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U.S. House of Representatives
COMMITTEE ON VETERANS' AFFAIRS

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March 8, 2023

The Honorable Jodey C. Arrington
Chairman
Committee on the Budget
Washington, DC 20515

Dear Chairman Arrington:

In accordance with the requirements of section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of rule X of the Rules of the House of Representatives, we submit the following Majority Views and Estimates for fiscal year (FY) 2024 on behalf of the Committee on Veterans' Affairs (the Committee).

The congressional budget process, including Views and Estimates, is more important than ever as stubbornly elevated inflation erodes standards of living, interest rates climb, and our country attempts to exit a period of unprecedented deficit spending. We believe there is no substitute for congressional leadership on fiscal matters.

Cc: The Honorable Brendan F. Boyle, Ranking Member, Committee on the Budget
The Honorable Mark Takano, Ranking Member, Committee on Veterans' Affairs

VA Budgetary Growth

Since the wars in Afghanistan and Iraq began, nearly two decades of congressional prioritization of veterans' health care and benefits have yielded tangible, if incomplete, improvements in the timeliness and quality of services. Department of Veterans Affairs (VA) discretionary appropriations and mandatory outlays have both nearly quadrupled during this period.[1] Over the past five fiscal years, VA's budgetary growth rate has increased, with some year-to-year fluctuations. This is true overall (discretionary and mandatory combined) as well as for discretionary alone. Over this period, the average overall growth rate was approximately 9 percent, and the average discretionary growth rate was nearly 11 percent.[2] We note that, based on this growth rate, total VA appropriations will approach $500 billion five fiscal years from now.[3]

The largest ever year-over-year discretionary increase (20 percent) occurred last year, from FY 2022 to FY 2023.[4] This increase came shortly after the expiration of the $19.6 billion CARES Act supplemental appropriation in FY 2021,[5] and at the same time that much of the $17.08 billion American Rescue Plan Act supplemental appropriation is still being expended.[6]

We remain concerned that the pace and extent of improvements in services at the Department has not correlated to the frequency and size of spending increases. VA must demonstrate clear linkages between investments and health outcomes as well as performance metrics such as the Annual Performance Plan, resolution of the Government Accountability Office High Risk List, or closure of financial statement audit findings.[7] At times, the Department has thrown good money at failing programs in the hope of fixing them. The historically large investments of taxpayer dollars, particularly of recent years, in veterans' health care and benefits should be better utilized to more effectively carry out VA's core mission to care for those who have worn our nation's uniform, their survivors, and their dependents.

Veteran Demographics

The number of veterans utilizing VA benefits and services has increased since the wars in Afghanistan and Iraq began,[8] while the total U.S. veteran population is projected to have peaked

[1] Discretionary appropriations including collections increased from $28 billion in FY 2003 to $134.7 billion in FY 2023, representing a 381% increase. Mandatory outlays increased from $32.4 billion in FY 2003 to $155.4 billion in FY 2023, representing a 380% increase.
[2] Committee calculations; see House Committee on Veterans' Affairs Minority Views and Estimates, FY 2023.
[3] Ibid.
[4] Discretionary appropriations increased by $22.5 billion, to $134.7 billion, representing a 20% increase.
[5] Title X of P.L. 116-136
[6] Title VIII of P.L. 117-2. As of the end of calendar year 2022, $7.82 of ARP funds remained to be expended.
[7] VA Annual Performance Plan and Report, accessible on www.performance.gov; GAO High Risk List; VA Agency Financial Report containing financial statement audit, accessible on www.performance.gov.
[8] National Center for Veterans Analysis and Statistics, VA Utilization Profiles, FY 2016; and VA Office of the Deputy Assistant Secretary for Policy, Number of Unique Veterans Served By VA in FY 2003, Summary Report; finding the aggregate utilization rate of VA services increased from 32% in FY 2003 to 48% in FY 2016, or from 7.9 million unique veterans in FY 2003 to 10.7 million unique veterans in FY 2016.

and begun a gradual decline.[9] VA attributes the steady enrollment in recent years, despite the overall declining veteran population, to higher enrollment rates among Gulf War and Post-9/11 era veterans. However, VA projects that enrollment will decline slightly after 2026 as the impact of mortality begins to outweigh new enrollment.[10]

New Investments and Demand

Future VA funding increases must be supported by commensurate increases in demand for VA benefits and services. It is important that additional investments demonstrate efficiency and improved health and wellbeing outcomes for veterans. Modernization initiatives must be prioritized in areas with coherent, concrete business cases. Far too often during the extended period of budgetary expansion, VA leaders have attempted to shore up weak organizations and programs with financial resource infusions alone. Meanwhile, bureaucracy has grown while efficiency and accountability at the leadership and field levels have eroded. It is vital that any additional resources be provided in a way that reverses, not accelerates, these trends.

Some level of continued annual increases, above general inflation, could be warranted, as long as they were supported by demand and demonstrated to bolster efficiency and positive outcomes for the veterans VA serves.

Assumptions

Much of the Administration's last two discretionary requests were based on a return of health care demand that veterans deferred due to the COVID-19 pandemic. For example, "If an unexpectedly larger portion of deferred care from 2020 and 2021 returns [in] 2022 and 2023, in addition to normal levels of care in those years, then there will be an unexpectedly higher strain on VA facility and community care capacity at that time. The scenario supporting the budget estimates the net impact of deferred and returning care will result in a…$5.6 billion increase in 2023, based on current deferred and returning care assumptions."[11] VA must determine whether health care demand does in fact return as projected. We note that Congress has already provided the funding levels that VA requested based on its demand estimates. If health care demand is more gradual or modest than forecast, we expect VA to conserve the dollars until truly needed.

Additionally, VA has projected the numbers of new health care enrollees and disability compensation claimants and claims resulting from implementation of *the Honoring our PACT Act of 2022*. These projections will begin driving budgeting for health care and benefits as well as the administrative costs of service delivery. We intend to monitor whether health care enrollees, claimants, and claim volumes are in-line with, above, or below the Department's projections and whether funding is consumed as expected.

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[9] National Center for Veterans Analysis and Statistics, Veteran Population Projections: 2017-2037; projecting, in part, "The total Veteran Population is predicted to decline from 20.0 million in 2017 to 13.6 million in 2037."
[10] VA FY 2023 Budget Submission: Volume II, page VHA-421.
[11] VA FY 2023 Budget Submission: Volume II, page VHA-451.

PACT ACT Toxic Exposures Fund

The Committee will work to limit unintended consequences of the Cost of War Toxic Exposures Fund (the Fund)[12] that impede our ability to legislate. We will also work to prevent the Fund from becoming a budgetary gimmick divorced from its well-intended purpose to facilitate the expansion of health care and benefits for toxic-exposed veterans.

According to the Congressional Budget Office (CBO), the Fund now encompasses programs or activities funded by the following accounts: Medical Community Care, Medical Support and Compliance, Medical Services, Medical and Prosthetic Research, Veterans Electronic Health Care Record, General Operating Expenses (VBA), General Administration, Information Technology, and Board of Veterans' Appeals. Therefore, portions of these accounts which had been entirely discretionary, prior to the enactment of *the Honoring our PACT Act of 2022*, may now become partially mandatory within the Fund, and any legislation creating or modifying programs or activities funded by these accounts will receive a mandatory score.[13] According to CBO, the mandatory portion of these scores will amount to 21 percent of the legislation's total cost this FY and rise to 42 percent of total cost in FY 2032.[14] VA has provided a basic explanation for how it intends to account for splitting individual programs' funding between discretionary and mandatory: "Rather than choosing to attribute all [example program] costs (both pre- and post-PACT Act) to the [Toxic Exposures Fund], we are only attributing incremental, or marginal, cost increases directly attributed to PACT Act provisions. In some cases, however, there will be blending of toxic exposure and other workload that is unavoidable in the allocation of the $500 million [initial Toxic Exposures Fund appropriations for FY 2023] among certain VA programs."[15]

We are concerned that as the size and scope of the Fund may expand, it could come to encompass most VA accounts, programs, and activities, and the Fund's intended linkage to expanded health care and benefits for toxic-exposed veterans would become tenuous. We oppose any unnecessary, unjustified, or arbitrary shifting of discretionary spending to mandatory. Additionally, VA's ability to attribute incremental or marginal increases in health care and benefits to the PACT Act and Fund may become untenable. In other words, the Fund may become a budgetary gimmick, abandoning its original purpose of ensuring that VA has the resources it needed to care for an influx of toxic-exposed veterans.

Some of the Fund's unintended consequences have already begun to be felt and threaten to impede the Committee's ability to carry out its legislative responsibilities. Legislation included in the Committee's September 2022 markup pertaining to VA's Zero Suicide Demonstration Project, National Nutrition and Food Services Office, grants to support county veteran service

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[12] Section 805 of P.L. 117-168, *the Honoring our PACT Act of 2022*.
[13] Congressional Budget Office Statement for the Record: How CBO Would Estimate the Effects of Future Authorizing Legislation on Spending From the Toxic Exposures Fund, December 7, 2022.
[14] Ibid.
[15] VA Cost of War Toxic Exposures Fund Justification for FY 2023, September 14, 2022.

officers, fertility treatments, and doula services was impacted by this dynamic. Four bills ultimately received mandatory scores from CBO as a result of the Fund, and the Committee was able to identify a suitable, bipartisan offset for only one. CBO has indicated that this scoring trend will continue. If the scope of the Fund expands to more accounts, encompassing more programs and activities, it is logical to expect more legislation to improve other sectors of VA to be impacted.

The Committee has limited mandatory offsets available and if others are not identified, it is likely that those offsets will be exhausted at some point during the 118th Congress, rendering the Committee unable to advance most legislation. Chairman Bost previously offered an amendment in markup to amend the Toxic Exposure Fund language to return its scope to the original House version: "any expenses incident to the delivery of veterans' health care and benefits associated with exposure to environmental hazards in service, including administrative expenses, such as claims processing and appeals, and for medical research related to hazardous exposures."[16] This amendment was unfortunately rejected on a party-line vote.

Republicans continue to express our willingness to collaborate on any idea that solves the problem. However, ignoring this unintended consequence would be neglecting our responsibility to provide for all aspects of veterans' care and benefits.

Potential Savings

We see opportunities to reduce administrative bureaucracy and eliminate waste and duplication, which have accumulated during VA's rapid budgetary expansion. We have identified three initial focus areas: professional and management consulting services contracts, large information technology and enterprise modernization programs, and underutilized government-owned or leased office buildings.

VA's spending on contracts has grown substantially over the past decade to more than $38 billion in fiscal year 2021, in line with the doubling of the overall budget.[17] Within this total discretionary contract spending, professional and management consulting services have proliferated. These companies hold VA contracts collectively worth billions of dollars. Some such contractors, including those known colloquially as "staff augmentation," are providing duplicative services, performing inherently governmental functions, functions that are closely associated with inherently governmental activities, or constitute outsourcing. In a February 9, 2023, letter Chairman Bost urged the Department to review its inventory of professional and management consulting services contracts for duplication and waste.

VA has more major IT and enterprise modernization programs underway now than at any time in the Department's history, including Electronic Health Record Modernization, Financial Management Business Transformation, and the Digital GI Bill, and intends to launch Supply Chain Management Modernization and Human Capital Modernization programs during this FY. While some of these programs' costs remain uncertain and others are rising, their lifecycle estimates total at least $25 billion. Substantial discretionary savings could be realized in these

[16] Section 707 of H.R. 3967 (House engrossed version).
[17] GAO-22-105195: VA Acquisition Management, August 2022, p. 4.

programs through improved management, if only by containing cost growth. Some programs should be reduced in scope while others should potentially not be allowed to continue, or commence.

The Electronic Health Record Modernization (EHRM) program, in particular, has created substantial additional staffing costs in the medical centers and Veterans Integrated Services Networks (VISNs) where the Oracle Cerner electronic health record system is in use. For example, the Mann-Grandstaff VA Medical Center in Spokane, Washington has increased staffing by approximately 20 percent to mitigate productivity losses.[18] The Chalmers P. Wylie Ambulatory Care Center in Columbus, Ohio has also taken on significant additional staff to mitigate productivity losses. VISN 20 determined that any additional implementations of the system at its medical centers should be postponed, in part because of the serious financial impact. We are concerned that the electronic health record system, as it currently exists, presents an unsustainable financial strain for the Veterans Health Administration.

VA (particularly the central office, Veterans Health Administration, and Veterans Benefits Administration) has hundreds of thousands or even millions of square feet of underutilized government-owned and leased administrative office space. This situation existed even before the COVID-19 pandemic led to an expansion of telework for non-patient care personnel, and it has been a major concern of past administrations. The VA central office undertook a space reduction initiative in FY 2013, and the Office of Management and Budget directed the whole Department to conduct a "Freeze the Footprint" campaign from FY 2012 to FY 2015. As we continue our oversight visits to VA facilities, we continue to find empty buildings and workspaces that are costing VA millions of dollars in wasted rent, utility, and equipment costs. We believe similar efficiency initiatives are in order today, and savings could be realized by more fully utilizing government-owned buildings and consolidating leases.

Pro-Growth Investments

We also see several programs with strong track records in which additional investments would generate increased growth and revenues and reduced unemployment. Readjustment benefits, including the Post 9-11 GI Bill, other GI Bill programs, and the Veteran Readiness and Employment (VR&E) program, were estimated at $12.6 billion for FY 2022 and at $15 billion in the most recent advance appropriation.[19] This money primarily funds education benefits; however, it will also pay for housing subsistence allowance and the cost of books, supplies, tuition, and fees. VR&E helps disabled veterans re-enter the workforce through education training programs. Funding these programs at appropriate levels is important in getting veterans high-paying jobs, setting them up for success and driving overall GDP growth. An American who earned a high school diploma but never attended college earned a median of $38,792 while experiencing an unemployment rate of 3.7 percent in 2019-2020.[20] However, someone with a bachelor's degree earned a median of $64,896 with an unemployment rate of only 2.2% during

[18] Committee calculations; see House Committee on Veterans' Affairs Minority Views and Estimates, FY 2023. This calculation avoids double counting the number of FTE added in each of the three phases of staff augmentation and the cumulative number of staff as reported by OIG.
[19] VA FY 2023 Budget Submission: Volume III, page VBA-190.
[20] Average Salary by Education Level: Value of a College Degree (northeastern.edu)

this period.[21] This trend continues with higher levels of education. Throughout one's career, the typical bachelor's degree holder earns $1.19 million, twice the earnings of the typical high school degree holder and $335,000 more than an associate's degree holder. Fully funding readjustment benefits generates higher salaries and wages for veterans, increased tax revenue, and accelerated growth.

Conclusion

We believe future VA funding increases must be supported by commensurate increases in demand for VA benefits and services. We remain concerned that the pace and extent of improvements in services for veterans has not correlated to the frequency and size of VA spending increases, and we believe the historically large investments of taxpayer dollars, particularly of recent years, in veterans' health care and benefits should be better utilized. We propose identifying savings by eliminating waste and duplication within VA, and we prioritize investments in health care and benefits' programs with a proven track record of improving veterans' livelihoods and fostering growth, to ultimately deliver a Department of Veterans Affairs that is worthy of veterans' service to our great nation.

[21] Ibid.

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