursement reduced FTE to operate at FY 2015 levels.
- The Office of Regulation Policy and Management was realigned under the Office of the Secretary in 2017. Funds for this function are requested in the Office of the Secretary beginning in 2018
- OGC devoted some of these savings to necessary travel and training to buffer against increasing start of year client and case workload.

## Summary of Workload Indicators

<i>Summary of Workload Indicators</i>								
Product Line / Business Unit	FY 16		FY 17		FY 18 (Projected)		FY 19 (Projected)	
	Pending (@FY Start)		Pending (@FY Start)	Received	Pending (@FY Start)	Received (Projected)	Pending (@FY Start)	Received (Projected)
	Actual	Received	Actual	(Projected)	(@FY Start)	(Projected)	(@FY Start)	(Projected)
Benefits Law Total	3396	29091	3400	27,815	3,797	28,192	3,992	28,569
Veterans Benefits Litigation*	3,526	7,407	5,151	9,918	10,469	9,918	15,787	9,918
Business Law Total	46342	24178	46303	25,234	52,319	23,437	56,152	21,639
Employment Law Total	6653	22862	6416	21,715	5,932	20,746	5,969	19,778
Health Law Total	8388	14461	8058	15,038	7,444	15,006	7,760	14,974
Other Specialized Legal Services Total	2130	8459	2194	8,868	2,210	8,507	2,314	8,145
<b>Total</b>	<b>70,435</b>	<b>106,458</b>	<b>71,522</b>	<b>108,587</b>	<b>82,171</b>	<b>105,805</b>	<b>91,974</b>	<b>103,023</b>
* Includes Veterans Benefits Litigation (i.e. OGC's practice before the US Court of Appeals for Veterans Claims and the US Court of Appeals for the Federal Circuit).								
Fiscal Year 2016 and 2017 Pending @ FY Start Values are Actual Values								

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## Office of Management

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### Mission

In support of the overall mission of the Department of Veterans Affairs, the Office of Management will provide Departmental leadership, stewardship, and oversight, with a vision for being a trusted advisor and partner in the goal of achieving budgetary, financial, long range investment planning and analysis and capital asset management excellence. To support our primary customers including Congress, Office of Management and Budget, and the Department's three Administrations, Board of Veterans' Affairs, Office of Information Technology and staff offices, we will initiate actions that will continue to improve VA's ability to provide timely, reliable, accurate, quality and cost effective services. We will strive to increase business efficiencies through standardized processes, maintain effective stewardship over VA resources, increase accountability and transparency, and provide oversight of the Department's financial and business functions.

### Summary of Budget Request

(\$ in 000)	2017	FTE	2018	FTE
Office of Finance	\$37,372	170	\$37,372	187
Office of Budget	5,537	29	5,537	30
Office of Asset Enterprise Management	8,340	52	8,262	55
Office of Programming, Analysis and Evaluation	2,464	15	2,464	15
Office of the Assistant Secretary	7,641	11	4,094	15
<b>Total Budget Authority</b> <sup>1/</sup>	<b>\$61,354</b>	<b>276</b>	<b>\$57,729</b>	<b>302</b>
<b>Reimbursement:</b>				
Office of Finance	\$35,118	4	57,939	8
Office of Asset Enterprise Management <sup>2/</sup>	300	2	300	2
<b>Total Reimbursement</b>	<b>\$35,418</b>	<b>6</b>	<b>58,239</b>	<b>10</b>
<b>Total Budgetary Resources</b>	<b>\$96,772</b>	<b>282</b>	<b>\$115,968</b>	<b>312</b>

<sup>1/</sup> 2017 Budget Authority includes prior year carryover.

<b>(\$ in 000)</b>	<b>2017</b>	<b>FTE</b>	<b>2018</b>	<b>FTE</b>
Office of Finance	\$37,372	170	\$37,372	187
Office of Budget	5,537	29	5,537	30
Office of Asset Enterprise Management	8,340	52	8,262	55
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Office of Finance	\$35,118	4	57,939	8
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<b>Total Budgetary Resources</b>	<b>\$96,772</b>	<b>282</b>	<b>\$115,968</b>	<b>312</b>

1/ 2017 Budget Authority includes prior year carryover.

2/ Enhanced-Use Lease receipts.

- In 2018, the Office of Management is requesting budget authority of \$57.73 million and 302 FTE to support its mission which includes priorities and initiatives to improve business practices, enhance financial oversight, and strengthen internal controls.
- Office of Management funding also includes \$58.24 million from estimated reimbursements, which includes funding to support VA's enterprise wide effort to modernize the Financial Management System (FMS). Details on reimbursements can be found in the Budget Highlights section of this chapter.

## Program Description and Accomplishments

The Office of Management (OM), under the leadership of the Assistant Secretary for Management, is a multifunctional organization responsible for directing business activity compliance and budget, financial, long range data-driven program analysis, and capital asset management functions of the VA. The office is comprised of four organizational elements: the Offices of Finance, Budget, Asset Enterprise Management, and Programming, Analysis and Evaluation.

The Assistant Secretary for Management is the Chief Financial Officer (CFO). The functions of the Senior Real Property Officer (SRPO) and Chief Sustainability Officer (CSO) reside within the Office of Management.

### Office of Finance:

The Office of Finance (OF), under the direction of the Deputy Assistant Secretary for Finance, is currently comprised of approximately 159 staff located in the Offices of Financial Solutions, Financial Policy, Financial Process Improvement and--Audit Readiness, Internal Controls, and Improper Payments Remediation, in addition to more than 600 staff at two of VA's Enterprise Centers: the Financial Services Center (FSC) in Austin, Texas, and the Debt Management Center (DMC) in St. Paul, Minnesota. Both of these Enterprise Centers are non-appropriated entities within VA's Franchise Fund.

OF establishes financial policy for all VA financial entities; provides guidance on all aspects of financial management; manages the Department's financial operations at the FSC and DMC; administers the management of VA's charge card programs; and is responsible for VA's financial reporting. In addition, OF manages VA's conference tracking and reporting, which includes the responsibility for developing and delivering Congressionally mandated reports per Public Law 112-154, Section 707 and annual reports as prescribed by OMB Memorandums M-17-08 and monitoring and updating VA conference policies and procedures as required. The office also provides financial systems support for maintenance/modification of VA's core accounting system, the Financial Management System, as well as a major effort to migrate from this legacy environment to a new finance and acquisition solution hosted by the United States Department of Agriculture (USDA), a Federal Shared Service Provider (FSSP) for financial systems. OF provides oversight of the implementation and support for the new VA Time and Attendance System (VATAS) and the new Conference Oversight and Reporting Knowledgebase (CORK). OF is responsible for employee travel and relocation, processing payments to vendors, medical claims adjudication and payment processing, payroll processing, expanding electronic commerce and electronic data interchange capabilities, and developing and implementing long-range financial systems initiatives. OF also provides Departmental leadership and assistance to VA Administrations and staff offices regarding activities to support compliance with improper payments legislation, financial process improvement and audit readiness, as well as remediating audit-related material weaknesses and significant deficiencies. (*Refer to the Franchise Fund Enterprise Centers chapter for budget information on the FSC, DMC, and other Franchise Fund operations.*)

OF's Office of Internal Controls (OIC) provides oversight of VA's internal control program, ensuring compliance with Federal Managers' Financial Integrity Act (FMFIA) of 1982, and the internal controls portion of Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (OMB Circular A-123). FMFIA requires each executive agency to establish a system of operational and financial internal controls and evaluate and report on internal controls annually, including preparing the annual VA Statement of Assurance. OIC coordinates the annual entity level internal control assessment and Statement of Assurance process. OIC also manages the Department's reviews and testing of internal controls over financial reporting required by OMB Circular A-123 Appendix A and conducts reviews of emerging internal control issues.

## **Recent Accomplishments**

- Maintained unmodified (clean) audit opinion on VA's consolidated financial statements for the 18th consecutive year and the statements applicable to the VA Franchise Fund for the 18th consecutive year.
- Continued focus on developing and implementing aggressive corrective actions to reduce improper payments and increased oversight and accountability to progressively work towards achieving compliance with the Improper Payments Elimination and Recovery Improvement Act. Although VA reported an increase in overall improper payments in 2016, more than half of the 14 programs reporting improper payment projections saw reductions. VA continued to leverage the IPERA Governing Board to strategically strengthen program integrity by addressing vulnerabilities in programs, implementing effective corrective actions, and tracking issues to resolution. VA also issued guidance to ensure the improper payment definition was consistently applied when testing acquisition payments in the Department. The reduction of improper payments remains a top financial management priority.
- Deployed a new time and attendance system, VATAS, to an additional 74,000 employees assigned to 44 stations in VISNs 2, 5, 17, and 20 and now has over 133,000 active users in the system. VATAS provides more effective and efficient management of payroll processes to meet Federal regulatory and compliance requirements. Additionally, it offers improved reporting that will enable our leaders to make better, more informed decisions.
- During 2017, OF continued to maintain the 30 year old legacy core accounting system, the Financial Management System (FMS). A mainframe based application with 90 interfaces, FMS is relied upon by all of VA as the current system of record for financial transactions. FMS is a challenge to maintain due to its age, lack of manufacturer support, lack of integration, and available expertise. OF successfully managed and maintained FMS during the each, adding enhancements to the system to address audit findings.
- In 2017, OF continued the major effort to replace its 30 year old legacy financial system (FMS) with an integrated Finance and Acquisition system hosted by USDA (VA's Federal Shared Service Provider (FSSP)), as stipulated in OMB M-13-08. During the year, the program commenced its Business Process Re-engineering (BPR) effort and will continue through the fall of 2018. BPR will be leveraged to:
  - Document current systems architecture
  - Identify opportunities to consolidate processes to improve efficiencies
  - Ensure the integration and standardization of processes across the Department
  - Avoiding extraneous costs by decommissioning legacy systems and processes

The BPR process will produce the requirements for changes to all or some portion of the approximately 200 systems and interfaces in the current financial and acquisitions ecosystems.



- In 2017, the Strategic Management Analytics and Reporting Team (SMART) under OF continued to manage VA's compliance activities with regard to the Digital Accountability and Transparency (DATA) Act of 2014. The DATA Act presents a difficult challenge for VA due to the non-integrated, and outdated financial systems environment currently in use. VA will not be able to meet the letter of the DATA Act until we modernize our financial management systems. During the year, OF analyzed all the key requirements of the DATA Act and developed strategies and methodologies in an attempt to comply where possible, while also providing oversight and informing the modernization effort to ensure the selected FSSP is able to overcome obstacles inherent in the current legacy system upon implementation of the new system.
- The Internal Controls Program Management Office (ICPMO) continued to evolve and refine a robust internal controls program in VA. ICPMO vastly improved comprehensive tools and templates to guide VA through the annual internal controls assessment and Statement of Assurance Process to include development of: (1) Entity Level Internal Control Assessment tool and guidebook; (2) Corrective Action Plan templates; and (3) interim and final Statement of Assurance templates. ICPMO also spearheaded efforts to strengthen the department's understanding of the service organization control monitoring requirements and methods and conducted more than 50 training presentations and workshops on internal controls and the entity level assessment process. ICPMO improved organization and access to its secure, SharePoint site that serves as a central repository for Entity Level Internal Control Assessments and associated documentation to support the Secretary's annual Statement of Assurance. To assist VA organizations in assessing and reporting on their internal controls, ICPMO refined a comprehensive VA intranet site, which provides one-stop shopping for important internal controls reference materials, templates, and training materials. ICPMO also created and populated a database with 3,889 Office of Inspector General and Government Accountability Office recommendations contained in 602 reports to perform trend analysis to identify emerging issues and systemic deficiencies now available for use by all VA organizations for Entity Level Internal Control Assessments. During the remainder of 2017, ICPMO will continue to oversee the internal controls assessment process and update the database with audit recommendations.
- During 2017, ICPMO will provide oversight for VA's charge card program through charge card statistical sampling and data mining reviews for transactions occurring January 2016 to July 2017. In total for 2017, ICPMO will review approximately 3,046 purchase card, fleet card, and convenience check transactions and address deficiencies to strengthen VA's charge card program. ICPMO will make recommendations to facility officials for unauthorized commitments and invalid transactions and will track all recommendations to closure.

- The Internal Controls over Operations (ICO) office develops and implements programs that assess and improve internal controls over operations across VA. In 2017, ICO developed and implemented processes to validate VA's Entity Level Internal Controls Assessment (ELICA) of reporting entities' (RE) control activities by providing a review of documents submitted in support of assertions made by RE management. ICO uses a centralized internal controls program and specific procedures to test and validate ELICAs and Statements of Assurances (SOAs). ICO is also responsible for completing as-needed short-turn emerging issue reviews, in 2017, ICO completed four emerging issue reviews, including a review of VA Form 1358 transactions, a review of Major, Minor, and Non-Recurring Maintenance construction projects, Separation of Duty issues in payroll offices, and validation of station level CFO certifications. In addition, ICO conducts operational control testing and internal control analysis of nonexpendable personal property and expendable item inventory at field stations throughout VA. In 2017, ICO tested nonexpendable personal property and expendable item inventory valued at more than \$97M across 10 field stations.
- In 2017, OF's Internal Controls over Reporting (ICR) office shifted its OMB Circular A-123, Appendix A approach from a cyclical, programmatic assessment method to a risk-based continuous monitoring approach. To support this shift, ICR completed a comprehensive risk assessment of internal controls over financial reporting, identified major VA business processes, and mapped those processes to significant financial line items. ICR completed documentation of six business process narratives, documenting the lifecycle of financial transactions. These narratives allow VA to understand common business processes across the Department, including internal controls for areas of financial reporting risk. ICR will continue the Appendix A shift into FY 2018 by documenting additional business process narratives and performing assessments over the common business processes and internal controls documented in FY 2017. This approach will allow VA to identify financial reporting gaps, unmitigated risk, address high risk financial reporting gaps, validate the effectiveness of remediation and support the SECVA's annual Statement of Assurance with respect to the effectiveness of internal controls over financial reporting.

### **Office of Budget:**

The Office of Budget provides strategic and operational leadership in the development and execution of the Department's budget. The Office provides policy guidance, technical assistance, and Department-level oversight of all program budgets to ensure accuracy and consistency with policy, law, and regulation. The Office also provides the Department with an impartial forum to discuss and resolve budgetary issues to ensure Veterans' programs are carried out in an efficient and effective manner.

### **Recent Accomplishments**

- Ensured the accurate and informed submission of VA's budget request to OMB and the President's Budget request to Congress, while serving multiple roles as coordinator, examiner, mediator, advisor, broker, and advocate.
- Successfully coordinated monthly budget execution reviews with the Administrations and Offices. Reviews included an assessment of budget status, funds allocation, initiatives, performance, workload, risk assessments, budget adjustments and lessons learned, providing a comprehensive way to monitor the planning and execution of VA's budget.
- Under authority provided by the Choice Act, the Office of Budget secured Administration approval to reallocate \$534.5 million from Minor Construction and Non-Recurring Maintenance to higher priority direct patient care staffing in 2016.

### **Office of Asset Enterprise Management:**

The Office of Asset Enterprise Management (OAEM) serves as VA's departmental lead responsible for the corporate-level capital asset management function. This function includes serving as the principal policy office and business advisor regarding capital investment selection, via the Strategic Capital Investment Planning (SCIP) process, portfolio management and capital asset disposition. Additionally, OAEM provides guidance, standards, and technical expertise and adheres to sound business practices in supporting VA's strategic goals. Moreover, OAEM ensures compliance with all Federal real property and capital asset reporting and statutory requirements and produces a SCIP Long Range Capital Plan.

As part of its asset management activities, OAEM serves as the policy and program office for VA's Energy Management Program (EMP), helping to ensure that VA meets performance and reporting mandates in the areas of energy and water management, vehicle fleet management, and environmental management. Additionally, OAEM serves as the policy, program, and application office for VA's Enhanced-Use Lease (EUL) program.

### **Recent Accomplishments**

- OAEM was instrumental in working with Congress and internal partners to advance legislation to facilitate the use of first-ever partnership agreements to innovatively address VA's infrastructure needs (such as the Omaha replacement medical facility construction project). The recently enacted legislation, Communities Helping Invest through Property and Improvements Needed for Veterans Act of 2016" or the "CHIP IN for Vets Act of 2016" (PL 114-294), allows VA to manage donations of real property and facility improvements, and solicit donors for facility donation opportunities. This essential legislation will serve as a model for future innovative financial support of VA's capital projects consistent with the Administration's infrastructure priorities.

- VA is working towards the goal of high performing networks that take into account current and future services by integrating community care and VA-provided healthcare. OAEM, in collaboration with VHA, partnered with private sector healthcare experts to design an objective integrated healthcare delivery approach looking at Veteran population, demand, and internal and external health care resources and capacity. A national infrastructure realignment strategy will follow and be used to inform VA's capital planning efforts and develop a nationwide investment/divestiture plan.
- OAEM developed the SCIP process that was initially implemented during the 2012 budget development process. This resulted in the first Department-wide integrated and prioritized list of capital projects that addressed 95 percent of VA's SCIP identified performance gaps in a long range plan to provide improved quality service and benefits delivery to Veterans. Approximately 1,040 business cases were submitted for the 2018 Budget Cycle for review, prioritization and funding consideration. Each year "lessons learned" from the prior year's processes are incorporated into the following year's process. For the 2018 SCIP process, OAEM fully incorporated Veterans Health Administration (VHA) policies through SCIP to ensure that the long range Action Plan reflects the expansion of the Care in the Community program and other non-capital solutions. In order to improve the quality of the data used to develop plans and better align them with other reporting requirements, every submitted project was required to formally identify the asset(s) involved with the project to help create continuity between the planning, execution, and reporting processes. Numerous technical improvements were made to help error-proof SCIP business processes which are operationalized through the SCIP Automated Tool (SAT). As an example, the SAT was programmed in such a manner that it pre-populated answers in the business case submissions based upon data entered during the action plan phase. This helped streamline the process for users and allowing both entry and review of data during the business case to focus on ensuring the quality of investment rather than on data entry. OAEM and VHA staff also worked together to establish a quarterly reconciliation process to better ensure SCIP priorities and approved operating plans were being executed in an appropriate and timely manner. In addition, OAEM commissioned a study to look for improvements in process and procedures to increase and speed obligations in both the NRM and minor construction programs.
- OAEM staff assists the SCIP Panel and Board with SCIP related activities, including scoring all business cases using decision criteria and weights established by Senior VA leadership. The scores assigned to individual projects allow VA to develop integrated and prioritized lists of capital projects for inclusion in the 2018 budget request. Additionally, OAEM continued to lead the Capital Program Requirements Management Process (CPRMP), a change control process that was implemented in 2014 to ensure any changes to VA construction projects are consistent with VA leadership direction and with existing and potential SCIP gaps. The Construction Change Control Process requires that sequential reviews take

place for major construction projects scored and funded through the SCIP process to ensure that robust control mechanisms exist throughout project development execution. The approved SCIP business case serves as the control document for potential changes in project scope (space and programs) prior to submission of a budget prospectus to Congress. The budget prospectus serves as a controlling document once the project is included in a VA budget request. CPRMP guidance requires all major construction projects to be reviewed to ensure project scope is in line with the SCIP approved scope, prior to 35% and 95% design completion.

- OAEM is responsible for corporate management of VA's real property inventory. This includes collection and reporting of inventory and performance information on all buildings, structures, and land to the Federal Real Property Council, and other key internal and external stakeholders. OAEM is the key point of contact to respond to Office of Management and Budget (OMB), General Services Administration (GSA), Government Accounting Office (GAO), Congressional, and external media inquiries related to the state and usage of our real property assets. OAEM oversees maintenance and enhancements to data systems used to manage VA's real property portfolio. These systems, which include the Capital Asset Inventory (CAI) and SAT, provide reporting and analytical capabilities to support departmental and external initiatives. OAEM continues to focus on creating system enhancements to better report and track lease progress. Since June 2015 when OAEM created its Lease Obligation accountability report, OAEM has seen over 75% of the issues identified in the report cleaned up as of February 29, 2017. New CAI data fields/enhancements related to Intra-Agency Agreements space identification, Space Department categorization, and Lease Status changes were incorporated in 2016. A shared space tab was created to better account for and manages Intra-Agency space that is shared among VA organizations. Additionally, shared spaces are now at the Floor level to better associate space to an existing VA tenant arrangement or to an external, non-VA tenant. Another major enhancement to CAI was to have VHA Space department listings simplified to reflect typical spaces, consolidate similar spaces, and rename space categories to better align with real operational use of space. As part of its annual data call to the field, OAEM also issued a comprehensive discrepancy report highlighting missing and questionable agreement data and calling for updated agreement information from the field.
- VA successfully submitted its Reduce the Footprint (RTF) implementation plan to OMB and GSA covering the 2017 through 2021 time period. The plan includes strategies for better utilizing space, as well as presenting owned asset disposal opportunities. VA continues to mitigate space increases through continued focus on improved space utilization, the department-wide space standard, and better understanding of the goals associated with RTF. One example is the administrative space standard, which is already in use at VA and has been fully integrated with our planning tools and processes to help ensure successful implementation and maximize its impact. This standard will improve space utilization metrics and help manage any growth that is needed to support mission

needs. Lastly, in support of RTF and general asset management improvements, VA has worked closely with GSA to begin identifying large groups of buildings that could potentially be excessed to GSA. VA and GSA completed a Targeted Asset Review (TAR) for the Pittsburgh Highland Drive facility and are working to initiate additional TAR efforts for other VA properties that are vacant and underutilized. These efforts are expected to allow VA to further increase its disposal targets in future iterations of the RTF plan.

- The Energy Management Program (EMP) within OAEM coordinates agency-level policy and planning for energy and water management, environmental compliance, and vehicle fleet management. Through EMP programs, projects, and studies, VA is saving \$227 million through competitive utilities purchasing, has reduced energy intensity by 3.6% between 2015 and 2016, and has decreased water intensity by 30%, since 2007. Also through EMP, VA has awarded \$356 million in needed infrastructure upgrades at 42 facilities with no up-front cost to VA using private-public partnerships. These projects, accomplished via energy savings performance contracts (ESPCs) and utility energy service contracts (UESCs), are expected to translate into \$642 million of taxpayer savings over the life of the contracts (\$26 million annually), reducing facility energy usage by an average of 26% and water usage by an average of 18%. ESPCs and UESCs allow energy and utility services companies to install energy and water conservation measures at no upfront cost to VA. VA makes annual payments from the savings generated by the improvements over the life of contract. The pipeline of ESPC and UESC projects currently in development represents an additional \$458 million in needed energy and water equipment and system upgrades. VA has installed alternative fueling stations (including compressed natural gas, ethanol, biodiesel, and electric vehicle charging stations) at 91 sites. As more plug-in electric vehicles become available for Federal fleets, VA is moving toward these lower maintenance, lower cost vehicles. As part of VA's commitment to promoting Veteran opportunities, many EMP-funded projects have been performed by service-disabled Veteran-owned small businesses, and Veteran-owned small businesses.
- VA currently procures the majority of necessary leased space to meet the needs of Veterans using delegated authority from the GSA. OAEM is the agency lead within VA on obtaining lease delegations for all leasing actions from GSA. OAEM has enhanced the review process to ensure complete and correct delegation requests are sent to GSA. OAEM's enhanced review process has sped up the delegations provided by GSA by over 30 days since implementation. To date, OAEM has facilitated the award of more than 800 individual lease delegation requests from GSA since July 2014. This year, OAEM replaced a previous request system and tracking tool with a single integrated SharePoint based review process called the Enterprise Lease Management Tool (ELMT). The ELMT captures both the delegation request and data for portfolio tracking in one process that is much simpler than before, includes much more workflow automation, and also introduces business rules and data validation checks designed to improve data quality. OAEM has also been able to enhance the ELMT used to project future

lease budget needs for rent, activation, and tenant improvement in a more accurate way than past budget models. The tool combines data from multiple systems to create a five-year projection including the effects of leases in procurement, new leases, and terminations/expirations to the overall lease budget. Reports from the lease budget model can be customized for better information to support decision making and budget projections can quickly incorporate new information affecting the entire portfolio or individual leases. Overall, the ELMT has provided valuable insight into VA's leasing portfolio and has helped in optimizing the lease delegation function for VA.

- VA finalized long-term agreements for seven EULs in fiscal year (FY) 2016. These EULs will provide a total of 345 new supportive housing units for Veterans. Each EUL housing project is structured to provide either permanent or transitional housing for homeless, at-risk, senior or disabled Veterans. In many cases, the housing is designed to also accommodate families of resident Veterans. VA continues to leverage the EUL program to support the Department's mission, operations and strategic goals, such as ending chronic Veteran homelessness. EUL continues to be an integral tool to help VA effectively manage its real property portfolio. Cumulatively as of the end of 2016, the EUL program generated approximately \$759 million in total consideration, including \$48 million in revenue, \$375 million in cost avoidance, \$121 million in cost savings, and \$382 million in enhanced services which have positively impacted VA, and Veterans. Since 1991, VA executed a total of 98 EULs to develop supportive housing facilities, hospice centers, mental health facilities, office buildings, parking facilities, energy plants and childcare facilities. OM is currently in the process of completing the negotiation process for EULs that will lead to 456 housing units. VA is also working towards a goal of 5,000 housing units by 2020. VA continues pursuing draft legislation to expand the capabilities of VA's EUL program to allow VA to further repurpose vacant and underutilized properties, beyond supportive housing to reduce the financial burden to maintain these properties. If authorized, the proposed bill would expand VA's current EUL authority to allow a full range of uses consistent with VA's mission. This legislation is still a priority for the Department and would give VA more opportunities to engage the private sector and local governments to truly enhance the Department's use of currently underutilized property.

### **Office of Programming, Analysis and Evaluation**

The Office of Programming, Analysis and Evaluation (PAE) facilitates long range programming and provides data-driven, transparent, independent analysis to facilitate investment decisions by VA leadership, aligning resources to provide outcomes for Veterans. As part of its programming responsibilities, PAE evaluates and validates program requirements, 5-year resource projections, and multi-year programmatic trade-offs. PAE also conducts independent program analysis and evaluation, and independent cost estimates, as directed by senior leadership. PAE is comprised of two service areas:

the *Programming Service* and the *Analysis and Evaluation Service*. PAE's vision is to improve service to our Veterans by enabling the VA to make evidence-based decisions.

### **Recent Accomplishments**

PAE contributed to the establishment of programming excellence; strategic resource allocation; and stewardship of VA resources with the following actions:

- Published the Department of Veterans Affairs (DVA) Cost Analysis Policy in response to 2012 GAO audit findings.
- Performed a Life Cycle Cost Estimate on the Homeland Security Presidential Directive (HSPD)-12 program.
- Conducted an independent assessment of Office of Operations, Security, and Preparedness' (OSP) Security Investigations Center (SIC) Centralized Adjudication Facility (CAF) plan and associated cost savings data.
- Conducted an independent assessment of the cost data contained within in the Veteran Experience Office's (VEO) 2017 budget estimate.
- Performed a Facility Condition Assessment Analysis to include a review of Non-Recurring Maintenance (NRM) and Maintenance and Repair (M&R) dollars.
- Developed a discrete-event simulation that models the operations of the VBA Claims Process.
- Developed a Legislative Review Proposal (LRP) Process Improvement model to score and assess LRPs.
- Reviewed and assessed the Financial Management Business Transformation (FMBT) Life Cycle Cost Estimate (LCCE).
- Reviewed "outlay vs. budget vs. execution data" to ensure optimal execution of the Community Care program and assessed the feasibility of executing 2017 funds based upon 2016 data.
- Validated Calendar Year (CY) 2016 Supply Chain Transformation savings to date and forecasted the rest of CY 2016 savings.

### **Budget Highlights**

The 2018 request of \$57.73 million in budget authority (BA) will provide:

- The Office of the Assistant Secretary with \$4.09 million to support 15 FTE to continue the current level of operations and to sustain efforts in critical Department wide initiatives underway in OM.
- The Office of Finance with \$37.37 million to support 187 FTE (plus reimbursable authority for 8 additional FTE for a total of 195 FTE) to continue providing a wide spectrum of financial management services to the entire Department. The 2018 budget includes support for the following activities:
  - Financial Management System (FMS) Modernization - \$10.8 million for dedicated subject matter experts (SMEs) who will manage planning activities,



develop systems requirements, and coordinate business process re-engineering for modernizing VA's legacy FMS. The current software is 30 years old and imminent failure presents significant risk to VA. Should FMS fail or otherwise become inoperable, it would impact the Department's ability to execute its budget, pay vendors and Veterans, and produce financial statements.

- Digital Accountability and Transparency Act of 2014 - \$1.5 million for dedicated subject matter experts to define requirements, establish reporting requirements, and develop a repeatable process for publishing and reporting data to online repositories.

The request also supports services for financial policy, analysis, statement preparation, reporting, systems support and maintenance, operations, VA's charge card programs, financial process improvement, conference planning and execution, audit readiness, and leadership for remediation of VA's audit-related material weaknesses and significant deficiencies. This budget authority will also provide resources to enhance financial skills of VA employees through certification and training.

- The Office of Budget with \$5.54 million to support 30 FTE in the formulation and execution of VA's budget. The funding level allows for budgetary analysis and oversight for an increasing and more complex budget having more programs to support. This request will allow the Department to make informed and cost-effective decisions in carrying out VA's mission in a transparent manner. This funding level will also provide for the production, printing, and distribution of VA's Congressional Budget.
- The Office of Asset Enterprise Management with \$8.262 million to support 55 FTE (plus reimbursable authority for support for the equivalent of 2 additional FTE through expected EUL proceeds for a total of 57 FTE) to continue providing services as the principal policy office and business advisor for investment selection and execution, portfolio management, and disposal of VA capital assets. The enhanced funding level request supports required additional staffing to provide management policy and oversight responsibility for Department facilities leases. OAEM will continue coordinating public-private ventures through the EU leasing program and coordinating energy, environmental and fleet management efforts through oversight of the Department's implementation of energy and water conservation, renewable energy development, environmental compliance and management systems, and fleet utilization and efficiency at its facilities.
- The Office of Programming, Analysis and Evaluation with \$2.46 million to support 15 FTE to lead the Department in: updating multi-year, functionally integrated requirements; conducting capabilities gap analysis to identify multi-year functionally integrated requirements to close the gaps; assessing and prioritizing program proposals with weighted criteria to measure achievement of strategic plan goals, objectives, and strategies; and identifying options for trade-offs to inform

the annual budget build process. It will also support PAE's efforts to institute cost analysis requirements and to strengthen VA's capability in cost estimating and institutionalize cost-estimate driven program management.

Budgetary resources in the 2018 budget include \$58.24 million in reimbursement estimates as follows:

- OF with \$50.81 million in reimbursable authority to pay for financial and acquisition transformation and modernization services provided by the United States Department of Agriculture (USDA), VA's Federal Shared Service Provider. VA will migrate from its 30 year old legacy financial system to a modern system hosted by USDA. OF collects reimbursements from each VA Administration and staff office who pays for their fair share of services provided by USDA. OF funding also includes a total of \$7.13 million, with \$1 million in reimbursable authority to support 5 FTE and expenses associated with performing logistics reviews, and \$2.50 million in reimbursable authority to support 3 FTE and expenses for Grant Audit team, plus \$3.63 million in contractor support associated with testing internal controls over VA's financial reporting.
- OAEM with \$300,000 and 2 FTE to support corporate-level capital asset management.

## Summary of Employment and Obligations

<i>Summary of Employment and Obligations</i> (dollars in thousands)					
	2016 Actual	2017		2018 Estimate	Increase Decrease 2018 v 2017
		Budget Estimate	Current Estimate		
Average Employment	242	295	282	312	30
<b>Obligations:</b>					
Personal Services	\$37,699	\$44,424	\$43,342	\$44,917	\$1,575
Travel	364	217	812	991	180
Rents, Communications & Utilities	452	494	513	744	231
Printing & Reproduction	34	39	34	34	0
Other Services	63,111	55,608	52,770	69,069	16,299
Supplies & Materials	144	200	201	180	-21
Equipment	3	38	43	33	-10
<b>Total Obligations 1/</b>	<b>\$101,807</b>	<b>\$101,020</b>	<b>\$97,714</b>	<b>\$115,968</b>	<b>\$18,254</b>
Reimbursements	-53,307	-43,291	-35,418	-58,239	-22,821
SOY Unobligated Balance (-)	-7,684	0	-942	0	942
EOY Unobligated Balance (+)	7,323	0	0	0	0
Transfer(s)	3,609	0	0	0	0
<b>Budget Authority</b>	<b>\$51,748</b>	<b>\$57,729</b>	<b>\$61,354</b>	<b>\$57,729</b>	<b>-\$3,625</b>

1/ 2017 Current Estimate's total obligations include prior year carryover.

The requested 2018 budget authority includes support to manage programs and deliver critical services more effectively. This budget authority includes support for the following:

- VA's Financial Management Transformation Service (FMTS) initiative, which includes modernizing the Department's Financial Management System.
- Maintain compliance with the Digital Accountability and Transparency Act (DATA).
- Improper payments remediation and oversight.
- Capital asset planning, management and oversight.
- 1.9 percent pay increase with offsets in contracting, travel, supplies, and equipment.
- The increase in Other Services is primarily due to an increase in reimbursement funding of \$22.8 million to support FMS replacement contracts and strengthen audit controls.

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## *Human Resources & Administration*

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### **Mission**

Human Resources and Administration (HR&A) leads the development and implementation of human capital management strategies, policies, and capabilities that result in an accountable, skilled and engaged workforce that provides excellent customer services to Veterans and their families.

### **Summary of Budget Request**

(\$ in 000)	2017	FTE	2018	FTE
<b>Budget Authority:</b>				
Office of the Assistant Secretary	\$2,639	8	\$2,899	10
Office of Enterprise Operations	\$2,325	3	\$6,234	29
Office of Human Resources Management	\$20,283	158	\$21,876	150
Office of Administration	\$37,552	69	\$35,002	58
Office of Diversity and Inclusion	\$2,973	22	\$0	0
Office of Labor-Management Relations	\$2,115	10	\$1,876	10
<b>Total Budget Authority</b>	<b>\$67,887</b>	<b>270</b>	<b>\$67,887</b>	<b>257</b>
<b>Reimbursement:</b>				
Enterprise Human Capital Services	\$33,527	58	\$2,787	11
Senior Executive Management Services	\$6,324	22	\$8,619	33
Office of Resolution Management	\$47,668	296	\$0	0
Office of Personnel Mgt Shared Services	\$53,141	40	\$64,386	55
Miscellaneous Reimbursements	\$16,817	23	\$17,358	25
<b>Total Reimbursement</b>	<b>\$157,477</b>	<b>439</b>	<b>\$93,151</b>	<b>124</b>

In 2018, the Office of Human Resources and Administration (HR&A) requests budget authority (BA) in the amount of \$67.9 million and 257 FTE. Reimbursements in the amount of \$93.2 million will allow for total HR&A obligations of \$161.1 million. A total of 124 FTE will be required to support all reimbursable HR&A human capital capabilities. The increase in reimbursable authority funding in the Office of Personnel Management (OPM) Shared Services is due to HR&A assuming oversight of VA's new HR Information Service (which replaced VA's legacy HR system, formally managed by the Office of Management). Additionally, HR&A is modernizing the USA Staffing system. The decrease in Enterprise Human Capital Services is attributable to the end of the Human Capital Investment Plan (HCIP). Subsequently, HR&A was restructured in order to preserve human capital capabilities in the most cost-effective way possible by transferring out some functions to other Administrations and Staff Offices. This transition shall be completed in 2018.

**Office of the Assistant Secretary (OAS):**

The Assistant Secretary for Human Resources and Administration (AS/HR&A) provides oversight and the strategic direction of VA's human resources policies, programs, and practices. In addition to serving as the Chief Human Capital Officer (CHCO) and Equal Employment Opportunity (EEO) Director for the Department, AS/HR&A also serves as the Designated Agency Safety and Health Official (DASHO) and is responsible for administration of the Occupational Safety and Health and Workers' Compensation Programs. The Assistant Secretary also serves as VA's Dispute Resolution Specialist as required by Federal law and is responsible for Alternative Dispute Resolution policy, and oversight.

**Recent Accomplishments:**

In 2016, the AS/HR&A, began efforts to restructure the HR&A workforce and build an improved HR&A organization designed to support and sustain HR excellence across the Department. This included realignments and reassignments to other organizations within the Department in order to operate within authorized levels by the end of 2017. The goal is to create the foundation for an HR Shared Services organization that executes transactional HR tasks and strengthen HR&A capabilities to perform strategic human capital work focused on enterprise-wide integration, modernization, clear polices and improved governance and accountability.

**Corporate Senior Executive Management Office (CSEMO):**

Since its establishment in 2009, CSEMO has worked on behalf of the Secretary of VA to ensure uniformity, fairness, equity, and transparency in managing the VA's Executives. CSEMO provides VA with a centralized approach to executive life-cycle management, including allocation and position management, selection and retention, assessment, compensation, performance management, and training and development for over 500 Senior Executive positions across the Department. These executives are responsible for leading the nearly 150 VA medical centers, overseeing the distribution of billions of dollars of benefits to Veterans through regional offices, ensuring Veterans have a final resting place in national, state or tribal cemeteries, and providing mission support in areas such as finance, human resources, information technology, acquisition, and legal services.

CSEMO has a rigorous recruitment process that works to minimize gaps in key leadership positions, as well as a robust executive development program that supports life-long learning. CSEMO is improving integration of its services to expand its strategic capability and staff development to ensure world-class support to senior executives across the Department. The focus will be on developing overarching policies, processes and guidance; strategic data and document management; identifying additional training requirements for Senior Executives; and further developing and refining our corporate talent management and succession planning efforts.

**Recent Accomplishments:**

- In 2016, CSEMO conducted minimum qualifications review of 6,198 applications; issued 79 vacancy announcements via USAJOBS, which included 5 national announcements for Medical Center Director positions, in over 40 locations; facilitated 79 Executive Resource Boards (ERB); and executed 174 hiring actions (of which 150 were executive actions). This is more than double the number of actions in 2015,

which was 65. The breakdown of the 174 actions included 74 reassignments, 65 competitive appointments, 8 transfers, 2 Candidate Development Program (CDP) appointments and 1 reinstatement; 14 judges, 7 Senior Levels, and 3 Limited-term Senior Executive Service (SES). In addition, CSEMO processed 39 retirements, 9 resignations, and 3 changes to lower grade.

- CSEMO provides recommendations to the Secretary, allowing him to make informed, timely decisions that appropriately reward high performing leaders and ensure meaningful distinctions in performance, which will assist VA in maintaining OPM performance management certification. Certification is critical as the Department endeavors to attract and hire exceptionally qualified senior executives who are compensated with competitive salaries. In 2016, CSEMO received authority for critical pay, which increased the potential salaries for 1A (most complex medical centers) Medical Center Directors and Veterans Integrated Service Network (VISN) Directors within Veterans Health Administration (VHA), therefore making the compensation more competitive.
- CSEMO provided full lifecycle management support to VA's senior executives, to include:
  - Providing virtual and in-person orientation briefings to nearly 100 newly appointed/newly-hired senior executives;
  - Providing onboarding and strategic thinking training (Senior Leadership Courses I and II) that provides insights into VA's mission, culture, and organizations and provides the new senior executive critical information on VA core values (ICARE); ethical leadership, standards and expectations; identifies potential derailers; hones and develops strategic decision-making, critical-thinking, and leading change skills;
  - Expanding the unique, corporate-level Executive Development and Lifelong Learning Programs to include VA-sponsored training courses, executive coaching, and other federal training;
  - Publishing a Flexible Work Schedule policy, Standard Operating Procedures (SOP)/VA Handbooks, biographies, Senior Executive Webinars, and an improved website;
  - Publishing a pay and compensation policy, establishing pay setting guidelines for initial appointments/reassignments; recruitment, relocation, and retention incentives; and the duration of service agreements and use of monetary awards; and
  - Sponsoring retirement workshops for Federal Employee Retirement Systems (FERS) and Civil Service Retirement Systems (CSRS) retirement plans.
- Following a final Office of Inspector General (OIG) report on Recruitment, Relocation, and Retention Incentives (3Rs), CSEMO modified its process to ensure compliance with the VA policy and specific requirement for pre-authorization. As a result of CSEMO's continued oversight and attention to proper use of the 3Rs, VA expenditures for the 3Rs within the executive community continues to decline. In 2017, \$481.0K has been approved, compared to \$931.0K in 2016 and \$1.0M in 2015.

- During 2016, approximately 150 senior executives attended each of the six Senior Executive Workshop Series (SEWS) events. SEWS events are 60-90 minute sessions to provide just-in-time training to address emerging senior executive skills or information requirements in a flexible, cost-effective manner.
- CSEMO is actively investigating the capabilities of Talent Management Systems (TMS) being used in the federal sector and the practicality of transferring one of these systems to VA. A fully deployed TMS will assist leadership across VA to deliberately develop succession plans, identify bench talent, and anticipate vacancies based upon retirement projections.
- CSEMO is now completing Phase 2 of the SES Position Accountability Review (PAR) which promotes effective position management of all executive positions across VA to include SES, Senior Leaders, and Title 38 positions. The PAR ensures the accuracy of duties performed and ensures VA allocates resources to its most mission critical requirements. CSEMO will be issuing the outcomes of the PAR and developing a repository for position descriptions (PD). In summary, 307 PDs were reviewed, a criterion was established for defining Principal Deputy Assistant Secretary (PDAS)/Deputy Assistant Secretary (DAS) positions across the department, 92 executive PDs were reclassified, 26 pay band changes were recommended, and 65 new positions were established.

**Office of Human Resources Management (OHRM):**

OHRM develops Department-wide policies, programs, and practices relevant to VA employees including the fundamental human resources functions of staffing, classification, compensation, workforce planning, employee relations and performance management, benefits, oversight, human resources information systems, recruitment and placement, and human capital planning.

**Recent Accomplishments:**

- OHRM designed and implemented a recruiting and hiring Center of Excellence (COE) to strategically address critical hiring challenges and implement improvements to HR business processes, operations, and service delivery. OHRM piloted the COE with the Board of Veterans' Appeals (BVA) with great initial success and improved the hiring actions for legal professionals. The COE pilot directly contributed towards BVA's transformation and is expected to reduce decision processing time on Veteran appeals.
- In 2016, OHRM completed the migration from the legacy Personnel and Accounting Integrated Data (PAID) system to VA's core enterprise, PeopleSoft-based, HR Smart system as well as transitioning all employee records for the approximately 370,000 employees. These efforts established the first Federal-Private sector partnership for HR Shared Services. In 2016, OHRM processed over 800,000 transactions in HR Smart, trained over 4,000 HR professionals across the enterprise, and provided helpdesk support for over 300 weekly customer inquiries. Additionally, OHRM initiated a Manager Self-Service Pilot to further position management capabilities across the Administrations resulting in improved workforce planning.



- In order to maximize efficiencies, OHRM established a Human Resources Information Technology (HRIT) Council with representation from the Administrations and Staff Offices. The purpose of the HRIT Council is to address enterprise HR solutions and acquisition strategies in 2017 and beyond.
- OHRM continued implementation of a new USA Staffing system across VA's 179 Human Resources Offices. OHRM completed program planning and analysis readiness activities for upgrading the OPM USA Staffing tool set and the release of the employee on-boarding functionality that will greatly improve responsiveness and the customer experience for VA employees. The USA Staffing upgrade will improve the timeliness of selecting and hiring quality candidates by facilitating direct collaboration between HR professionals and hiring managers. It will also enhance job analysis and assessment capabilities by including competency-based assessment features, Position Description and Item Libraries, and a Competency and Task Database. Additionally, the Competency Assessment Upgrade (CAU) will transform USA Staffing by updating underlying technologies for future growth and increased utility. CAU will expand reporting and workload management using built-in task-based workflow and timeliness metrics. Further, CAU introduces a streamlined, modern, and user-friendly interface design.
- OHRM developed and implemented VA's Phased Retirement Policy, published in February 2016. This highly-visible policy was based on OPM's policy and established HR community best practices.
- OHRM developed and implemented VA's Civilian Flag Benefit Policy. This complex policy established two separate benefits: one to provide a flag to a qualified beneficiary and the other to coordinate with OPM on listing a qualified employee's name on the OPM Wall of Honor Memorial. Previously, flags were only bestowed to military service members who lost their lives in service to their country.
- OHRM revised VA's Handbook 5011, Hours of Duty and Leave, to provide clarification for the use of Authorized Absences for Disciplinary/Adverse Actions, clarified the appropriate category for approved authorized absences, revised the in-lieu-of holiday guidance for employees on compressed work schedules, and revised the 72/80 Alternate Work Schedule for Nurses to allow a tour of duty that begins on the last day of one pay period and ends on the first day of the next pay period to be credited in the previous pay period.
- OHRM developed a Workforce Data Analytics Dashboard enabling a quick and easy review of workforce composition and trend data. This dashboard will provide organizational leaders with a decision support capability during functional and resourcing assessments.
- OHRM successfully supported the increase in the Childcare Subsidy Program participation levels from 1,336 VA employees in calendar year 2015 to a current level of approximately 1,996 (a 49% increase).

- OHRM completed 5 policy updates to positively impact employee/management relations for Title 5, Hybrid Title 38, and full Title 38 employees, employee performance management, and employee recognition and awards.
- In direct support of the Drug Free Workplace Program, OHRM instituted a tracking system to more effectively monitor VA's drug testing program. Subsequently, OHRM closed out all three of OIG's recommendations resulting from the audit of VA's Drug Free Workplace Program.
- OHRM conducted 21 human capital management (HCM) assessments and 1 delegated examining review of VA's HR field offices in 2016. These reviews provided HR offices with assistance in improving their effectiveness as well as ensuring compliance with federal statutes and regulations. Additionally, OHRM implemented a community of practice site to promote HR accountability, provided updated HR field office checklists and other resources for use in quality reviews, and encouraged information sharing. As a result of these efforts, OHRM issued 24 reports for reviews and assessments conducted in 2015 and 2016 as well as closed 31 reports and 299 required actions.
- OHRM coordinated and facilitated monthly VA-wide calls on Pyramid, a web-based business intelligence tool that provides management analysis and human capital metrics. HR offices can use Pyramid to complete successful analyses of their facilities and identify potential workforce planning issues. The use of Pyramid helped HR offices provide human capital data analyses to support decision-making and establish HR as a strategic consultant and partner.
- OHRM directly supported VA's telework program which achieved a telework participation rate of 61% across the enterprise and exceeded its telework goal of 55.1% of VA's eligible employees in 2016. VA increased telework participation rates by conducting quarterly calls with Telework Coordinators, providing effective telework training, and sharing best practices.
- In 2016, OHRM revised VA HR policy in Handbook 5019, Employee Occupational Health Service by issuing four Human Resources Management Letters (HRMLs) providing clarification and guidance on criteria and basic life support certification requirements for motor vehicle operators, employee vaccinations, physical fitness standards and mental health evaluations for VA police officers, and release of medical information and health records for employees who undergo directed or special physical examinations.
- OHRM administered the VA Retirement and Financial Literacy Education Plan, which included five agency-wide educational webinars for Financial Literacy Month with presenters from Social Security Administration, Department of Education, Consumer Financial Protection Bureau, Thrift Savings Plan, and Department of Treasury.
- OHRM collaborated with agency stakeholders on Classification issues to include participation on ad hoc teams and national work groups to aide in the development of Standardized Position Descriptions (SPDs) for Police Officer, GS-083, Social Science Program Specialist, GS-0101-11, and Supervisory Health System Specialist, GS-0671

occupational specialties. The establishment of these SPDs impacts hundreds of positions across the agency and will result in increased consistency in the classification of positions and increased pay parity nation-wide.

- In collaboration and consultation with Veterans Health Administration (VHA), OHRM assisted with the reorganization of VHA's Supply Chain function and line of business which serves to create an organizational structure designed to improve efficiency in the delivery of supplies and resources to VA medical facilities worldwide. The workgroup accomplished the completion of nearly 20 SPDs in the Logistics Management GS-346 occupational group, impacting hundreds of positions in VHA. These SPDs will be imported into the agencies e-Classification system for access to system users. The e-Classification tool allows users to quickly and easily research, build, compare, and store position descriptions, functional statements, and evaluation statements.
- OHRM implemented a Compensation policy (VA Handbook 5007 – Pay Administration, Part VI and Part IX) which increased the special salary rate supplement used to change special salary rates from 60% to 69% and added additional guidance and pay flexibilities for the VHA Physician and Dentist Pay System. This policy adjustment positively impacted the agency's ability to recruit healthcare professionals. Additionally, 241 special salary rate schedules and 359 Nurse Locality Pay System (LPS) schedules were approved and implemented in 2016.
- OHRM promotes a collaborative partnership with the Administrations and conducted an onsite 3-day compensation training session in Phoenix, Arizona (May 3-5, 2016) to discuss comprehensive technical issues related to compensation policies. Compensation Specialists also participated in VHA's HR Summits in Phoenix and Kansas City during Q3 and Q4 of 2016 where emerging compensation policies and issues were discussed relative to the recruitment for mission critical occupations (MCOs).
- In 2016, OHRM collaborated with VHA medical and health care subject matter experts in the development of 4 new Hybrid Title 38 qualification standards and revision of 10 existing Hybrid Title 38 qualification standards in support of VA improved access to care initiatives. The standards were developed, concurred by VHA, and collaborated on with the Union, or revised in accordance with VA processes, for publication.
- In response to Congressional inquiries and General Accountability Office reports, OHRM led agency-wide development of internal controls to ensure policy adherence. OHRM developed Human Resources Management Letter No. 05-16-03 to provide interim guidance (until subsequent policy updates could be effectuated) to HR professionals and Approving Officials/Hiring Managers on the recruitment procedures when authorizing recruitment and relocation incentives and relocation allowances.
- OHRM provided technical guidance to human resources offices in support of workforce restructuring strategies for VISN10 and 11. OHRM prepared and submitted to OPM a request for voluntary early retirement authority (VERA), and voluntary

separation incentive pay (VSIP) authority for 19 allocations. Ultimately, VISNs 10 and 11 offered 9 VERA/VSIP allocations which is a future cost savings of approximately \$1.3M in salary and compensation.

- OHRM directly supported OPM's Hiring Excellence Campaign by conducting training briefings on the hiring flexibilities related to the VA Title 38 personnel system. OHRM staff participated in sessions at seven different locations throughout the United States.

#### **Office of Administration (OA):**

OA provides quality services to VA employees both nationally and for the VA Central Office (VACO) Campus. National program responsibilities include: VA Occupational Safety and Health and Workers' Compensation (WC) Programs, VA Transit Benefits Program, VA Personnel Accountability System (VA-PAS), and White House Executive Correspondence. VACO responsibilities include leasing and space functions, transportation, mailroom, property accountability, warehouse, and labor support services, facilities services, health unit/fitness center operations, and audio/visual and media services. OA serves as the facility site manager for 1.4 million rentable square feet in eight Washington-area leased locations and manages special projects in support of the VACO community.

OA focuses on providing a corporate approach to promoting the safety and well-being of VA employees, patients, and visitors through awareness, injury/illness prevention, and programs in the workplace. Activities include: promotion of VA's safety culture, dissemination of occupational health and safety information; and efforts to increase productivity and flexibility through mobile workforce strategies.

#### **Recent Accomplishments:**

- OA continued to enhance VA-wide emergency preparedness through VA-PAS, which is our standardized method to account for personnel impacted by an emergency, incident, or event. To date, 82% of employees have entered contact information into their VA-PAS employee profile. OA has broadened the scope of training to now include supervisors throughout VA in an effort to expedite the accountability of personnel at each VA facility through localized procedures. OA, Office of Information Technology (OIT) and other internal/external stakeholders also conduct weekly VA-PAS meetings to identify deficiencies and perform corrective actions throughout the VA-PAS lifecycle.
- OA improved safety across VA, reducing the injury and illness lost time claim rate by 9%, exceeding the Presidential and Department of Labor federal agency goal of 4%. OA reduced workers' compensation case backlog across the Department by aggressively returning employees with work capacity back to work to save VA approximately \$3.0M in compensation costs. OA achieved a 92% participation rate in the Pharmacy Benefits Program, saving VA \$1.6M in medical compensation chargeback costs.
- OA developed a hybrid training strategy for safety/WC professionals which combined face-to-face and online learning along with smart classroom technology to train over

250 employees simultaneously at different locations and cut travel costs by 60% across VA.

- OA implemented electronic record filing practices across VACO to include digitizing over 12.0M images (i.e., paper files, microfiche, and microfilm, etc.) which significantly reduced paper-based filing, optimized use of office space, and repurposed almost two thousand square feet of physical storage space.
- OA reduced energy costs by 3.4% at VACO to exceed the Presidential annual 2.5% energy consumption goal for federal agencies.
- OA transformed the VA Transit Benefit Program to improve application processing time by 75%, enhance customer service, heighten internal controls, and reduce program administrative fees to save VA nearly \$1.0M annually.
- OA guided holistic improvements to emergency preparedness through improved building evacuation procedures, updated Occupant Emergency Plans, seasonal safety fairs, and an integrated VACO continuity of operations (COOP) tabletop exercises with key VA personnel.
- OA deployed business process analysis tools such as Arena Simulation and MiniTab statistical software to model processes and simulate workflows in a virtual environment, analyze the impact of new ideas and strategies before they are put into practice, detect process bottlenecks, and reduce end-to-end cycle time.
- OA received the Department of Labor Excellence Award for outstanding collaboration (one of only four federal agencies to be recognized) which enabled accomplishment of government wide initiatives to include expert data analysis of compound or opioid medication issue leading to a change in government-wide policy.
- OA developed advanced SharePoint sites using automated Intake Forms, InfoPath, customized Workflows, Business Intelligence (BI), and iDashboards to automate customer service requests and instantaneously collect and graph real-time performance metrics.
- OA completed 4 space optimization projects to increase occupancy rates, use space more efficiently, and place 76 additional FTE without growing the existing footprint for an aggregate 33% increase in per capita seating for all projects.
- OA oversaw the \$17.0M Lafayette Modernization Project, consisting of a 190,000 square feet building renovation, scheduled for completion in 2017.
- OA strengthened controls over accountable property and improved lost investigation procedures for a property book valued at \$105.0M resulting in 100% closeout of 2016 annual inventories to include accounting for 98% of assets.

**Office of Resolution Management (ORM):**

ORM works to promote a discrimination-free work environment focused on serving employees by preventing, resolving, and processing Equal Employment Opportunity (EEO) discrimination complaints in a timely and high-quality manner. ORM processes EEO complaints for VA employees, applicants for employment, and former employees. ORM also provides oversight for the VA's Harassment Prevention Program to ensure allegations of workplace harassment are handled in a fair and effective manner. Complaint processing services include counseling, Alternative Dispute Resolution (ADR), procedural determinations and investigations. These services are provided through a nationwide network of district offices. ORM also administers the ADR program throughout VA to manage conflict, prevent and resolve disputes through mediation, conflict coaching, group facilitation and assessments. These assessments provide business intelligence of the workplace to aid and facilitate leaders in responding to existing or potential workplace issues. In 2018, ORM's responsibilities will be performed under another organization (Office of Accountability and Whistleblower Protection).

**Recent Accomplishments:**

- In order to better meet the Department's affirmative obligation to address workplace harassment in accordance with Equal Employment Opportunity Commission (EEOC) guidance and directive, VA delegated the authority of the Department's Harassment Prevention Program to the Office of Resolution Management (ORM). Staff within ORM, not connected to the EEO complaint process, ensure allegations of harassment receive a prompt, thorough and impartial investigation. ORM also ensures that VA takes immediate and appropriate corrective action when it determines harassment has occurred. In 2016, ORM designed a website that provides all employees information about the office and how to report incidents of harassment. Fact sheets and FAQs may be accessed at: <https://www.va.gov/ORM/AHO.asp>
- In 2016, ORM established a toll-free line for VA employees to report harassment and received 170 calls. ORM tracks and monitors these contacts through an electronic case management system. In 2016, ORM began training employees, supervisors, managers, union officials and Harassment Prevention Coordinators on the new program and this will continue throughout 2017.
- ORM works with parties to resolve EEO complaints at the lowest level through both ADR and traditional EEO counseling. ORM's resolution rate decreased to 48% in 2016. ORM's 2012 study shows the cost of handling a discrimination case through the formal complaint process is \$17.0K. This figure excludes the cost of damages that may be payable in the event of a finding of discrimination. ORM's 48% resolution rate in 2016 resulted in a VA-wide cost avoidance of more than \$42.7M that would have gone toward processing formal complaints.
- In 2016, ORM conducted 296 hours of training for 393 individuals related to 35 findings of discrimination by EEOC or the Office of Employment Discrimination Complaint Adjudication (OEDCA).

- ORM actively works with employees and managers to prevent EEO complaints by utilizing ADR before a complaint is initiated. In 2016, 84% (1,200) of non-EEO workplace disputes were resolved using ADR.
- ORM recognizes exemplary effort on the part of employees, managers, ADR neutrals, the Office of General Counsel, senior executives, ADR programs and ADR committees/councils/forums in managing conflict and resolving workplace disputes and EEO complaints. In April 2016, the Fifth Annual Secretary's ADR Excellence Awards ceremony recognized individuals and programs in all of the aforementioned categories.
- ORM conducted eight Conflict Assessments in 2016 which explored workplace conflict and provided a picture of the organization that helped leadership to respond more effectively to workplace issues. These assessments were offered as another tool to determine areas in which proactive measures resolved disputes at the earliest opportunity. The assessments provided leadership with in-depth, confidential feedback regarding employee concerns, root cause analysis of problem areas and customized suggestions for resolutions.
- In 2016, there were a total of 35 findings of discrimination. In 34 of the 35 findings, the Department was ordered to consider taking disciplinary actions.
- In 2016 ORM developed HR&A's first Data Science Capability to analyze and predict EEO complaint activity across hundreds of VA Medical Centers, Cemeteries, and Regional Offices. These data science capabilities included real-time analytics, relational and non-relational data engineering, natural language processing, and machine learning. ORM used data science to develop a risk index for EEO complaint activity visualized from real-time data on a web-based application, built a prediction model for case activity based on workplace behaviors and attitudes, and calculated cost avoidance for informal and formal investigations during 2016.

**Office of Diversity and Inclusion (ODI):**

ODI works to foster a diverse workforce and inclusive environment that ensures equal opportunity through national policy development, workforce analysis, outreach, retention, and education to best serve our Nation's Veterans. This includes strategic planning and annual reporting on workforce diversity and inclusion; recruitment outreach and retention strategies; EEO and diversity training and education; diversity-related communications; implementation of and annual reporting on relevant White House Initiatives; affirmative employment programs for the hiring, placement, and advancement of disabled Veterans, people with targeted disabilities, groups with less than expected participation rates; and special emphasis programming. ODI is responsible for reviewing and evaluating policies, plans, reports, and programs for conformance with various EEO laws, regulations, and directives relating to EEO, affirmative employment, and workforce diversity. In 2018, ODI's responsibilities will be performed under another organization (Office of Accountability and Whistleblower Protection).

**Recent Accomplishments:**

- The Secretary of VA approved and signed a charter establishing an Employment Engagement Council (EEC) to serve as a communication link, policy resource, and

information clearinghouse between VA's workforce, subcomponent VA organizations, and VA leadership on Employee Engagement (EE) strategies, training, resources, and leading practices within the Department. To achieve measurable results in employee engagement in VA, the EEC considers, reviews, and assesses existing and proposed EE strategies and initiatives, share agency leading practices, leverages internal VA organizational resources, and facilitates collaboration.

- Approximately 90% of EE Champions across VA submitted action plans to improve employee engagement at their facilities. These action plans are based on 2016 Federal Employee Viewpoint Survey results. HR&A connects with Champions via email approximately every two weeks to provide information and resources. As more Engagement Champions utilize HR&A tools, HR&A will gather feedback to continuously improve and further facilitate not only the survey process, but employee engagement as a whole.
- ODI led the Department's effort that resulted in VA exceeding its 3% hiring goal for individuals with targeted disabilities (IWTD) and its 2% on-board goal for IWTD. VA's hiring percentage of IWTD is the highest among all Cabinet-level agencies.
- ODI hosted an agency forum with the League of United Latin American Citizens Conference in Washington, DC. The forum provided education and technical assistance to attendees to aid them in promoting outreach and eradicating barriers to the Hispanic community in VA.
- ODI expanded and refined its applicant flow system to identify potential barriers to EEO in VA recruitment and leadership development programs. ODI has served as a leader in the OPM's government-wide effort to implement applicant flow system in recruitment processes.
- ODI sponsored its sixth annual Lesbian, Gay, Bisexual, and Transgender (LGBT) Pride Program in collaboration with the LGBT Employee Resource Group it created under the auspices of the VA Diversity Council. This nation-wide observance recognized best practices in promoting full inclusion and workplace protections for this emerging segment of our workforce diversity.
- ODI implemented new Policy Guidance and Frequently Asked Questions on Religious Expression in the VA workplace to educate the workforce on employee rights and responsibilities in the area of religious expression and accommodation of religious beliefs.
- ODI spearheaded the Department's successful effort to obtain certification from the Office of Special Counsel under its 2302(c) Certification Program signaling VA's full compliance with statutory requirements to inform and train employees of the rights and remedies available to them under the Whistleblower Protection Act and related laws.
- ODI conducted seven national diversity outreach events in collaboration with our affinity group partners to build a diverse and inclusive workforce in VA and six



technical assistance reviews of VA facilities to ensure compliance with mandated EEO, diversity, and inclusion requirements.

- ODI administered the VA Diversity Council, an independent executive-level body that provides advice and recommendations to the Secretary on areas related to diversity and inclusion, and sponsored a study of employee perceptions of fairness based on race, ethnicity, and gender in the VA workplace to identify and rectify challenges in the VA culture.
- ODI conducted 127 sessions of “Cultural Competency” and five ongoing “Key considerations for an inclusive VA Workforce” consultations to six VA Facilities.
- ODI established Memorandums of Understanding (MOU) with Florida International University and Valencia College as part of its Student Outreach and Recruitment (SOAR) Program, and assisted with the placement of five Workforce Recruitment Placement (WRP) interns and eight interns participating in the National Diversity Internship Program (NDIP).

**Office of Labor-Management Relations (LMR):**

LMR sets and administers the Department’s national labor relations policy through consultation with the Administrations, Staff Offices, and national labor unions; facilitates effective communication between VA management and the Department’s national labor unions; provides notice to unions of proposed changes in working conditions requiring bargaining, as well as leadership for management negotiating teams to facilitate agreement and expedite implementation of national initiatives; provides expert advice and counsel to management officials in VACO and field facilities; provides leadership for management negotiating teams at the national level to facilitate agreement and expedite implementation of Department initiatives; provides labor-management relations education and training at all levels; and assists the Office of General Counsel in representing the Departments in national labor litigation matters. LMR bargains with VA’s five national unions, which represent approximately 80% of all VA employees.

**Recent Accomplishments:**

- LMR continued to work with the unions and administrations by reenergizing and chairing the National Partnership Council (NPC). This council is essential to obtain agreement on many VA initiatives and changes to improve the delivery of the VA services. LMR led the NPC to refocus its priorities and commitment in supporting Veterans.
- LMR redesigned the “Labor Relations 101” training for Executives to ensure that VA managers have the knowledge needed to establish/maintain positive relationships with their labor partners.
- LMR conducted numerous face-to-face mentoring sessions of new senior executives in 2016. The customer satisfaction surveys conducted following LMR training sessions indicated that 90% rated the training as extremely relevant and helpful in leading to a more productive labor environment.

- During 2016, LMR conducted 23 joint training sessions at various VA facilities on the VA/American Federation of Government Employees (AFGE) Master Agreement training approximately 750 management and union employees.
- LMR designed and piloted the Interventions Program. In 2016, approximately four different VA facilities received support in building a more effective labor-management relationship.
- LMR has entered into National Negotiations with two National Level Unions.
- LMR continued negotiating a national training program for the new VA/National Association of Government Employees (NAGE) national collective bargaining agreement.

**VA Learning University (VALU):**

VALU is VA's corporate university that supports the agency's mission and business objectives through high quality, cost-effective continuous learning, and development that strengthens leadership, occupational proficiencies, and personal growth. VALU further advances VA's mission in support of the ICARE initiative in offering leadership development and enhancement opportunities through an in-residence and on-line training augmented by VALU's enterprise-wide Talent Management System. In 2016, VALU's portfolio was restructured and realigned with other Administrations and Staff organizations and, in 2017, VALU was dissolved.

**Recent Accomplishments:**

- **Leaders Developing Leaders (LDL):**

In 2016, VALU supported the Leaders Developing Leaders Program, a Secretary's VA-wide initiative. Following the initial LDL Kick-Off, VA conducted a ground-breaking Senior Leader Training event in September 2015. The 3-day session involved training VA senior field leaders (Senior Executives and General Schedule) who engage directly with Veterans. As part of a cascaded approach, the Secretary, Deputy Secretary, Under Secretaries and several Assistant Secretaries trained over 330 field leaders. VA held another LDL seminar for approximately 150 VACO leaders in December 2016. VALU conducted a "100 Day Follow-on" session to build on the foundation established in the initial 3-day sessions for over 420 VA Senior Leaders. VA conducted the Senior Leader Annual Business Meeting in September 2016 for over 600 VA leaders. Teaching materials were prepared to enable VA leaders to cascade the priorities, vision, and intent from this event to employees throughout VA. As of September 2016 approximately 100,000 unique LDL completions were recorded in the TMS.

- **Leadership VA (LVA):**

As VA's flagship leadership development program, LVA Fellows collaborate across VA to build strategic leadership skills and competencies and leave the program prepared to take on executive leadership roles with an enterprise-wide perspective. For 2016, VALU expanded the class size from 80 students (2015) to 100 students. VALU

planned and conducted four residency sessions from May – November 2016. Graduation for 96 members of LVA’s 2016 Cohort was held in November 2016.

- **Corporate Employee Development Board (CEDB):**  
The CEDB offers a variety of prestigious leadership development programs, including the Federal Executive Institute and several graduate-level academic programs. All of these programs have a reputation for providing high-quality leadership training, and VA graduates report that their experiences in these programs provided relevant and lasting benefits. The programs also offer VA participants opportunities to gain new insights into how to better serve Veterans upon their return to VA. 2016 selection panels reviewed over 406 applications and identified 185 VA employees to attend a variety of leadership development opportunities in 2016 and 2017 at several prestigious schools and training organizations. Additionally, 253 VA employees completed the following CEDB courses and programs during this reporting period: Federal Executive Institute (90 graduates); Harvard Kennedy School (30 graduates); Eisenhower School of the National Defense University (3 graduates); Partnership for Public Service “Excellence in Government” Program (96 graduates); George Washington University (10 graduates); Graduate School USA “Executive Potential” Program (14 graduates); University of Maryland, University Campus (9 graduates); White House Leadership Development Program (1 participant).
- **New Supervisors Essentials (NSE):**  
In 2016 VALU developed, tested, and launched New Supervisors Essentials (NSE). NSE is intended to meet the requirements established in 5 CFR 410 and VA Strategic Plan for first-line supervisor training. NSE is focused on providing new supervisors the necessary, appropriate, and required leadership skills for improving employee performance and productivity. NSE will support the mandated Leadership Development training of up to approximately 35,000 employees. As of September 2016, 2,808 VA employees were enrolled in NSE and 467 employees had already completed NSE training. VALU also prepared and staffed a Supervisor and Manager Refresher (SMR) Training Policy Memorandum for review and signature by the HR&A Assistant Secretary.
- **Senior Executive Service Candidate Development Program (SESCDP):**  
After a hiatus of several years, VALU re-launched SESCDP in 2016 on a biennial basis. The Program prepares high-performing GS14s and 15s for leadership positions in the Senior Executive Service. Over 600 individuals applied for this program with a total of 9 candidates selected to attend the 2016-2017 cohort. Candidates attended Orientation, Senior Executive Assessment Program, 2 virtual sessions, Executive Core Qualifications Session, “Emerging Executives” seminar, and Developmental Assignments. Graduation is scheduled for September 2017.
- **Virtual Aspiring Leaders Program (vALP):**  
vALP expands the leadership skillset and competencies of emerging leaders and expands the capabilities of existing VALU leadership development tools in order to provide robust online learning opportunities and reach a wide cross-section of VA employees. vALP creates opportunities to ensure champions of change through creativity and innovation and articulates linkage between new behaviors and

organizational success. In 2016, almost 2,400 VA employees applied for this program. Based on fiscal constraints, VALU conducted two cohorts of 100 students (200 total).

- **Leadership Development Directorate (LDD):**
  - In 2016, VALU trained over 27,000 employees through the Executive and Senior Leadership Development program, via webinars, in-person, and web-based training (WBT). The curriculum designed for the Executive and Senior Leadership Development program focuses on five strategic areas: 1) Alignment to VA Leadership competencies; 2) Building a framework for VA Executive Development program; 3) Designing options for managers and supervisory training; 4) Providing program related assessments and evaluations; and 5) Developing hybrid-learning programs linked to VA Transformation Strategy.
  - In 2016, VALU created the Programs of Study initiative in order to expand leadership development opportunities to all VA employees. The program encompasses five profile levels of leadership: emerging leader, team leader, first-line leader, manager, and senior leader. The project is projected to train over 5,000 employees in 2016 and reach a steady state of over 10,000 annually in 2017.
  - In 2016, VALU developed catalog training that encompasses a number of training options designed to meet the needs for VA employees in executive and leadership positions. It includes 40 Instructor-Led Training programs (in-person), 12 webinars and 4 asynchronous WBT opportunities.
- **Corporate Employee Development Directorate (CEDD):**
  - In 2016, VALU conducted Mandatory Training for VA employees and designed, developed, and implemented competency-based courses on many topics including Strategic Planning, Retirement Planning, Onboarding, Virtual Employees, Advisory Committee Functions, Veteran Owned Small Business Processes, Master Trainers, and Lean Six Sigma. Over 300,000 students successfully accomplished required training and improved their competencies through these newly-established courses.
  - In 2016, VALU organized its All Employee Competency Course Catalog to increase flexibility in registrations and scheduling, resulting in improved course utilization by 60%.
  - In 2016, working in partnership with the Office of General Counsel (OGC), VALU provided training to the entire VA workforce on an updated and more efficient ethics course that fulfills the requirements of 5 CFR 2638.703. OGC and VALU are in the process of updating courses for Complicated Disciplinary Actions which trains supervisors, managers, and HR specialists in properly preparing personnel cases for difficult, yet critical, actions that will reduce time and expenses for the organization.
  - In 2016, VALU sustained the MyCareer@VA, which is one of the premier Federal websites among large agencies. MyCareer@VA usage in 2016 exceeded 1.8 million—an increase of over 20% from 2014 training sessions. Based on budget

constraints, a decision to discontinue this site was made in June 2016. VALU issued a sun-setting process for the site and ensured the capture of critical data and site processes to use in future programs.

- In 2016, under a reimbursable memorandum of understanding (MOU) with the Office of Acquisition, Logistics and Construction (OALC), VALU continued to assist the Veterans Affairs Acquisition Academy (VAAA) to provide functional area training in Project and Program Management (P/PM), Contracting Officer's Representative (COR) training, and Facilities Management training. Through this partnership, VALU has assisted in the training of over 720 acquisition, program/project management, and facilities professionals and ensured certification testing for over 110 financial management professionals across the Department.
- **Learning Infrastructure Directorate (LID):**
  - In 2016, total training course completions recorded in TMS exceeded 10.5 million, including VALU-created courses, commercial off the shelf content (e.g., Skillsoft), and courses developed by learning professionals within the VA.
  - In 2016, VALU worked with the Administrations and Staff Offices to deliver competency-based training across the Agency, including Veterans Benefits Administration's, National Cemetery Administration's and the Office of Information and Technology's competency models their respective workforces via TMS and MyCareer@VA.
  - In 2016, VALU assisted in deployment of TMS's electronic Individual Development Plan (e-IDP) to over 5,000 human resources professionals across VA. In 2017, eIDPs will be made available to all employees across the Agency.
  - In 2016, there were more than 990 new eLearning courses, 2,130 new digital and audio books, and 16,255 new IT and Desktop videos added to TMS. More than 750 outdated eLearning courseware items were deactivated in TMS.
- **Corporate Employee Development Directorate (CEDD):**
  - In 2016, VALU centralized the Pathways Program management office, which is the agency focal point for the approximately 800 Presidential Management Fellows (PMF) program, Recent Graduates Program, and Intern programs. VALU developed an enterprise-wide Tracker that captures all data required for participants and managers in the program and provides easy access to real-time status on progress, trends, and feedback. VALU received commendation for the tracker from the OPM Merit Systems Accountability and Compliance Special Study award. Frequent communications methods directly assist interns, recent graduates and Fellows in accomplishing program requirements.
- **CEDT (Corporate Employee Development Training) (Formerly CEDB) Study and Administration**

In 2016, Evaluations Section developed a longitudinal study of effects of Corporate Employee Development Training (CEDT) programs. An initial baseline study to survey previous graduates (pre-2016 attendees) was completed in June 2016.

Following that study, the project continued with follow-on contacts of recent graduates as part of a quarterly rolling assessment project. To date, the second quarterly cohort of graduates has initially been surveyed and is being surveyed once again to measure ongoing results. Additionally, the third quarterly cohort is now being assessed. The quarterly efforts are intended to collect behavioral feedback information in three phases: 1) immediately after graduation; 2) 45-60 days after graduation, and 3) 90 days after graduation, with verification from supervisors to track changes observed. This second study compared/contrasted feedback obtained to the feedback provided by the baseline group, which will be combined with future assessments to evaluate the cost/benefit balance of CEDB programs on an ongoing basis to validate effects and to aid in budgetary recommendations.

- **Leaders Developing Leaders (LDL) Survey**

By the end of 2016, over 111,000 VA employees had participated in the Leader Developing Leaders (LDL) Training Program. In late August 2016, as a follow-up to the LDL cascade training, HRA surveyed some 630 senior level participants to determine the initial impact of the program. The high response rate (approx. 65%) provided valuable insight into the effectiveness of the program – with a significant number of VA senior leaders believing that: 1) LDL training enabled them to become proactive in VA transformation (79%); 2) LDL concepts and tools helped them develop their leadership skills (78%); 3) LDL training strengthened the team concept within their working group (73%); and 4) they used LDL skills to implement projects that will have a positive impact for VA (84%). Currently, the VA is refreshing and updating LDL training content as part of the effort to institutionalize LDL within the VA. In 2017, VA will continue cascading LDL, measuring reactions of VA staff, and assess the effectiveness of the program.

- **Senior Leaders Annual Business Meeting (SLABM)**

In September 2016, the annual meeting (SLABM) was attended by over 600 VA Senior Leaders. A follow-on survey measured reactions to the overall conference as well as key events and featured speakers. Extensive open-ended feedback was offered by the respondents, and this data will be used to improve future conferences.

- **Top 30 VALU Training Offerings**

In 2016, as part of overall efforts to identify key training programs, a study was performed to identify leading course offerings based on a variety of criteria, including the highest number of course completions, the programs receiving the highest reactions from attendees, and those that achieved the greatest measured learning gains. There was significant overlap across those criteria, allowing ready identification of programs that show the greatest value for the investments made. This study is offered to other Departments as a suggested guideline for performing similar studies. The report was presented to the VA Training Leaders Council (TLC) in August 2016.

**Veteran Employment Services Office (VESO):**

VESO provides comprehensive services to support federal Veteran recruitment, from supporting retention efforts to supporting Veterans throughout a deployment lifecycle – as

well as providing federal partners with tools and services that support Veteran recruitment, retention, and reintegration in their respective agencies.

In 2018, VESO will become a division in the Office of Human Resources Management (OHRM).

**Recent Accomplishments:**

- VESO provided employment readiness assistance and job opportunity awareness to over 160,000 Veterans, through the use of social media, email, telephone contacts, and participation in more than 650 career fairs. VESO contributed indirectly VA's hiring of over 16,000 new Veterans and directly contributed to more than 700 new Veteran hires.
- VESO provided recruitment, staffing and marketing support for VHA, VBA and VA Staff Offices to fill mission-critical positions to include marketing over 80 opportunities, reviewing over 4,500 applications, and issuing over 125 referral certificates.
- VESO provided recruitment, staffing and marketing support to federal partners to fill mission critical positions to include marketing over 100 opportunities, reviewing over 2,500 applications, and issuing over 180 referral certificates.
- VESO increased the number of *VA for Vets* Websites referrals by 54.3% from previous year and reinvigorated the VA LinkedIn page (218,021 followers). By reviving VESO LinkedIn page and realigning it under VA, VESO increased its audience from about 6,000 Veterans from the previous year to more than 218,000.
- VESO implemented Veteran Retention Working group (VRWG) recommendations in collaboration with Administrations and Staff Offices to develop strategies to increase Veteran retention at VA.
- VESO managed the Uniformed Services Employment and Reemployment Rights Act (USERRA) compliance program for VA. Training and supervisor awareness continues to result in increased compliance levels. Completion rate in 2016 was 84.4% compared to 83.2% in 2015. However, it should be noted that the total number of persons designated to complete the training has increased to 39,219 in 2016 from 37,956 in 2015.

**Summary of Budget Authority Employment and Obligations – Total Obligation Authority Analyses**

<i>Office of Human Resources and Administration</i>					
<i>Summary of Employment and Obligations</i>					
<i>(dollars in thousands)</i>					
	2016 Actual	2017		2018 Request	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
<b>Average Employment</b>					
Field	200	270	200	0	-200
Central Office	539	633	509	381	-128
<b>Total</b>	739	903	709	381	-328
<b>Obligations:</b>					
Personal services	\$106,408	\$123,263	\$103,732	\$66,173	-\$37,559
Travel	6,150	2,244	2,791	1,424	-1,367
Transportation of things	52	15	45	45	0
Rents, communications & utilities	29,053	24,845	26,452	21,994	-4,458
Printing and reproduction	156	185	161	158	-3
Other services	115,474	148,340	90,905	70,825	-20,081
Supplies and materials	1,090	795	479	356	-123
Equipment	196	193	227	65	-162
Grants, Judgements, Interest & Insurance	321	0	572	0	-572
Adjustments to Expenditures	0	-419	0	0	0
<b>Total obligations</b>	<b>\$258,900</b>	<b>\$299,461</b>	<b>\$225,364</b>	<b>\$161,039</b>	<b>-64,325</b>
Reimbursements	-205,384	-231,574	-157,477	-93,152	64,325
SOY Unobligated Balance (-)	...	...	...	...	...
EOY Unobligated Balance (+)	4,237	...	...	...	...
<b>Budget authority</b>	<b>\$57,753</b>	<b>\$67,887</b>	<b>\$67,887</b>	<b>\$67,887</b>	<b>\$0</b>

**Explanation of Increases and Decreases:**

Background on Rent Increases: Additional rent costs reflect increases in nearly all rent component costs over the last few years. VA has been able to avoid additional costs above prior projected rent cost increases by space savings efforts implemented at the VACO commencing in late 2012. The rent General Services Administration (GSA) charges is composed principally of shell rent, operating expenses, tenant improvements, and security costs. GSA charges the occupying agency the costs for amortized tenant improvements, operating costs, real estate taxes, and building security features. The portion of VACO rent attributable to operating costs have increased 16% since 2010 to date, primarily due



to rising energy costs, thereby outpacing growth in square footage. In short, increases in space rates, operating cost charges, and security costs have increased the annual rent bill well above the funded level for rent which has remained at the 2010 level.

*Current Situation:* Aside from the aforementioned factors that have contributed to increase rent costs, other factors such as FTE growth for all Staff Offices due to new initiatives and relocating for renovation purposes of the previous occupied facility has resulted in the need to acquire additional space and higher VACO rent costs. The percentage increases in rent occur proportionally with percentage increases in net space added. Executing the actions of an aggressive rent reduction initiative implemented in the latter part of 2012 has been effective in reducing rent estimates for 2015 and 2016 and beyond. Through the rent reduction initiative VA has realized a cost avoidance of \$14.4M from 2013-2016. GSA completed a rent assessment in 2016 resulting in a rent reduction of \$2.1M allowing HR&A to source rent costs with allocated funds.

In 2017, the Human Capital Investment Plan (HCIP) ended and some functions and FTE transferred to other Administrations and Staff Offices while HR&A maintained critical human capital functions, resulting in an overall decrease in FTE and total funding requirements. Further, in 2018, ODI and ORM's functions and FTE will transfer to the Office of Accountability and Whistleblower Protection, resulting in an overall decrease in FTE and requested reimbursable authority.

**Summary of Budget Authority Employment and Obligations – Budget Authority Analyses**

<i>Office of Human Resources and Administration</i>					
<i>Summary of Employment and Obligations</i>					
<i>(dollars in thousands)</i>					
	<u>2017</u>				
	2016 Actual	Budget Estimate	Current Estimate	2018 Request	Increase (+) Decrease (-)
<b>Average Employment</b>					
Budget Authority	224	270	270	257	-13
<b>Obligations:</b>					
Personnel services	\$29,750	\$35,855	\$35,855	\$37,477	\$1,622
Travel	408	773	773	650	-123
Transportation of things	52	15	15	45	30
Rents, communications & utilities	17,952	22,916	22,916	21,754	-1,162
Printing and reproduction	74	121	121	138	17
Other services	5,045	7,704	7,704	7,481	-223
Supplies and materials	128	329	329	297	-32
Equipment	85	174	174	45	-129
Grants, Judgements, Interest & Insurance	22	0	0	0	0
<b>Total obligations</b>	<b>\$53,516</b>	<b>\$67,887</b>	<b>\$67,887</b>	<b>\$67,887</b>	<b>0</b>
Reimbursements	...	...	...	...	...
SOY Unobligated Balance (-)		...	...	...	...
EOY Unobligated Balance (+)	4,237	...	...	...	...
<b>Budget authority</b>	<b>\$57,753</b>	<b>\$67,887</b>	<b>\$67,887</b>	<b>\$67,887</b>	<b>0</b>

## Changes from Original Budget

<i>Office of Human Resources and Administration</i> <i>Changes from 2017 President's Budget Request</i> <i>(dollars in thousands)</i>			
	2017		Increase (+) Decrease (-)
	Budget Estimate	Current Estimate	
<b>Average Employment</b>	903	709	-194
<b>Obligations:</b>			
Personal services	\$123,263	\$103,732	-\$19,530
Travel	2,244	2,791	547
Transportation of things	15	45	30
Rents, communications & utilities	24,845	26,452	1,607
Printing and reproduction	185	161	-24
Other services	148,340	90,906	-57,435
Supplies and materials	795	479	-316
Equipment	193	227	34
Insurance & Indemnities	0	572	572
Adjustments to Expenditures	-419	0	419
<b>Total obligations</b>	<b>299,461</b>	<b>225,364</b>	<b>-74,097</b>
Reimbursements	-231,574	-157,477	74,097
<b>Budget authority</b>	<b>67,887</b>	<b>67,887</b>	<b>0</b>

### Explanation of Increases and Decreases:

#### **Human Capital Investment Plan (HCIP)/Mission Support/Training Decrease**

In 2017, HCIP ended and subsequently was restructured in order to preserve human capital capabilities in the most cost-effective way possible by transferring out some functions to other Administrations and Staff Offices while maintaining critical human capital functions at HR&A. Concurrently, HR&A strategically reorganized and down-sized to preserve only the most cost-efficient and critical human capital services, while remaining compliant with all applicable public laws, policies, and Executive Orders. As part of this restructuring, VALU services and FTE transferred to VHA and the Office of Enterprise Shared Services (OESS), as did some services and FTE from OA, ODI, and OHRM. The remainder of the HCIP FTE were funded by a bridge fund authorized by SECVA. Since the beginning of 2017, natural attrition, VA and federal hiring freezes, and strategic decisions not to backfill vacancies have resulted in a decrease in HR&A's reimbursable request.

### **Human Resources Line of Business (HR LOB) Increase**

In 2016, HR LOB and Human Resources Information Service (HRIS) completed implementation of HR Smart to a Shared Service Center (SSC) in accordance with federal mandates. HRIS oversees ongoing HR Smart operations, which has transacted over 1,050,000 actions to date and services over 370,000 VA employees. HR Smart delivers transactional services more efficiently and accurately by automating more HR transactions and shifting some transactions to self-service capabilities. HRIS oversees required sustainment for HR Smart such as table maintenance, user access, release management, and data management and analytics. HRIS provides training, communications, and helpdesk monitoring and reporting to over 5,164 HR and Payroll users. Prior to the HR Smart implementation, program oversight for PAID was performed by the Office of Finance's Payroll and HR System Service (PHRSS). PHRSS oversaw PAID maintenance, interfaces, and enhancements. With the transition of ownership of the HR system to HR&A and with limited contractor support, HRIS now manages all program oversight of HR Smart and enhancements through its customer change advisory board.

Additional resources are required to support the continued implementation of current and future enterprise capabilities. Upon completion of the HR Smart transition, HR LOB continued leading a multi-disciplinary team to deliver enterprise enhancements and capabilities. HR LOB supports the continued integration of HR technology, operations, processes and data for improved service delivery. HR LOB is leading a portfolio of large-scale organizational change development and implementation projects such as upgrading the USA Staffing system and new Onboarding Manager through a six-phased deployment to over 179 Human Resources Offices; upgrading HR Smart to PeopleSoft 9.2 functionality for over 5,000 users; implementing HR Smart's Manager Self-Service to over 34,000 managers and Employee Self-Service to over 300,000 employees; implementing Worker's Without Compensation data repository for over 125,000 clinical trainees; and planning new capabilities such as Automated Classification and OPM's USA Hire to enhance classification and recruitment tools. HR LOB is a full-service operation that provides vendor management and project oversight for current and emerging enterprise cost sharing opportunities. HR LOB leads the development of VA's enterprise human resources information technology strategy and roadmap, and other initiatives such as transforming HR Excellence at VA in accordance with Executive Leadership priorities. In October 2016, three HR LOB resources were transferred to HRIS to directly support HR Smart stabilization and continued user adoption.



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## *Enterprise Integration*

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### **Mission**

In support of the overall mission of the Department of Veterans Affairs (VA), the Office of Enterprise Integration's (OEI) orchestrates and leads enterprise transformation and continuous improvement of veterans and employee experience through effective enterprise integration of people, processes, technology, and innovation, and maturation of organizational management capabilities. OEI supports the Secretary, Deputy Secretary, and Under Secretaries in the areas of strategy and strategic planning; policy management and analysis; business integration; transformation and innovation; program management; performance management; data analytics, and data governance.

### **Summary of Budget Request**

<b>(\$ in 000)</b>	<b>2017</b>	<b>FTE</b>	<b>2018</b>	<b>FTE</b>
Office of the AS/PDAS	\$1,866	9	\$2,767	9
Office of Policy and Interagency Collaboration	\$2,534	8	\$3,150	21
Office of Data Governance and Analysis	\$6,680	28	\$6,800	32
Office of Planning and Performance Management	\$0	0	\$9,300	42
Office of Transformation Management	\$0	0	\$5,950	23
Office of Strategy, Policy, and Planning Integration	\$8,607	35	\$0	0
Office of Performance Management and Innovation	\$5,680	22	\$0	0
MyVA Program Management Office (PMO)	\$2,600	10	\$0	0
<b>Total Budget Authority</b>	<b>\$27,967</b>	<b>112</b>	<b>\$27,967</b>	<b>127</b>
<b>Reimbursement:</b>				
Enterprise Data Contracts	\$3,000	0	\$3,000	0
VA Center for Innovation	\$2,500	5	\$2,500	5
<b>Total Reimbursement</b>	<b>\$5,500</b>	<b>5</b>	<b>\$5,500</b>	<b>5</b>

In 2018, OEI is requesting budget authority (BA) of \$27.967 million to include 127 FTE, and reimbursements of \$5.5 million to support its mission.

## **Program Description and Accomplishments**

Aging Veteran populations, Veterans with more complex needs, impacts of extended, ongoing combat operations, and changes in health care delivery in the U.S. has increased demand for VA services. OEI supports VA's mission by integrating the planning, policy, performance management, and program management functions of the Department, and planning and executing the Department's major transformation in support of the Office of the Secretary.

### **Office of Policy and Interagency Collaboration**

The Office of Policy and Interagency Collaboration (OPIC) leads and manages the Department's policy management process and provides policy analysis to the Secretary and VA senior leadership. OPIC oversees the VA's policy research and collaboration activities with strategic partners (other federal agencies, academia, think tanks, and ally countries) and serves as the VA lead on issues pertaining to interagency collaboration and coordination with Federal partners (DoD, SSA, HUD, DOL, Commerce, etc.). OPIC carries out the following functions and activities:

- Manages the Department's policy and delegation of authority processes.
- Maintains a centralized repository of directives, handbooks, regulations, delegation authority, etc.
- Develops, maintains, and oversees execution of VA's Strategic Policy Agenda.
- Conducts enterprise-wide policy formulation, analysis, implementation, and evaluation.
- Fosters collaborative Veteran-centric policy research within VA and across federal agencies, academic institutions, and think tanks to enhance Veteran policy research and analysis.
- Manages the day-to-day operations of VA's Institute of Medicine Task Force.
- Publishes and maintains the Department's Functional Organization Manual (FOM).
- Facilitates the development and integration of joint policies and programs between VA and Department of Defense (DoD) and other agencies.
- Provides oversight for the coordination and implementation of joint VA-DoD programs and policies as they relate to activities of the VA-DoD Joint Executive Committee (JEC).
- Coordinates and facilitates a Department-wide perspective in all VA-DoD collaboration activities and initiatives.
- Provides planning and support for multiple VA-DoD governance bodies, such as the joint VA/DoD Secretarial Meetings, VA-DoD JEC, and Wounded, Ill and Injured Committee (WIIC).

- Provides oversight of the VA/DoD Integrated Disability Evaluation System (IDES) and for streamlining the VA-DoD disability evaluation process through continuous process improvements.
- Assists VA/DoD stakeholders in improving the overall effectiveness and efficiency of IDES for Service members and Veterans.
- Develops and maintains metrics for tracking the performance of IDES sites.
- In coordination with DoD, develops and monitors the execution of the VA-DoD Joint Strategic Plan (JSP) to synchronize these activities.
- In coordination with DoD, develops and publishes the VA-DoD Annual Report to Congress on VA-DoD collaboration issues.

### **Office of Data Governance and Analytics**

The Office of Data Governance and Analysis (DGA) provides data management, data analysis, and business intelligence capabilities to inform VA-wide decision making. DGA acts as an authoritative clearinghouse for the collection, analysis, and dissemination of statistics about Veterans and VA programs. It also provides predictive analysis, actuarial services, and data-driven forecasting capabilities to inform decision-making in the Department. DGA carries out the following functions and activities:

- Conducts data analytic services and products to support VA planning, policy analysis, reporting, and decision making activities.
- Provides mapping and geospatial analytics services and products to support VA planning and decision making activities.
- Performs actuarial analysis and modeling to project future Veteran population and their demographic characteristics to support VA budget, strategic planning, financial reporting, and policy making.
- Produces the Annual Actuarial Liability Report for VA Compensation, Pension, and Burial Programs and the VA Medical Malpractice Liabilities which are required to be included in the VA's Consolidated Financial Statements.
- Manages the collection and dissemination of official Veteran statistics for the Department.
- Leads the Department's effort to implement and manage VA's data governance and data stewardship programs and open data initiatives.
- Maintains the official VA statistic website and managing over 800 annual requests for VA statistics from the public.

## Office of Planning and Performance Management

The Office of Planning and Performance Management (OPPM) leads the Department's strategic future foresight and assessment; coordinates business strategy development; integrates mission requirements; conducts forward-thinking strategic planning to address long-range issues; and ensures integration of business requirements and alignment of the planning and execution activities of the Department's programs and initiatives. OPPM is also responsible for managing VA's enterprise risk management framework that provides the necessary governance, communications, training, processes, and tools to effectively identify, assess, address, and monitor risks, enabling VA leadership to make informed decisions and focus priorities that maximize the value of resources. OPPM enables VA's senior leaders to maintain a consolidated, timely, and robust understanding of known and emerging risks facing the Department, and how these risks are being addressed. OPPM carries out the following functions and activities:

- Orchestrates and manages the Department's Strategic Operating Model/Manage for Results process to drive management activities and integration across the Department.
- Conducts environmental scanning to understand the nature and pace of change and identify likely future opportunities and challenges for Veterans and the VA; producing the Department's annual Strategic Environmental Assessment (SEA).
- Applies continuous environmental scanning and analysis to identify, assess, and monitor strategic level risks and opportunities; coordinates with other risk offices and the Office of Management and produces the annual Department's Risk Profile to fulfill requirements in OMB Circular A-123.
- Applies strategic foresight methodologies (alternate futures, scenario-based analysis, etc.) to guide policy and shape strategy decisions, developing Futures Analyses for the Department's senior leaders, strategic planning community and other stakeholders.
- Fosters collaborative strategic studies within VA and across federal agencies, academic institutions, and think tanks, to include leading the development of the Federal Foresight Community of Interest.
- Manages the development, refinement, and execution of the Department's Quadrennial Strategic Planning Process. Chairs the Department's cross-organizational Strategic Planning Team which coordinates the development and oversees execution of the Department's strategic plan.
- Develops bi-annual Department Agency Priority Goals (APG) in coordination with relevant VA stakeholders.
- Provides guidance, support, and expertise to assist the Administrations' and Staff Offices' internal strategic planning efforts so that they align to and implement the Department's strategic plan.
- Produces annual planning guidance to refine and update the strategic guidance articulated within the VA Strategic Plan.
- Conducts the biannual Strategic Reviews as mandated by OMB Circular A-11 which reports on the Department's progress towards the VA Strategic Plan strategic objectives.



Develops the mid-year brief and the end of year report which is included in the Annual Performance Review (APR).

- Administers the Monthly Management Review (MPR) which enables VA leadership to review program progress, resolve performance problems, and assist leadership in focusing on top priorities and problems within the context of performance, budget, and workload results.
- Oversees the quarterly status reporting process to OMB for the APGs.
- Responsible for the governance and management necessary to identify, evaluate, mitigate, and monitor the VA's operational and strategic risk as required by OMB Circular A-123.
- Manages and organizes Department's performance indicators, coordinating departmental performance within VA plans and strategies.
- Coordinates integrated enterprise mission planning (horizontal integration).
- Leads and manages VA's enterprise business architecture.
- Develops, maintains, and facilitates VA's governance process to enhance strategic decision-making in accordance with SECVA/DEPSECVA/COS guidance. Administratively supports the conduct and reporting of the Department's primary governance body, Monthly Management Review.

### **Office of Transformation Management**

The Office of Transformation Management (OTM) leads and manages breakthrough transformation initiatives and activities in the Department. OTM is also responsible for leading enterprise-wide lean management strategy and implementation to enable a culture of continuous performance and outcome improvement through employee engagement.

- Orchestrates the planning of VA's priority transformational initiatives.
- Coordinates management oversight of the transformation initiatives execution.
- Support the development of strategic partnerships with private sector and other external organizations to improve services to Veterans.
- Responsible for enterprise performance improvement strategy, policies, training standards, governance, and implementation coordination.
- Coordinates the utilization of internal VA capabilities in Program Management, Lean, Six Sigma, Human-Centered Design, and Systems Engineering to support key management challenges and performance improvement efforts.

## **VA Center for Innovation**

The VA Center for Innovation (VACI) leads VA's innovation ecosystem and diffusion of innovative best practices to manage strategy and policy. VACI identifies, prioritizes, funds, tests, and evaluates the most promising solutions to the Department's most important challenges. VACI's goal is to increase Veterans' access to VA services; improve the quality of service delivery; enhance VA operational performance, and reduce or control the cost of delivering the services that Veterans and their families receive. VACI carries out the following functions and activities:

- Advises SECVA and VA senior leadership on proven and promising innovations to address strategic challenges to VA transformation.
- Executes all aspects of the annual Industry Innovation Competitions, including marshaling VA leadership to identify top priorities, selecting innovations for funding and implementation, overseeing development and/or pilot implementation, and evaluating outcomes of the projects undertaken.
- Manages, in partnership with VHA and VBA, the annual Employee Innovation Competitions, including marshaling VA leadership to identify top priorities, advising the selection of innovations, overseeing development and/or pilot implementation, and evaluating outcomes of the projects undertaken.
- Executes prize challenges under the America COMPETES Act of 2011 and, when appropriate, special projects focused on near-term, high-impact opportunities.
- Administers the Center's Innovation Fellows program and Entrepreneur-in-Residence program.
- Provides guidance and sponsorship of the VA Innovators' Network.
- Serves as the sponsor and manager of independent innovation relationships with the private sector through use of cooperative research and development agreements

## Recent Accomplishments

In 2016, organizational components that make up OEI achieved the following:

- Established the Innovators Network, enrolling 22 VA Medical Centers whose collaborative work produced successful innovations such as:
  - RefDoc – a software application that allows VA physicians to quickly specify elements of the medical record in VistA to be sent to third party providers and generate a PDF for secure transmission. On national deployment in FY 2017 this capability will generate savings of \$3M per month while improving the quality of care coordination with third party providers
  - TECS: Technology-based Eye Care Services provides access to eye care for 100% of Veterans seeking eye exams within 14 Days, reducing cost of care delivery by 50%, and is rated by Veterans at 4.6/5.0
- Drove Lean program management initiatives that supported direct scheduling for routine eye and ear exams at 139 facilities nationwide, improving access for Veterans by an average of 18 days
- Conducted “facilitated rapid improvement sessions” to improve hiring processes and reduce barriers to filling critical staffing vacancies across 18 VISNs
- Responded to over 790 data inquiries from internal and external customers and produced 20 updated environmental scan reports to provide options to VA program leaders and partners for agile response to Veteran needs given potential future contingencies
- Trained 159 senior leaders across VA at a 2.5-day Lean training course with expert Lean practitioners from the Veterans Engineering Resources Center (VERC)
- Designed and facilitated 15 Quadrennial Strategic Planning Process (QSPP) workshops to develop the FY2018-2024 VA Strategic Plan; more than 150 people from 68 offices and administration across VA, other Federal agencies and non-governmental organizations participated in these workshops
- Produced the Department of Veterans Affairs (VA) FY 2016 Veterans Policy Research Agenda (VPRA). The FY 2016 VPRA covered three priority goals: Empower Veterans to Improve Their Well-Being, Enhance and Develop Trusted Partnerships, and Manage and Improve VA Operations to Deliver Seamless Integrated Support
- Conducted a combined research agenda on international Veteran reintegration programs with Canadian counterparts.
- Working in conjunction with VA’s Office of Suicide Prevention, developed “Perceptive Reach” a predictive analytics platform that allows VA to identify Veterans who may be at risk for suicide. Perceptive Reach was rebranded as REACH-VET and has been deployed nationally.
- Coordinated the completion of four Institute of Medicine (IOM) briefs (Ranch Hand, Chronic Multisymptom Illness (CMI) definition, Ship Hazard Airborne Defense (SHAD) II, and

Brain Cancer in Gulf War Veterans). Also coordinated IOM briefs to VA on Gulf War and Health Volume 10, Multiple Sclerosis (MS), and Agent Orange Volume 10.

- Developed plans to pilot the new Separation Health Assessment (SHA) process that would eliminate the need for Service members to hand carry medical records to VA
- Published the “Access to Mental Health Services Report”: Based on extensive field work with Veterans this report profiles the experience of Veterans across multiple entry points to VA as they explore seek and obtain Mental Health Services. This report outlines a series of proposed changes to improve Veteran experience and smooth the path from initial contact to full engagement with appropriate mental health service providers.
- Produced recurring products and ad hoc analytics on Veteran demographics and socioeconomics and utilization of VA benefits and services to include: Quarterly Statistical Pocket Cards, Minority Veteran Report , Profile of Rural Veterans, State and Territories Summary to include the first-ever summary for Guam, Geographic Distribution of VA Expenditures, Compensation and Pension by County, Profile of Women Veterans, Profile of Post-9/11 Veterans, Profile of Unique Veteran Users, and Profile of Veterans in Poverty.
- Produced the actuarial liability estimates for the following: Medical Malpractice and other Tort claims and the Compensation, Pension and Burial programs.
- Led the VA’s Open Data efforts, achieving all OMB milestones and facilitating VA staff and data participation in several data summits and hackathons to include: Global Open Data for Agriculture and Nutrition (GODAN) Summit, hosted by USDA in New York City; Veterans Affairs Suicide Prevention Innovations (VASPI) Summit, a suicide prevention hackathon; #LymeInnovation hackathon, which emphasized the brain health and mental health aspects of Lyme disease and invisible illness as part of the National Day of Civic Hacking and subsequent hackathons on both east and west coasts; and #VABrainTrust hackathons and open data efforts for traumatic brain injury, PTSD, and other brain injuries that resulted in a dozen new datasets on brain health and mental health published to Data.gov.
- Managed the Enterprise Legislative Review Process, integrating agency wide legislative proposals to improve the Veteran experience.
- Developed the VA Strategic Operating Model and began implementation of this management system
- Produced the Annual Performance Plan and Report (APP&R) timely and in compliance with Government Performance and Results Act (GPRA)/Modernization Act and OMB Circular A-11.
- Developed VA Strategic Environmental Assessment that forecasted potential changes to VA’s strategic operating environment.
- Developed VA Enterprise Risk Management Program that aligned with OMB Circular A-123 and supported risk based decision making.
- Provided support to the Secretary and Deputy Secretary with oversight of the MyVA breakthrough initiatives.

## Budget Highlights

The 2018 request includes \$8.2 million in contract dollars and 127 FTE necessary for OEI to develop and implement integrated enterprise business strategies and mission requirements and to expand existing capabilities in performance management; performance improvements, and innovation. This will enable the Department to continue providing comprehensive analysis to the Secretary and senior leaders in the areas of strategy and strategic planning; policy management and analysis; business integration; transformation and innovation; program management; performance management and improvement; data analytics, and data governance to support effective and efficient delivery of benefits and services to our Nation's Veterans and eligible beneficiaries. The highlights of the budget request include:

- 21 FTE will enable the **Office of Policy and Interagency Collaboration** to maintain a collaborative, knowledge sharing culture with DoD and other agencies. The Office serves as the agency's point-of-contact for oversight and integration of programs and strategies between VA and DoD. This collaboration improves support to Service members transitioning to Veteran status. This level of staffing will also support VA's joint strategic planning and performance management capabilities in order to be a proactive partner with DoD.
- \$2.0 million in contract dollars and a total of 32 FTE will support the **Office of Data Governance and Analysis** in its mission of providing Veteran statistics, data analysis, and predictive modeling to inform VA-wide decision making. This effort supports VA's integrated strategy of creating a Department-wide management capability to make data-driven decisions.
- \$3.0 million in contract dollars and a total of 42 FTE will support the **Office of Planning and Performance Management** in the development of business strategy, establishes mission requirements, conducts forward-leaning strategic planning, integrates risk management to achieve agency goals, and develops concept analysis capabilities to identify long-range issues and ensure integration of business solutions across the Department.
- \$2.5 million in contract dollars and a total of 23 FTE will support the **Office of Transformation Management** to leads and manages breakthrough transformation initiatives and activities in the Department.

## Summary of Employment and Obligations

<i>Office of Enterprise Integration</i> <i>Summary of Employment and Obligations</i> <i>(dollars in thousands)</i>					
	2016 Estimate	2017		2018 Request	2018 vs 2017
		President's Budget	Current Estimate		
<b>Average employment</b>	<b>155</b>	<b>132</b>	<b>117</b>	<b>132</b>	<b>15</b>
Central Office	96	127	112	127	15
Field Office	0	0	0	0	0
Reimbursable	59	5	5	5	0
<b>Obligations:</b>					
Personal services	\$26,419	\$19,800	\$19,800	\$19,800	\$0
Travel	\$1,645	\$420	\$420	\$420	\$0
Transportation of Things	\$180	\$0	\$0	\$0	\$0
Rent, Communications, Utilities	\$0	\$0	\$0	\$0	\$0
Printing and reproduction	\$38	\$30	\$30	\$30	\$0
Other services	\$65,546	\$13,122	\$13,122	\$13,122	\$0
Supplies and materials	\$104	\$95	\$95	\$95	\$0
Equipment	\$0	\$0	\$0	\$0	\$0
Grants	\$0	\$0	\$0	\$0	\$0
Adjustment to Expenditures (-)	\$0	\$0	\$0	\$0	\$0
<b>Total obligations</b>	<b>\$93,932</b>	<b>\$33,467</b>	<b>\$33,467</b>	<b>\$33,467</b>	<b>\$0</b>
Reimbursements* (-)	(\$70,631)	(\$5,500)	(\$5,500)	(\$5,500)	\$0
SOY Carryover (-)	\$0	\$0	\$0	\$0	\$0
EOY Carryover (+)	\$2,398	\$0	\$0	\$0	\$0
Reallocation	\$0	\$0	\$0	\$0	\$0
<b>Total Budget Authority</b>	<b>\$25,699</b>	<b>\$27,967</b>	<b>\$27,967</b>	<b>\$27,967</b>	<b>\$0</b>

\* During FY 2016, \$40,000,000 was executed in VEO, which became a stand-alone office beginning in FY 2017.

Total resources in the FY 2018 budget include \$5.5 million in reimbursable authority, including:

- \$3.0 million from VHA, VBA, NCA, and OIT for continuing three data contracts supporting VA-wide data collection and management efforts. This support enhances data collection reporting and analysis capabilities, while providing standards and guidelines for corporate-level functions.
- \$2.5 million from VHA, VBA, and OIT to support VACI contracts and five FTE for enhancing program operations and accomplishments. Funding also supports the program centralization for five participants of the Presidential Innovation Fellows program with pay and costs of all associated activities.



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## Operations, Security, & Preparedness

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### Mission

Office of Operations, Security, and Preparedness (OSP) will raise preparedness of the Department of Veterans Affairs to provide services and protect people, and assets continuously and in time of crisis.

OSP, in coordination with the Department of Veteran Affairs (VA) Administrations, and Staff Offices, ensures the continuity and integration of essential health care, benefits, and burial services. OSP is responsible for policy and development of myriad training initiatives to ensure the safety, and security, of Veterans, volunteers, employees, and visitors at VA facilities. OSP integrates, improves, and increases VA's operational readiness and ability to execute emergency management in coordination with the Intelligence Community regarding national security concerns and challenges, Department of Defense contingency support, and Department of Homeland Security support missions under the National Response Framework and National Continuity Policy. Additionally, OSP trains and credentials VA police officers for VA facilities, and establishes VA-wide police policy and program direction. OSP also manages the Department's compliance with various federal laws, regulations, OMB mandates, Homeland Security Presidential Directives ((HSPDs) (e.g., HSPD-5, 12, and 40)) and Presidential Policy Directive 8 and 40. OSP has been delegated responsibility for the Agency's implementation of the Insider Threat program as well as the development of the Agency Identity, Credential & Access Management Program.

### Summary of Budget Request

(\$ in 000)	2017	FTE	2018	FTE
Office of the Assistant Secretary	\$456	4	\$456	4
Office of Resource Management	\$2,116	10	\$2,116	10
Office of Identity, Credentialing & Access Management	\$2,854	22	\$2,854	22
Office of Emergency Management	\$6,628	41	\$8,128	48
Office of Security & Law Enforcement	\$8,480	36	\$8,480	38
<b>Total Budget Authority</b>	<b>\$20,534</b>	<b>113</b>	<b>\$22,034</b>	<b>122</b>
Reimbursements:				
Next Generation Personal Identity Verification Program	\$8,930	8	\$57,119	30
Identity, Credential & Access Mgt. Program	\$5,200	0	\$5,294	11
<b>Total Reimbursement</b>	<b>\$14,130</b>	<b>8</b>	<b>\$62,413</b>	<b>41</b>

- In 2018, OSP requests total budget authority of \$22 million and 122 direct FTE for mission support and \$62 million and 41 FTE in reimbursements.

## **Program Description and Accomplishments**

The Office of the Operations, Security, and Preparedness provides executive oversight of VA's emergency management, preparedness, identity management, physical security, personnel security and suitability, law enforcement activity, organizational resource management, and federal legal and regulatory compliance to maintain continuity of performance of mission-essential functions across the full spectrum of threats. The component offices within OSP serve the larger mission in the following ways.

### **Office of Resource Management (ORM)**

ORM will deliver greater accountability to America's Veterans by providing oversight of human resources management, financial management, and administrative, logistics, and procurement activities. ORM oversees compliance with associated VA policies and directives, Office of Management and Budget's (OMB) Circular A-123, *Management's Responsibility for Internal Controls*, and federal laws, regulations, and executive orders. ORM will assure the maintenance of accurate records to fulfill VA's annual Statement of Assurance requirements and compliances with, reduce identified material weaknesses, and ensure corrective action plans are fully implemented consistent with federal laws and regulations, and VA policy. ORM also partners with VA's Office of Management to execute the Financial Management Business Transformation (FMBT) initiative, which aligns with OMB memorandum M-13-08, *Improving Financial Systems through Shared Services*, and supports VA's strategic objective to "enhance productivity and improve the efficiency of the provision of Veteran benefits and services.

### **Office of Identity, Credentialing, and Access Management (ICAM)**

ICAM will ensure trust in VA's workforce and contribute to a safe and secure working environment by providing central coordination and oversight of VA's personnel security and identity management infrastructure, enforcing VA compliance with federal statutes, regulations, and policies pertaining to personnel security and suitability and credentialing and identity management programs. ICAM's activities directly support the MyVA Breakthrough Priorities "Improve the Veterans Experience" and "Improve Employee Experience" through the Safety and Security Management initiative.

ICAM also operationally oversees and provides direction to the Security and Investigations Center, which ensures timely processing and adjudication of background investigations. ICAM's technical portfolio includes the Federal Identity Credential and Access Management (FICAM) program, which provides background investigations and security clearances for VA employees, contractors, and affiliates in compliance with Homeland Security Presidential Directive 12 (HSPD-12). Three solutions emerging out of this program are:



- Establishment of an automated, customer-centered process for rapidly onboarding, monitoring, and off-boarding employees, contractors, and affiliates in full compliance with regulatory requirements.
- Implementation of a “Next Generation PIV System,” a more reliable and efficient badging or “credentialing” system than the current proprietary Card Management System (CMS). This will be accomplished using the Managed Service Offering (MSO) from the General Services Administration (GSA) known as USAccess. The HSPD-12 PMO provides managerial assistance, site coordination, technical consultation, and operational responsibility as the solution proceeds through the pilot phase and into full deployment and production in FY 2018.
- Provision of a common, authoritative, comprehensive medium to record, document, and store adjudicative investigations, actions, determinations, and documentation within the Department. The “Veterans Affairs – Centralized Adjudication & Background Investigation System” (VA – CABS) is a secure, end-to-end IT system application enabling continuous subject evaluation and timely dissemination of and access to personnel security information from trusted information providers.

Compliance is internally tracked through two (2) measures: (1) Percent of Employees, Contractors and Affiliates with a completed Background Investigation, and (2) Percent of Employees, Contractors and Affiliates with HSPD-12 compliant PIV cards.

### **Office of Emergency Management and Resilience (OEMR)**

OEMR will produce a resilient operational environment, enabling a swift return to normal operations following disruption through effective crisis and consequence management. OEMR oversees the Department’s National Security policy and program portfolio, which includes Emergency Management, Continuity of Operations (business continuity) and Government, National Security Information Management, Insider Threat, and Intelligence and Counterintelligence Programs. OEMR is also the Department lead for VA’s fourth mission, serving as the command integration layer for leveraging VA capabilities to manage emergencies at the local, state, tribal, or federal levels.

- OEMR protects VA sensitive information and operations and manages the Insider Threat and Defensive Counter Intelligence (CI) programs in accordance with Executive Order 13587 and the 2016 National Counter Intelligence Strategy of the United States.
- OEMR serves as VA’s Federal Intelligence Coordination Office (FICO) in accordance with Intelligence Community Directive 404, conducts predictive analysis, and provides critical information to support and drive Senior Leadership decision making through its Intelligence and Analysis program.
- OEMR provides strategic guidance and supports interagency planning groups to ensure VA’s ability to support Federal response and recovery operations through its All Hazards Emergency Management program.

- OEMR assures leadership and delivery of essential services internally and externally as an integrated enterprise during crisis through its Continuity of Operations and Continuity of Government program.
- OEMR maintains resilient and secure telecommunications systems and communication platforms necessary to effectively manage crisis and continuity through its National Security/Emergency Preparedness Communications program.

### **Office of Security & Law Enforcement (OSLE)**

Office of Security and Law Enforcement (OS&LE) develops policies, procedures and standards governing VA's law enforcement programs and partners with federal law enforcement agencies with the goal of delivering the highest quality professional law enforcement services and maintenance of law and order. OS&LE supports infrastructure protection, information sharing, training, planning and policy development, as well as personnel and physical security, and protection of Veterans, visitors, and VA staff in Department facilities and grounds.

OS&LE is composed of two component organizations: Police Services, and the Law Enforcement Training Center (LETC). Police Services is responsible for Law Enforcement Oversight & Criminal Investigations, which conducts program inspections of the 153 Police units around the nation as well as internal investigations on police officers for various infractions, Executive Protection, Infrastructure Protection, and Intelligence and Crime Analysis. The LETC provides basic and specialized law enforcement training programs for all VA Police officers in four areas: Academic, Advanced Programs, Training Standards, and Technical. The LETC is a Franchise Fund Enterprise Center, which does not receive any funding through OSP.

### **Program Accomplishments**

- Advised and assisted OSP leadership in developing strategic review processes to ensure human resources, financial, administrative and logistical services are implemented to meet the organization's vision, mission, and goals.
- Developed a human resource performance review model to ensure position descriptions and performance management are consistent with policies and procedures.
- Maintained VA Section 508 Compliance by updating security protocol and documentation to the HSPD-12 internet site.
- Reduced work disruption associated with badge renewal by changing the badge certificate authority (CA) from Verizon Business to Department of the Treasury (CA), which allows VA badges to be issued with 5 year expiration dates and increases productivity.
- Upgraded PACS/ESS for 22 Veteran's Business Administration (VBA) Regional Business Offices, 52 VA Medical Centers, & 17 buildings for VACO.
- Designed and developed VA's Suitability Adjudication Training Course to meet the National Training Standards.

- Established a VA Quality Assessment Standards implementation plan to support the Performance Accountability Council's requirement.
- Updated obsolete and non-compliant fingerprint transaction machines and securely transferred fingerprints with no loss of business productivity.
- Brought the Oversight & Compliance program's Personnel Security and Suitability entities into conformance with VA and federal policies, rules and regulations.
- Completed 28,922 Background Investigation Transactions.
- Achieved full operational capability for the VA Insider Threat Program.
- Contributed to writing the 2016 National Counter Intelligence Strategy, which was signed by the President.
- Assumed leadership of the Spectrum Management and Communication Security mission which strengthens the National Security and Emergency Preparedness (NS/EP) Communications (NS/EP Comms) across the VA.
- Developed and successfully piloted an emergency management assessment methodology and validated it across the entire VA enterprise.
- Provided VA support to the Joint External Evaluation of the International Health Preparedness Assessment of the United States.
- Maintained Law Enforcement Training Center (LETC) accreditation granted by the Federal Law Enforcement Training Accreditation Board (FLETA), which affirms the highest quality of training for VA's law enforcement personnel.
- Successfully participated in the Eagle Horizon 2016 exercise, which is a congressionally mandated requirement for all executive branch departments and agencies.

### **Budget Highlights**

OSP requests total budget authority of \$22 million for mission support, including 122 FTE in FY 2018. The request will fund the following initiatives:

- Improving accountability and responsibility for Internal Controls to provide effective accounting and reporting, financial management, human resource management, administrative & logistics management, and compliance with applicable federal laws, regulations, and OMB guidelines.
- Implementing strong user identity authentication, and support of VA major applications employing the Homeland Security Presidential Directive 12 (HSPD-12) Personal Identity Verification (PIV) card for accessing VA network and systems.
- Continuity programs and crisis management exercises, evaluation and training.
- Improving protection of the Department's physical infrastructure to ensure safe and secure environment for care and service.
- Providing oversight and inspection of VA Police Operations at VA facilities throughout the country, which include facility vulnerability assessments addressing risks to staff, patients, beneficiaries and visitors to VA facilities.
- Increased requirements for VA Special Access Programs.

The 2018 budget includes \$57 million in reimbursements from the VA program offices for the PIV Next Generation initiative.

Since its establishment in 2006, OSP has matured and assumed greater responsibility associated with federal laws and regulations, and Presidential directives, not accompanied by funding increases (e.g. Title 38 Section 904, the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Chief Financial Officers Act of 1990 (CFO Act), Sarbanes-Oxley Act of 2002, and Government Performance and Results Act of 1993 (GPRA) and the GRPA Modernization Act of 2010 (GPRAMA); 5 CFR 731 and 732; Homeland Security Presidential Directives 5, and 12; Presidential Policy Directive 8 and 40; Executive Orders 10450, 12968, 13467, 13526, 13587; OMB Circular A-123, *Management's Responsibility for Internal Controls*; and CIA Directive 6/4 and Intelligence Community Directives (ICD) 704 and 705).

<i>Office of Operations, Security and Preparedness</i>					
<i>Summary of Employment and Obligations</i>					
<i>(dollars in thousands)</i>					
	<b>2017</b>				<b>2017- 2018</b>
	<b>2016 Actual</b>	<b>President's Budget</b>	<b>Current Estimate</b>	<b>2018 Request</b>	<b>Increase/ Decrease</b>
<b>Average Employment</b>	<b>109</b>	<b>163</b>	<b>121</b>	<b>163</b>	<b>42</b>
Central Office	109	163	121	163	42
<b>Obligations:</b>					
Personal services	\$16,161	\$22,413	\$20,713	\$22,607	\$194
Travel	807	580	580	580	0
Transportation of Things	0	0	0	0	0
Rent, Communications, Utilities	45	191	191	191	0
Printing and reproduction	5	12	12	12	0
Other services	\$9,167	\$10,811	\$10,811	58,700	47,889
Supplies and materials	2,446	2,303	2,303	2,303	0
Equipment	531	54	54	54	0
<b>Total Obligations</b>	<b>\$29,162</b>	<b>\$36,364</b>	<b>\$34,664</b>	<b>\$84,447</b>	<b>\$48,083</b>
Reimbursements (-)	\$(13,478)	\$(15,830)	\$(14,130)	\$(62,413)	\$46,583
SOY Unobligated Balance (-)	\$0	0	0	\$0	\$0
EOY Unobligated Balance (+)	\$1,723	0	0	\$0	\$0
<b>Total Budget Authority</b>	<b>\$17,407</b>	<b>\$20,534</b>	<b>\$20,534</b>	<b>\$22,034</b>	<b>\$1,500</b>

### Summary of Employment and Obligations

OSP requests total average employment of 163 FTE and \$84,447,000 in total obligational authority to fulfill its mission in 2018, which consists of \$22,034,000 and 122 FTE in direct budget authority and \$62,413,000 and 41 FTE in reimbursements.



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## *Public and Intergovernmental Affairs*

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### **Mission**

The Office of Public and Intergovernmental Affairs (OPIA) helps build and maintain public confidence in the Department of Veterans Affairs by positively reinforcing its commitment and readiness to serve America's Veterans of all generations. OPIA accomplishes this by developing, routinely updating and communicating the Department's key messages to many audiences through media relations, public affairs, intergovernmental affairs, outreach, and Veteran engagement intended to reach Veterans and their families, other beneficiaries, and other stakeholders.

### **Summary of Budget Request**

<b>(\$ in 000)</b>	<b>2017</b>	<b>FTE</b>	<b>2018</b>	<b>FTE</b>
Office of Assistant Secretary	\$2,126	7	\$2,406	9
Office of Public Affairs	7,111	49	5,408	50
Office of Intergovernmental Affairs <sup>1</sup>	2,224	13	2,513	13
Office of Internal Communications <sup>2</sup>	930	3	984	6
Office of National Veteran Outreach Homeless Veteran	667	4	784	4
Outreach and Strategic Communications Office <sup>3</sup>	535	4	568	4
<b>Budget Authority</b>	<b>\$13,593</b>	<b>80</b>	<b>\$12,663</b>	<b>86</b>
<b>Reimbursement</b>	<b>\$1,821</b>	<b>0</b>	<b>\$1,886</b>	<b>0</b>
<b>Total Budgetary Resources</b>	<b>\$15,414</b>	<b>80</b>	<b>\$14,549</b>	<b>86</b>

1/ Effective FY17, IGA realigned 13 FTE under OPIA

2/ Effective FY17, the Office of Internal Communications was funded through FY 16 Carryover

3/ Effective FY17, HVOSCO realigned 4 FTE under OPIA

In 2018, the Office of Public and Intergovernmental Affairs is requesting budget authority of \$12.7 million for 86 FTE to support its mission.

The request in 2018 will allow VA to:

- Improve its Public Affairs and Outreach capabilities and training.
- Ensure VA's position and key messages are received by Veterans, their family members, and the general public.
- Ensure more Veterans access the benefits and services they have earned.
- Improve VA's digital media engagement capabilities and impact.
- Improve partnerships with State Veteran Affairs Directors.
- Improve VA's reputation among Veterans, Key Stakeholders, and the American people.
- Improve outreach and partnerships with Tribal Governments.

## **Program Description and Accomplishments**

The Office of the Assistant Secretary provides executive oversight, management and direction to the Offices of Public and Intergovernmental Affairs (OPIA). The Assistant Secretary oversees VA's communications and outreach programs including media relations, internal communications and media products, social media and intergovernmental affairs. The Office of the Assistant Secretary includes the Principal Deputy Assistant Secretary, the Chief of Staff, Special Assistant, Executive Assistant, and other program analysts and assistants. The Director of Corporate Communications, the Director of Public Affairs, and the Deputy Assistant Secretary for Intergovernmental Affairs report directly to the Assistant Secretary.

### **Deputy Assistant Secretary for Intergovernmental Affairs**

The Deputy Assistant Secretary for Intergovernmental Affairs is responsible for all relations between VA and international, state, county, municipal, and tribal governments. The primary function of the office is to provide strategic advice, guidance, and information to the Office of the Secretary, Under Secretaries for Health, Benefits, and Memorial Affairs, and all other VA Staff Offices by fostering and enhancing government partnerships and acting as liaison between VA and the White House, federal, state, county, municipal, tribal, insular, and international governments. The Deputy Assistant Secretary for Intergovernmental Affairs has oversight of the Office of Tribal Government Relations and the Office of State, County, and Municipal Governments.

### **Office of Tribal Government Relations**

Office of Tribal Government Relations (OTGR) works to strengthen and build closer relations between the VA, Tribal Governments and other key federal, state, private and non-profit partners in an effort to effectively and respectfully serve

Veterans across Indian Country. This work is done in the spirit of government to government consultation and collaboration, respectful of the special relationship that exists between the United States and Tribal Governments. OTGR's efforts focus on three important goals: facilitating VA's Tribal Consultation Policy, facilitating increased access to health care and promoting economic sustainability (highlighting opportunities for Veterans to access fiscal, educational, housing and other special programs and benefits through the VA). OTGR brings key partners to the table to address important issues raised by tribal leaders. Linking decision makers and stake holders to Tribal Leadership ensures Indian Country's Veterans know who we at VA are, what VA offers Veterans and how to reach VA to ensure access to the full range of services and benefits our Veterans have courageously earned through their service.

**Tribal Government Relations 2016 accomplishments:**

- Supported four VA tribal consultations.
  - Two VHA care in the community consultations.
  - One consultation focused on the amendment of Title 38 Code of Federal Regulations Part 14, which included Tribal Department of Veterans Affairs as entities that may be authorized to accredit Service Officers.
  - One consultation focusing on soliciting tribal leader input to identify top priorities for Veterans in Indian Country.
- Supported over 50 outreach and training events which reached over 2500 Veterans.
- Supported launch and implementation of Tribal HUD VASH pilot including development of Tribal HUD VASH implementation handbook.
- Coordinated visits by the SECVA and senior officials within VHA and VBA with tribal leaders and tribal elected officials and Veterans living in Indian Country in order to better understand and be responsive to the priorities and needs of Veterans living in tribal communities.
- Coordinated and facilitated in collaboration with local planning committees resulting in four Veterans Training Summits held in Tribal Communities and one Tribal Veterans Representative training seminar.
- Facilitated the inclusion of ten additional Tribal Health Programs participating in the Reimbursement Agreement Program with the VA.
- Coordinated the 3rd Annual Intertribal Homeless Veteran Stand Down.

## **Office of State, Local and Municipal Governments**

Office of State, Local and Municipal Governments' (SLMG) mission is to coordinate VA's participation in intergovernmental affairs initiatives, including White House-sponsored activities, and assess the issues and concerns of state, local, and municipal officials and the impact of VA's action on their areas of jurisdiction. SLMG serves as the Department's liaison in all intergovernmental affairs matters and is the primary point of contact with federal, state, and local Government officials. SLMG facilitates government-to-government relations with State and Local leaders and VA initiatives to develop partnerships that enhance access to services and benefits for Veterans and their families. The SLMG office as also the proponent for VA's International Affairs program and counterpart visits.

### **Office of State, County, and Municipal Government Relations 2016 Accomplishments:**

- Signed Memorandum of Agreement (MOA) with the National Association of State Directors of Veterans Affairs (NASDVA). NASDVA is the 2<sup>nd</sup> largest provider of benefits and services to Veterans and their families the MOA will aid, strengthen, and allow for a more seamless integration of Federal and State Veteran benefits and services.
- Facilitated communication between State, County, Municipal Government leaders, Veterans Service Organizations, NASDVA, and VA which resulted in the drafting of legislation to transform and modernize the appeals process.
- Played a key role coordinating cooperation and collaboration between Mayors across the country to help end Veterans Homelessness. These include:
  - Planned a Mayoral Summit on Veterans Homelessness with the mayors of San Francisco, Oakland, Santa Clara, and San Jose that contributed to an approximate 15% decline in Veteran Homelessness.
  - Assisted in the planning of an economic and homelessness summit in Kansas City, MO with the mayor that contributed to a double-digit decline in Veterans Homelessness.
  - Planned a Mayoral Summit on ending Veteran Homelessness with all the major mayors of the islands of Hawai'i that contributed to a double-digit decline in Veterans Homelessness.
  - Assisted in the planning of a three Secretary Tour (HUD, Labor, VA) of Houston, Las Vegas and Tucson to end Veterans



Homelessness. Houston and Las Vegas have since announced the end of Veterans Homelessness in their cities.

- Helped coordinate efforts between the city of Boston and the VA that helped end chronic Veterans Homelessness in 2016.
- Helped coordinate efforts with the City of Los Angeles and VA that contributed to a 30% decline in Veteran Homelessness - the largest such drop for a major city in the country.
- Established a working relationship between the VA and the National Apartment Association (NAA) to both house and employ Homeless Veterans. The NAA represents 8.1 million apartment units and has - to date - housed over 1000 Homeless Veterans and NAA on their way to employing hundreds more.
  
- Planned and coordinated the awarding of the Congressional Gold Medal to the 65<sup>th</sup> Infantry Regiment - the Borinqueneers - a segregated Hispanic infantry unit known for their exploits and courage during the Korean War.
  
- Facilitated the planning and coordination of 7 international leader visits to VA, VBA, VHA, and NCA facilities and provided briefings on VA services to officers from 71 nations in attendance at the Army War College.
  
- Provided coordination between State, County, Municipal leaders and the VA Veterans Justice Outreach (VJO) program, a prevention-focused component of VA's mission to connect Veteran defendants with needed VA services. VJO specialists provide direct outreach, assessment and case management for justice-involved Veterans in local courts and jails and liaison with local justice system partners.
  
- Organized an event in support of Heroin and Opioid Awareness Week with the Department of Justice, the White House Office of National Drug Control Policy, and the Department of Veterans Affairs to highlight the intersection between mental health, substance use (particularly opioids), homelessness, criminality, and suicide in the Veteran population.
  
- Promoted collaboration between State Directors, State Veterans Homes, Community Partners, VA, VHA, VBA and HUD on an initiative to address the aging Veteran population and developing a Continuum of Care to address this emerging issue.

## **Director of Corporate Communication:**

The Director of Corporate Communications serves as the Assistant Secretary's senior advisor on all matters pertaining to personnel and operations, advertising, strategic communications, and is a key conduit with other OPIA Federal employees. The Director of Corporate Communications is also responsible for providing oversight, guidance and direction to the Office of National Veterans Outreach Office, Office of Communications Initiative and Homeless Veterans Outreach and Strategic Communications Office.

## **National Veterans Outreach Office**

The National Veterans Outreach Office (NVO) was established in 2010. NVO's mission is to assess, standardize and coordinate outreach activities for the Department of Veterans Affairs. The office develops outreach plans, web resources and training programs to assist VA administrations and program offices in unifying outreach communications through clear, accurate, consistent and targeted messaging. The Office also provides project management of significant VA marketing and advertising contracts, all contracts specify measurable results for the outreach campaign. In addition, the Office is responsible by law, for preparing the biennial report on the outcomes of VA outreach programs to the Secretary of Veterans Affairs; Congress; Veterans Service Organizations; other interested stakeholders; and the American people.

## **National Veterans Outreach Office 2016 accomplishments:**

- Provided support and project management of several contracts for strategic outreach support services to increase Veterans awareness of benefits and services.
- Established regular meetings with Outreach Teams in the three Administrations to develop strategies, plans and resources for the NVO.
- Established an Outreach Workgroup made up of leads responsible for Outreach activities in each of VA's Administrations as well as representatives from various program offices (Center for Minority Veterans, Homeless Program, Women Veterans, OIF/OEF Veterans, etc.).
- Produced a VA Graphics Standard Guide, which standardizes the appearance of VA print materials and signage and other material that is seen by Veterans and other key stakeholders.

## **Office of Homeless Veterans Outreach and Strategic Communication's Office (HVOSCO)**

The Homeless Veterans Outreach and Strategic Communications Office is responsible for increasing awareness of VA resources from Veterans who are homeless and at risk of homelessness; developing collaborative relationships with organizations that can assist VA in filling gaps in the areas of employment, move-in essentials, and affordable housing for homeless Veterans; and coordinating with federal, state, and local partner organizations to synchronize messaging about homeless Veterans' issues.

### **Office of Homeless Veterans Outreach and Strategic Communication's Office Accomplishments:**

From September 2015 until May 2016, the Homeless Veterans Outreach and Strategic Communications Office developed and executed a comprehensive paid media strategy to make homeless and at-risk Veterans aware of the VA benefits they have earned and deserve. The media strategy targeted 25 communities that accounted for 30% of the U.S. homeless Veteran population. The strategy combined the use of outdoor advertising with targeted online advertising. The goals of the campaign were to (1) raise awareness of VA services among homeless Veterans and (2) encourage homeless and at-risk Veterans to contact their local VA medical center or the National Call Center for Homeless Veterans for assistance. A \$725,000 advertising budget was used for bus, phone kiosk, billboard and online ads between September 2015 and May 2016.

The out-of-home (outdoor) component of the campaign -- which ran from October 12, 2015, until May 30, 2016 -- produced the following results:

- o Secured a total of 330 remnant ad units (deeply discounted billboards)
- o Earned approximately 925 million impressions with a market value of nearly \$7.5 million (secured deeply discounted ad space based on the nature of the advertising campaign and locations of the ads - located where the homeless Veterans are more likely to see them).

The digital component of the campaign ran from Sept. 21, 2015, until March 7, 2016, and delivered 120,450,770 impressions and generated 308,574 clicks. Together, the online and out-of-home ad campaigns resulted in an additional 37,650 calls to National Call Center for Homeless Veterans compared to the same period twelve months earlier -- a 50 percent increase in call volume.

In addition, the Homeless Veterans Outreach and Strategic Communications Office developed collaborative relationships with 19 organizations in FY 2016 that expressed a commitment to help improve access to VA care among homeless

Veterans; expand the supply of affordable housing; collect move-in essential items for homeless Veterans; or hire job-ready formerly homeless Veterans. Military Outreach USA, a faith-based organization in Chicago, donated beds, furniture, cookware, and other household items valued at more than \$500,000 for Veterans across the United States in FY 2016 who were exiting homelessness and moving into permanent housing. The Housing Partnership Network, a collaborative of 100 of the leading community development non-profits in the country, amplified in a Huffington Post op-ed and on its website the need for landlords and property managers to accept Housing and Urban Development-Veterans Affairs Supportive Housing (HUD-VASH) subsidies to expand the supply of affordable housing options for Veterans who are exiting homelessness. VA entered into many other similar collaborative relationships in FY 2016 that produced positive outcomes for Veterans.

Members of the Homeless Veterans Outreach and Strategic Communications team also worked closely with staff from HUD, the U.S. Interagency Council on Homelessness, and other partner organizations to coordinate the development and distribution of news releases and announcements about key milestones. These milestones included the release of the 2016 Point-in-Time Count results, which revealed a 17 percent decrease in Veteran homelessness between January 2015 and January 2016. This increase quadruples the previous year's decline – and a 47 percent decrease since 2010. Staff also worked closely with local officials on communication products when they announced the effective end of Veteran homelessness in their respective communities during FY 2016.

### **Office of Internal Communications**

The Office of Internal Communications is the lead OPIA office charged with improving and spreading internal communications across the enterprise. The goal of the office is to increase employee awareness of VA and VA employee initiatives, programs and achievements; and to increase employee engagement and productivity. By working collaboratively with OSVA, the three Administrations, and VACO staff offices, this office will highlight the great work VA personnel and VA facilities are doing for Veterans. Improving internal communications is a 2017 VA breakthrough priority, and is considered key to Improving the Veteran Experience and Improving the Employee Experience, two other VA breakthrough priorities.

## **Director of Public Affairs**

The Director of Public Affairs is responsible for coordinating and orchestrating the release of external and internal public affairs communication and information for VA. The primary mission of this Office is to coordinate with VA's three Administrations (VBA, VHA and NCA) and other Offices throughout VA to ensure Veterans and their families, other beneficiaries, and stakeholders receive accurate and timely information about Department benefits and programs as well as information on many other topics using all forms of traditional and new media to communicate.

## **Office of Media Relations**

The Office of Media Relations (OMR) serves as the Department's main conduit to the external news media. OMR plans and directs the Department's public affairs program. OMR staffers help plan issue-driven public affairs campaigns; manage, and execute media events (press conferences, interviews, media roundtables, media support to major VA events, etc.); coordinate public affairs events with the Department's three Administrations and key program offices; draft, distribute, and maintain news releases and fact sheets, communications plans, white papers, and similar products; and train Subject Matter Experts and Public Affairs Officers to develop their skills and improve their interactions with the news media.

### **Office of Media Relations 2016 accomplishments:**

- OMR coordinates and responds to well over 3,000 media inquiries a year, regarding myriad topics crossing all three administrations and VACO staff offices, policy, budget, IT and more.
- Topics of national interest OMR has provided response for on behalf of the department include: Transgender care; VA Choice; Drug and Pharmaceutical Pricing; Opioid Use; Hep C Care and Medications, PTSD; Veteran Homelessness; Military Sexual Trauma; Suicide/Prevention; Women Veterans; Incarcerated Veterans; Other-Than-Honorable (OTH) Discharges and VA benefits; VA Art Work; Fiduciary; National Instant Criminal Background Check System (NICS); Mental Health; Medical Marijuana; Environmental Exposures (to include Agent Orange, Burn Pits, Blue Water Veterans, other); POTUS photographs; VA Accountability/Disciplinary Actions; Disability Compensation; VA Home Loan Guaranty; GI Bill; Caregiver Program; Construction; Contracts; Information Technology (IT); Wait Times; Quality of Care issues; Equine Therapy; Research and Development (VHA); National Cemetery Administration issues; Health Eligibility Center (HEC); VA/DoD

Collaboration; Electronic Health Records; In-Vitro Fertilization; Medical Malpractice; Mustard Gas; Same-Sex Spousal Benefits; Tribal Relations; Veteran ID Cards; Whistleblower Protections, and many more.

- OMR issued 194 national news releases during calendar year 2016 in addition to numerous media advisories. Each of these is edited, staffed for concurrence, approved and released by OMR. OMR also helps coordinate many local/regional releases.
- OMR is an active participant in VA/DoD collaboration efforts. 2016 focused greatly on funding requirements and VA transitional healthcare actions at the DoD installation level. Working with the Joint Executive Committee (JEC) and DoD on the initiatives on Electronic Health Records. Anticipate a July 2017 decision from VA/DoD. Additionally, service member transitioning; Suicide Hotline efforts (and recent improvements), all of which the media has focused on, which includes Opioid and medicine accountability language (in conjunction with DoD). OMR has significantly participated in VA/DoD efforts regarding environmental exposures. For example, OMR did work leading to the VA/DoD Airborne Hazards Symposium, which was scheduled for May 2017. The purpose of OMR's efforts is to effectively communicate what the agencies are doing and increase accountability and partnering.
- OMR continued to assist in the efforts to inform Veterans about the seriousness of mental health issues, suicide prevention and the availability of services to address them. OPIA also worked the announcement of the development of a program to reduce the use of opioids among Veterans who were dealing with chronic pain. The multi-faceted pilot program was launched in Minneapolis, Minnesota, and has now expanded nationwide. The program has demonstrated success in lowering dependency on those medications.
- As the Post-9-11 GI Bill has matured into its seventh year, OPIA Public Affairs Offices (PAOs) from across the country supported the continued expansion of the program by informing Veterans of updates in the program. OPIA/OMR took the lead to inform Veterans about their educational benefits and how to receive those benefits in a timely fashion. OMR assisted with the announcement of the launch of an online complaint system that helped inform Veterans about a system to report negative experiences with educational institutions and tell Veterans about the direct line to VA and partner agencies to address their concerns. Further improvements to the claims automation system allowed VA to reduce by half the time it takes to process a GI Bill claim or other educational

benefits. To date, VA provided \$73.9 billion in Post-9/11 GI Bill benefits on behalf of 1.74 million Veterans and dependents since 2009.

- OMR maintains and manages a contracted transcription service, which is used to obtain transcripts of media interviews, SECVA speeches/appearances and other priority or topical information. The contract is a nominal \$56K per year, which is significantly less than previous contracted costs for this service. It is of great value when planning media activities and responding to queries.
- OMR utilizes an OPIA contracted news clipping service and provides daily news clips to the Secretary and his staff plus many VA employees in the VA Central Office and the three administrations.
- OMR works cooperatively with OPIA's Digital Media Engagement (DME) team, providing news releases, information, fact sheets, etc. for use in social media activities and video production.
- OMR participates in the National Training Academy, Women Veterans Conference, National Association of Black Journalists and other national-level organizations and events.

### **Office of Field Operations**

OPA's Field Operations Service consists of six district public affairs offices that serve as the public relations conduit between local facilities in each administration and VA Central Office, coordinating the release of external and internal public affairs information and providing direct support and public relations counsel. Field Operations is an integral part of the MyVA Transformation, as so much of MyVA calls on clear and consistent communication.

### **Office of Field Operations Accomplishments:**

- Hosted OPA's annual National Training Academy, training more than 400 VA public affairs practitioners in media relations, crisis communications, social media and other ways to communicate with veterans, their families, and stakeholders about the care and benefits for which Veterans may be eligible. A significant part of that effort was to illustrate improvements VA is making to transform the veteran's experience. More than 60 classroom sessions were conducted by VA public affairs staff and external public relations experts. Secretary McDonald attended and delivered the keynote address.

- Trained nearly 2,000 facility directors, senior leaders and public affairs officers in how to communicate VA programs and messages more effectively with media and veterans (in addition to the National Training Academy). VA routinely engages local media outlets to convey broad messages in local communities. Local VA officials and PAOs are at the cutting edge of informing and educating veterans about the benefits they've earned. Our local officials and PAOs are the "face of VA" in local communities. To help them represent the department, nearly 70 separate episodes of training were conducted, either in group sessions, interactively or in one-on-one prep sessions. Training typically consists of tips and techniques for engaging reporters, on-camera practice sessions and message development.
- Supported the Secretary, Deputy Secretary and senior VA leaders as they traveled the country. Senior leaders have the unique opportunity to communicate directly with Veterans and stakeholders in local communities when they travel. OPA Field Operations works with local media representatives and local VA facilities to coordinate senior leader travel. In the last fiscal year, OPA Field staff supported 102 separate travel engagements.
- Conducted media interviews or responded to national, regional and local media queries. Veterans get much of their information about VA programs and policies through local television, newspaper and radio coverage. OPA Regional Office staff members provide information to local reporters - or assist facility public affairs officers as they work with local media representatives. Last year, OPA Field staff members responded to some 800 media inquiries.
- Advised facility directors, senior leaders and public affairs officers. OPA Field staff are often the first advisors called when facilities confront issues that involve (or may involve) media coverage. They are also consulted on numerous issues related to internal communication, special events planning and crisis communication planning and execution. Public relations advice and counsel is the primary and most time-consuming function of the OPA Regional Offices. It is often the most critically needed support function for facilities that have issues they must address. Facilities in Phoenix, Denver, Tomah, Pittsburgh and Los Angeles relied heavily on OPA Field staff support in their communications efforts. Advice and counsel runs the gamut in the public affairs arena, as well: the New York/North Atlantic office provided direct support to filmmakers, the Canandaigua VA Medical Center and the Veterans Crisis Line during



production of HBO's Academy Award-winning documentary, "Crisis Line: Veterans Press 1." Similarly, the Dallas/Continental office helped coordinate media coverage of the VA/DoD Suicide Prevention Conference in Dallas; the Los Angeles/Pacific office assisted 11 different facilities with on-location film productions. Atlanta/Southeast provides crisis communications support to VA and other federal facilities during the Atlantic hurricane season each year, while the Denver/Continental office provides support to the Colorado Federal Executive Board, in addition to VA facilities in the Continental district. OPA Field staff traveled to local facilities more than 100 times to provide direct, hands-on assistance. Additionally, the Field staff interacted with facilities approximately 7,000 times throughout the year, providing expert guidance and counsel on a host of issues.

- Assisted in special events that reflected positively on VA or on local VA personnel. Special events included the National Veterans Small-Business Conference; Veterans Economic Community Initiatives; and National Programs and Special Events, including:
  - Veterans Day and Memorial Day
  - National Veterans Wheelchair Games
  - National Disabled Veterans Winter Sports Clinic
  - National Veterans Creative Arts Festival
  - Summer Sports Clinic
  - Golden Age Games
- Media coverage of these special events demonstrates to the American public the many positive contributions the Department makes, beyond medical care and benefits provided. Last year, OPA Field staff assisted in 113 separate special events. Other special events garner additional coverage: each February, the Chicago/Midwest office drafts and arranges publication of the annual National Salute to Veteran Patients letter for the nationally syndicated column, "Annie's Mailbox." OPA Field staff also coordinates with local and state elected officials - and members of Congress and their staffs - on critical public relations initiatives and issues.
- Coordinated and complemented information distribution with other OPA offices. OPA Regional Offices amplify and redirect national news releases, media advisories, blog posts, Twitter and Facebook messages and YouTube videos from the offices of Media Relations and Digital Media Engagement. Those two offices rely on the public affairs networking capability of each OPA Regional Office for dissemination of news and information flowing from VA Central Office to local markets throughout the country.

## **Office of Digital Media Engagement:**

The Office of Digital Media Engagement leverages existing and emergent Web-based technologies to provide the right information to the right VA stakeholder at the right time. Additionally, Digital Media Engagement creates and distributes various communication products designed through video, print, and online media to inform external and internal audiences of the many benefits, services, and programs available to Veterans and how they may access those benefits. guidance, editorial expertise, and production standardization for internal media products released by the VA.

- The Digital Media Engagement DME program uses multiple strategies, including online engagement, content development and compliance, to meet its primary program goal of communicating the “right message to the right Veteran using the right channel.”
- DME uses its social media channels to: share, by informing citizens of public services through social content; listen, by observing, analyzing and understanding what citizens are sharing to improve public services; and engage, by respond, collaborating and creating with both our government partners and citizens to improve public services.
- DME’s staff of experienced writers and visual content developers communicate directly with Veterans in a coordinated effort across administrations, program offices and government agencies. Using a “create once, publish everywhere” concept, DME focuses on multi-media message implementation through a range of delivery channels.
- DME, on behalf of OPIA is responsible for overseeing the VA Web Governance Board, as well as ensuring that the department, its administration and offices meet federal digital strategy requirements, guidelines and efforts. Digital Media Engagement has worked to increase the compliance rates for VA web properties for federal standards such as Section 508, Plain Language, Information Quality, Privacy and other key areas identified on <http://www.va.gov/webpolicylinks.asp>.
- Specific products and channels used by DME to accomplish this mission include, but may not be limited to:

### **Engagement:**

In FY 2015 and FY 2016:

- VA's primary Facebook page gained nearly 631,000 new subscribers, bringing its total to 1.1 million subscribers.
- VA has added 137,000 followers on Twitter, to a total of more than 320,000 followers.
- VA posted nearly 500 new Veteran-centric videos on the Department's YouTube channel. In all, VA has more than 1,600 videos available on a range of topics, with more than 6 million views.
- VA published more than 32,100 VA-related photos on the Department's Flickr page that were viewed more than 17.5 million times.
- The @DeptVetAffairs Instagram audience has grown to 41,300 followers and has posted more than 1100 images.
- Managed by the VA Careers team, VA's Linked In page has 225,000 followers and provides career related posts and information.
- DME's "This Week at VA" email newsletter, a summary of content generated on the department's Vantage Point blog, is distributed each week to 1.5 million subscribers.
- In late FY 2016, DME launched a "This Week at VA" podcast to highlight Veteran engagement and VA stories. The first four episodes have garnered nearly 1600 listens from users across 20 countries.
- VA build audiences on additional social media channels to include: Google+ (+DeptVetAffairs); Storify (storify.com/deptvetaffairs); Thunderclap and Pinterest.

**Content Development:**

- **Vantage Point** - A VA produced and curated web blog that serves as the primary content delivery system for VA stories, news and guest articles. In FY 2015 and FY 2016, Vantage Point garnered 3.9 million page views on 1450 posts.
- **The American Veteran** - an Emmy-award winning outreach video program that highlights both VA and individual administration

strategic goals and messaging through story segments. After a two year hiatus, the program is in redevelopment for a FY2017 relaunch.

- **Vanguard** - a redesigned print magazine was debuted in FY 2013 and is currently produced by DME with a print digital version available on va.gov.
- **Federal Benefits for Veterans, Dependents and Survivors** - VA produces the free English and Spanish versions of the “Federal Benefits for Veterans, Dependent and Survivors.” A web-based version and an eBook formats for Kindle, iPad, iPhone, Nook and Android are available at no additional cost to the taxpayer. The benefits book is hosted online at [http://www.va.gov/opa/publications/benefits\\_book.asp](http://www.va.gov/opa/publications/benefits_book.asp).
- **Employee Communications, Correspondence, Administrative Writing:** The Digital Media Engagement team publishes daily weekday messages intended for all VA employees distributed through various VA intranet sites, and local VA email distribution networks. DME provides executive correspondence on behalf of the Secretary to VSOs, special interest groups and other stakeholders. The team also drafts Presidential Proclamations, with the number varying from year to year. These proclamations include: Loyalty Day, Memorial Day, Korean War Veterans Armistice Day, Vietnam 50th Anniversary and other Veteran-related assignments from OMB and the White House.
- **Field Support Packages:** Digital Media Engagement produces and distributes materials designed to support facility involvement in special events, activities and programs such as national commemorative programs and special national wide indicatives. Packages typically include a Director’s speech, factsheet, white paper, talking points and slotted release. Twelve packages were produced and distributed in the last year.

**Compliance:**

- **Web Governance:** Managed the Department’s 15-member Web Governance Board (WGB) which is charged with standardization and enforcement oversight of VA’s enterprise-wide web presence.
- **Federal standards:** has led a focused effort on department-wide Section 508 remediation, expanding the available suite of social media tools, and continuing enterprise-wide certification for the

development and deployment of safe, secure, VA branded mobile applications.

- **Web Redesign:** Continues the ongoing implementation an enterprise-wide web redesign effort that updates the look and feel and taxonomy of VA's web presence, provides updates to the functionality, look and feel, and accessibility of va.gov on mobile devices.

## **Budget Highlights**

The request for fiscal year 2018 covers activities of the Office of the Assistant Secretary; the Office of Public and Intergovernmental Affairs and its seven regional offices in Atlanta, Chicago, Dallas, Denver, Los Angeles, New York and Washington DC; the Office of Digital Media Engagement; the Office of Tribal Government Relations; the Office of State, County, and Municipal Government Relations; the Office of National Veteran Outreach; the Homeless Veteran Outreach and Strategic Communication Office; the Office of Media Relations and the Office of Internal Communications. The budget provides for employment of 86 FTE and funding of approximately \$12.7 million.

## Summary of Employment and Obligations - Analyses

<i>Summary of Employment and Obligations</i> (dollars in thousands)					
	2016 Actual	2017 Budget		2018 Request	2018 vs 2017 Increase/ Decrease
		Estimate	Current		
<b>Average employment</b>	76	66	80	86	6
Central Office	58	43	53	59	6
Field Office	18	23	27	27	0
<b>Obligations:</b>					
Personal Services <sup>1/2/</sup>	\$9,680	\$9,580	\$9,613	\$10,815	\$1,202
Travel	\$322	\$182	\$375	\$370	(\$5)
Transportation of Things	\$0	\$0	\$0	\$0	\$0
Rent, Communications, Utilities	\$45	\$36	\$3	\$34	\$31
Printing and reproduction	\$96	\$142	\$83	\$90	\$7
Other services	\$5,943	\$736	\$5,258	\$3,097	(\$2,161)
Supplies and materials	\$60	\$60	\$74	\$90	\$16
Equipment	\$45	\$0	\$8	\$53	\$45
Grants <sup>2/</sup>	\$9,337	\$0	\$0	\$0	\$0
Insurance and Indemnities	\$0	\$0	\$0	\$0	\$0
<b>Total obligations</b>	<b>\$25,527</b>	<b>\$10,736</b>	<b>\$15,414</b>	<b>\$14,549</b>	<b>(\$865)</b>
Reimbursements <sup>3/</sup>	(\$2,016)	\$0	(\$1,821)	(\$1,886)	(\$173)
SOY Carryover <sup>4/</sup> (-)	\$0	\$0	(\$930)	\$0	(\$930)
EOY Carryover (+)	(\$58)	\$0	\$0	\$0	\$0
<b>Total Budget Authority</b>	<b>\$23,453</b>	<b>\$10,736</b>	<b>\$12,663</b>	<b>\$12,663</b>	<b>\$0</b>

1/Effective FY17, IGA realigned 13 FTE under OPIA

2/Beginning FY17, the Office of National Veterans Sports Programs and Special Events is realigned under VHA

3/ Effective FY17, HVOSCO realigned 4 FTE under OPIA

3/ For FY17, the Office of Internal Communications funded through 2016 Carryover



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## *Office of Congressional and Legislative Affairs*

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### **Mission**

The mission of the Office of Congressional and Legislative Affairs (OCLA) is to improve the lives of Veterans and their families by advancing pro-Veteran legislation and maintaining responsive and effective communications with Congress.

### **Summary of Budget Request**

<b>(\$ in 000)</b>	<b>2017 Estimate</b>	<b>2017 FTE</b>	<b>2018 Request</b>	<b>2018 FTE</b>
Budget Authority	\$5,900	47	\$7,050	48
Carryover 1/	\$1,000			
<b>Total Budgetary Resources</b>	<b>\$6,900</b>	<b>47</b>	<b>\$7,050</b>	<b>48</b>

1/ \$1 million of carryover from FY 2016 required to support existing on-board FTE.

### **Office of Congressional and Legislative Affairs**

The requested budget in 2018 will allow OCLA to continue to accomplish the following:

- This budget submission funds all the activities of the Office of Congressional and Legislative Affairs (OCLA). A total of \$7,050,000 and an average employment of 48 FTE are requested in 2018 to support the mission of this office. The 48 FTE includes personnel assigned to Central Office and OCLA's Congressional Liaison Service offices on Capitol Hill.
- The 2018 budget request will enable the office to continue to directly support the Department's Strategic Goals and support congressional oversight responsibilities. The budget request maintains OCLA at current levels, and codifies OCLA's personnel strength in its base budget.
- OCLA will continue to advance responsive and effective congressional communications (i.e., briefings, meetings, hearings, site visits, and constituent services) to improve the knowledge of the Department of Veterans Affairs among Members of Congress and staff.

- OCLA legislative and outreach teams will continue to provide support to internal and external stakeholders. OCLA will continue to support increasing requests for technical assistance on draft legislation; the development and execution of the Departments' legislative program; and continue to support Members of Congress who are not members of the Department's committees of jurisdiction.
- The congressional liaison team will continue to provide strategic, customer service to Members of Congress and their Washington D.C. offices. The liaison team serves as a point of contact for congressional staff on constituent casework issues. The liaison team will continue to support local facilities in processing constituent casework.

## **Program Description and Accomplishments**

OCLA supports the Secretary and the Department's Strategic Goals and Priorities through provision of timely information to Members of Congress and their staffs. OCLA is also focused on communicating the Department's mission, programs, and its care and support of Veterans. This involves frequent briefings by senior VA officials both in Washington, DC and in the field. In addition, OCLA conducts orientation and information briefings on VA benefits and services for Members of Congress and their staffs.

OCLA provides leadership, guidance, and coordination of all communications, both legislative and non-legislative, with Congress; it also serves as the principal advising body for the Secretary, Deputy Secretary, and other senior Department officials regarding all congressional activity related to Veterans.

The primary function of OCLA is to promote the enactment of legislation that improves Veterans benefits and services by:

- Coordinating the development of legislation that honors our Nation's commitment to take care of those who protect our nation through military service.
- Maintaining responsive communications with Congress through briefings, hearings, correspondence, reports, site visits, and constituent services.
- Maintaining a productive working relationship with the Government Accountability Office (GAO).

The office serves as the Department's primary point of contact for Members of Congress and their staffs on matters regarding policy, oversight, and Members' requests. OCLA maintains relationships and encourages the flow of information between VA and Members of Congress and congressional staff.

In 2016, OCLA supported 70 hearings and conducted 886 congressional briefings, including educational seminars. OCLA responded to 2,812 requests for information in addition to 572 questions for the record. OCLA supported an average of 85 ongoing GAO analyses. OCLA coordinated the Department's response to 61 GAO draft reports.



OCLA's liaison team fielded over 33,093 telephone inquiries and letters in support of constituent casework, in addition to Secretarial and senior leader policy and informational correspondence. OCLA's legislation team provided technical assistance on over 908 draft pieces of legislation. OCLA personnel directly supported congressional oversight visits to VA facilities throughout the Nation.

## Budget Highlights

<i>Office of Congressional and Legislative Affairs Summary of Employment and Obligations (dollars in thousands)</i>					
	2017			2018 Request	Increase (+) Decrease (-)
	2016 Actual	Budget Estimate	Current Estimate		
Average employment	40	63	47	48	1
<b>Obligations:</b>					
Personal services	\$6,527	\$8,860	\$6,576	\$6,737	\$161
Travel	\$34	\$120	\$85	\$85	\$0
Transportation of Things	\$0	\$0	\$0	\$0	\$0
Rents, communications & utilities	\$0	\$0	\$0	\$0	\$0
Printing and reproduction	\$7	\$4	\$6	\$6	\$0
Other services	\$166	\$179	\$192	\$192	\$0
Supplies and materials	\$19	\$45	\$41	\$30	(\$11)
Equipment	\$0	\$0	\$0	\$0	\$0
Grants	\$0	\$0	\$0	\$0	\$0
Insurance/Indemnities/Interest	\$0	\$0	\$0	\$0	\$0
Adjustment to Expenditures	\$0	\$0	\$0	\$0	\$0
<b>Total obligations</b>	<b>\$6,753</b>	<b>\$9,208</b>	<b>\$6,900</b>	<b>\$7,050</b>	<b>\$150</b>
Reimbursements					
SOY Carry over (-)			(\$1,000)		\$1,000
EOY Carry over (+)	86				
<b>Total Budget Authority</b>	<b>\$6,839</b>	<b>\$9,208</b>	<b>\$5,900</b>	<b>\$7,050</b>	<b>\$1,150</b>

The 2018 personal services request of \$6,737,000 supports approximately 48 FTE.

A total of \$313,000 is requested in 2018 to cover non-pay costs for congressional and personnel travel, supplies and materials, other services to include contracts, and equipment.



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## *Acquisition, Logistics, and Construction*

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### **Mission**

The mission of the Department of Veterans Affairs (VA) Office of Acquisition, Logistics, and Construction (OALC) is to support America's Veterans by delivering and enabling business solutions that meet the ongoing and emerging needs of our customers. We do this by delivering services, communicating, and being transparent; optimizing business operations that facilitate informed decision making; and being a learning, agile organization that provides employee professional growth aligned with OALC's mission. The office provides acquisition and logistics services to VA Administration and Staff Offices, as well as overseeing the planning, design, and construction of the Department's major construction and leasing projects.

### **Stakeholders**

OALC stakeholders include Veterans, Congress, Veterans Service Organizations, the Office of Federal Procurement Policy, the Departments of Defense, Health and Human Services, and other Federal agencies. Internal stakeholders or customers include the VA Administrations (Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), and the National Cemetery Administration (NCA)) and Staff Offices. OALC also provides direct assistance at regional and local levels, including Veterans Integrated Service Networks (VISN), VHA Area Offices, Memorial Service Networks (MSN), local medical centers, and VBA Regional Benefit Offices.

### **Summary of Budget Request**

Included under the OALC is the Office of Acquisition and Logistics (OAL), the Office of Acquisition Operations (OAO), and the Office of Construction and Facilities Management (CFM). This chapter provides information for OALC enterprise functions and CFM<sup>1</sup>. In order to improve the planning, management, and return on investment of VA construction projects, the Department is continuing to transform OALC into an enterprise-wide facility management operation. A key aspect of this transformation is the expanded role of CFM. CFM provides regional and local support for construction and lease projects by funding support for the on-site supervision of projects through the Major Construction and Medical Facilities accounts. The table below provides a break out of the funding by account.

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<sup>1</sup> Detailed information on OAL and OAO is included in the Office of Acquisition and Logistics/Office of Acquisition Operations: Supply Fund chapter.

**Office of Acquisition, Logistics, and Construction (OALC) 2017 and 2018 Funding Sources**

(\$ in 000s)	2017 Funding	2017 FTE	2018 Funding	2018 FTE	Increase (+) Decreases (-)	
General Administration (GenAd)						
OALC Enterprise Functions/CFM <sup>1</sup>	\$45,424	229	\$45,424	225	\$0	-4
<b>Total GenAd Budget Authority</b>	<b>\$45,424</b>	<b>229</b>	<b>\$45,424</b>	<b>225</b>	<b>\$0</b>	<b>-4</b>
From Major Construction <sup>2</sup>	\$24,000	122	\$27,500	148	\$3,500	26
<i>Balances from Major Construction<sup>3</sup></i>	<i>\$4,616</i>	<i>23</i>	<i>\$9,315</i>	<i>49</i>	<i>\$4,699</i>	<i>26</i>
From Medical Facilities	\$6,326	29	\$11,092	48	\$4,766	19
From Supply Fund	\$1,181	6	\$1,181	7	\$0	1
From National Cemetery Admin.	\$311	2	\$334	2	\$23	0
<b>Total Reimbursements</b>	<b>\$36,434</b>	<b>182</b>	<b>\$49,422</b>	<b>254</b>	<b>\$12,988</b>	<b>72</b>
<b>Total Budgetary Resources</b>	<b>\$81,858</b>	<b>411</b>	<b>\$94,846</b>	<b>479</b>	<b>\$12,988</b>	<b>68</b>
<sup>1</sup> OALC enterprise functions include the Office of the Principal Executive Director and shared service functions (e.g., human resources, financial management, etc.). Exact FTE figures have not yet been determined, however full-time equivalent employees (FTE) and associated costs will remain neutral as these functions will be consolidated from existing offices and supported proportionately from the General Administration appropriation and Supply Fund. <sup>2</sup> This line reflects the Authorized Reimbursement from the Major Construction account. <sup>3</sup> This line reflects the amount of carry over funds that will be used to meet projected needs. Prior year balances are reported in the Major Construction chapter (Volume IV, Chapter 2).						

The General Administration (GenAd) appropriation will provide funding for 225 FTE. The 2018 Major Construction appropriation request will provide funding for on-site supervision of resident engineers (RE) and related administrative support for VA’s major construction projects located throughout the country. Major Construction funding will also support 35 contracting officers located at the Regional Office or project site to ensure alignment with the program they are supporting. The Medical Facilities appropriation will provide funding for on-site supervision by REs and related administrative support for VHA lease projects located throughout the country. Requested funding will cover all costs for these employees including salary and benefits, training, travel, and any permanent change of station costs.

### 2018 FTE Breakout by Appropriation

Position	Reimbursable Funding Sources				GenAd BA	Total
	Major Construction	Medical Facilities	Supply Fund	NCA		
Resident Engineers/ Admin Support	162	48	0	0	0	210
Project/Program Managers	0	0	0	0	61	61
Realty Specialists	0	0	0	2	27	29
Planners	0	0	0	0	53	53
Contracting Officers	35	0	0	0	23	58
Architect/ Engineers	0	0	0	0	12	12
Management Support	0	0	7 <sup>1</sup>	0	49	56 <sup>1</sup>
<b>Total</b>	<b>197</b>	<b>48</b>	<b>7</b>	<b>2</b>	<b>225</b>	<b>479</b>

<sup>1</sup> Total Management support will increase due to the consolidation of OALC enterprise functions; however, exact FTE figures have not yet been determined. Full-time equivalent employees (FTE) and associated costs will remain neutral as these functions will be consolidated from existing offices and supported proportionately from the General Administration appropriation and Supply Fund.

The FTE distribution aligns with the budget resources in the 2018 request. Despite continued workload growth, resources have remained relatively flat or have been reduced since 2012. As a result, CFM has undertaken an in-depth analysis of its operations to most effectively allocate staff to projects. The VA Major Construction program has doubled in size and activity from the total annual outlays of \$578 million in 2008 to over \$1.4 billion in 2016. CFM's Real Property Program has grown from \$5.7 billion in 2015 to over \$6.5 billion in 2016, a 14% increase. CFM manages an inventory of projects valued over \$12.4 billion for the acquisition, design, construction, renovation, and modernization of medical centers, as well as building new cemeteries and expanding existing ones.

The Office of Real Property staffing levels included in this budget request are critical to CFM's ability to address the additional workload imposed by Choice Act leases and other CFM construction efforts.

Some of the challenges currently faced by CFM include:

- Maturing a working relationship with the U.S. Army Corps of Engineers (USACE), which became the VA's construction agent for projects over \$100M in 2016.
- Developing and implementing framework principles to clarify VA Major Construction roles and responsibilities.
- Implementing sophisticated project controls in response to USACE, Office of Inspector General (OIG), Government Accountability Office (GAO), and internal reviews.
- Implementing Lean Six Sigma practices in the major leasing and construction programs.
- Executing a sharp increase (32%) in the number of leases upon Congressional authorization of 2015, 2016 and 2017 lease procurements.
- Ensuring a highly skilled, motivated, and well-trained workforce is in place to accomplish the 225% increase in program scope since 2013.
- Increased focus on additional requirements in VA Facility Condition Assessments, such as seismic assessments.
- Fully implementing and overseeing the metrics, project management plans, integrated master schedules, and predictive analysis process programs.
- Changing our staffing paradigm in light of the recently released Choice Act Independent Assessment, "*Section K, Facilities,*" which states: "*VA project staffing levels are significantly below other major agencies (such as USACE, Naval Facilities Engineering Command (NAVFAC)), especially in the Resident Engineer and Contracting. In some projects, the relationship of CFM staff to Contractor is above 1:10, and project managers could oversee portfolios of approximately \$1 billion. This situation limits the ability of CFM staff to address all issues identified in the field, thereby impacting project execution timelines.*"

## **Program Description and Accomplishments**

OALC oversees the OAL, OAO, and CFM<sup>2</sup>. CFM responsibilities include overseeing the planning, design, and construction of the Department's major construction projects. CFM consolidates and standardizes processes governing construction and leasing activities throughout VA. Program oversight is provided and enterprise-wide performance metrics are developed that assess various aspects of construction. CFM develops and monitors historic preservation policy for VA in order to deliver high-quality, cost-effective facilities in support of our Nation's Veterans.

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<sup>2</sup> Detailed information on OAL and OAO is included in the Office of Acquisition and Logistics/Office of Acquisition Operations: Supply Fund chapter.

## **Major Construction**

CFM is responsible for providing on-site supervision for design and construction of VA's Major Construction projects. Major Construction encompasses projects greater than \$10 million and includes a large and complex inventory of approximately 48 active projects valued at \$12.4 billion total. Responsibilities for super projects (projects over \$100 million) include selecting, negotiating, and working with a non-Departmental Federal agency to accomplish the projects. Duties for all other Major Construction include managing, negotiating, awarding, and administering design, construction, and other related contracts. CFM provides support in project scheduling, claims analysis, and risk management. CFM provides oversight and execution of all Brooks Act Architect and Engineer evaluation and selection processes.

## **Leasing Services**

CFM provides supervision for the acquisition, management, and disposal of realty assets for the VA nationwide. Contracts are awarded for leased facility acquisitions and land purchases. Numerous easements, licenses, and permits are granted throughout the country. In 2017, CFM estimates that 12 lease awards will be made for nearly 500,000 square feet of leased space with an estimated contract value of \$456 million.

## **Facility Engineering Support**

CFM provides support regarding compliance with codes, regulations, historic preservation, cultural resource laws, regulations, and Executive Orders. CFM provides ad hoc architectural and engineering services to VA facilities and oversees Facility Condition Assessments and Electrical Studies. CFM also conducts technical quality reviews for the grants for State Extended Care Facilities and Homeless Providers Grant and Per Diem programs.

## **Facility Planning Support**

CFM is responsible for VA's national quality design and construction standards, including master specifications, design guides, technical manuals, and design alerts. CFM also manages several national programs such as the seismic and natural or manmade disaster preparedness program, various sustainability compliance programs, construction cost budgeting, and estimating programs. CFM provides master planning and project planning expertise, resources, and tools to facilitate facility planning for VA Administrations and Staff Offices.

## **2016 Program Highlights**

- Awarded approximately 13 Major Construction contracts in 2016. Total executed program for 2016 was \$1.3 billion in contracted obligations. Delivered three major construction projects (Las Vegas, NV – New Medical Facility; Seattle, VA – Seismic corrections; Bayamon, PR – National Cemetery) valued at \$0.7B. In addition, eight project phases were completed/accepted.

- Managed a large and complex inventory of 48 Major Construction projects valued at \$12.4 billion, including high visibility projects at New Orleans, Louisiana; Denver, Colorado; Orlando, Florida; and Manhattan, New York, as well as seismic projects in California, Nevada, Oregon, Washington, and Puerto Rico. Other major projects include new construction and renovation of a community living center, domiciliary, and outpatient facilities in Canandaigua, New York; medical facility improvements and cemetery expansion in St. Louis, Missouri; ambulatory care and polytrauma in Palo Alto, California; polytrauma and bed tower in Tampa, Florida; five new National Cemeteries located in Cape Canaveral and Tallahassee, Florida; Omaha, Nebraska; Colorado Springs, Colorado; Elmira, New York; and the expansion of fifteen National Cemeteries, to include six new expansions, for Sacramento, California; Bushnell, Florida; Elwood, Illinois; Calverton, New York; Phoenix, Arizona and Bridgeville, Pennsylvania.
- Managed a large and complex inventory of approximately 70 leases, including 30 major leases in procurement and construction, numerous smaller leasing actions, land acquisitions and land management actions, including a number of easements, licenses, and permits throughout the county.
- Awarded eight leases for a total of more than 263,000 Net Usable Square Feet (NUSF) and a total contract value of more than \$159 million.
- Accepted nine leases as complete for a total of more than 1.2 million NUSF and a total contract value of more than \$845 million.
- Acquired five land sites valued at approximately \$4.5 million.
- Delivered nine new leased facilities with a total contract value of \$845 million and acquired four parcels of land for minor construction projects.
- Verified that the Community Living Center Design Guide had the most current standards and information to provide design/construction services to the Office of Capital Asset Management Support, State Home Grant Program. Managed the technical quality of VA's 29 State Home Grants, valued at \$129 million, in the 2016 construction program.
- Incorporated the latest standards for the Mental Health Design Guide and provided design and construction advice services to the Office of Mental Health. Provided support to the Homeless Grant and Per Diem Program as construction consultant on past-year projects.
- Provided extensive architectural, engineering, scheduling, and other technical consultant services to VA Medical Centers for budget development; review of capital projects; Facility Condition Assessments; operations and maintenance issues; scheduling and estimating for the preparation of VA's Major Construction budget; and cost control assistance for projects under design with a value of \$5 billion.



## Budget Highlights

The 2018 Budget request will provide:

### Summary of Employment and Obligations

(dollars in thousands)	2016 Actual	2017 Budget Estimate	2017 Current Request	2018 Request	From 2017: Increase (+) Decrease (-)
<b>Average employment:</b>					
Field	221	291	223	288	65
Central Office	180	193	188	191.	3
<b>Total</b>	<b>401</b>	<b>484</b>	<b>411</b>	<b>479</b>	<b>68</b>
<b>Obligations:</b>					
Personal services	\$59,729	\$69,580	\$61,780	\$73,917	\$12,137
Travel	\$2,487	\$4,221	\$3,154	\$3,617	\$463
Transportation of things	\$438	\$662	\$607	\$679	\$72
Rents, communications, and Utilities	\$4,843	\$5,319	\$4,714	\$3,777	-\$937
Printing and reproduction	\$0	\$4	\$3	\$4	\$1
Other services	\$7,848	\$9,983	\$11,010	\$12,356	\$1,346
Supplies and materials	\$104	\$241	\$184	\$187	\$3
Equipment	\$623	\$105	\$406	\$309	-\$97
Land and structures	\$907	\$0	\$0	\$0	\$0
Facilities	\$0	\$0	\$0	\$0	\$0
Insurance Claims and Indemnities	\$295	\$0	\$0	\$0	\$0
<b>Total obligations</b>	<b>77,274</b>	<b>\$90,115</b>	<b>\$81,858</b>	<b>\$94,846</b>	<b>\$12,988</b>
Reimbursements	-\$26,645	-\$44,691	-\$36,434	\$49,422	\$12,988
SOY Carry over (-)	\$0	\$0	\$0	\$0	\$0
EOY Carry over (+)	\$874	\$0	\$0	\$0	\$0
Transfer	\$0	\$0	\$0	\$0	\$0
<b>Total budget authority</b>	<b>\$51,503</b>	<b>\$45,424</b>	<b>\$45,424</b>	<b>\$45,424</b>	<b>\$0</b>

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## *Veterans Experience Office*

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### **Mission**

The Veterans Experience Office (VEO) is a new office established in January 2015 that reports directly to the VA Secretary. VEO brings industry best practices to government in order to support VA in becoming a premier customer service organization for Veterans, their families, caregivers and survivors. VEO accomplishes this by providing qualitative and quantitative data based on the voice of the customer; integrated communication channels that drive consistent and unified Veteran experiences with VA; national implementation capabilities based on qualitative and quantitative data and Agency priorities; and support for Veterans and their families through coordination and integration of local VA and non-VA services.

In order to fulfill its mission, VEO is equipped with four unique capabilities that enable the Department to look across the entire enterprise to identify customer experience problem areas, design service delivery improvements, and deploy those solutions in partnership with Administrations and Staff Offices based on the voice of the customer. In this regard, VEO supports VA's modernization efforts with a focus on providing easy access to information about VA benefits and services, both online and by phone, and through the local community. In addition, VEO provides tools to hold VA accountable to its customers by measuring their experiences with VA and moments that matter to them as defined by the customer.

- Insight & Design – Leverages industry best practices, including Human Centered Design (HCD) and direct interviews with Veterans, to gather and analyze qualitative data on the experiences of Veterans and their families in order to re-design service delivery based on the voice of the customer.
- Enterprise Measurement & Performance Improvement – Gathers and analyzes quantitative data using modern, web-based tools used by industry leaders in customer service that measure Veterans experiences across VA services in real time in order to hold VA accountable to Veterans and their families.
- Enterprise Veteran Operations – Provides a unified digital experience (web, phone) for Veterans, their families, caregivers, and survivors, and a unified view of the Veteran through integrated data systems, with support from the United States Digital Service (USDS), which consists of top technologists from the private sector.

- Community Engagement & Implementation – Leverages field staff to implement national initiatives based on qualitative and quantitative customer experience data and to support Veterans and their families through coordination / integration of local VA and non-VA services through Community Veteran Engagement Boards (CVEBs).

## Summary of Budget Request

(\$ in 000)	2017	2017	2018	2018
	Funding	FTE	Request	FTE 1/
National HQ VEO Office	\$0	0	\$0	0
Insight & Design	\$0	0	\$0	0
Enterprise Measurement & Performance Improvement	\$0	0	\$0	0
Enterprise Veteran Operations	\$0	0	\$0	0
Community Engagement	\$0	0	\$0	0
<b>Total Budget Authority (BA)</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>
National HQ VEO Office	\$6,376	24	\$8,970	24
Insight & Design	\$10,604	2	\$5,490	2
Enterprise Measurement & Performance Improvement	\$2,898	3	\$4,286	10
Enterprise Veteran Operations	\$21,670	10	\$24,957	46
Community Engagement	\$13,884	100	\$16,729	100
<b>Total Reimbursement Authority (RA)</b>	<b>\$55,432</b>	<b>139</b>	<b>\$60,432</b>	<b>154</b>
<b>Total Funding</b>	<b>\$55,432</b>	<b>139</b>	<b>\$60,432</b>	<b>154</b>

VEO is requesting reimbursable authority (RA) of \$60.432 million which supports 154 FTE to accomplish its mission in FY 2018. VEO also collaborates with VBA's Veterans Relationship Management team to achieve mission goals and produce synergies.

The 2018 budget for the VEO consists of reimbursable funds from VA's three Administrations (Veterans Health Administration (VHA); Veterans Benefits Administration (VBA); National Cemetery Administration (NCA) and OI&T. The request includes increases to modernize VA's Contact Centers and small increases for rent and logistics requirements.

Included in the request is contract support for the Call Centers, MyVA311 Hotline, Transactional Measurements, Vets.gov, CVEB support, Veterans Experience Feedback Tool, and professional support which are described below.

## **Program Highlights**

### **Insight & Design**

Insight & Design brings industry best practices to VA by employing Human Centered Design (HCD) techniques and direct interviews with Veterans, family members, care givers and survivors to gather and analyze qualitative data to drive improved service delivery based on the voice of the Veteran. This capability enables the Department to validate pain points and areas for improvement with Veterans before applying resources to address these issues. This qualitative data also creates a consistent shared understanding about VA's customers and how they feel about their interactions with VA. VEO thus brings the voice of the Veteran to the forefront.

### **Enterprise Measurement & Performance Improvement**

Enterprise Measurement & Performance Improvement provides quantitative data about the Veteran's interactions with VA by capturing and analyzing customer experience input in real time using an industry best in class framework and a modern, web-based platform used by leading customer service companies in the private sector. This allows the Department to view VA's performance from the Veteran's perspective and holds VA accountable to Veterans. Modeling after industry, VEO gathers three tiers of customer service input to drive better customer service based on customer input:

- **Enterprise Trends:** a snapshot of VA Agency performance overall across all service lines, measuring effectiveness, ease, emotion, and trust, and used to monitor VA's progress towards increasing Veterans trust
- **Service-Level Patterns (Transactional Measurement):** tracking and analyzing customer experience by service line in real time to improve VA performance and provide transparency in service areas in need of improvement; consists of an online survey pushed to customers after service delivery
- **Open Feedback (Veterans Experience Feedback Tool / Suggestion Box):** tracking and analyzing customer experience in real time to improve VA performance; online suggestion / comment box available to Veterans, care givers, family members at any time; serves as an early warning indicator that enables VA to resolve issues, concerns, and questions in the moment, thereby enhancing local customer recovery

### **Enterprise Veterans Operations**

Enterprise Veteran Operations sponsors VA-wide, integrated technology solutions for Veterans and their families to make their online and telephonic interactions with VA easier. This capability seeks to create a unified customer experience and unified view of the customer for VA employees through integrated technology platforms, including vets.gov and MyVA311. These improvements are designed using industry best practices and support from top industry technologists from the United States Digital Services to be

easily understandable and accessible to Veterans, family members, caregivers and survivors.

### **Community Engagement & Implementation**

Community Engagement & Implementation consists of field teams across the United States that engage with local communities to build, sustain and maintain trust with Veterans their families, caregivers and survivors. Applying the principles of collective impact to improve the coordination of organizations, governmental and non-governmental, serving Veterans where they live and work, VEO leverages its field assets to assist in connecting Veterans with local community resources through the development of Community Veteran Engagement Boards (CVEBs). These efforts directly impact Veterans by providing connections to resources specific to a local community. The field teams also serve an implementation function to deploy VA-wide customer service initiatives, to include the service-level measurement and open feedback tools.

### **Budget Highlights**

The 2018 request supports VEO's continued efforts to modernize the Department to provide premier customer service to Veterans, family members, caregivers and survivors. Modernization, accountability, and access are the cornerstones of the VEO initiatives.

**Accountability Initiatives** – holding VA accountable to Veterans, family members, caregivers and survivors by capturing Veteran input, tracking complaints, and improving service delivery based on the voice of the customer.

- ***Call Center Modernization:*** Leading efforts to design a comprehensive plan to effectively and efficiently field, triage, track and address concerns or complaints using industry best practices and 24/7 live answer capabilities, with additional, enhanced multi-channel features (text, email, chat).
- ***Transactional Measurement:*** A simple 1-5 question survey on specific transactions identified by Veterans as moments that matter. Each transaction survey is conducted nationwide and results will be available at local and national levels through a modern, web-based unified dashboard used by industry leaders. Survey results are used to identify performance improvement opportunities.
- ***Veterans Experience Feedback Tool:*** Veterans, family members, and caregivers initiate feedback through a modern, mobile application designed to provide VA with real time feedback and allow VA staff to perform customer recovery; allows VA to retire a legacy data system.

**Access Initiatives** – ensuring that Veterans, family members, caregivers, and survivors inputs and needs are included in designing better service delivery, and that information is easily accessible to them through multiple channels (online and by phone).

- **Veteran Families Advisory Committee:** Exploring opportunities to highlight and improve benefits and services available to family members, caregivers and survivors. This effort includes service design, support, and management for a new Veteran Families Advisory Committee.
- **Vets.gov:** A single, unified website where Veterans, family members, caregivers and survivors can easily manage their interactions with VA by smartphone or computer. VEO will continue designing, building and testing robust functionality and features so Veterans will be able to transact with VA online in one place.
- **MyVA 311 (1-844-MyVA311)** is a single phone number for Veterans to connect with VA and find local VA facilities 24/7, with additional enhancements planned for FY18 based on feedback from Veterans.

## Summary of Employment and Obligations

<i>Veterans Experience Office</i>					
<i>Summary of Employment and Obligations</i>					
(\$ in 000)					
	2016 Actual <sup>1/</sup>	2017		2018 Request	2018 vs 2017 <sup>2/</sup>
		President's Budget	Current Estimate		
<b>Average employment</b>	<b>0</b>	<b>204</b>	<b>139<sup>1</sup></b>	<b>154</b>	<b>43</b>
Central Office	0	104	39	54	43
Field Office	0	100	100	100	0
<b>Obligations:</b>					
Personal services	\$0	\$35,789	\$18,000	\$24,378	\$6,378
Travel	\$0	\$7,169	\$3,306	\$1,800	(\$1,506)
Transportation of Things	\$0	\$0	\$0	\$0	\$0
Rent, Communications, Utilities	\$0	\$500	\$0	\$600	\$600
Printing and reproduction	\$0	\$0	\$0	\$0	\$0
Other services	\$0	\$28,596	\$33,700	\$33,224	(\$476)
Supplies and materials	\$0	\$514	\$426	\$430	\$4
Equipment	\$0	\$0	\$0	\$0	\$0
Grants	\$0	\$0	\$0	\$0	\$0
Adjustment to Expenditures (-)	\$0	\$0	\$0	\$0	\$0
<b>Total obligations</b>	<b>\$0</b>	<b>\$72,568</b>	<b>\$55,432</b>	<b>\$60,432</b>	<b>\$5,000</b>
Reimbursements (-)	\$0	(\$72,568)	(\$55,432)	(\$60,432)	-\$5,000
<b>Total Budget Authority</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<sup>1/</sup> VEO FY 2016 actuals captured in reporting by Office of Enterprise Integration.

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***Office of Accountability and Whistleblower Protection***

**Mission**

The VA is establishing a principal Office of Accountability and Whistleblower Protection (OAWP). The OAWP is responsible for advising and assisting the Secretary in using and recommending improvements to all available authorities to ensure the Department’s workforce is accountable, diverse, inclusive, and upholding the public trust through robust systems for filing and resolution of disclosures of wrongdoing or complaints of discrimination.

**Summary of Budget Request**

(\$ in 000)	2017 <sup>1/</sup> Funding	2017 FTE	2018 Request	2018 FTE
<b>Budget Authority:</b>				
Office of Accountability Review	\$8,603	52	\$0	0
Office of Diversity and Inclusion	\$2,973	27	\$0	0
<b>Total Budget Authority</b>	<b>\$11,576</b>	<b>79</b>	<b>\$0</b>	<b>0</b>
<b>Reimbursement:</b>				
Office of Accountability and Whistleblower Protection	\$0	0	\$917	5
Office of Resolution Management	\$47,668	296	\$47,668	296
Office of Accountability Review	\$0	0	\$10,057	52
Central Whistleblower Office	\$0	0	\$6,646	41
Office of Diversity and Inclusion	\$4,162	8	\$2,973	27
<b>Total Reimbursement</b>	<b>\$51,830</b>	<b>304</b>	<b>\$68,261</b>	<b>421</b>
<b>Total Obligational Authority</b>	<b>\$63,406</b>	<b>383</b>	<b>\$68,261</b>	<b>421</b>

<sup>1/</sup> Funding reflected in 2017 was executed in other offices. The data here are for presentation purposes only.

**Explanation of Appropriation Language Change**

OAWP is a new department-level office being established in 2018 within the General Administration account that integrates management for related workforce accountability, civil rights and whistleblower protection and establishes an enterprise owner (Principal Executive Director) to drive common communications, training and performance management. It consolidates numerous offices with similar functions and complies with legislative mandates to establish a Central Whistleblower Office and process. To support these activities, the

Department is requesting to fund these offices in appropriation language through recoveries for actual costs from the VA program offices throughout the Department, with specific funding limitations.

## **Program Description and Accomplishments**

The Office of Accountability and Whistleblower Protection is led by a Principal Executive Director and requests five full time employees and \$917 thousand that provides the management oversight and direction to implement the Presidential Executive Order on Improving Accountability and Whistleblower Protection at the Department of Veterans Affairs. This office will create efficiencies and synergy by combining the Office of Resolution Management, Office of Accountability Review, Central Whistleblower Office, and Office of Diversity and Inclusion. The Office of Accountability and Whistleblower Protection will seek to identify redundant capabilities in the overall office to ensure efficiencies in staff support and operations.

### **Office of Resolution Management (ORM)**

ORM works to promote a discrimination-free work environment focused on serving employees by preventing, resolving, and processing EEO discrimination complaints in a timely and high-quality manner. ORM processes EEO complaints for VA employees, applicants for employment and former employees. ORM also provides oversight for the VA's Harassment Prevention Program to ensure fair and effective handling of allegations of workplace harassment. A nationwide network of district offices provide complaint processing services, which include counseling, Alternative Dispute Resolution (ADR), procedural determinations and investigations. ORM also administers the ADR program throughout VA to manage conflict, prevent and resolve disputes through mediation, conflict coaching, group facilitation and assessments. These assessments provide workplace business intelligence to facilitate leadership facilitate responsiveness to existing or potential workplace issues. ORM funding includes resources for the continuity of action for Reasonable Accommodations Database, Training Evaluation, and Monthly and Quarterly workforce data reports.

ORM is requesting \$47,668,000 to fund its mission through recoveries for actual expenses contained in VA's administrative provisions of the request.

### **Office of Accountability Review (OAR)**

The Office of Accountability Review (OAR) receives, reviews, investigates, and resolves allegations of misconduct and lack of oversight by senior leaders throughout the Department and such other cases as may be assigned by the Secretary or Deputy Secretary. Through congruous investigative practices and procedures, OAR determines whether allegations of misconduct are substantiated and whether accountability actions should be recommended. OAR provides enterprise-wide Congressional response, oversight, and trend analysis with respect to whistleblower disclosures, whistleblower retaliation, and related discipline and corrective action; maintains a single-source discipline data tracker for VA and is the authoritative source of

discipline information and analysis for VA and all congressional inquiries; and is delegated authority to convene Administrative Investigation Boards or conduct other administrative investigations as appropriate. OAR's senior Executive Director is formally entrusted by the Secretary to carry out his vision of senior leader accountability across VA and to fulfill the Department's objective to restore and maintain the public's trust and confidence in providing an environment free of corruption in the ranks of the Department's senior leaders.

Funding for OAR is currently provided through Budget Authority. However all offices under the Office of Accountability and Whistleblower Protection are now requesting recoveries for actual expenses in the Administrative Provisions of the bill. The budget is requesting recoveries of \$10,057,000 for all costs associated with the management, investigations, and operations of OAR.

### **Recent Accomplishments:**

- As of March 23, 2017, OAR has triaged over 568 matters (allegations), since the start of FY15, resulting in 246 completed fact-findings or Administrative Investigative Boards (AIBs).
- OAR's completed investigations have served as the basis for approximately 101 proposed disciplinary actions in the past 23 months.
- OAR took over maintaining a VA-wide Adverse Employment Actions database that now consists of over 30,000 disciplinary actions taken throughout the Department. The information from the database is used in reporting on VA's accountability efforts to internal and external stakeholders. To date, over 4,562 actions have been logged in the database since the beginning of FY17.
- As the Department's experts on investigations, OAR has fostered relationships with Office of Inspector General, Office of Special Counsel, and Veterans Health Administration, Office of Medical Inspections to ensure consistency and accuracy in facts released from the Department.
- OAR has continued to refine and develop processes, and reports that have provided Congress with increased accurate information and transparency and has begun renewing public trust.
- OAR established a collaborative working relationship with Office of Special Counsel; this resulted in VA being the first cabinet-level agency to ever be certified on the Whistleblower process resulting in OAR staff promulgating that training in areas across VA.
- In coordination with the VA Law Enforcement Training Center (LETC), OAR developed collaborative training that ensures consistency in managing administrative investigative boards across VA.

## **Central Whistleblower Office**

The Central Whistleblower Office (CWO) is established to promote and protect employee statutory whistleblower rights by investigating all whistleblower complaints of the Department, receiving whistleblower complaint reports from supervisors at all levels of the Department, and maintaining a toll-free number to anonymously receive whistleblower complaints. CWO manages whistleblower complaint cases; coordinates and oversees whistleblower complaints (non-reprisal); develops and deploys robust training; directly investigates, or oversees investigation, of allegations of whistleblower retaliation; serves as the VA central point for submission and coordination of whistleblower complaints from external entities (e.g. OSC, OIG, Congress); and coordinates responses to all related matters. Additionally, CWO provides data analytics for congressional and other reports. CWO and the Principal Executive of OAWP maintains a transparent, accountable whistleblower complaint system and fulfills VA's complaint processing, complaint investigation, training, and reporting obligations under Public Law 114-223.

CWO requests \$6,646,000 in recoveries for actual expenses and 41 FTE to establish the new CWO structure and initial operations. The 2018 budget request establishes a toll-free line and an accessible form to report complaints, case managers to oversee and manage within the VA Regional Districts, Investigators, experienced HR Specialists and a smaller contingent of analytics and operational services. CWO requests non-payroll travel for investigations and face-to-face training, other services funding for court reporting, research tools (e.g. cyber feds), and other necessary services CWO requires. By 2019, CWO will provide numbers of cases, types of cases, and other baseline analytics.

## **Office of Diversity and Inclusion (ODI):**

ODI works to foster a diverse workforce and inclusive environment that ensures equal opportunity through national policy development, workforce analysis, outreach, retention, and education to best serve our Nation's Veterans. This includes strategic planning and annual reporting on workforce diversity and inclusion; recruitment outreach and retention strategies; diversity focused internship and mentoring programs; EEO and diversity training and education; diversity-related communications; implementation of and annual reporting on relevant White House Initiatives; affirmative employment programs for the hiring, placement, and advancement of disabled Veterans, people with targeted disabilities, groups with less than expected participation rates; and special emphasis programming. ODI reviews and evaluates policies, plans, reports, and programs for conformance with various EEO laws, regulations, and directives relating to EEO, affirmative employment, and workforce diversity.

ODI is funded in FY 2017 through both Budget Authority and Reimbursable Authority. In FY 2018, ODI requests \$2,973,000 in reimbursable authority for 27 FTE to accomplish the mission of the office.

## **Recent Accomplishments:**

- Administered the Workforce Recruitment Program (WRP), a recruitment and referral program used to select qualified college students and recent graduates with disabilities for employment opportunities. There were 19 WRP interns and seven conversions to full time positions.
- ODI's Training and Communications team conducted 90 sessions of "Cultural Competency – Key considerations for an inclusive VA Workforce" training and five ongoing consultations to six VA Facilities.
- ODI participated in six national outreach events and conferences with several affinity organizations including Federally Employed Women (FEW) National Training, the Blacks in Government (BIG) National Training Institute, League of United Latin American Citizens Federal Training Institute, Federal Asian Pacific American Council Conference, Gay and Lesbian Medical Association Annual conference.
- Administered the National Diversity Internship Program (NDIP), a core strategy to build diversity and cultivate inclusion in the VA, including information webinars with officials from various administrations and staff offices and sponsorship of 140 NDIP interns.
- ODI staff conducted 6 Technical Assistance Reviews (TARs) including the following VA components: Richmond VA Medical Center; VA Regional Office Seattle; and the North Florida/South Georgia Healthcare System; Beckley, WV VA Medical Center; Waco, TX Regional Office.
- Revised VA All Employee training on Workplace Harassment/No Fear/ Whistleblower and manager/supervisor mandatory training.
- Developed course learning content for on-line unconscious bias and reasonable accommodation training through the Talent Management System.
- Issued an All Station Memorandum on the Centrally Managed Reasonable Accommodation Program (CMRAP). CMRAP helps towards meeting the agency's objective in hiring, developing, promoting, and retaining individuals with disabilities by handling reasonable accommodation requests.
- Conducted Reasonable Accommodation training sessions for Local Area Reasonable Accommodation Coordinators (LRAC), Alternate LRACs, et al.
- Led the quarterly VA Diversity & Inclusion Council Meetings.
- Launched the enhanced Executive Employee Engagement (EE) Council, EE Resource Center, Leading EE Practices Exchange, and created VA-wide network of EE Champions to promote EE VA-wide.

- Administered the FY2016 Federal Employee Viewpoint Survey (FEVS) and led the development of EE action plans at all VA facilities.
- Delivered Employee Engagement Newsletter to 30,000 VA managers and supervisors.
- Published and Distributed Annual Diversity & Inclusion Report.
- ODI staff conducted Reasonable Accommodation training sessions for Local Area Reasonable Accommodation Coordinators (LRAC), Alternate LRACs, et al.
- Signing of a Memorandum of Understanding between VA and Florida International University.
- Conducted SecVA ADR and D&I Excellence Awards Ceremony on 4/18/16.
- Conducted D&I in VA Council Quarterly Meeting on 4/20/16.
- Conducted World Café “session on Race Relations at St. Louis, MO RMC.
- Developed learning content for implicit association/implicit bias training through Customer Learning Solution (CLS) pending VALU funding.
- Conducted a MyCareer@VA event at the Southern Oregon VA Medical Center, to introduce a career-mapping tool to employees, supervisors and managers.

## **Budget Highlights**

The 2018 request provides for the following:

- An average employment of 421 FTE and total obligation authority of \$68.261 million to support operations of the Office of Accountability and Whistleblower Protection, which includes Office of Resolution Management, Office of Accountability Review, the new Central Whistleblower Office, and the Office of Diversity and Inclusion. This request is comprised of \$68.261 million in reimbursable authority requested in the administrative provisions of the request.

## Summary of Employment and Obligations

<i>Office of Accountability and Whistleblower Protection</i>					
<i>Summary of Employment and Obligations</i>					
<i>(dollars in thousands) 1/</i>					
	2016	2017		2018	2017-2018
	Actual	President's Budget	Current Estimate	Request	Increase/Decrease
<b>Average Employment</b>	<b>304</b>	<b>0</b>	<b>383</b>	<b>421</b>	<b>38</b>
Central Office	115	0	161	199	38
Field	189	0	222	222	0
<b>Obligations:</b>					
Personal services	\$38,577	\$0	\$43,356	\$50,165	\$6,809
Travel	\$830	\$0	\$1,706	\$1,539	(\$167)
Transportation of things	\$5	\$0	\$30	\$27	(\$3)
Rents, communications, and utilities	\$1,815	\$0	\$1,925	\$1,738	(\$187)
Printing and reproduction	\$13	\$0	\$749	\$676	(\$73)
Other services	\$10,778	\$0	\$15,395	\$13,895	(\$1,500)
Supplies and materials	\$208	\$0	\$151	\$136	(\$15)
Equipment	\$120	\$0	\$94	\$85	(\$9)
Insurance Claims	\$6	\$0	\$0	\$0	\$0
<b>Total obligations</b>	<b>\$52,352</b>	<b>\$0</b>	<b>\$63,406</b>	<b>\$68,261</b>	<b>\$4,855</b>
Reimbursements (-)	(\$44,167)	\$0	(\$51,830)	(\$68,261)	(\$16,431)
SOY Carry over (-)	\$0	\$0	\$0	\$0	\$0
EOY Carry over (+)	\$0	\$0	\$0	\$0	\$0
<b>Total budget authority</b>	<b>\$8,185</b>	<b>\$0</b>	<b>\$11,576</b>	<b>\$0</b>	<b>-\$11,576</b>

1/ The Office of Accountability and Whistleblower Protection will be established beginning 2018. The 2016 and 2017 figures were administered in other offices and are being reflected above for comparison purposes.

- Of the \$68.261 million request for 2018, \$50.165 million is for personal services and provides funding for 421 FTE.
- A total of \$18.096 million of the request is for travel, other services, supplies and materials, and equipment.
- OAR and ORM have extensive operational travel requirements. OAR conducts all Administrative Investigation Boards and fact-findings on all senior leader allegations of misconduct across VA and provides training on Whistleblower and Accountability across VA. ORM employees travel to conduct mediations, ADR assessments, investigations, site visits, meetings, trainings etc. ORM's travel budget also includes travel associated with employee training and the GSA vehicle lease payments.

- Other services account for such contracts as ODI’s Employee Engagement Strategy Support and Employee Engagement Communications Support to support Employee Engagement Strategy; OAR’s contract for court reporting and transcription service to support investigators in taking witness statements for the record; and ORM’s Alternative Dispute Resolution Services and Conflict Management Services contracts supplemental services. VA Service Level Agreements with VA’s Office of Information Technology, Financial Service Center, Security Information Center, and Veterans Service Center. Support Services Interagency Agreements: DLA IAA for Call Intake System, USPS IAA for internal complaint processing, FDA IAA for conflict of interest case processing, and Support Services Contracts: Postage Meter Machine and contracts related to reasonable accommodations as well as registration fees for training courses.
- ORM pays rent for the following locations: HQ offices on I St in Washington DC; Franklin Templeton Building St. Petersburg, FL; Wade Park Cleveland, OH; Midwest District Offices Westchester, IL; Southeast District Offices Lake City, FL and Moorhead Federal Building Pittsburgh, PA.

## Summary of Workload Indicators

### OAR Summary of Workload Indicators:

This fiscal year OAR has worked diligently to define and refine business processes and information systems in order to increase data reliability and transparency of OAR workload. OAR’s organizational structure has adapted in order to support newly refined business processes. Both FTE and refined processes have led to an overall increase in productivity and directing matters where appropriate (sometimes outside of OAR). An expected reduction in backlog should be realized in FY17.

### OAR Matters Breakdown

	Matters Received	Matters in OAR Scope (% of Received)	In-Scope Matters Resolved
FY2015	227	148 (65%)	99
FY2016	194	140 (72%)	107
FY2017*	254	183 (72%)	N/A
FY2018*	254	183 (72%)	N/A

\*Based on matters received as of March 1<sup>st</sup>, 2017 projected forward. Held constant in FY18; Anticipate 72% of received items will be in Scope.

\*At the beginning of FY17, OAR held an inventory of 135 pending matters which were received in prior fiscal years.

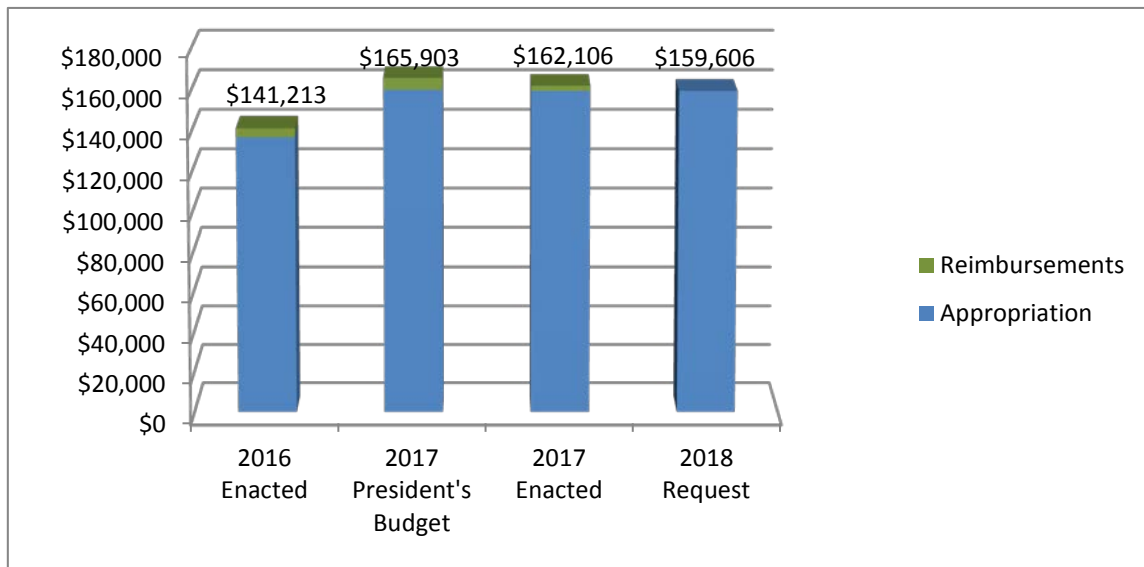
\*About 64% of all matters require some investigative action (AIB or fact finding); about 8% go straight to disciplinary action; about 27% are not in OAR Scope and are redirected or closed; about 3% are unspecified





## Office Of Inspector General

### Summary of Budgetary Resources – Inspector General (Dollars in Thousands)



### Summary of Budget Request

(Dollars in Thousands)	2017	FTE	2018	FTE
<b>Office of Inspector General</b>				
Budget Authority	\$159,606	760	\$159,606	820
Reimbursements	\$2,500	13	\$0	0
<b>Total Budgetary Resources</b>	<b>\$162,106</b>	<b>773</b>	<b>\$159,606</b>	<b>820</b>

For FY 2018, the Office of Inspector General (OIG) requests budget authority of \$159,606,000 and 820 FTE to carry out its statutory oversight mission. The budget request includes notification to Congress of the transition from a reimbursable agreement to direct appropriations to support the Office of Contract Review in late FY 2017. This office currently includes 26 FTE who provide valuable oversight of VA procurement practices and pricing methodologies through preaward and postaward reviews of Federal Supply Service, Health Care, and Architectural/Engineer contracts.

The FY 2018 request of \$159.6 million is the same level of funding that was enacted for FY 2017. In combination with carryover resources, it will support a total of 60 additional FTE above FY 2017—including 26 FTE for Contract Review. The balance of new FTE will be allocated towards operational initiatives underway to address high-risk areas

across VA. This includes the placement of additional health care inspectors, criminal investigators, and auditors at new and existing locations nationwide, especially areas in the Southern and Western tiers of the country where there is no permanent OIG presence and a growing veteran population. In broad terms, these additional staff will strengthen and enhance oversight related to patient safety, access to care, mental health care, women's health care, facility inspections, emergent criminal activity such as illicit drug activity, procurement fraud, and identity theft, and audits of construction projects and Choice Act programs. Additional information supporting this request is provided later in this chapter.

## **Appropriation Language**

*For necessary expenses of the Office of Inspector General, to include information technology, in carrying out the provisions of the Inspector General Act of 1978, \$159,606,000 [\$159,606,000] of which not to exceed 10 percent shall remain available until September 30, 2019 [2018].*

## **Inspector General Mission**

As authorized by the *Inspector General Act of 1978* and other enacted legislation, the Inspector General is responsible for conducting and supervising audits, investigations, and recommending policies designed to promote economy and efficiency in the administration of and to prevent and detect waste, mismanagement, and criminal activity in VA programs and operations; and for keeping the Secretary and Congress fully informed about problems and deficiencies in VA programs and operations and the need for corrective action. OIG is also charged with oversight of VA health care programs. OIG is authorized to inquire into all VA programs and activities as well as VA-related contracts, grants, and other agreements.

OIG is dedicated to helping VA provide veterans and their families the care, services, support, and recognition that they have earned through their service to our country. Through its oversight programs, OIG works to promote positive change and to help ensure VA can meet the needs of our latest generation of veterans as well as those of our older veterans.

## **Strategic Plan and Goals**

OIG's recently published *Strategic Plan 2016–2020* includes six strategic goal areas—health care delivery, benefits processing, financial management, procurement practices, information management, and workforce investment. These strategic goal areas encompass the major programmatic issues VA will face in the next few years, while providing OIG with the necessary flexibility to adjust to changing circumstances as they arise.

- **Strategic Goal 1 — Health Care Delivery.** Improve veterans' access to safe, effective, high-quality health care by identifying opportunities to improve the

management and efficiency of VA's health care delivery systems, and by detecting, investigating, and deterring fraud and other criminal activity.

- **Strategic Goal 2 — Benefits Processing.** Improve the delivery of benefits and services by identifying opportunities to improve the quality, timeliness, and accuracy of benefits processing, while reducing criminal activity in the delivery of benefits through proactive and targeted audit and investigative efforts.
- **Strategic Goal 3 — Financial Management.** Assist VA in achieving its financial management mission of providing all VA activities with accurate, reliable, and timely information for sound oversight and decision-making while identifying opportunities to improve the quality, management, and efficiency of VA's financial management systems.
- **Strategic Goal 4 — Procurement Practices.** Ensure that VA's acquisition programs support our Nation's veterans, other Government entities, and the taxpayer by providing customers with quality products, services, and expertise delivered in a timely fashion, at a reasonable price, and to the right place.
- **Strategic Goal 5 — Information Management.** Assess information systems and policies within VA to ensure that they protect information security and integrity, are cost-effective, meet the needs of users, and are used in a lawful and ethical manner, while investigating fraud and other computer-related crimes against VA.
- **Strategic Goal 6 — Workforce Investment.** Recruit, retain, and empower a diverse workforce. Foster a work environment that enhances productivity, innovation, excellence, and employee satisfaction by leveraging technology and tools to maximize the impact of OIG work.

## Performance Measures

OIG's performance measures tie directly to its oversight mission and strategic goals and demonstrate the critical linkages between work and results, and between effort and effect. The following OIG performance measures will be used to assess the impact of OIG work on VA short-term and long-term mission-related outcomes in each of the six strategic goal areas and to track OIG outcomes related to this budget request.

- Number of reports (audit, inspection, evaluation, contract review, Comprehensive Healthcare Inspection Program (CHIP) reports, and Community Based Outpatient Clinic (CBOC) reports) issued that identify opportunities for improvement and provide recommendations for corrective action.
- Number of arrests, indictments, convictions, criminal complaints, pretrial diversions, administrative sanctions, and corrective actions.
- Monetary benefits (\$ in millions) from audits, investigations, contract reviews, inspections, and other evaluations.
- Return on investment (monetary benefits ÷ cost of operations in dollars).
- Percentage of: full cases that result in criminal, civil, or administrative actions; recommendations implemented within 1 year to improve efficiencies in operations

through legislative, regulatory, policy, practices, and procedural changes in VA; and recommended recoveries achieved from postaward contract reviews.

OIG's performance results for fiscal years (FY) 2012-2016 and targets through 2018 are included as part of the Department's Annual Performance Plan and Report for 2018.

## Stakeholders and Partners

OIG oversight work encompasses all VA programs, services, functions, and funding. As such, stakeholders or partners in the OIG's work and results may include the Secretary, Congress, VA managers and staff, beneficiaries, taxpayers, affiliated health care and educational institutions, contractors, other Federal agencies, law enforcement organizations, and other OIGs.

## Program Description

The OIG conducts operations through four Offices, each headed by an Assistant Inspector General, and the Office of Contract Review, which is directed by the Counselor to the Inspector General.

**Office of Audits and Evaluations.** The Office of Audits and Evaluations (OAE) conducts independent and timely performance and financial audits and other evaluations of VA health care, benefits, financial management, procurement, and information management programs. The audits and evaluations contribute to improved management of VA programs by providing useful and practical recommendations to improve the economy, efficiency, and effectiveness of VA management, programs, services, operations, and systems. OAE also conducts cyclical inspections of benefits processing activities at VA regional offices (VAROs). Additionally, OAE oversees the annual Consolidated Financial Statement audit that assesses VA's financial management systems and information under the requirements of the *Chief Financial Officers Act of 1990*, annual evaluation of VA's information security programs and controls required by the *Federal Information Security Management Act of 2002* (FISMA), and other requirements under the *Digital Accountability and Transparency Act of 2014* (DATA).

**Office of Healthcare Inspections.** The Office of Healthcare Inspections (OHI) conducts oversight aimed at enhancing the safety, effectiveness, and quality of VA health care programs and promoting continuous quality improvement. OHI helps safeguard the quality of Veterans Health Administration (VHA) medical care for veterans by conducting inspections, evaluations, cyclical CHIP and CBOC reviews that evaluate quality of care issues at VA medical facilities, and clinical consultations in support of criminal investigations. OHI also conducts oversight of VHA's quality assurance programs.

**Office of Investigations.** The Office of Investigations (OI) conducts criminal and administrative investigations of wrongdoing in VA programs and operations. Criminal investigations focus on such activities as fraud against VA committed by beneficiaries, fiduciaries, contractors, and employees; illegal pricing by pharmaceutical firms; bribery of

VA employees, embezzlement, and extortion; theft and diversion of drugs by employees and others; theft of VA resources and data; identity theft; assaults involving employees and patients; threats against employees, patients, facilities, and information systems; mortgage fraud; and workers compensation fraud. Administrative investigations focus on misuse of Government resources, abuse of authority, and travel irregularities by senior officials. Through criminal prosecutions, administrative sanctions, and monetary recoveries, these investigations promote integrity, patient safety, efficiency, security, and accountability in VA.

**Office of Management and Administration.** The Office of Management and Administration (OMA) provides a wide range of administrative and operational support functions to OIG offices and employees. Information technology units nationwide provide a broad array of information technology support and security services, as well as data gathering and analysis support for audits, inspections, and investigations. OMA also provides follow-up on OIG report recommendations and other administrative, human resources, reporting, logistics, budget, and fiscal services for the entire OIG organization. OMA operates the OIG Hotline, providing the means for VA employees and others to report allegations of fraud, waste, and abuse to OIG and to ensure that these referrals are resolved timely and appropriately. The Hotline also coordinates whistleblower protection services providing education and information on whistleblower protections against reprisals.

**Office of Contract Review.** The Office of Contract Review, which is overseen by the Counselor to the Inspector General, provides preaward, postaward, and other reviews of vendor proposals and contracts under a reimbursable intra-agency agreement with VA's Office of Acquisition, Logistics, and Construction. OIG plans to end the reimbursable intra-agency agreement and to fully absorb the responsibilities of the Office of Contract Review under direct appropriations in the second half of FY2017. This will further strengthen our independence and lead to more effective utilization of these staff resources to address a broad range of procurement issues that negatively impact VA programs and operations. The Counselor also provides independent legal advice and representation on issues arising from OIG activities and directs OIG's *Freedom of Information Act* and *Privacy Act* activities.

## **Inspector General Accomplishments**

The surfacing of allegations in early 2014 involving veterans' access to care at the Phoenix VA Health Care System, in Phoenix, Arizona, was a watershed event for VA and OIG. The crisis seriously undermined public confidence in VA operations and ultimately led to multidisciplinary OIG investigations into allegations of gross mismanagement of VA resources, criminal misconduct by senior officials, systemic patient safety issues, and possible wrongful deaths at 100 different care sites nationwide. It ushered in a new paradigm for positioning OIG assets nationally to meet the growing demand for oversight of VA programs, and with the support of the previous Administration and Congress, led to enactment in FY 2017 of the largest budget ever for OIG of \$159.6 million.

Although the Phoenix crisis has abated, OIG continues to receive a significant number of Congressional inquiries and an above average volume of Hotlines regarding care at VA

facilities across the country. Our inspections and audits subsequent to the Phoenix crisis continue to identify significant barriers to timely health care, including inappropriate scheduling practices, inaccurate wait time data, mismanagement of specialty care consults, and poor execution of Choice Act programs, and indicate that a significant amount of change must occur before the Department can achieve a level of service delivery that is consistent and on par with demand.

OIG oversight activities continue to yield meaningful and quantifiable outcomes for veterans and taxpayers. During the 12 months covered by the two most recent OIG Semiannual Reports to Congress, OIG identified \$4.1 billion in actual and potential monetary benefits; issued 304 audit, healthcare inspection, contract review, evaluation, benefits inspection, and administrative investigation reports on VA programs and operations; and achieved 2,425 investigative outcomes, including 349 arrests, 39 fugitive felon arrests, 290 indictments, 78 criminal complaints, 263 convictions, 38 pretrial diversions and deferred prosecutions, and 1,368 administrative sanctions and corrective actions. OIG operations provided a return on investment of \$34 in monetary benefits for each \$1 of OIG resources expended. OIG representatives provided testimony on the results of their oversight work at 11 Congressional hearings. Other recent and noteworthy accomplishments by OIG oversight programs are summarized below.

### **Hotline Reviews**

- The OIG Hotline continues to play an important role in bringing new issues to the attention of OIG and VA management. Hotline workload is expected to continue growing for the foreseeable future and reflects an expectation that a larger number of allegations will be completed internally based upon increases in budget authority rather than being referred to the Department for action. In FY16, OIG Hotline logged 38,076 contacts—a sustained level of receipts on par with the record number of contacts received in FY14. Hotline opened 1,177 cases and closed 1,263 cases with a substantiation rate of 39 percent. Resolution of Hotline cases referred to VA management for review and action resulted in 870 administrative sanctions and other corrective actions including the identification of \$4.23 million in monetary benefits.

### **Healthcare Inspections**

- OIG conducted a healthcare inspection of the Veterans Crisis Line (VCL) with four primary objectives. The first two objectives included evaluating an allegation that VCL staff did not respond adequately to a veteran's urgent needs and performing a detailed review of VCL's governance structure, operations, and quality assurance functions. The second two objectives included evaluating whether VHA completed planned actions in response to VA OIG recommendations from a previously published OIG report and addressing complaints received from the U.S. Office of Special Counsel (OSC).

The essential concept of a crisis line is that competent and compassionate individuals are available to provide around-the-clock resources to any veterans in distress, to include help, support, and referrals, and even arrange for immediate evaluation if necessary. We determined that VCL staff did not respond adequately to a veteran's

urgent needs, and found deficiencies in the VCL's processes for managing incoming telephone calls and in governance and oversight of VCL operations. We found substantial disagreement about key decisions in operations of the VCL between the VHA Suicide Prevention Office and VHA Member Services and determined that VHA contracting staff and leadership lacked sufficient understanding of the backup center contractual requirements and could not effectively monitor contractor performance. We also found some backup call centers used a queuing process that may lead callers to perceive they were on hold, and that VCL leadership had not established expectations, targets, or thresholds for taking action on queue times. We discovered deficiencies in the VCL Quality Management (QM) program and found several challenges in VCL QM staff's ability to collect, analyze, and effectively review relevant QM data. VCL policies were not consistent with existing VHA policies for veteran safety or risk management and did not incorporate techniques for evaluating available data to improve quality, safety, or value for veterans. We found that the VCL had not completed actions to fully implement the seven recommendations from our prior report. Lastly, we substantiated the OSC complainant's allegations that Social Service Assistants (SSA) were allowed to coordinate emergency rescue responses independently after the end of a 2-week training period, without supervision and regardless of performance or final evaluation; that a newly trained SSA contacted a caller in crisis by telephone to solicit the veteran's location; and an SSA did not document when closing out a veteran's case. We made 16 recommendations. OIG expects to provide additional oversight of VA's actions addressing these recommendations in the future and to help ensure the effectiveness of these mission-critical services.

- In FY 2016, OIG healthcare inspections published several hotline reports addressing various aspects of VA opioid prescribing practices. The use of opioids to treat chronic pain and other conditions continues to be a serious concern in VA and the Nation, and OIG work focuses on ensuring both safe prescribing practices and availability of alternatives. In a hotline inspection at a large tertiary care Veterans Affairs Medical Center (VAMC), OIG determined that the quality of care provided for a patient's chronic pain did not follow recommendations of the VA/Department of Defense clinical guidelines, which were developed to promote evidence-based management of patients' chronic pain. The inspection found that VAMC providers did not order urine drug testing, complete a suicide risk assessment, or obtain an opioid pain care agreement as part of the patient's chronic pain therapy. The patient continued to receive refills of an opioid without a face-to-face assessment with a provider for 22 months. During another hotline inspection, OIG identified challenges with the clinical environment in which CBOC providers prescribe opioids and manage the pain-related needs of their patients. The inspection noted a lack of non-opioid pain management options for outpatients and, despite the opening of the Veterans' Integrated Pain Management Clinic at the parent VAMC, the high demand for non-opioid pain management options continued. Further, the inspection found that VAMC leadership needed to develop proactive organizational solutions to ensure that consistent monitoring and timely patient reassessments and prescription refills could occur. OIG made seven recommendations for the two inspections to improve opioid safety and monitoring practices.

- In FY 2016, OIG healthcare inspections published two hotline reports detailing how the lack of staffing contingency plans contributed to significant patient care delays and patients being lost to follow-up. During a hotline inspection at a large VAMC, OIG determined that the VAMC suffered a significant staffing shortage in Urology Service, yet leaders did not have plans to provide urological services to Veterans during the shortage. VAMC leaders' failure to promptly respond to this staffing crisis may have contributed to thousands of patients being "lost to follow-up" and staff frustration due to lack of direction. In response to OIG recommendations, VAMC leaders hired additional urology staff and conducted reviews (and disclosures, as appropriate) of cases where patients may have been harmed by delays. Another hotline inspection found that a CBOC experienced inadequate primary care provider staffing when a provider abruptly resigned, leaving a panel of 1,100 patients without a provider. Patients were reportedly called about their clinic appointment cancellations during the first two days after the provider resigned. However, the facility had no contingency plan that would ensure continuity of, and access to, appropriate primary care. OIG made two recommendations.
- In FY 2016, OIG published a roll-up report addressing the extent to which VAMCs complied with selected requirements for the assessment and treatment of patients who had acute ischemic stroke symptoms. Stroke is the fifth leading cause of death in the United States, accounting for about one of every 20 deaths. OIG conducted this review at 50 VAMCs during Combined Assessment Program reviews performed across the country. Although OIG observed many positive practices, several opportunities for improvement were identified and numerous recommendations were made. OIG recommended that the Under Secretary for Health improve the availability of expertise in stroke treatment across the system and ensure compliance with stroke care requirements, including prompt and thorough assessment, treatment, and patient education, and ensure the gathering and reporting of required stroke data elements. In response to the review, the VA Under Secretary for Health reported that VA would implement a "telestroke program" to link stroke specialists with VA Emergency Departments and intensive care unit staff. VA leaders also provided additional guidance to VAMCs regarding stroke care and treatment expectations and data collection and reporting requirements. These changes in policy should decrease the morbidity associated with large vessel strokes for veterans across the United States. By addressing the recommendations, VA officials will strengthen VA's efforts to provide quality and timely assessments and treatments to patients who present to VAMCs with stroke symptoms.
- OIG healthcare inspections conducted an inspection at the request of the Committee on Veterans' Affairs, U.S. House of Representatives, and the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, U.S. House of Representatives, to assess allegations that a VAMC lacked adequate patient safety policies and procedures to safeguard patients when they "come and go" from the Community Living Center (CLC) and whether additional safety measures could have prevented a patient's suicide. OIG did not substantiate the allegation that the CLC lacked adequate safety policies and procedures regarding patients' "comings and goings" in the CLC. However, OIG found that VAMC staff did not consistently enforce certain policies and procedures when the patient did not comply with them.



Although OIG could not substantiate the allegation that the VAMC should have instituted additional safety precautions given the patient's past medical and mental health history, OIG did identify additional potential suicide risk factors known to at least one staff member that were not documented or discussed in the CLC Interdisciplinary Team meetings. OIG also found that staff did not initiate an Integrated Ethics consult, which could have been done to assist them and the patient in making informed decisions and applying appropriate healthcare ethics standards regarding medical care, treatment, and patient autonomy. By failing to consistently enforce certain policies and procedures and initiate an Integrated Ethics consult, VAMC staff missed opportunities to intervene with this patient. OIG made four recommendations to strengthen patient safety.

- A Congressionally requested healthcare inspection found that non-VA medical records, resulting from VA provider referrals, were not available in a patient's VA electronic health record (EHR). Non-VA medical records are vital in understanding a patient's overall health status and care. Gaps in non-VA documentation, such as those found in this case, put a patient at risk and make continuity of care between various providers and specialties more difficult to achieve. Copies of clinical documentation submitted by non-VA medical care providers and other reports (such as laboratory and radiology records) should be available in the EHR. OIG discovered several examples of non-VA care reports that had not been scanned and made available in the EHR. OIG identified this issue during another hotline inspection at the same VAMC and made a recommendation.

### **Audits, Evaluations, and Benefits Inspections**

- OIG reviewed whether VHA Veterans Integrated Service Network (VISN) 6 provided new veterans timely access to health care within its medical facilities and through Choice, as well as to determine whether VISN 6 appropriately managed consults. OIG found that new VISN 6 patients consistently lacked timely access to health care and that wait times were significantly higher than the wait time data reflected through VHA's electronic scheduling system. This occurred because VISN 6 and medical facility management did not ensure staff consistently implemented VHA's scheduling requirements. Inaccurate wait time data resulted in a significant number of veterans not being eligible for treatment through Choice—we estimated that 82 percent of the appointments during the relevant time period had wait times longer than 30 days. This occurred primarily because medical facilities did not ensure they had sufficient staffing resources to provide timely access to Choice care. VISN 6 also did not consistently manage the timeliness of specialty care consults. We concluded that VHA and VISN 6 leadership relied on wait time data that did not accurately represent how long veterans were waiting for care. Access to health care has been a recurring issue in VHA. This audit demonstrates that many of the same access to care conditions reported over the last decade continued to exist within VISN 6 medical facilities in 2016. OIG made 10 recommendations regarding monitoring controls over scheduling requirements, wait time data, Choice, and consult management.
- At the request of several members of Congress, OIG reviewed the plans and costs associated with the Denver Medical Center replacement project (Denver project),

which is arguably the most expensive VA medical center built to date. OIG evaluated the events that led to major delays in the construction and to the increases in costs from the budgeted amount of \$800 million to the current estimated costs of \$1.7 billion. The concept for the Denver project dates back to the late 1990s and was in response to the region's growth in the veteran population and the need to replace an aging and inadequate facility built in 1951. The new facility will be approximately 600,000 square feet larger than the current one and will provide additional functional capability such as more examination, treatment, and dental procedure rooms. It will also afford 30 beds designed for Spinal Cord Injury patients, which the current facility lacks. The project took years to start due to changes implemented under five former VA Secretaries and incurred significant and unnecessary cost overruns due to poor business decisions which followed. OIG's review identified several major points of failure that encompass a series of questionable business decisions by VA senior officials concerning planning, design, construction, and consultant services. The project is estimated to be completed in mid-to-late 2018, nearly 20 years after VA identified the need to replace its aging facility.

- OIG evaluated VBA's oversight of Post-9/11 G.I. Bill tuition and fee payments to determine if payments were appropriate and accurate. Of the \$5.2 billion in Post-9/11 G.I. Bill tuition and fee payments made for nearly 796,000 students during academic year 2013-2014, OIG reviewed more than \$1.7 million in payments made to 50 statistically-selected schools for 225 students. OIG found VBA staff at the Regional Processing Offices (RPO) made 46 improper payments totaling just under \$90,900 and 39 overpayments totaling just under \$96,400 where the RPOs had not initiated recoupment actions. In total, 32 of the reviewed schools had improper payments and missed recoupments; furthermore, 20 of these schools lacked compliance surveys. Of the \$5.2 billion in tuition and fee payments made for academic year 2013-2014, OIG projected that VBA made about \$247.6 million in improper payments and more than \$205.5 million in missed recoupments annually. As a result, VBA may have an estimated \$2.3 billion in improper tuition and fee payments and missed recoupments (\$1.2 billion in improper payments and \$1 billion in missed recoupments) over the next 5 academic school years if it does not strengthen program controls. OIG recommended VBA improve school outreach to ensure accurate and complete certifications are submitted, develop risk profiles for schools to periodically review and verify their certifications, and incorporate risk factors into the prioritization and completion of compliance surveys. OIG also recommended VBA strengthen policies and controls related to the discontinuance and recoupment of payments, repeated classes, and satisfactory academic progress and that it take action, where appropriate, to recover identified improper payments and initiate recoupments.
- OIG reviewed whether the VBA properly granted entitlement to all statutory housebound special monthly compensation (SMC) benefits for living veterans with a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent. This review focused on whether VBA failed to pay or delayed paying any of these benefits. OIG also assessed the accuracy of SMC evaluations for veterans receiving compensation at the housebound rate, including statutory housebound, and housebound in fact, as well as SMC that had been incorrectly coded as housebound benefits. The first review objective focused on a population of about 186,000 living

veterans' cases nationwide that at some point were entitled to statutory housebound SMC benefits based on a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent as of March 10, 2015. To address the second objective, OIG reviewed a population of about 98,400 veterans' cases nationwide receiving compensation at the housebound rate for any reason as of March 10, 2015. OIG estimated errors in 33,400 of 186,000 cases. OIG estimated that these errors resulted in veterans being underpaid \$110.1 million through February 2015, and receiving recurring underpayments of \$1.8 million per month as of March 2015. In addition, OIG estimated that VBA staff delayed paying veterans \$54.3 million. Errors for veterans receiving compensation at the housebound rate also resulted in incorrect benefits decisions. OIG made a number of recommendations including that VBA establish plans to update the electronic system, conduct reviews of cases in which housebound benefits are being paid, and provide updated training to staff. VBA concurred with OIG recommendations.

- After receiving an anonymous allegation that staff at a VA Regional Office (VARO) were inappropriately shredding mail regarding veterans' disability compensation claims, OIG conducted an unannounced inspection at the facility in February 2015. Although we could not quantify or identify claims-related documents that the VARO may have shredded prior to our review, we did find nine claims-related documents inappropriately placed in shred bins and substantiated that the VARO staff were not following current Veterans Benefits Administration's (VBA) policy on management of veterans' and other Governmental paper records. Eight of the nine documents had the potential to affect veterans' benefits and one had no effect on the veterans' benefits. We did not substantiate that VARO supervisors were instructing their staff to shred claims-related documents. OIG recommended that the VARO Director implement a plan and provide training to ensure that all VARO staff comply with VBA's policy for handling, processing, and protection of claims related documents and other Government paper records. OIG also recommended that the VARO director take proper action on the eight cases that had the potential to affect veterans' benefits. We then conducted unannounced inspections at 10 other VAROs to determine if this was a systemic issue. OIG found that VBA's controls were not effective to prevent VARO staff from potentially destroying claims-related documents.
- OIG conducted an audit to determine whether VBA was adjusting compensation and pension (C&P) benefits payments in a timely manner for veterans incarcerated for more than 60 days in Federal, state, or local penal institutions. OIG found that VARO and Pension Management Center staff did not consistently take action to adjust C&P benefits for veterans incarcerated in Federal penal institutions. Specifically, based on Federal incarceration data from May 2008 through June 2015, employees did not adjust veterans' C&P benefits, as required, for an estimated 1,300 of 2,500 cases (53 percent), which resulted in improper payments totaling approximately \$59.9 million. Although VBA had a computer matching agreement (CMA) in place with the U.S. Department of Justice, Federal Bureau of Prisons (BOP) to obtain monthly data on individuals confined in Federal penal institutions, VBA did not receive this data because it could not ensure a secure method for receiving it. VBA also failed to effectively monitor the terms of the CMA, which lapsed in

2012. Although VBA later renewed the CMA and started receiving the incarceration information from BOP in May 2015, VBA Central Office and VARO leadership did not make the work a priority due to the scope of the disability claims backlog. OIG recommended and the Acting Under Secretary for Benefits (USB) concurred that VBA needs to increase the priority of its incarceration adjustment workload.

- OIG conducted a review to determine whether VA complied with the requirements of the Improper Payments Elimination and Recovery Act (IPERA) for FY 2015. The Office of Management and Budget (OMB) Circular A-123 specifies that each agency's IG annually review improper payment reporting in the agency's Performance and Accountability Report (PAR) or the Agency Financial Report (AFR). OIG's review found VA did not fully comply with IPERA. VA met four of six IPERA requirements for FY 2015 by publishing the AFR; performing risk assessments; publishing improper payment estimates; and providing information on corrective action plans. VA did not comply with two of six IPERA requirements by not maintaining a gross improper payment rate of less than 10 percent and meeting reduction targets for all programs published in the AFR. Two programs exceeded the 10 percent threshold: VA Community Care and Purchased Long Term Care Support and Services. Eight programs did not meet reduction targets: Compensation; Education Chapter 1606; Education Chapter 1607; VA Community Care; Purchased Long Term Services and Support; Beneficiary Travel; Supplies and Materials; and Disaster Relief Act (Hurricane Sandy) activities under P.L. 113-2. In addition, VHA underestimated improper payments for one program and did not achieve the expected level of accuracy for two others. Likewise, VBA expended considerable effort to collect improper payments because of a program design issue with drill pay, and it needs to develop a plan and seek the assistance of OMB to coordinate future resolution.

### **Criminal and Administrative Investigations**

- A non-veteran owner of a Service-Disabled Veteran-Owned Small Business (SDVOSB) was found guilty at trial of conspiracy and wire fraud. A VA OIG, Small Business Administration OIG, General Services Administration OIG, Army Criminal Investigation Command, and Naval Criminal Investigative Service investigation revealed that the defendant established a Massachusetts-based SDVOSB company in 2006 and recruited two disabled veterans as the company's straw owners for the sole purpose of obtaining Federal construction contracts set aside under the SDVOSB program. As a result of the defendant's false representations to Federal contracting officers that the company was owned and operated by those service disabled veterans, the company was awarded more than \$112 million in Federal contracts between 2006 and November 2010, of which \$110 million were VA contracts. The case involved over 200 VA construction contracts in seven states. The non-veteran owner was sentenced to 30 months' incarceration, 12 months' supervised release, and was ordered to pay a \$1 million dollar fine. Criminal asset forfeiture proceedings are still pending.

- A husband and wife were convicted at trial of major fraud against the Government, wire fraud, and conspiracy to commit wire fraud. A VA OIG, Department of the Interior OIG, and SBA OIG investigation revealed that the defendants used a “pass-through” scheme to create a SDVOSB in order to qualify for and obtain VA SDVOSB set-aside construction contracts in Kentucky, Tennessee, North Carolina, and other states. The defendants used a service-disabled veteran who was a full-time truck driver and had no construction experience or equipment to establish a construction business, and provided fraudulent references to VA and other Government agencies in order to obtain the work. The defendants also created another business to obtain SBA 8(a) set-aside contracts with the two businesses sharing employees, financial assets, and then subcontracting out the work on most projects. The loss to VA is \$4 million, including American Recovery and Reinvestment Act (ARRA) funds enacted under P.L. 111-5. The total loss to the Government is approximately \$14 million.
- A former VAMC Chief was found guilty at trial of making false statements in relation to health care and making a false statement to a Federal agent. An OIG investigation revealed that the defendant instructed four subordinate employees to improperly close approximately 2,700 non-VA care coordination consults at the VAMC. Specifically, the defendant directed his subordinates to falsely document, “Services provided or patient refused services” in the patients’ VA electronic medical records even though employees had not reviewed the records or contacted the patients. OIG’s OHI conducted a review of approximately 2,700 patient records and determined that over 450 patients never received care and/or refused services. This case was the first OIG “Wait Time” investigation that resulted in criminal charges and a subsequent conviction.
- A former VAMC employee and a non-veteran co-conspirator were each sentenced to 30 months’ incarceration, 3 years’ supervised release, and were ordered to pay restitution of \$1,137,694 after pleading guilty to conspiracy, theft of Government funds, wire fraud, and engaging in monetary transactions in property derived from specified unlawful activity. An OIG, Department of Justice (DOJ), and VA Police Service investigation revealed that the defendants created a fictitious medical supply company and then the former VAMC employee had the company approved as a vendor to provide medical supplies to VA. From 2007 to 2013, the defendants created fraudulent purchase orders for medical supplies that were never delivered to VA. Fraudulent invoices were then paid using the former VAMC employee’s Government-issued purchase card. The fraudulently obtained payments that were then divided between the defendants.
- A veteran’s widow was sentenced to 50 years’ incarceration after being found guilty at trial of attempted first degree murder and conspiracy to commit first degree murder. A VA OIG, Social Security Administration (SSA) OIG, Tennessee Bureau of Investigation, and State District Attorney’s Office investigation resulted in the defendant and her previous boyfriend/current spouse being charged with conspiracy to murder her previous husband, a combat veteran and VA beneficiary, by forcing him to overdose on his VA prescribed drugs and then staging a crime scene to make it appear

that he had committed suicide. The defendant later applied for Dependency and Indemnity Compensation benefits and falsely claimed that her husband's drug overdose was related to his service connected post-traumatic stress disorder. The homicide investigation was initiated pursuant to information that was developed during the compensation benefits fraud investigation. The widow and her current spouse were subsequently convicted of defrauding VA and SSA of over \$457,000 in disability compensation. The widow was sentenced to 20 months' incarceration and her current spouse to 30 months' incarceration for the compensation fraud. The defendant's current spouse previously pled guilty to conspiracy to commit first degree murder and testified against her at trial in exchange for a reduced sentence of 25 years' incarceration. The loss to VA is approximately \$107,000.

- The president of a private business was arrested for conspiracy to commit wire fraud while attempting to fly to Guatemala. A VA OIG, FBI, and Department of Education OIG investigation revealed that the defendant engaged in a conspiracy to defraud the VA by fraudulently obtaining tuition assistance and other education related benefits under the Post-9/11 G.I. Bill. Over the course of the conspiracy, the defendant partnered with a New Jersey university to obtain approval from VA to receive tuition and other education benefits for several online non-credit training and certification courses. These courses were purportedly developed, taught, and administered by the faculty of the university, but were actually developed, taught, and administered by undisclosed and unapproved subcontractors of the private business. The defendant and others developed marketing materials and a script to be used by the private business' salespersons at various military bases around the United States, in order to market to and enroll thousands of veterans in the courses. While most courses at the correspondence school cost between approximately \$600 and \$1,000 in tuition, the university charged between approximately \$5,000 and \$26,000 per course. Over the course of the conspiracy, the defendant and others caused VA to pay out over \$35 million.
- Three defendants were sentenced to a combined total of 48 months' probation, 250 hours' community service, and a \$2,700 fine. The defendants also agreed to pay \$30,000 in civil monetary penalties to VA as part of the related civil case. A VA OIG and SBA OIG investigation revealed that the defendants used a "pass-through" scheme to create a SDVOSB in order to qualify for and obtain VA SDVOSB set-aside construction contracts at the San Juan, PR, VAMC. The defendants created the fraud scheme by using a service-disabled sibling who was a full time United States Postal Service employee and had no construction experience or equipment to establish a new construction business. The defendants created the SDVOSB after learning that construction contracts would only be awarded to SDVOSBs as a result of a Government stimulus package. The VA contracts included ARRA funds and were worth approximately \$8.4 million.
- An architect, formerly employed by a VA contractor, was sentenced to 33 months' incarceration, a \$12,500 fine, and was ordered to forfeit \$70,801 after being convicted at trial of conspiracy, wire fraud, mail fraud, theft of Government property, and

violating the Hobbs Act. An OIG and FBI investigation revealed that the defendant bribed the former Directors of two VAMCs in order to receive nonpublic information concerning VA contracts. As a result, the defendant was able to obtain an advantage over other companies in the awarding of VA contracts. The former VAMC Director pled guilty to corruption-related charges in 2014. In addition, the company the architect worked for entered into a Criminal Enforcement Agreement (CEA) with the Government to resolve criminal liability for its employee(s) criminal conduct. Per the CEA, the contractor accepted legal responsibility for the criminal conduct and agreed to pay a \$12,000,000 penalty. Attached to the CEA are a Criminal Information, signed Waiver of Indictment, and Statement of Facts that will be filed in U.S. District Court if the contractor fails to comply with the terms of the CEA.

## **Contract Reviews**

- OIG completed 127 contract reviews—78 pre-award, 39 post-award, and 10 claim reviews—related to VA contracts, identifying \$548.2 million in potential savings and other monetary benefits including \$12.3 million in recoveries returned to the Government. A highlight from one of these reviews follows below.
- OIG reviewed three separate contracts awarded by a VA HCS to a private medical practice. OIG found that the VA HCS lacked adequate internal controls and systems to effectively monitor contract performance which contributed to erroneous invoices, improper reimbursement rates, and inadequate documentation of administrative and overhead expenses. OIG made several recommendations including a requirement to implement a process to adequately administer the performance of all physician contracts and a requirement to consult with Regional Counsel when contracts involve dual appointed physicians. VA concurred with these findings.

## **Budget Highlights**

A common theme across OIG reporting during the past three years is that the breakdown in effective stewardship of VA programs and services is often related to failures in recognizing increased demand and allocating resources appropriately. The 2018 budget will be used to continue our effort to “right size” the OIG to an appropriate ratio to VA given its size, scope, and program complexity. As we have mentioned in previous budgets and in recent testimony before Congress, OIG funding lags that of comparably situated Federal OIGs; the current budget request of \$159.6 million is less than 0.1 percent of the total enacted VA budget of \$180.4 billion in FY 2017.

The 2018 budget request (with carryover) will support modest growth of 60 FTE. Staff increases beyond those related to the assumption of Contract Review operations (26 FTE) will be deployed at new and existing locations nationwide to help OIG fulfill its statutory mission to identify waste, fraud, or abuse and make recommendations that help VA provide care and benefits to a growing cohort of veterans with increasingly complex needs. Special focus areas and activities supported by this budget request are listed below.

- Improving the quality and scope of VHA patient care through:
  - A newly established Access to Care Division that will focus on mitigating wait times and eliminating barriers to care;
  - A newly established Rapid Response Team that will respond to emergent high risk clinical allegations at VHA facilities;
  - Enhanced healthcare inspections under the risk-based CHIP assessments formerly known as the Combined Assessment Program (CAP);
  - Increased numbers of site visits and inspections and compliance reviews of hospitals and clinics;
  - Greater emphasis and focus on women’s health, military sexual trauma, substance use disorders, suicide prevention and crisis outreach, and mental health; and,
  - Increased support for combat wounded veterans with traumatic brain injuries, who often lack adequate treatment options in their local communities.
- Ensuring adequate staff are in place and can be responsive to review the increased number of Hotline contacts and complaints.
- Increasing the number of Hotline cases completed by OIG staff to decrease the referral of external case referrals to VA, thus yielding greater numbers of OIG investigative cases and published reports of inspections, reviews, and audits.
- Detecting and deterring criminal activity related to identity theft, procurement fraud, fiduciary and workers compensation fraud, drug diversion, and other instances of emergent criminal activity.
- Strengthening the integrity of VA benefit programs and support services through a concomitant increase in audits and reviews of Patient Centered Care and Non-VA Fee Care contracts, construction projects, medical care collections, information technology projects, prosthetics, and research activities.

The 2018 personal services estimate reflects salary and benefits for 820 FTE including the costs for proposed pay raises, career ladder advancements, scheduled within-grade increases, changes in staff composition, and retirement benefits. The non-personnel services estimates reflect requirements for inflation, travel, transportation, rents for office space, contractual services, training, communications, OIG technology upgrades, other equipment replacement, and operating supplies to support OIG operations and staffing at the requested level.

OIG is ending its intra-agency reimbursement agreement with VA in the second half of FY 2017 and will support the Office of Contract Review with direct budget authority moving forward. OIG will continue to perform contract support services including pre and postaward and contract pricing reviews.



## **Budget Submission Requirements of the *Inspector General Act***

This budget request was prepared in accordance with Section 6(f)(1) of the Inspector General Act of 1978. OIG's FY 2018 budget request to VA was \$170,000,000 and, in consideration of the Administration's efforts to scale back the size of the Federal government and the impact of the hiring freeze, already reflected a significant reduction from our original expansion plan. Although funding at \$159,606,000 will not adversely impact current operations, it will delay expansion towards an optimal level of strength necessary to fully meet requirements tied to the growth of VA programs in recent years. This request includes \$319,212 as OIG's estimated allocation to support the Council of Inspectors General on Integrity and Efficiency (CIGIE), and up to \$2,100,000 for OIG employee training. The Inspector General certifies that the requested amounts will meet OIG's known 2018 requirements for CIGIE support and employee training. In addition, OIG requests that \$2,500,000 be set aside in the 2018 VA Minor Construction appropriation request to support OIG expansion needs.

OIG continues to identify efficiencies and opportunities to reduce and control costs for employee travel, conferences, training, Government vehicles, technology, and other areas as required by Executive Order 13589, *Promoting Efficient Spending*. However, as the Executive Order recognized, OIG employees must travel extensively to VA facilities across the country to perform its statutory oversight of VA programs. This means that opportunities to further reduce travel costs are limited. OIG has reprogrammed identified efficiencies back into operations to sustain the level of oversight to the extent possible.

<b>Summary of Employment and Obligations</b>					
<b>(Dollars in Thousands)</b>					
	2016 Actual	2017		2018 Request	Increase (+) Decrease (-) from 2017
		Budget Estimate	Current Estimate		
<b>Average employment:</b>					
Headquarters functions	224	263	248	262	14
Operations functions	482	558	525	558	33
<b>Total employment</b>	<b>706</b>	<b>821</b>	<b>773</b>	<b>820</b>	<b>47</b>
<b>Obligations:</b>					
Personal services	\$112,893	\$133,978	\$126,650	\$137,035	\$10,385
Travel	\$5,392	\$6,523	\$6,011	\$6,445	\$434
Transportation of things	\$107	\$291	\$339	\$345	\$6
Rents, communications, and utilities	\$1,941	\$9,231	\$8,441	\$9,025	\$584
Printing and reproduction	\$30	\$43	\$30	\$33	\$3
Other services	\$9,071	\$13,501	\$15,136	\$12,707	(\$2,429)
Supplies and materials	\$410	\$481	\$544	\$575	\$31
Equipment	\$2,202	\$1,855	\$3,561	\$3,835	\$274
Insurance	\$0	\$0	\$0	\$0	\$0
<b>Total obligations</b>	<b>\$132,046</b>	<b>\$165,903</b>	<b>\$160,712</b>	<b>\$170,000</b>	<b>\$9,288</b>
Reimbursements	(\$4,447)	(\$5,797)	(\$2,500)	\$0	\$2,500
SOY Unobligated Balance (-)	(\$1,183)		(\$9,000)	(\$10,394)	(\$1,394)
EOY Unobligated Balance (+)	\$10,350		\$10,394		(\$10,394)
<b>Total Budget Authority</b>	<b>\$136,766</b>	<b>\$160,106</b>	<b>\$159,606</b>	<b>\$159,606</b>	<b>\$0</b>

Note: Total subject to rounding.

## Net Change and Employment Tables

The following table summarizes the changes in resource requirements between the 2017 President's Request and this 2018 request.

<b>Net Change – 2018 Summary of Resource Requirements (Dollars in Thousands)</b>	
	<b>Budget Authority</b>
<b>2017 Budget Authority (President's Request)</b>	<b>\$160,106</b>
Enacted Rescission	(\$500)
<b>2017 Budget Authority (Current Estimate)</b>	<b>\$159,606</b>
<b>2018 Increases/Decreases:</b>	
Pay raise (1.9% ), career ladder promotions and within-grade increases, and other staff composition adjustments	\$1,716
Required personnel benefits increases	\$652
Tiered Staff Expansion (60 FTE)	\$8,849
Non-payroll inflation (1.7% )	\$571
Net carryover change (SOY/EOY)	(\$11,788)
<b>Subtotal</b>	<b>\$0</b>
<b>Subtotal 2018 Current Request</b>	<b>\$159,606</b>
<b>2018 Total Budget Authority Request</b>	<b>\$159,606</b>

The following tables present analyses of OIG employment levels by grade and by headquarters and operations functions.

<b>Employment Summary—FTE by Grade</b>				
Grade	2016 Actual	2017 Estimate	2018 Request	Incr./Decr. from 2017
IG/Senior Executive Service (SES)	14	18	20	2
Senior-Level (SL)	6	7	9	2
GS-15	69	70	73	3
GS-14	130	137	148	11
GS-13	370	400	424	24
GS-12	51	52	53	1
GS-11	25	33	33	0
GS-10	0	3	3	0
GS-9	25	30	30	0
GS-8	11	14	15	1
GS-7	4	7	9	2
GS-6	0	0	0	0
GS-5	1	2	3	1
GS-1—4	0	0	0	0
<b>Grand Total FTE</b>	<b>706</b>	<b>773</b>	<b>820</b>	<b>47</b>

<b>Analysis of 2016 Actual FTE Distribution – Headquarters/Operations</b>		
Grade	Headquarters	Operations
IG/SES	14	0
Senior-Level (SL)	5	1
GS-15	35	34
GS-14	50	80
GS-13	77	293
GS-12	20	31
GS-11	10	15
GS-10	0	0
GS-9	7	18
GS-8	1	10
GS-7	4	0
GS-6	0	0
GS-5	1	0
GS-1—4	0	0
<b>Grand Total FTE</b>	<b>224</b>	<b>482</b>

## Other Requirements

### Physicians' Comparability Allowance Worksheet

The Office of Management and Budget directed that following information on OIG's use of Physician Comparability Allowance (PCA) be included in this budget submission.

#### VA Office of Inspector General

		PY 2016 Actual	CY 2017 Estimates	BY 2018* Estimates
1) Number of Physicians Receiving PCAs		13	16	17
2) Number of Physicians with One-Year PCA Agreements		–	–	–
3) Number of Physicians with Multi-Year PCA Agreements		13	16	17
4) Average Annual PCA Physician Pay (without PCA payment)		\$167,250	\$165,549	\$165,949
5) Average Annual PCA Payment		\$29,384	\$28,338	\$29,400
6) Number of Physicians Receiving PCAs by Category (non- add)	Category I Clinical Position	–	–	–
	Category II Research Position	–	–	–
	Category III Occupational Health	–	–	–
	Category IV-A Disability Evaluation	–	–	–
	Category IV-B Health and Medical Admin.	13	16	17
*FY 2018 data will be approved during the FY 2018 budget cycle.				
7) If applicable, list and explain the necessity of any additional physician categories designated by your agency (for categories other than I through IV-B). Provide the number of PCA agreements per additional category for the PY, CY and BY.				
Not applicable.				
1) Provide the maximum annual PCA amount paid to each category of physician in your agency and explain the reasoning for these amounts by category.				
Physicians with 48 months or more of Government service at the GS-15, SL, or SES levels may receive a maximum of \$30,000 annually. OIG will pay the minimum PCA amount required to overcome recruitment and retention problems. Accordingly, OIG will base the amount on such considerations as relative earnings, responsibilities, expenses, workload, working conditions, and benefits for comparable physician positions inside and outside the Federal Government.				
2) Explain the recruitment and retention problem(s) for each category of physician in your agency (this should demonstrate that a current need continues to persist). <i>(Please include any staffing data to support your explanation, such as number and duration of unfilled positions and number of accessions and separations per fiscal year.)</i>				
VA OIG utilizes PCA because its physician-employees are covered by Title 5, U.S. Code. This is different from the rest of VA, which employs physicians under Title 38. The difference in pay rates between Title 5 and Title 38 physicians can be substantial. Title 38 physicians receive significantly higher salaries than Title 5 physicians, even when PCA and performance bonuses are considered.				

- 3) Explain the degree to which recruitment and retention problems were alleviated in your agency through the use of PCAs in the prior fiscal year. *(Please include any staffing data to support your explanation, such as number and duration of unfilled positions and number of accessions and separations per fiscal year.)*

Prior to OIG receiving approval to offer PCA, it was very difficult to recruit physicians and indicates why PCA is critical to OIG for recruiting and retaining Board-certified physicians. As a result of utilizing the PCA function, we have been able to recruit four highly qualified physicians in fiscal year (FY) 2016.

- 4) Provide any additional information that may be useful in planning PCA staffing levels and amounts in your agency.

With a ceiling of just over 140 employees, the Office of Healthcare Inspections is the smallest of OIG line organizations. The retention of physicians is appropriate based upon OHI's mission of providing independent oversight of VHA, which is responsible for providing health care to more than 22 million veterans at hundreds of medical facilities with more than 369,000 employees. For fiscal year (FY) 2017, VA operated under a \$180.4 billion budget, which allows for facilities in every state, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Republic of the Philippines, and the U.S. Virgin Islands.

Further, the Secretary of Veterans Affairs continues to support health care mandates, such as improving Veteran mental health care, designing a veteran-centric health care model, and expanding health care access. In addition to these initiatives, the expansion of VHA health care services to accommodate the increasing numbers of veterans receiving care following service in Operations Enduring Freedom/Iraqi Freedom/New Dawn underscores the need and importance of OIG retaining the number of Board-certified physicians to ensure effective oversight of the quality of VA health care.



## *Office of Acquisition and Logistics/Office of Acquisition Operations: Supply Fund*

### **Mission**

The Office of Acquisition and Logistics (OAL) and Office of Acquisition Operations (OAO) are organizational elements within the Office of Acquisition, Logistics, and Construction (OALC)<sup>1</sup>. These organizations provide policy and oversight to VA's acquisition and logistics programs as well as abroad spectrum of acquisition services to VA customers and Other Government Agencies (OGAs) through the National Acquisition Center (NAC) and Denver Acquisition and Logistics Center (DALC), Technology Acquisition Center (TAC), Acquisition Business Services (ABS), and the Strategic Acquisition Center (SAC).

### **Summary of Budget Request**

The Supply Fund is a self-sustaining, revolving fund. As such, no Congressional appropriation is required. Revenue is realized from fees on acquisitions of goods and services from both VA and OGA customers. The Supply Fund also provides financial support to the Office of Small and Disadvantaged Business Utilization (OSDBU) and the Veterans Health Administration - Procurement and Logistics Office (VHA-PLO).

Office of Acquisition and Logistics: Supply Fund Summary of Employment and Obligations (dollars in thousands)			
	2016 Actual	2017 Estimate	2018 Estimate
<b>FTE</b>	1,048	1,150	1,078
<b>Appropriation</b>			
<b>Obligations:</b>			
Operating	\$259,052	\$320,000	\$320,000
Merchandising	\$1,039,346	\$1,780,000	\$1,780,000
<b>Total Obligations</b>	\$1,298,398	\$2,100,000	\$2,100,000
<b>Outlays (Net)</b>	(\$17,563)	\$0	\$0

<sup>1</sup> Also included under the Office of Acquisition, Logistics, and Construction is the Office of Construction and Facility Management (CFM). Detailed information on the OALC enterprise functions and CFM is included in the Office of Acquisition, Logistics, and Construction budget chapter.

## Program Description and Accomplishments

The Supply Fund provides direct, operational support to the Department in the areas of:

1. *Acquisition and logistics oversight and policy* – develops VA-wide acquisition and logistics policy and oversees Departmental compliance with laws and regulations. OAL manages VA's mandatory acquisition training program, offers continuing education programs for VA procurement staff nationwide, operates VA's Contracting Officer Certification Program, and warrants all VA contracting officers.
2. *Acquisition Training and Warranting* – VA's acquisition training program, and offers continuing education programs for VA procurement staff around the country through the VA Acquisition Academy (VAAA). OAL also manages VA's Federal Acquisition Certification Programs for Program/Project Management and Contracting, responsible for warranting all VA contracting officers.
3. *Acquisition Operations* – awards and administers cost-effective multiple award and national contracts to meet the healthcare-related information technology, supply and equipment needed to operate the largest integrated health-care system in the Nation and supports many OGAs worldwide. Acquisition operations include:
  - *Federal Supply Schedule, National Contracts and Just-in-Time Prime Vendor Distribution acquisitions* – under delegated authority from the General Services Administration, the National Acquisition Center (NAC) manages nine multiple award schedule programs for healthcare-related products and services. NAC also develops and maintains national contracts associated with Pharmaceuticals, Prosthetic & Orthotics soft goods and devices; Patient Centered Community Care (PCCC) services; Non-VA Dialysis services; High Tech Medical Equipment; and Prime Vendor Distribution Programs.
  - *Information Technology (IT) Acquisitions* – The Technology Acquisition Center (TAC) provides acquisition and program management expertise and support for the life cycle management of enterprise-wide solutions for VA and OGAs
  - *Strategic Sourcing Acquisitions* – The Strategic Acquisition Center (SAC) leverages the Department's resources by obtaining lower prices and enhanced services from vendors with strategically sourced enterprise-wide contract vehicles for utilization by VA and OGAs.
  - *Acquisition Business Services (ABS)* – procures goods, services and provides innovative solutions to VA's Central Office (VACO) acquisition requirements. This office awards and administers cost-effective contracts to meet supply, service, and equipment needs of VACO organizations.
4. *Logistics Operations* – provides selected direct logistics services to VA and OGA's. such as: distribution of interment flags; design, printing, and distribution of VA forms and publications; distribution of hearing aids, hearing aid repair services, hearing aids



ancillary items, batteries, prosthetic socks, and home telehealth devices to VA Medical Centers, DoD facilities and our Veteran patients worldwide.

The Supply Fund is also the source of funding for the following organizations/activities:

- The Procurement and Logistics Office, an organizational element within the Veterans Health Administration (VHA), serves as VHA's senior advisor on all matters pertaining to VHA logistics, procurement, and standardization of commodities and equipment.
- The Office of Small and Disadvantaged Business Utilization (OSDBU) is an organizational element within the Office of the Secretary of Veterans Affairs. Its mission is to advocate for the maximum practicable participation of small businesses in VA acquisitions, with special emphasis on service-disabled Veteran-owned and Veteran-owned small businesses.

### **Recent Accomplishments:**

- NAC administered healthcare-related contracts valued at over \$15 billion including:
  - Over 2,000 Federal Supply Schedules generating sales in excess of \$23 billion.
  - Patient Centered Community Care (PC3) and the Veterans Choice Act program expanded primary care services to Veterans nationwide to include more than 355,000 providers.
  - High Tech Medical Equipment to include 691 orders, 234 upgrades, and 1,196 system modifications.
- DALC ordered and shipped 474,683 telehealth items to VA facilities and Veteran patients.
- The SAC awarded strategically sourced enterprise-wide contract vehicles including:
  - Medical Surgical Prime Vendor (MSPV-NG), a \$5.2 billion contract, will provide a just-in-time distribution, inventory, electronic, and catalog ordering processes.
  - Prosthetic implants, a \$215 million contract, will serve as a major catalyst for Supply Chain Management transformation.
  - Medical Disability Exams (MDE), a \$6.1 billion contract, will provide privately performed exams to support Veteran applications for medical disability benefits. The contract is designed to reduce the time to complete the exam process from an average of 50 days to 38 days, a potential cost avoidance of \$93 million over the life of the contract, and greatly improve access to care for Veterans.
- The TAC implemented contracting support strategies to achieve cost savings in excess of \$220 million awarding over 4,200 actions and obligating \$3.3 billion IT contracts including:
  - Transformation Twenty-One Technology Next Generation (T4NG), a \$22.3 billion contract, expected to transform VA's IT programs through contractor-provided IT service solutions, including technical support, program management, strategy planning, systems/software engineering, enterprise network engineering, cyber security, operation and maintenance, IT facilities and other solutions encompassing the entire range of IT and health IT requirements.

Revised Vets.gov which provides a consolidated web portal along with identity access management technology for all Veteran services to facilitate improved access to care and information in support of the Secretary's "MyVA" Initiative.

- Veterans Crisis Line (VCL) call center expansion project in Atlanta to support the training of 200+ call center agents and ensure a 100% operational activation of the new VCL call center expansion space by December 2016.
- eScreening, a dynamic mobile technology for mental health care including the immediate alert to clinicians for evaluation and triage and monitoring of treatment outcomes. This effort won Dr. Shulkin's Gold Standard award.
- Other IT contracts including:
  - National Local Exchange Carrier (LEC), will enable the consolidation of a majority of VA's local phone service costs thereby increasing efficiencies, saving money, and allowing VA to have a better understanding of its local phone service needs.
  - Medical Appointment Scheduling System (MASS), will acquire a commercially available off-the-shelf based medical appointment scheduling solution that is integrated with VistA and deployed across the enterprise.
  - Enterprise Printer and Enterprise Multi-Function Device (MFD), will allow VA to consolidate and compete requirements for those commodities amongst multiple SDVOSB resellers.
- The VAAA continued to implement broad and innovative learning opportunities to support professional development and education providing 33,577 seats of training to the acquisition workforce and 273,429 hours of training across 434 courses.
  - The five schools within VAAA include:
    - The Contracting Professional School (CPS).
    - The Facilities Management School (FMS).
    - The Program Management School (PMS).
    - The Acquisition Internship School (AIS).
    - Warriors to Workforce (W2W).
  - It provided VA101 training, the largest training effort to date in the Department. The curriculum is designed to create a common level of knowledge of all the services and benefits VA offers to enhance the Veteran experience. During FY16, 125,191 VA employees participated in VA101 training.
  - Following the Kingdomware Supreme Court ruling, CPS trained more than 2,100 students over a period of seven days through 14 webinars. In addition, CPS increased the number of blended or virtual instructor-led offerings to 68.
  - PMS provided virtual Market Research and Veterans First Contracting webinars addressing the Veterans First Contracting Program and the Rule of Two. 938 program managers and contracting officer representatives were trained in the Market Research course. In addition, PMS increased blended learning by 10 courses.
  - With VAAA's expanded use of technology to deliver virtual training, students earned over 36,000 CLPs in virtual instructor-led training with zero hours of travel time saving over \$300,000 in travel costs.
  - It won three learning industry awards and maintained an overall average of 4.6 out of 5 customer satisfaction survey rating.
- The Acquisition Program Support established VA policy on the implementation of Acquisition Program Management Framework (APMF).
  - Received a clean audit opinion for the Years Ended September 30, 2015 and 2014.
- The Procurement Policy System Oversight, maintained a 99.9% uptime for eCMS since January 2013 with very few issues surrounding system performance.

- Launched pilots of (1) Forecasting and Planning Module (FORCE), and (2) COR module.
- The Logistics and Supply Chain Management helped VHA colleagues achieve Supply Chain Breakthrough Initiative milestones and business outcomes:
  - Cost avoidance goal (\$150M).
  - Reengineered business processes (e.g. clinical product review, commodity management, life cycle management, sourcing, etc).
  - Inventory management
  - Workforce design and development

## SUMMARY OF EMPLOYMENT AND OBLIGATIONS – ANALYSES

<i>Summary of Employment and Obligations</i> (dollars in thousands)					
		2017			President's Budget
	2016 Actual	Budget Estimate	Current Estimate	2018 Estimate	Increase(+) Decrease(-)
<b>FTE:</b>					
OAL/OAO – Field	783	853	865	865	0
OAL/OAO – Central Office	157	165	170	170	0
VHA P&LO <sup>1</sup>	69	90	72	72	0
OSDBU	39	42	43	43	0
<b>Total FTE</b>	<b>1,048</b>	<b>1,150</b>	<b>1,150</b>	<b>1,150</b>	<b>0</b>
<b>Obligations:</b>					
Personal Services	\$133,876	\$145,000	\$140,000	\$145,000	\$5,000
Travel	7,847	7,000	11,000	11,000	0
Transportation of Things	949	600	600	600	0
Rents, Communications & Utilities	12,326	12,200	12,200	12,200	0
Printing and Reproduction	9,929	20,000	20,000	20,000	0
Other Services	228,530	437,200	437,200	437,200	0
Supplies and Materials	416,574	500,000	500,000	500,000	0
Equipment	488,367	978,000	979,000	974,000	-5,000
<b>Total Obligations</b>	<b>\$1,298,398</b>	<b>\$2,100,000</b>	<b>\$2,100,000</b>	<b>\$2,100,000</b>	<b>\$0</b>

***Income Statement***  
*(dollars in thousands)*

	2017			
	2016 Actual	Budget Estimate	Current Estimate	2018 Estimate
Income	\$285,358	\$300,000	\$329,152	\$330,000
Expense	\$311,752	\$300,000	\$321,526	\$330,000
<b>Net Income</b>	<b>(\$26,394)</b>	<b>\$0</b>	<b>\$7,626</b>	<b>\$0</b>
<b>Analysis of Retained Earnings</b>				
Retained Earnings, BOY	<b>\$174,288</b>	<b>\$149,370</b>	<b>\$155,456</b>	<b>\$155,456</b>
Retained Earnings, EOY	<b>\$147,830</b>	<b>\$149,370</b>	<b>\$155,456</b>	<b>\$155,456</b>



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## *Franchise Fund Enterprise Centers*

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### **Mission**

The VA Franchise Fund is aligned under the Office of Enterprise Support Services (OESS) organization, which provides an enterprise-wide focus to the provision of high quality, efficient and effective support services to VA Administrations and Staff Offices. The VA Franchise Fund's mission is to provide high-quality, cost-effective support services and excellent customer service by streamlining processes and optimizing the value of enterprise services to customers. The Franchise Fund performs common enterprise-wide administrative support services for the VA administrations so that they can focus on performing their organizations' core missions of providing high quality care and services to Veterans and eligible family members. Better support to VA employees for common administrative support services means better services for Veterans and families. Better support for our safety and security through preparedness, emergency notification and police services creates a better and safer environment and experience for Veterans and VA employees, contractors, and affiliates who serve Veterans.

The Franchise Fund is comprised of administrative offices (the Office of Enterprise Support Services and Franchise Fund Oversight Office (FFO) and seven self-supporting business entities (Enterprise Centers (EC), with the latest EC added in FY 2017. These self-supporting lines of business are supported by the Franchise Fund and are independent service providers within VA that are accountable to the Principal Executive Director, Office of Enterprise Support Services for adhering to Franchise Fund guidance on quality, cost, and customer service. In accordance with the VA Functional Operations Manual (FOM) version 4.1, the Principal Executive Director of OESS reports to the Deputy Secretary and is dual hatted as the Director of the VA Franchise Fund, accountable to deliver better Veteran-focused services at lower costs.

The Enterprise Centers (Enterprise Operations, Debt Management Center, Financial Services Center, Law Enforcement Training Center, Security and Investigations Center, Records Center and Vault, and Human Resource Enterprise Center) are charged with adopting efficient business processes, standardized processes, and customer satisfaction performance metrics at a lower cost.

## Stakeholders

*External stakeholders include:* Veterans, Congress, the Office of Management and Budget, other Federal agencies, Veteran Service Organizations (VSOs) and private sector vendors.

*Internal stakeholders include:* Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), the Board of Veterans Appeals (BVA) and other staff offices within VA.

## Functions/Activity

The VA Franchise Fund organizations provide a wide range of functions and activities:

**Office of Enterprise Support Services (OESS).** Located in Washington, DC, OESS provides fee-for-service direction, oversight, and accountability for programs and activities designed to focus on customer service, improve the consistency and quality of VA services delivered at a lower cost. OESS, in direct support of customers within VA's Administrations and Staff Offices, creates new enterprise capabilities and innovation to transform the Department's mission support services to deliver reliable, consistent, cost-effective support services across the VA enterprise for the following: human resource services; debt management; financial and accounting services; payroll processing; travel and payment processing; electronic commerce/electronic data interchange; background investigations and adjudications for employees and contractors; special training for VA police officers; and records storage, protection, and management services. The Principal Executive Director for OESS reports to the Deputy Secretary and is accountable to the Support Services Governance Board (SSGB) to deliver better enterprise services at lower costs and to innovate and bring new enterprise capacity, people, process and technologies to improve quality and efficiency of support services.

**Franchise Fund Oversight Office (FFO).** Located in Washington, DC, the FFO, supports the Enterprise Centers and is responsible for the overall fund operations including administering the financial resources of the fund, coordinating all business activities, and serving as the liaison between the Enterprise Centers, their customers, and the SSGB and OESS.

**Enterprise Operations (EO).** Comprised of data centers in Austin, TX; Martinsburg, WV; Hines, IL; Philadelphia, PA; Quantico, VA; St Louis, MO; and Warner Robins, GA; the EO provides comprehensive e-government solutions to match the critical needs of VA and other Federal agency customers, from managing data to automating business processes. The EO supports over 300 customer applications that provide mission-critical data for financial management, payroll, human resources, logistics, medical records, eligibility benefits and supply functions. In addition, the EO offers a full complement of technical solutions to best meet customer needs.

**Debt Management Center (DMC).** Located in St. Paul, MN, the DMC is a centralized facility that provides direct collection of delinquent consumer debt owed to VA resulting from an individual's participation in VA's education, pension or disability compensation programs.

**Financial Services Center (FSC).** Located in Austin, TX, Waco TX and Washington, D.C., the FSC provides a full range of financial and accounting services. These services include financial reports and accounting, invoice payments, credit card payments, medical claims adjudication and payment processing, vendor file maintenance, discount subsistence purchases, payroll processing, and VA conference tracking and reporting. The FSC also provides customer support help desks for payroll, travel and payment processing, electronic commerce/electronic data interchange, automated document management, audit recovery, permanent change of station and temporary duty travel pay processing, common administrative services, accounting training, and consulting.

**Human Resource Enterprise Center (HREC).** Located in Washington, D.C., the HREC delivers enterprise training and enterprise HR support programs aligned with the MyVA vision for support services excellence. The HREC aims to provide innovative competency-based training, education and development so that our VA-wide workforce is competent, confident and delivers quality products and services to our Nation's Veterans and their families. This is done by providing training courses and career development tools and systems that meet VA employees' learning and development needs throughout their careers. Courses are provided and developed around ICARE values and the six All Employee Competencies: Communications (written and verbal), Veteran Customer Focus, Personal Mastery, Interpersonal Effectiveness, Critical Thinking and Organizational Stewardship. The HREC also provides enterprise HR program support for White House and VA intern programs, employee notification, safety, and emergency preparedness services with high levels of customer service, quality and lower cost.

**Law Enforcement Training Center (LETC).** Located in North Little Rock, AR, the LETC provides special training for police officers working in a health care or service-oriented environment. Emphasizing training in health care or limited jurisdiction environments, the LETC is available to approximately 3,500 law enforcement personnel working at VA health care facilities and to law enforcement professionals at other Federal agencies.

**Records Center and Vault (RCV).** Located in a subterranean, climate-controlled facility in Neosho, MO, the RCV provides records storage, protection, and management services for official Federal records including Veterans health records and VA contract documents. The 403,160 square foot facility is certified by the National Archives and Records Administration to operate as an official agency records center. General, vital, and unscheduled records, as well as records pending litigation freezes are safely and securely stored in paper or film format at exceptional customer service and low costs for Federal customers.

**Security and Investigations Center (SIC).** Located in North Little Rock, AR, the SIC provides quality and timely background investigations and suitability and national security adjudications for VA employees, affiliates (medical students, trainees and interns) and contractors in public trust positions for all VA entities nationwide.

### **Assumptions, Opportunities, and Constraints**

The enterprise centers are designed to deliver common administrative support services to Federal entities. These services allow VA and other Federal agency customers to conserve their budgetary resources through innovative methods and efficiencies of scale with the same or lower unit costs, while improving the quality of services provided. Beginning in FY17 and continuing into FY18, VA is ensuring that the Enterprise Centers of the Franchise Fund operate on one standardized business model focused on delivering better services with high customer satisfaction at lower costs. Through OESS and the FFO, the Enterprise Centers adhere to draft Franchise Fund policies to provide standardized annual business plans, service level agreements, levels of operating and capital reserves, investment decision processes, quarterly customer meetings, quarterly performance and budget reviews, and monthly dashboard reporting to the Support Services Governance Board (SSGB). VA operates the Franchise Fund and its Enterprise Centers using best business practices, data analytics, lean management, and data-driven decisions by the SSGB.

VA was chosen as a pilot Franchise Fund agency under the Government Management and Reform Act, P.L. 103-356, of 1994. Established in 1997, administrative services included in the Franchise Fund are financed on a fee-for-service basis rather than through VA's General Administration appropriation. Permanent status was conferred upon the VA Franchise Fund by P.L. 109-114 in FY 2006.

The Franchise Fund concept is intended to increase competition for government administrative support services resulting in lower costs and higher quality. The VA Enterprise Centers must recover all of their expenses through revenue collection, i.e., the Enterprise Centers' operations are totally dependent upon revenues realized from customers' purchases of services. After the SSGB approves annual rates and service levels, the Enterprise Centers work in direct support of their customers to determine the appropriate mix of services within budget constraints. They also market their services as appropriate to other Federal agencies. Successful market penetration spreads the Franchise Fund's fixed costs over a larger unit base, which leads to lower costs for all customers. This economy of scale leads to more effective use of taxpayer dollars.

During FY 2016 the Franchise Fund management and administration transferred from the Office of Management (OM) to the Office of Enterprise Support Services (OESS). The Franchise Fund Oversight Office (FFO) was subsumed under OESS and the oversight responsibilities for the VA Franchise Fund and the duties of the former Franchise Fund Oversight Board were subsumed by and reconstituted under the Support Services Governance Board (SSGB), chaired by the Deputy Secretary of the Department of



Veterans Affairs and vice-chaired by the Chief of Staff of the Department of Veterans Affairs. Under OESS, VA is identifying opportunities for realigning its internal business processes and enterprise support functions for IT, HR, finance, contracting, leasing, and enterprise training, into an industry-leading best practice for shared support services model in which organizations across VA leverage standardized, consolidated, and streamlined support services to improve customer service and quality of service delivery, while also reducing costs.

<i><b>VA Enterprise Center Highlights</b></i>			
<i>(dollars in thousands)</i>			
	2016 Actual	2017 Estimate	2018 Estimate
Average Employment	1,397	1,628	1,754
Appropriation			
Obligations <sup>1</sup>	\$820,649	\$892,010	\$900,259
Outlays (Net)	\$12,712	(\$15,000)	(\$15,000)

### **Summary of Budget Request**

In FY 2018, the Franchise Fund estimates total obligations of \$900 million and an average employment of 1,754 full-time employee equivalents (FTE) to support the operations of the VA Enterprise Centers. Total obligations reflect the salary requirements for 1,754 FTE located nationwide; ongoing rents, communications, and utilities required to operate; and contractual resources, equipment replacements, and upgrades necessary to continue the current level of operations and sustain efforts on new product offerings and critical initiatives underway. These attributes will result in improved customer service, productivity, and efficiency. Increased staffing is primarily due the OESS, HREC, DMC, and the FSC. The OESS and HREC were established in FY 2017 with total projected FTE of 44. The DMC anticipates the number of employees to increase in order to reduce wait times and to improve the Veteran Experience. For the FSC, the increase in FTE is attributed to the continued growth in demand for FSC services including VATAS help desk services, Customer Care Center help desk services, and Purchased Care Claims Services. In addition, the FSC projects the FTE levels will increase due to Payroll Centralization to VBA and VHA and the Financial Management Business Transformation initiative.

<sup>1</sup> The total amount of obligations contained in our budget submission exhibits, as reported in SF-133 includes Intrafund transactions.

**VA Enterprise Centers**  
**Summary of Obligations**  
*(dollars in thousands)*

Parent Organization/Service Activity	<b>FY 2016</b>		<b>FY 2017</b>		<b>FY 2018</b>	
	Obligation	FTE	Obligations	FTE	Obligations	FTE
<b><u>Office of Enterprise Support Services:</u></b>						
Franchise Fund Oversight Office	2,161	4	\$2,692	10	2,692	10
Records Center and Vault	4,488	12	5,016	13	5,195	13
Office of Enterprise Support Services	0	0	6,251	15	6,251	15
Human Resources Enterprise Center	0	0	<u>21,061</u>	<u>29</u>	<u>21,061</u>	<u>29</u>
Subtotal	<u>6,649</u>	<u>16</u>	\$35,020	67	35,199	67
<b><u>Office of Management:</u></b>						
Financial Services Center	290,260	513	\$400,120	702	\$413,242	805
Debt Management Center	32,469	235	<u>30,891</u>	<u>274</u>	<u>33,083</u>	<u>288</u>
Subtotal	<u>322,729</u>	<u>748</u>	\$431,011	976	\$446,325	1,093
<b><u>Office of Information &amp; Technology:</u></b>						
Enterprise Operations	456,031	546	\$390,463	474	\$382,116	474
<b><u>Office of Operations, Security, and Preparedness:</u></b>						
Law Enforcement Training Center	\$13,178	43	\$13,225	62	\$13,659	62
Security and Investigations Center	22,062	44	<u>22,291</u>	<u>49</u>	<u>22,960</u>	<u>49</u>
Subtotal	<u>\$35,240</u>	<u>87</u>	35,516	111	\$36,619	111
<b>Total</b>	<b>\$820,649</b>	<b>1,397</b>	<b>\$892,010</b>	<b>1,628</b>	<b>\$900,259</b>	<b>1,754</b>

## Summary of Revenue and Expenses

Revenue represents the total income received from all customers (both VA and other Federal agencies). Expenses represent the full cost of operations.

In FY 2018, the VA Enterprise Centers anticipate revenues, including other Federal agency customers, of \$907 million.

<i>Revenue, Expense, and Retained Earnings</i> <i>(dollars in thousands)</i>			
	2016 Actual	2017 Estimates	2018 Request
Sales Program:			
Revenue	\$764,163	\$921,179	\$906,609
Expense	<u>779,221</u>	<u>892,010</u>	<u>900,259</u>
Net Income	\$(15,058)	\$ 29,169	\$ 6,350
Reserves <sup>[1]</sup> , Start of year	\$181,000	\$183,633	\$207,649
Net Income	(15,058)	29,169	6,350
Capital Transactions <sup>[2]</sup>	<u>17,691</u>	<u>(5,153)</u>	<u>(9,772)</u>
Reserves, End of Year	\$183,633	\$207,649	\$204,227

<sup>[1]</sup> Reserves are used to fund cash flow timing differences, periods of fluctuating workloads, and unanticipated expenses.

<sup>[2]</sup> Acquisition, improvements or depreciation of assets.

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## *Pershing Hall Revolving Fund*

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### **Program Description**

The Pershing Hall Revolving Fund provides for the obligation and receipt of funds associated with the operation and redevelopment of Pershing Hall, an asset of the United States, located in Paris, France. The United States acquired the property in 1935 from the American Legion under the provisions of Public Law 74-171.

In 1991, VA obtained jurisdiction and control over Pershing Hall through the enactment of Public Law 102-86, which provided for the building's redevelopment and the establishment of a memorial to General Pershing through a long-term lease of up to 35 years. Two years later, Public Law 103-79 authorized a lease period not to exceed 99 years. On October 20, 1998, the Department leased Pershing Hall for a period of 99 years to the French firm of L.A. Partners. The lease provides for the building's redevelopment as a hotel and the establishment therein of a memorial. In addition to the memorial, the lease also provides for the payment of consideration to VA.

Public Law 102-86 allowed for the transfer to the Pershing Hall Revolving Fund, at such time or times as the Secretary may determine and without limitation as to year, amounts as determined by the Secretary, not to exceed \$1,000,000 in total, from funds appropriated to VA for the construction of major projects. The account from which any such amount is transferred must be reimbursed promptly from other funds as they become part of the Pershing Hall Revolving Fund. Proceeds of the Pershing Hall Revolving Fund are available to be used for two separate activities. First, the Secretary may use up to \$100,000 annually from the Fund to support projects, activities, and facilities determined by the Secretary to be in keeping with the mission of the Department. In addition, necessary expenses to operate and maintain Pershing Hall may be funded from revenue in the Pershing Hall Revolving Fund.

From 2018 - 2097, a payment of 1.2 million French Francs (FF) or the equivalent in Euros will be made to the fund, using an exchange rate of 6.66 FF per US dollar, which is expected to yield \$180,180 in annual receipts. All payments, however, are subject to updating as described in the lease.

<i>Funding Highlights</i> <i>(dollars in thousands)</i>				
	2016 Actual	2017		2018 Estimate
		Budget Estimate	Current Estimate	
Budget authority	\$0	\$0	\$0	\$0
Receipts	\$384	\$200	\$200	\$200
Obligations	\$21	\$200	\$200	\$200
Unobligated balance:				
SOY	\$1,778	\$1,827	\$2,142	\$2,142
EOY	\$2,142	\$1,827	\$2,142	\$2,142
Outlays (net)	(\$355)	\$0	\$0	\$0