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Volume II
 National Cemetery Administration
 Benefit Programs, and Departmental Administration,
 Congressional Submission, FY 2008

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National Cemetery Administration Performance Plan & Funding Summary

Mission

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

Stakeholders

The stakeholders of VA's burial programs are varied and diverse. Our 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 veterans and their families as primary stakeholders is obvious. 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.

State governments, usually operating through their veterans affairs departments, play an increasingly important role in providing service to veterans and their families. By establishing and operating state veterans cemeteries as a complement

to VA national cemeteries, they provide 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 must also be included as stakeholders. Each year, VA furnishes more than 200,000 headstones and markers for veterans' gravesites in private cemeteries.

Veterans' families expect that appropriate military funeral honors will be provided at national cemeteries in recognition of the veteran's service to our Nation. The provision of military funeral honors is part of the mission of DoD, but it requires a close and collaborative partnership between NCA and DoD. DoD and the uniformed forces of each branch of service must be incorporated into any list of NCA stakeholders in recognition of the important role they play in honoring those who have served.

NCA must also consider other groups of interested and concerned citizens, as well as members of the general public as stakeholders. Many of our national cemeteries 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 and individuals interested in history and genealogical research. As national shrines, national cemeteries are also visited by individuals, families, and touring groups 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

The National Cemetery Administration (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;
- State Cemetery Grants: Provide aid to states in establishing, expanding, or improving state veterans cemeteries;
- Headstones and Markers: Furnish headstones and markers for the graves of eligible persons in national, state, and private cemeteries;
- Presidential Memorial Certificates: Provide certificates to families of deceased veterans, recognizing the veteran's contribution and service to the Nation; and
- 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.

Summary of Budget Authority for NCA Programs				
(dollars in thousands)				
	2006 Actual ^{1/}	2007		2008 Estimate ^{2/}
		Budget Estimate	Continuing Resolution	
Operations and Maintenance	\$149,798	\$160,733	\$155,666	\$166,809
Major Construction.....	65,300	53,400	53,400	167,400
Minor Construction	24,381	25,000	25,000	24,400
Grants for Construction of State Veterans Cemeteries.	32,000	32,000	17,777	32,000
Facilities Operation Fund ...	51	65	62	40
National Cemetery Gift Fund.....	396	120	120	120
Compensation and Pensions:				
Headstones & Markers	37,223	42,000	39,900	40,500
Graveliners & OBR Reimbursements	31,182	35,600	57,100	77,400
Total Budget Authority ...	\$340,331	\$348,918	\$349,025	\$508,669

1/ Includes \$2 million from 2006 Emergency Hurricane Supplemental, P.L. 109-148.
2/ The 2008 estimate assumes 2007 enacted funding close to that passed by the House and Senate.

Relationships Among Programs and Appropriations

NCA receives funding from eight appropriation accounts. The Operations and Maintenance appropriation funds the operation of 125 national cemeteries and 33 other cemeterial installations, as well as their maintenance as national shrines. It also funds the costs of administering four related programs: the State Cemetery Grants program, the Headstone and Marker program, the Presidential Memorial Certificate (PMC) program, and the Outer Burial Receptacle program. The costs of producing and mailing PMCs are also funded from this appropriation. Beginning in 2006, the information technology and telecommunications costs of administering NCA programs are being funded from the new VA Information Technology (IT) appropriation instead of the Operations and Maintenance appropriation.

Making burial options available to veterans requires the development of new national cemeteries, the development of additional gravesites at existing national cemeteries, and the establishment and expansion of state veterans cemeteries. These requirements are met through three capital appropriation accounts. New national cemetery construction is funded from the Major Construction appropriation. Gravesite development projects, as well as national cemetery

improvement projects, are 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 State Veterans Cemeteries appropriation, the third capital account, funds the establishment, expansion, and improvement of state veterans cemeteries.

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 towards 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 actual 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. This appropriation is presented in a separate budget chapter.

Summary of Burial Programs Performance Goals

Measure Description (Key measures are in bold)	Results				Target		Strategic Target ²
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence	75.2%	75.3%	77.1%	80.2%	83.8%	84.6%	90.0%
2) Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	94%	94%	94%	94%	97%	98%	100%
3) Percent of graves in national cemeteries marked within 60 days of interment	72%	87%	94%	95%	90%	90%	92%
4) Percent of respondents who rate national cemetery appearance as excellent	97%	98%	98%	97%	99%	99%	100%
5) Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours	73%	73%	73%	74%	80%	82%	93%
6) Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days	N/A	N/A	13%	62%	70%	75%	90%
7) Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete	N/A	98%	99%	99%	99%	99%	99%
8) Percent of headstones and markers that are delivered undamaged and correctly inscribed.	97%	97%	96%	96%	98%	98%	98%
9) Percent of headstone and marker applications from private cemeteries and funeral homes received electronically (Internet)	N/A	N/A	N/A	N/A	N/A	Baseline	75%
10) Percent of respondents who would recommend the national cemetery to veteran families during their time of need	97%	97%	98%	98%	99%	99%	100%
11) Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	N/A	64%	70%	67%	70%	74%	90%
12) Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	N/A	76%	72%	77%	79%	84%	90%
13) Percent of gravesites that have grades that are level and blend with adjacent grade levels	N/A	79%	84%	86%	88%	90%	95%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

² Strategic Targets represent long-range target level of performance.

Program Highlights

Annual veteran deaths will peak at 688,000 in 2006, and then begin to slowly decline. However, with the opening of new national cemeteries, annual interments will increase from 97,000 in 2006 to an estimated peak of 115,000 in 2009 and then begin to decline gradually. Interments in 2012 are expected to be about 111,000, a 14 percent increase from 2006. The total number of graves maintained is also expected to increase during the planning time frame from almost 2.8 million in 2006 to over 3.2 million in 2012.

In 2008, NCA will encompass 125 national cemeteries and 33 other cemeterial installations. As annual interments and total gravesites used increase, cemeteries deplete their inventory of space and are no longer able to accept casketed or cremated remains of first family members for interment. This reduces the burial options available to veterans. At the end of 2008, 65 will contain available, unassigned gravesites for the burial of both casketed and cremated remains; 17 will accept only cremated remains and remains of family members for interment in the same gravesite as a previously deceased family member; and 43 will perform only interments of family members in the same gravesite as a previously deceased family member. New national cemeteries to provide service to veterans in the areas of Sacramento, California, and South Florida will begin interment operations in 2007.

By 2009, six new national cemeteries will open to serve veterans in the areas of Bakersfield, California; Birmingham, Alabama; Columbia/Greenville, South Carolina; Jacksonville, Florida; Southeastern Pennsylvania; and Sarasota, Florida. By the year 2012, four more national cemeteries will exhaust their supply of available, unassigned gravesites. However, overlapping service areas will reduce the potential number of veterans losing reasonable access to a burial option because of national cemetery closings at Alton, Illinois; Danville, Virginia; Roseburg, Oregon; and the National Memorial Cemetery of the Pacific, Hawaii. These closed cemeteries will continue to accept the remains of family members for interment in the same gravesite as a previously deceased family member.

As cemetery service capabilities decrease, veterans served by those cemeteries may lose access to burial options located within a reasonable distance of their homes. In order to ensure that burial options are provided for eligible veterans and their family members, NCA needs to develop additional national cemeteries; expand existing national cemeteries where appropriate; develop more effective use of available burial space; and/or encourage individual states to develop state veterans cemeteries through the State Cemetery Grants Program.

All VA national cemeteries are valuable historic assets of our Nation and important sites for patriotic and commemorative events. NCA needs to continue to emphasize the use of VA's national cemeteries to teach American history to students and communities, with a special emphasis on veterans and their role in the history of our Nation. NCA also needs to continue to focus on hosting ceremonies and memorial services at national cemeteries to honor those who made the supreme sacrifice.

NCA's Memorial Programs Service (MPS) is responsible for administering the Headstone and Marker and the Presidential Memorial Certificate (PMC) programs. MPS receives and processes applications for headstones and markers; 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 administers the PMC program by providing certificates to families of deceased veterans. In 2006, NCA processed more than 336,000 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 about 330,000 in 2012. NCA issued nearly 406,000 Presidential Memorial Certificates in 2006, and expects to issue about 368,000 in the year 2012.

Program Goals, Objectives, and Performance Measures

The Department's Strategic Plan has established three objectives that define outcomes for VA burial programs:

Objective 3.4: Ensure that the burial needs of veterans and eligible family members are met.

Objective 3.5: Provide veterans and their families with timely and accurate symbolic expressions of remembrance.

Objective 4.5: Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

These three objectives, identified in the Department's Strategic Plan, and their associated performance goals are detailed below. This performance plan is centered on the key attributes and characteristics of primary mission-related activities. Performance goals and workload indicators included in the annual performance plan are those that provide a numerical target level or other measurable value.

VA is continually reviewing its internal structure and processes to identify potential improvements and re-engineering automated systems to improve efficiency and effectiveness. VA is committed to supporting its interment, acreage, and grounds maintenance needs through the cost-conscious and environmentally sound use of natural resources.

Department Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Department Strategic Objective 3.4: Ensure that the burial needs of veterans and eligible family members are met.

Performance Goal 1: In 2008, 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 84.6 percent.

Performance Goal 2: In 2008, increase the percent of respondents who rate the quality of service provided by the national cemeteries as excellent to 98 percent.

Performance Goal 3: In 2008, increase the percent of funeral directors who respond that national cemeteries confirm scheduling of the committal service within 2 hours to 82 percent.

Measure Description	Results				Target		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence ²	75.2%	75.3%	77.1%	80.2%	83.8%	84.6%	90.0%
2) Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	94%	94%	94%	94%	97%	98%	100%
3) Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours	73%	73%	73%	74%	80%	82%	93%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

² Actual performance for 2003 - 2005 is based on a revised VetPop2000 model using 2000 census data. For 2006 actual performance and projected targets, the number of veterans served was extracted from the VetPop2004 version 1.0 model using 2000 census data.

Means and Strategies

VA will 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 90 percent. In order to achieve this objective, VA needs to increase access by developing additional national cemeteries; expanding existing national cemeteries to continue to provide service to meet projected demand, including the development of columbaria and the acquisition of additional land; and developing alternative burial options consistent with veterans' expectations. It is

also necessary that state veterans cemeteries be established or expanded to complement VA's system of national cemeteries.

From 2006 through 2009, NCA will establish 10 new national cemeteries. The development of these cemeteries is consistent with current policy to locate national cemeteries in areas with the largest concentration of veterans. Each location will provide a burial option to at least 170,000 veterans not currently served. In 2006, two new national cemeteries began interment operations, providing service to veterans in the areas of Detroit, Michigan, and Atlanta, Georgia. In 2007, two new national cemeteries will begin providing service to veterans in the areas of Sacramento, California, and South Florida. These 4 new cemeteries will provide reasonable access to a burial option for about 1.5 million veterans.

As directed by the National Cemetery Expansion Act of 2003, Public Law 108-109, action is underway to establish six new national cemeteries to serve veterans in the areas of Bakersfield, California; Birmingham, Alabama; Columbia/Greenville, South Carolina; Jacksonville, Florida; Southeastern Pennsylvania; and Sarasota, Florida. These cemeteries are expected to begin burial operations in 2009, and will provide service to about a million veterans.

NCA will expand existing national cemeteries by completing phased development projects in order to make additional gravesites or columbaria available for interments. Phased development is a part of the routine operation of an open national cemetery. It is the practice of NCA to lay out and subdivide a cemetery by sections or areas so that it may be developed sequentially as the need approaches. National cemeteries that will close due to depletion of grave space are identified to determine the feasibility of extending the service period of the cemetery by the acquisition of adjacent or contiguous land, or by the construction of columbaria.

<i>Workload Indicators - Objective 3.4</i>							
	2003	2004	2005	2006	2007	2008	2012
Interments performed:							
Full-casket	56,495	57,480	57,201	57,620	60,100	61,000	64,700
In-ground cremain	23,333	23,817	24,679	26,108	27,900	27,900	27,800
Columbaria niche	9,927	11,736	11,365	13,069	15,200	16,000	18,900
Total interments	89,755	93,033	93,245	96,797	103,200	104,900	111,400
Number of interments performed per WG FTE	284	274	275	276	277	277	278

The number of interments performed includes interments of both veterans and eligible family members. Detail is provided to show type of interment. In 2006, more than 40 percent of all interments in national cemeteries were cremations.

The number of interments performed per Wage Grade FTE is computed by taking the number of interments performed, excluding interments performed by contractors, and dividing by the number of wage grade FTE used to perform the interments.

NCA will continue to obtain feedback from veterans, their families, and other cemetery visitors 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 conduct focus groups to collect data on stakeholder expectations and their perceptions related to the quality of service provided by national cemeteries. The information obtained from surveys and focus groups is analyzed to ensure that NCA addresses those issues most important to its customers. This approach provides data from the customer's perspective, which are critical to developing our objectives and associated measures.

Veterans and their families have indicated that they need to know the interment schedule as soon as possible in order to finalize necessary arrangements. To meet this expectation, NCA strives to schedule committal services at national cemeteries within two hours of the request.

To further enhance access to information and improve service to veterans and their families, VA will continue to install kiosk information centers at national and state veterans cemeteries to assist visitors in finding the exact gravesite locations of decedents. In addition to providing the visitor with a cemetery map for use in locating the gravesite, the kiosk information center provides such general information as the cemetery's burial schedule, cemetery history, burial eligibility, and facts about NCA.

VA gathers statistics annually from kiosk information centers to determine which functional aspects of the kiosks are of most interest to national and state veterans cemetery visitors. This information is then used to enhance the design of the kiosks. This information also assists VA in determining which national or state veterans cemeteries would benefit from a second kiosk and the extent to which the public's need for information outside of normal cemetery operating hours is being met.

To increase awareness of benefits and services provided, VA conducts outreach and education activities for the veteran community and the general public through the use of news releases, articles appearing in veterans service organization publications, public service announcements, and presentations to schools and community organizations.

In addition to building, operating, and maintaining national cemeteries, NCA administers the State Cemetery Grants Program (SCGP). The SCGP provides grants to states of up to 100 percent of the cost of establishing, expanding, or improving state veterans cemeteries, including the acquisition of initial operating equipment. These cemeteries may be located by the states in areas where there are no plans for NCA to operate and maintain a national cemetery. Sixty-three operating state veterans cemeteries have been established, expanded, or improved using the SCGP. In 2007 and 2008, the states are projected to open 10 new veterans cemeteries in Saipan; Glennville, Georgia; Mission, Texas; Abilene, Texas; Fort Knox, Kentucky; Williamstown, Kentucky; Shreveport, Louisiana; Anderson, South Carolina; Des Moines, Iowa; and, Missoula, Montana. It is difficult to project future activity beyond the budget year for this program because requests for grants are generated from individual states, which must enact legislation to commit funding to a project that will serve a clearly defined population and require state funds for operations and maintenance in perpetuity. However, 14 new state veterans cemeteries are in various stages of design or planning, and are expected to begin burial operations in 2009 to 2012. In 2006, state veterans cemeteries provided a burial option to more than 2 million veterans and their families.

VA also provides burial and plot allowances to veterans in certain circumstances to help defray burial costs. These benefits are part of VA's Compensation and Pension Program, which is managed by the Veterans Benefits Administration (VBA). Information on the Compensation and Pension Program, including performance data on burial claims processing, can be found in VBA's Discretionary Compensation, Pensions & Burial budget chapter.

Data Sources

NCA determines the percent of veterans served by existing national and state veterans cemeteries within a reasonable distance of their residence by analyzing census data on the veteran population. For 2003 through 2005, the number of veterans and the number of veterans served were extracted from a revised VetPop2000 model using 2000 census data. For 2006 and the projected targets, the number of veterans and the number of veterans served were extracted from the VetPop2004 version 1.0 model using 2000 census data.

NCA's annual Survey of Satisfaction with National Cemeteries is the source of data for the percent of respondents who rate the quality of service provided by the national cemeteries as excellent and for the percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.

Data Verification

In 1999, the VA's Office of the Inspector General performed an audit assessing the accuracy of the data used to determine the percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence. Data were revalidated in the 2002 report entitled Volume 1: Future Burial Needs, prepared by an independent contractor as required by the Veterans Millennium Health Care and Benefits Act, P.L. 106-117.

VA Headquarters staff oversees the data collection process for data used to measure the percent of respondents who rate the quality of service provided by national cemeteries as excellent and the percent of funeral home directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours. VA Headquarters staff provides an annual report on both measures at the national level that describes the sampling plan and survey methodology. In addition, MSN and cemetery level reports are provided to NCA management.

Goal Validation

One of the primary objectives of VA is to ensure that the burial needs of veterans and eligible family members are met. This budget has been prepared on the assumption that the burial needs of veterans are met for those veterans who have reasonable access to a burial option. 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. VA established a 75-mile service area standard because NCA data show that more than 80 percent of persons interred in national cemeteries resided within 75 miles of the cemetery at the time of death.

NCA strives to provide high-quality, courteous, and responsive service in all of its contacts with veterans, their families and friends, funeral home directors, and all those who visit VA national cemeteries. These contacts include scheduling the committal service, arranging for and conducting interments, and providing information about the cemetery and the location of specific graves. In addition to

measuring the overall quality of service, the timeliness with which committal services are scheduled and the availability of information at national cemeteries are important factors in the level of service provided at VA national cemeteries.

Crosscutting Activities

NCA partners with the states to provide veterans and their eligible family members with burial options through the State Cemetery Grants Program, which provides grants to states for up to 100 percent of the cost of establishing, expanding, or improving state veterans cemeteries, including the acquisition of initial operating equipment. Since 2003, States submit grant payment requests to VA electronically through the Department of Health and Human Services Payment Management System.

NCA works closely with all State Directors of Veterans Affairs and meets regularly with delegations from states and cities to facilitate the partnership to meet the burial needs of veterans. VA has an active outreach program, and, at the request of state officials, NCA meets with governors and legislators and testifies at state hearings.

NCA has established a process to conduct triennial reviews at state veterans cemeteries to ensure that states are operating and maintaining the cemeteries according to NCA standards and measures.

In 2006, NCA sponsored a national conference that included directors of both national and state veterans cemeteries. At this conference, the latest information on best practices in operating federal veterans cemeteries and the National Shrine Commitment, as well as training on NCA's Operational Standards and Measures, was provided. Cemetery directors had the opportunity to share information and build networks that will result in better customer service to veterans and their families. NCA also hosted a week-long training conference for state cemetery directors at NCA's national training center to provide further training on cemetery management practices and plans to hold another conference for state cemetery directors in 2007.

NCA has also developed a planning model to encourage and help individual states in establishing state veterans cemeteries through the State Cemetery Grants Program. This model, which includes an "applicant information kit," a "standard pre-design briefing," and information about costs, size, and style of buildings, and other development guidelines, is available on the VA Web site.

NCA works closely with components of DoD and veterans service organizations to provide military funeral honors at national cemeteries. While NCA does not

provide military funeral honors, national cemeteries facilitate the provision of funeral honors ceremonies and provide logistical support to funeral honors teams.

External Factors

Veterans and their families have indicated that the provision of military funeral honors for the deceased veteran is important to them. Veterans and their families may experience feelings of dissatisfaction when their expectations concerning the committal service, including military funeral honors, are not met. Dissatisfaction with military funeral honors or services provided by the funeral home can adversely affect the public's perceptions regarding the quality of service provided by the national cemetery.

NCA continues to work with funeral homes and veterans service organizations to find new ways to increase awareness of benefits and services. Funeral directors and members of veterans service organizations participate in regularly conducted focus groups to identify not only what information they need but also the best way to ensure that they receive it.

Program Assessment Rating Tool (PART)

PART for the Burial Benefits program is addressed under Objective 4.5.

Major Management Challenges

There are no major management challenges that will affect the achievement of this goal.

Initiatives

In 2005, NCA initiated a joint effort with VBA and VA's Office of Policy and Planning to begin a comprehensive program evaluation of the full array of burial benefits and services that VA provides to veterans and their families. The program evaluation, which is expected to be completed in 2008, will assess, develop, and update program outcomes, goals, and objectives and compare actual program results with established goals.

The National Cemetery Expansion Act of 2003, Public Law 108-109, directed VA to establish six national cemeteries in the areas of Bakersfield, California; Birmingham, Alabama; Columbia/Greenville, South Carolina; Jacksonville, Florida; Southeastern Pennsylvania; and Sarasota, Florida. Major Construction

funds are requested for these new national cemeteries. In addition, funds to begin activation of these new cemeteries are requested in this budget.

Major Construction funding is also requested to expand gravesite areas at Fort Sam Houston National Cemetery. This gravesite expansion will enable the cemetery to remain open to continue to serve the veteran population in the San Antonio, Texas, metropolitan area. Also, Minor Construction funding is requested for several projects to expand gravesite areas at other national cemetery sites.

To meet an increasing interment workload, the 2008 budget request includes \$1,305,000 and 13 FTE. This includes General Schedule FTE for cemetery representatives and Wage Grade FTE for interment operations.

Department Strategic Objective 3.5: Provide veterans and their families with timely and accurate symbolic expressions of remembrance.

Performance Goal 1: In 2008, maintain the percent of graves in national cemeteries marked within 60 days of interment at 90 percent.

Performance Goal 2: In 2008, increase the percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days to 75 percent.

Performance Goal 3: In 2008, maintain the percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete at 99 percent.

Performance Goal 4: In 2008, maintain the percent of headstones and markers that are undamaged and correctly inscribed at 98 percent.

Performance Goal 5: In 2008, baseline the percent of headstone and marker applications from private cemeteries and funeral homes received electronically.

Measure Description	Results				Target		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Percent of graves in national cemeteries marked within 60 days of interment	72%	87%	94%	95%	90%	90%	92%
2) Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days	N/A	N/A	13%	62%	70%	75%	90%
3) Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete	N/A	98%	99%	99%	99%	99%	99%
4) Percent of headstones and markers that are delivered undamaged and correctly inscribed.	97%	97%	96%	96%	98%	98%	98%
5) Percent of headstone and marker applications from private cemeteries and funeral homes received electronically (Internet)	N/A	N/A	N/A	N/A	N/A	Baseline	75%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies

VA furnishes headstones and markers for the graves of eligible persons in national, state, other public, and private cemeteries. VA also furnishes memorial

headstones and markers, bearing the inscription “In Memory of” as their first line, to memorialize eligible veterans whose remains were not recovered or identified, were buried at sea, donated to science, or cremated and scattered. Presidential Memorial Certificates (PMCs), bearing the President’s signature, are issued to recognize the contributions and service of honorably discharged deceased veterans. VA also provides an American flag to drape the casket of an eligible deceased veteran. Far more veterans receive a headstone or marker, a Presidential Memorial Certificate, and/or an American flag from VA than are buried in a national cemetery. Delivery of these benefits is not dependent on interment in a national cemetery.

NCA is reengineering business processes, such as ordering and setting headstones and markers, to improve performance in providing veterans and their families with timely and accurate symbolic expressions of remembrance. NCA’s local inscription program decreases the time it takes to mark a grave after an interment in a national cemetery. Performing inscriptions locally decreases headstone and marker manufacturing and shipping times, which improves the timeliness of marking graves in national cemeteries.

NCA field and central office employees have on-line access to monthly and fiscal-year-to-date tracking reports on 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.

NCA will use, to the maximum extent possible, modern information technology to automate its operational processes. Online ordering using NCA’s Automated Monument Application System (AMAS) and electronic transmission of all headstone and marker orders to contractors increases the efficiency of the headstone and marker ordering process. Also, VA will implement an on-line application to enable private cemeteries and funeral homes to submit requests for headstones and markers through the Internet.

NCA will continue to ensure PMCs are delivered accurately and timely. A PMC conveys to the family of the veteran the gratitude of the Nation for the veteran’s service. To convey this gratitude, it is essential that the certificate be accurately inscribed. The accuracy rate for PMCs provided by NCA is consistently 98 percent or better.

<i>Workload Indicators - Objective 3.5</i>							
	2003	2004	2005	2006	2007	2008	2012
Number of headstone and marker applications processed	335,076	350,690	363,627	336,266	346,700	344,900	330,400
Number of PMCs issued	254,632	435,574	487,809	405,538	386,300	384,300	368,100

The number of applications processed for Government-furnished headstones and markers includes those that have been disapproved and cancelled orders. Processing includes determining eligibility, verifying data accuracy, and resolving any discrepancies with the applicant. Headstones and markers are furnished upon determination of eligibility of the decedent.

Data Sources

Data to measure the percent of graves in national cemeteries marked within 60 days of interment are entered by field personnel using NCA's Burial Operations Support System (BOSS). VA Headquarters staff oversees the data collection process to validate its accuracy and integrity. Monthly and fiscal-year-to-date reports are provided at the national, MSN, and cemetery levels.

Data for three measures, the timeliness of processing headstone and marker applications for the graves of veterans who are not buried in national cemeteries, the percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete, and the percent of headstones and markers that are undamaged and correctly inscribed, are entered by field personnel using AMAS and/or BOSS.

Data Verification

VA Headquarters staff oversees the data collection process to verify data accuracy and integrity for these four measures.

Goal Validation

The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors but also for future generations. In addition, it may bring a sense of closure to the grieving process to see the grave marked. The amount of time it takes to mark the grave after an interment is important to veterans and their family members.

Applications for headstones and markers for the graves of veterans who are not buried in national cemeteries are received, processed, and ordered by NCA. It is

important that NCA process these applications to ensure timely delivery of the headstones and markers.

Headstones and markers must be replaced when either the Government or the contractor makes errors in the inscription, or if the headstone or marker is damaged during delivery or installation. When headstones and markers must be replaced, it further delays the final portion of the interment process, the placing of the headstone or marker at the gravesite. NCA will continue to improve accuracy and operational processes in order to reduce the number of inaccurate or damaged headstones and markers delivered to the gravesite.

Crosscutting Activities

NCA furnishes headstones and markers for national cemeteries administered by the Department of the Army (DA) and the Department of the Interior (DOI). Arlington National Cemetery, which is administered by DA, and Andrew Johnson National Cemetery and Andersonville National Cemetery, which are administered by DOI, order headstones and markers directly through NCA's Burial Operations Support System (BOSS).

NCA furnishes headstones and markers to state veterans cemeteries. State veterans cemeteries are encouraged to place their orders for headstones and markers directly into NCA's BOSS. In 2006, 90 percent of headstones and markers ordered by other federal and state veterans cemeteries were ordered online using NCA's BOSS.

NCA administers the White House program for PMCs. A PMC is an engraved paper certificate, bearing the President's signature, to honor the memory of honorably discharged deceased veterans. Eligible recipients include the deceased veteran's next of kin and loved ones.

External Factors

Headstones and markers are supplied by outside contractors throughout the United States whose performance greatly affects the quality and timeliness of service provided to veterans and their families. The timeliness of delivery of headstones and markers is dependent not only on the performance of the manufacturer, but also on the performance of the contracted shipping agent. Expectations regarding the quality of the materials and engraving and the timeliness of delivery of headstones and markers are clearly stated in contract requirements. Extremes in weather, such as periods of excessive rain or snow, or extended periods of freezing temperatures that impact ground conditions, can also cause delays in the delivery and installation of headstones and markers.

Program Assessment Rating Tool (PART)

PART for the Burial Benefits program is addressed under Objective 4.5.

Major Management Challenges

There are no major management challenges that will affect the achievement of this goal.

Initiatives

NCA continues to obtain the services of a private contractor to manage headstone and marker application mail processing and document imaging functions. Implementation of the document imaging process has led to improvements in document storage and retrieval, enabling NCA to streamline headstone and marker application processing overall.

The Veterans Education and Benefits Expansion Act of 2001, Public Law 107-103, as amended by the Veterans Benefits Improvement Act of 2002, Public Law 107-330, allows VA to furnish an appropriate marker for the graves of eligible veterans buried in private cemeteries, whose deaths occur on or after September 11, 2001, regardless of whether the grave is already marked with a non-government marker. Authority provided under this legislation was originally due to expire on December 31, 2006. In February 2006, VA submitted a report to Congress recommending the extension of the authority. Congress has approved VA's recommendation and has granted authority to VA to continue the provision of this benefit until December 31, 2007. VA also recommended that VA be granted permanent authority to furnish headstones and markers for graves in private cemeteries previously marked with a non-government marker, and that the date of death clause under the authority be changed to November 1, 1990.

The amount of time it takes to mark the grave after an interment is important to veterans and their family members. To improve the processing of headstone and marker applications submitted for the graves of veterans who are not buried in a national cemetery, NCA and the VA Office of Information Technology will develop and implement an Internet-based headstone and marker application. This application will enable private cemeteries and funeral homes to submit requests for a VA headstone or marker electronically via the Internet.

Department Strategic Goal 4: Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.

Department Strategic Objective 4.5: Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation’s history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

Performance Goal 1: In 2008, maintain the percent of respondents who rate national cemetery appearance as excellent at 99 percent.

Performance Goal 2: In 2008, maintain the percent of respondents who would recommend the national cemetery to veteran families during their time of need at 99 percent.

Performance Goal 3: In 2008, increase the percent of headstones and/or markers in national cemeteries that are at the proper height and alignment to 74 percent.

Performance Goal 4: In 2008, increase the percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations to 84 percent.

Performance Goal 5: In 2008, increase the percent of gravesites that have grades that are level and blend with adjacent grade levels to 90 percent.

Measure Description	Results				Target		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Percent of respondents who rate national cemetery appearance as excellent	97%	98%	98%	97%	99%	99%	100%
2) Percent of respondents who would recommend the national cemetery to veteran families during their time of need	97%	97%	98%	98%	99%	99%	100%
3) Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	N/A	64%	70%	67%	70%	74%	90%
4) Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	N/A	76%	72%	77%	79%	84%	90%
5) Percent of gravesites that have grades that are level and blend with adjacent grade levels	N/A	79%	84%	86%	88%	90%	95%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies

NCA will maintain occupied graves and developed acreage in a manner befitting national shrines. 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, as well as surrounding walkways, must be maintained. 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 provides an Outer Burial Receptacle (OBR) or a monetary allowance toward the private purchase of an OBR for all casket burials in open VA national cemeteries. An OBR may help prevent the ground over and around the casket from sinking, help prevent headstones from sinking and tilting, and help ensure the continuation of regular ground surface contours in national cemeteries. An OBR is typically a pre-cast concrete or thermoplastic structure in the form of a box with a removable lid. OBRs include grave liners, burial vaults, pre-placed crypts, and other similar types of containers for caskets.

The number of graves and developed acres that must be maintained in accordance with NCA standards continues to increase.

<i>Workload Indicators - Objective 4.5</i>							
	2003	2004	2005	2006	2007	2008	2012
Occupied graves maintained:							
In-ground casket	2,266,914	2,309,089	2,349,786	2,391,128	2,434,200	2,477,900	2,667,900
In-ground cremain	242,864	257,527	272,543	289,175	306,900	324,200	395,400
Columbaria niches	64,711	74,309	83,725	94,331	106,900	120,000	179,500
Total	2,574,489	2,640,925	2,706,054	2,774,634	2,848,000	2,922,100	3,242,800
Developed acres maintained	6,975	7,156	7,186	7,272	7,536	7,803	8,985

VA has established standards and measures by which the National Cemetery Administration can determine the effectiveness and efficiency of its operations. These standards and measures identify performance expectations in key operational processes including interments, grounds maintenance, and headstones and markers.

NCA has also established an Organizational Assessment and Improvement (OAI) Program to identify and prioritize continuous improvement opportunities, and to enhance program accountability throughout NCA by providing managers and

staff at all levels with one NCA "Scorecard." The scorecard consists of selected NCA operational standards and measures considered most important to the visual impact the cemetery has on veterans and families and cemetery visitors. A framework of regular self assessments and periodic independent site visits serves to identify strong, successful performers, provide information that identifies and prioritizes improvement opportunities and helps to ensure standardization and consistency across NCA. As part of the OAI Program, assessment teams drawn from national cemeteries, MSNs, and NCA Central Office conduct site visits to all national cemeteries on a rotating basis to validate performance reporting through the use of this scorecard format. Each cemetery's scorecard performance is used to measure the cemetery's progress toward achieving national shrine status.

NCA will also continue its participation in a joint venture with VHA, under which national cemeteries provide therapeutic work opportunities to veterans receiving treatment in the Compensated Work Therapy/Veterans Industries program. In return for giving veterans the opportunity to work for pay, regain lost work habits, and learn new work skills, the national cemeteries are provided a supplemental work force that is valuable to maintaining national cemeteries as national shrines.

All national cemeteries are important sites for patriotic and commemorative events. NCA will continue to host ceremonies and memorial services at national cemeteries to honor those who made the supreme sacrifice. To preserve our Nation's history, NCA will continue to conduct educational tours and programs for schools and civic groups. NCA will develop videos and other outreach products that will be used as educational tools at national cemeteries. These outreach products, which will be available for viewing by the general public, will provide a history of the National Cemetery Administration and of VA cemeteries from their inception during the Civil War to the present. An example is the NCA-developed video, "Landscapes of Honor and Sacrifice—the History of National Cemeteries."

In order to ensure a high-performing, well-trained workforce, the National Cemetery Administration Training Center was established. The center provides employees with the training necessary to continue to provide high quality service to veterans and their families and to maintain our national cemeteries as national shrines. Initially focused on training cemetery directors and assistant directors, the new facility will eventually expand its classes to train foremen, equipment operators, grounds keepers, cemetery representatives, and other employees. As new national cemeteries become operational, the center's efforts will ensure consistency in operations throughout the national cemetery system as well as a high-performing workforce and well-trained staff for key positions.

In 2006, NCA enhanced its online Nationwide Gravesite Locator (NGL) to include maps of cemetery burial sections to assist families, friends, and researchers in finding the exact burial location of loved ones. These maps can be accessed from the VA website and conveniently printed from home computers or at national cemetery kiosks. The NGL, originally established in 2004, includes more than three million records of veterans and dependents buried in VA's national cemeteries since the Civil War. It also includes records of some burials in state veterans cemeteries, records of burials in Arlington National Cemetery from 1999 to the present, and data for headstones and markers that are furnished to mark the graves of veterans who are not buried in national cemeteries.

Data Sources

NCA's annual Survey of Satisfaction with National Cemeteries is the source of data for the percent of respondents who rate the appearance of national cemeteries as excellent and for the percent of respondents who would recommend the national cemetery to veteran families during their time of need. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.

Each national cemetery conducts a periodic inspection, based on national standards and definitions, of a statistically valid sample of gravesites to obtain data for the percent of headstones and/or markers in national cemeteries that are at the proper height and alignment; the percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations; and the percent of gravesites that have grades that are level and blend with adjacent grade levels.

Data Verification

VA Headquarters staff oversees the data collection process for NCA's annual Survey of Satisfaction with National Cemeteries and provides an annual report at the national level that describes the sampling plan and survey methodology used to determine the percentage of survey respondents who rate national cemetery appearance as excellent and the percent of respondents who would recommend the national cemetery to veteran families during their time of need. In addition, MSN and cemetery level reports are provided to NCA management.

Data collected to measure the cleanliness, height, and alignment of headstones, markers, and niche covers and to measure the grade levels of gravesites are derived from statistically significant, randomly generated samples of gravesites in national cemeteries. VA Headquarters staff oversees the sampling and data collection process to validate its accuracy and integrity.

Goal Validation

Each national cemetery exists as a national shrine and as such serves as an expression of the appreciation and respect of a grateful Nation for the service and sacrifice of her veterans. Each national shrine provides an enduring memorial to their service, as well as a dignified and respectful setting for their final rest.

National cemeteries also carry expectations of appearance that set them apart from private cemeteries. Our Nation is committed to create and maintain these sites as national shrines, transcending the provision of benefits to an individual. As national shrines, VA's cemeteries serve a purpose that continues long after burials have ceased and visits of families and loved ones have ended.

A national shrine is a place of honor and memory that declares to the visitor or family member who views it that within its majestic setting each and every veteran may find a sense of serenity, historic sacrifice, and nobility of purpose. Each visitor should depart feeling that the grounds, the gravesites, and the environs of the national cemetery are a beautiful and awe-inspiring tribute to those who gave much to preserve our Nation's freedom and way of life.

NCA will continue to maintain the appearance of national cemeteries as national shrines so that bereaved family members are comforted when they come to the cemetery for the interment, or later to visit the grave(s) of their loved one(s). Our Nation's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire country and our allies. National cemeteries are enduring testimonials to that appreciation and should be places to which veterans and their families are drawn for dignified burials and lasting memorials.

The willingness to recommend the national cemetery to veteran families during their time of need is an expression of loyalty toward that national cemetery and a validation of VA's commitment to honor veterans with final resting places in national shrines.

The appearance of headstones, markers, and niche covers is of paramount importance to the appearance of national cemeteries as national shrines. The rows of pristine, white headstones that are set at the proper height and correct alignment provide the vista that is the hallmark of many VA national cemeteries. In-ground gravesites (casket and cremain) require maintenance to correct ground sinkage and to keep the headstones and markers aligned.

Crosscutting Activities

NCA will enhance its partnerships with various civic organizations to promote patriotism and broaden public understanding and appreciation for the contributions of veterans in our Nation's history. New opportunities will be identified to educate the general public on veterans' history and the role of national cemeteries.

NCA will also continue its partnerships with various other federal and civic organizations that provide volunteers and other participants to assist in maintaining the appearance of national cemeteries. For example, an interagency agreement with the Bureau of Prisons provides for the use of selected prisoners to perform work at national cemeteries.

External Factors

Maintaining the grounds, graves, and grave markers of national cemeteries as national shrines is influenced by many different factors. As time goes by, cemeteries experience a variety of environmental changes that may require extensive maintenance. Extremes in weather, such as excessive groundwater, rain, or drought, can result in or exacerbate sunken graves, sunken markers, soiled markers, inferior turf cover, and weathering of columbaria.

Program Assessment Rating Tool (PART)

Program Name	Burial Benefits	Rating	Moderately Effective
Follow-up Action #1			
Adopt more performance measures to address all burial benefits and the national shrine commitment			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
<i>Created performance measures to address national shrine commitment. (Completed)</i>	No	<i>Data for the three new national shrine commitment measures are helping to drive performance improvements. For example, the percentage of headstones and markers in national cemeteries at the proper height and alignment increased from 64% in FY 2004 (baseline) to 70% in 2005.</i>	
<i>Developed measures for headstone and marker applications received electronically and interments scheduled via the Internet for the FY 2008 and FY 2009 budget submissions, respectively. (Completed)</i>	No	<i>Implementation of these two new measures will increase the efficiency of the headstone and marker ordering and committal scheduling processes.</i>	

<i>Program Name</i>	Burial Benefits	<i>Rating</i>	Moderately Effective
Follow-up Action #2			
Strengthen methods to link performance, budget, and accountability.			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
Established the Organizational Assessment and Improvement (OAI) Program for the national cemeteries. <i>(Completed)</i>	No	This program strengthens the link between budget and performance by identifying improvement opportunities for prioritizing resources and providing a scorecard for performance reporting at each of the national cemeteries. It strengthens accountability by assessing cemetery performance against operational standards and measures.	
VA has developed a methodology for estimating the marginal costs of changing performance targets. This will be included in VA's FY 2009 budget submission. <i>(Action Taken, but Not Completed)</i>	Yes	As indicated by the "yes" in the "X-Agency" column, VA's response to this action item will have Department-wide impact. When fully implemented, the marginal cost methodology will provide an accurate estimate of how a large or incremental change in budgetary resources (inputs) affects performance (outputs or outcomes) for each of VA's key measures. As a result, marginal cost information provided during the budget formulation process will give VA leadership an additional tool in their efforts to determine where resources should be directed in order to make the biggest positive and cost-effective impact in program performance.	

Program Name	Burial Benefits	Rating	Moderately Effective
Follow-up Action #3			
Collect and analyze data from two new performance measures to assess processing of burial claims			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
Included data for two new burial claims measures beginning in the 2005 budget. ⁽¹⁾ (Administered by VBA) <i>(Completed)</i>	No	Measuring burial claims data has helped to improve the National Accuracy Rate for burial claims processed from 62% in 2000 to 94% in 2006. This means that service delivery can be monitored for necessary improvements	
Follow-up Action #4			
Use data results from three new performance measures to drive improvements in program operations (National Shrine Commitment)			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
These measures were included as part of VA's 2005 budget submission. Data for these are now regularly collected and reported and are helping to drive performance improvements. <i>(Action Taken, but Not Completed)</i>	No	During 2004, NCA collected baseline data for the three new National Shrine Commitment measures. As a result, the gap between current performance and strategic goals has been identified. Data for these measures are now regularly collected, reported, and monitored by all levels of NCA management.	

⁽¹⁾ The burial claims process is managed by the Veterans Benefits Administration (VBA). The measures cited can be found in VBA's Discretionary Compensation, Pensions & Burial budget chapter. VBA establishes targets for these measures and reports results.

Program Name	Burial Benefits	Rating	Moderately Effective
Follow-up Action #5			
Propose a 4.8 percent increase in discretionary funding			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X- Agency	Response's Impact on Program Performance	
Included the proposal in the President's FY 2005 Budget (Completed)	No	NCA received increased discretionary funding below the proposed level for FY 2005. This funding was used primarily to ensure that the burial needs of veterans were met by increasing the number of available gravesites at national cemeteries and for the maintenance of national cemeteries as national shrines.	

Major Management Challenges

There are no major management challenges that will affect the achievement of this goal.

Initiatives

The budget request includes \$900 thousand to meet 2008 maintenance and workload increases; this workload will be accomplished by contract.

NCA is working with VA's Office of the General Counsel (OGC) and outside patent counsel to obtain patents for NCA "technology." VA has applied for patents for NCA's combined mower/trimmer invention and for the swiveling hearse carrier. NCA is also working with OGC to develop a licensing strategy for the potential transfer of technologies to private sector entities.



*National Cemetery Administration
Operations and Maintenance*

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; and hire of passenger motor vehicles, \$166,809,000, of which not to exceed \$8,340,000 shall be available until September 30, 2009.

Appropriation Highlights				
(dollars in thousands)				
	2006 Actual 1/	2007		2008 Estimate 2/
		Budget Estimate	Continuing Resolution	
Average employment 3/	1,527	1,589	1,573	1,582
Funding:				
Field Activities:				
Cemeterial programs.....	\$116,218	\$126,915	\$123,609	\$133,386
Memorial programs.....	4,837	5,229	4,976	5,157
Operations Support Center ...	5,238	6,307	5,421	3,240
Headquarters:				
Central Office	17,789	15,175	18,299	17,594
Memorial Service Networks	7,127	7,264	7,328	7,589
Total obligations.....	\$151,209	\$160,890	\$159,633	\$166,966
Reimbursements (-).....	-575	-135	-135	-135
Unobligated Balance Transfers (-)	-3,025	0	-1,410	0
Available Balance BOY (-)	-1,839	-207	-2,621	-221
Available Balance EOY	+2,621	+207	+221	+221
Recycling Revenue (-)	-14	-22	-22	-22
Balance Expiring.....	+1,421	0	0	0
Budget authority.....	\$149,798	\$160,733	\$155,666	\$166,809
Transfer, IT Adjustment	+6,849	0	0	0
Appropriation	\$156,647	\$160,733	\$155,666	\$166,809
Outlays	\$148,734	\$156,073	\$152,006	\$161,980
1/ Includes \$200,000 from 2006 Hurricane Supplemental, P.L. 109-148.				
2/ The 2008 estimate assumes 2007 enacted funding close to that passed by the House and Senate.				
3/ The 2008 estimate includes the transfer of information technology positions to the Department's new Office of Information and Technology.				

Program Activities and Administration

The Operations and Maintenance appropriation funds the operation of 125 national cemeteries and 33 other cemeterial installations, as well as their maintenance as national shrines. It also directly funds the costs of administering four related programs: the State Cemetery Grants program, the Headstone and Marker program, the Presidential Memorial Certificate (PMC) program, and Outer Burial Receptacle (OBR) reimbursements. The costs of producing and mailing PMCs are also funded from this appropriation. The grant awards to the states are funded from a separate appropriation. The purchase and transportation costs of the headstones and markers 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

The immediate, day-to-day accomplishment of the Cemeterial, Headstone and Marker, and Presidential Memorial Certificate programs is carried out by field activities. The field activities also provide centralized contracting and finance support. Field activities are functionally and organizationally grouped into cemeterial programs, memorial programs, and the Operations Support Center. Critical Information Technology (IT) and operational support to the field is provided by the VA Office of Information and Technology.

Cemeterial Programs

In 2008, cemeterial activities will encompass 125 national cemeteries and 33 soldiers' lots, plots, and monument sites. These activities can be grouped into two main functional categories:

- Administrative and clerical support functions include the following:
 - Managing cemeterial activities, including operation reviews;
 - Arranging for and conducting interments;
 - Providing advice and assistance to the general public; and

- Processing requests for partial reimbursements for privately purchased Outer Burial Receptacles (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 Programs Service (MPS) has three application processing sites, as well as an Applicant Assistance Unit. MPS is directly responsible for administering the Headstone and Marker and the Presidential Memorial Certificate programs. MPS activities include:

- Receiving and processing applications for headstones and markers;
- Determining eligibility of decedent, type of headstone or marker 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; and
- Administering the Presidential Memorial Certificate Program, by providing certificates to families of deceased veterans, recognizing the veteran's contribution and service to the Nation.

Operations Support Center

The Operations Support Center encompasses the Systems Integration Center and the Business Office. These organizations perform the following functions:

- The Systems Integration 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 Systems Integration Center is provided by the VA Information Technology (IT) appropriation.

- The Business Office consists of the Logistics Management Service and the Finance Division. Currently, the Finance Division provides accounting and finance services to the Logistics Management Service, which in turn provides a portion of the contract negotiation and administration and other procurement support needed by NCA programs, including:
 - The entire headstone and marker program;
 - Important segments of the construction and National Shrine Commitment contracting; and
 - Critical and other select procurements for the national cemeteries.

The greatest portion of contracting and procurement services, as well as direct finance and accounting support, however, are provided to the national cemeteries by the nearest VA medical facility, or in a few cases by a regional office.

In 2008, NCA will continue the implementation of a phased approach to assuming responsibility for all contracting, procurement, and finance and accounting support for all VA national cemeteries. This management

improvement will increase the efficiency and accountability of these services for NCA programs.

Headquarters Activities

Headquarters functions are performed by a central office staff, and by the staffs of the five Memorial Service Networks.

Central Office

Central office provides overall policy guidance, executive direction, and administrative support to the entire National Cemetery Administration. Administration of the State 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 the development and construction of new national cemeteries, and also the development and construction projects for expansion and improvements to currently existing cemeteries;
- Preparing, coordinating, reviewing, and controlling engineering studies and projects;
- Administering the State Cemetery Grants Program, as well as fostering state 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 the budget formulation and execution processes 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 cemeterial 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.

Memorial Service Networks

NCA's field structure is geographically organized into five Memorial Service Networks (MSNs), and the national cemeteries in each MSN are supervised by a MSN Director and the Director's staff. The MSN offices are located in Philadelphia, Pennsylvania; Atlanta, Georgia; Denver, Colorado; Indianapolis, Indiana; and Oakland, California. These MSN 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 \$166,809,000 in budget authority and 1,582 FTE for Operations and Maintenance in 2008.

Workloads continue to grow at existing cemeteries, and funding for 13 FTE, contract maintenance personnel, and operating supplies is essential to maintain existing service levels, which is NCA's highest priority. In addition to these requirements, costs for pay raise and benefits, current staffing, and for general non-payroll inflation will be funded by the 2008 budget request.

Funding of \$3,697,000 and 30 FTE are required to prepare for the activation of interment operations of six new national cemeteries. NCA plans to complete fast-track parcels as part of Phase I construction of new cemeteries in the following areas: Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; Southeastern Pennsylvania; and Sarasota County, Florida. Establishment of these six new national cemeteries is directed by the National Cemetery Expansion Act of 2003, Public Law 108-109.

The 2008 budget estimate reflects a transfer of 34 FTE, and the related personnel funding, to VA's central Information Technology Systems account, which is managed and controlled by the Assistant Secretary for Information Technology (OI&T), VA's Chief Information Officer (CIO). Associated funding for travel and other services will also be affected by this transfer.

<i>Changes from Original 2007 President's Budget Request</i>		
<i>(dollars in thousands)</i>		
	2007	
	Budget Estimate	Continuing Resolution
Average employment	1,589	1,573
Funding:		
Personal services	\$105,712	\$104,808
Travel	3,046	2,693
Transportation of things	1,147	1,147
Rents, communications, and utilities	5,355	5,355
Printing and reproduction.....	655	655
Other services	32,818	32,743
Supplies and materials.....	7,438	7,438
Equipment.....	4,719	4,794
Total obligations	\$160,890	\$159,633
Reimbursements (-)	-135	-135
Recycling Revenue (-)	-22	-22
Unobligated Balance Transfers (-)	0	-1,410
Available Balance BOY (-)	-207	-2,621
Available Balance EOY	+207	+221
Appropriation	\$160,733	\$155,666

Employment levels will be managed to accommodate funds available under the Continuing Resolution. Personal services and associated travel for headquarters and field personnel reflect the revised FTE estimate. The slight increase in equipment will be absorbed by reducing the obligations for other contractual services.

<i>Summary of Employment and Obligations</i>				
(dollars in thousands)				
	2006 Actual	2007		2008 Estimate 1/
		Budget Estimate	Continuing Resolution	
Average employment	1,527	1,589	1,573	1,582
Obligations:				
Personal services	\$99,799	\$105,712	\$104,808	\$107,684
Travel	2,623	3,046	2,693	2,846
Transportation of things ...	1,091	1,147	1,147	1,369
Rent, communications, and utilities	5,563	5,355	5,355	5,956
Printing and reproduction	649	655	655	682
Other services	29,166	32,818	32,743	34,290
Supplies and materials	7,610	7,438	7,438	7,820
Equipment.....	4,708	4,719	4,794	6,319
Total obligations.....	\$151,209	\$160,890	\$159,633	\$166,966
1/ The 2008 estimate assumes 2007 enacted funding close to that passed by the House and Senate.				

<i>2007 Average Salary Methodology</i>	
2006 average salary (260 days)	\$47,887
Annualization of 2006 pay raise (0.775 percent)	+371
2007 pay raise (1.650 percent)	+790
Change in staff composition	-264
2007 average salary (260 days)	\$48,784
Regular benefits percentage.....	28.4%
2007 average salary with benefits.....	\$62,639

The 2007 average salary reflects a net 1.9 percent increase over the \$47,887 average salary for 2006. This includes annualization of the 3.1 percent pay raise in January 2006, the January 2007 pay raise of 2.2 percent, and a change in staff composition.

<i>2008 Average Salary Methodology</i>	
2007 average salary (260 days)	\$48,784
Annualization of 2007 pay raise (0.550 percent).....	+268
2008 pay raise (2.250 percent).....	+1,098
Increase of two days (0.769 percent).....	+375
Change in staff composition.....	-1,272
2008 average salary (262 days)	\$49,253
Regular benefits percentage	29.35%
2008 average salary with benefits	\$63,709

The 2008 average salary reflects a net 1.0 percent increase over the \$47,784 average salary for 2007. This includes annualization of the 2007 pay raise of 2.2 percent, the projected January 2008 pay raise of 3.0 percent, an increase of two paid days, and a change in staff composition. This change reflects the transfer of NCA information and technology personnel to VA's central Office of Information and Technology.

<i>Detail of Budget Estimates</i>			
(dollars in thousands)			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate 1/
Average employment			
Field activities:			
Cemeterial programs.....	1,268	1,293	1,336
Memorial programs.....	53	53	53
Operations Support Center:			
Systems Integration Center	20	20	0
Business Office	28	31	31
Headquarters:			
Central Office.....	112	130	116
Memorial Service Networks.....	46	46	46
Total FTE	1,527	1,573	1,582
Wage grade employment.....	908	919	937
GS employment.....	619	654	645
Personal services	\$99,799	\$104,808	\$107,684
1/ The 2008 estimate includes the transfer of information technology positions to the Department's new Office of Information and Technology.			

The 2008 request for personal services reflects annualization of the 2.2 percent 2007 pay raise, a projected 3.0 percent pay raise in January 2008, associated benefits costs, and funding for additional FTE.

The request includes 13 FTE to address the increase in interment workload at existing cemeteries in 2008.

The budget requests 30 FTE to support six new national cemeteries opening fast-track burial sections in the areas of Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; Southeastern Pennsylvania; and Sarasota County, Florida

<i>Detail of Budget Estimates (cont'd)</i>			
(dollars in thousands)			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Travel:			
Employee travel	\$2,149	\$2,219	\$2,340
GSA vehicle rental	474	474	506
Total	\$2,623	\$2,693	\$2,846

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 in regard to maintenance and construction projects, inspections and other official travel required in administering the State Cemetery Grants Program, and local travel. In 2008, cemeterial activities will encompass 125 national cemeteries throughout the United States.

Costs for travel associated with the staffing of six new national cemeteries that NCA is establishing are included in this request.

<i>Detail of Budget Estimates (cont'd)</i>			
(dollars in thousands)			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Transportation of things.....	\$1,091	\$1,147	\$1,369

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.

A portion of the estimated transportation costs result from PCS moves associated with the staffing of the six new national cemeteries.

<i>Detail of Budget Estimates (cont'd)</i>			
(dollars in thousands)			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Rents, communications, and utilities:			
Equipment rental.....	\$280	\$313	\$340
SLUC.....	1,226	1,218	1,264
Other leased space.....	432	453	475
Utility and other charges.....	3,625	3,371	3,877
Total.....	\$5,563	\$5,355	\$5,956

Rental costs include rental of equipment at national cemeteries; payment of standard level user charges (SLUC) to GSA; and other leases for space occupied by the staffs of Central Office and Memorial Programs Service. Utility costs include electricity, water, and gas, which are required for the operation and maintenance of the national cemeteries. The 2008 request contains funding for utility costs resulting from the planned opening of six new national cemeteries.

<i>Detail of Budget Estimates (cont'd)</i>			
(dollars in thousands)			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Printing and reproduction.....	\$649	\$655	\$682

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.

<i>Detail of Budget Estimates (cont'd)</i>			
(dollars in thousands)			
Other services:			
Maintenance of other equipment	\$308	\$168	\$195
Maintenance and repair projects	17,640	15,813	15,813
Franchise Fund.....	470	501	714
Operational and other services.	10,748	16,261	17,568
Total.....	\$29,166	\$32,743	\$34,290

Maintenance of equipment provides for maintaining and repairing lowering devices, mechanical grave excavators, tractors, backhoes, ditchers, mowers, generators, trucks, passenger vehicles, office machines, and computer equipment.

Maintenance and repair projects involve over 800 buildings and structures, and over 16 thousand acres of land contained within 158 cemeterial installations. These projects include 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; and gravesite renovation projects to maintain VA national cemeteries as national shrines

Purchases from the Franchise Fund are for administrative services such as accounting and security services. In 2008 full implementation of VA's payroll processing by the Defense Finance and Accounting Service will occur.

Operational and other services include contractual services associated with cemetery maintenance and contractual requirements such as mowing and trimming, trash disposal, rodent and pest control, environmental compliance, and training. Operational and other services costs associated with the planned opening of six new national cemeteries are included in this request.

<i>Detail of Budget Estimates (cont'd)</i>			
(dollars in thousands)			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Supplies and materials:			
Office supplies	\$523	\$511	\$739
Fuel and petroleum	1,067	1,043	1,066
Operating supplies	2,747	2,685	2,745
Grounds maintenance supplies	2,772	2,709	2,769
Miscellaneous supplies	501	490	501
Total.....	\$7,610	\$7,438	\$7,820

Fuel and petroleum products are used in motor vehicles and cemetery maintenance equipment. Operating, grounds maintenance, and miscellaneous supplies include fertilizer, grass seed, humus, salt hay, top soil, weed killers, lime, mulches, insecticides, fungicides, rodenticides, paint and brushes, tires, tubes, batteries, cement, sand, shovels, spades, picks, employee uniforms and protective clothing, and office furniture and fixtures.

Included in this request is funding for supplies and materials associated with the opening of new national cemeteries.

Detail of Budget Estimates (cont'd)

(dollars in thousands)

	2006 Actual	2007 Continuing Resolution	2008 Estimate
Equipment:			
Cemetery maintenance and interment equipment	\$4,247	\$4,226	\$5,751
Sedans for cemeterial operations	18	18	18
Office and other equipment.....	443	550	550
Total, equipment	\$4,708	\$4,794	\$6,319
Equipment replacement	\$3,281	\$3,341	\$4,404
Additional equipment	1,427	1,453	1,915
Total, equipment	\$4,708	\$4,794	\$6,319

Cemetery maintenance and interment equipment includes grave excavating and grounds maintenance equipment such as backhoes, casket lowering devices, air compressors, pneumatic hammers, power mowers, trimmers, pickup trucks, dump trucks, stake trucks, and tractors. Office and other equipment include facsimile machines, copiers, and similar equipment.

Included in this request are funds to purchase equipment required to operate the six new national cemeteries, mandated by the National Cemetery Expansion Act of 2003, Public Law 108-109.

The 2008 request includes the purchase of one sedan for use by national cemeteries.

**Location and Status of National Cemetery Gravesites
September 30, 2006**

National Cemetery	FY 2006 Interments	Cumulative Gravesites (Full Casket)		Undeveloped Potential	Cemetery Status ²	Projected Depletion Date	
		Occupied Gravesites	Available ¹			Full Casket Gravesites	Cremation Gravesites
Abraham Lincoln, IL	2,387	12,545	18,030	329,400	Open	2030+	2030+
Alexandria, LA	51	7,779	0	0	Cremation Only	(1995)	2008
Alexandria, VA	8	4,091	0	0	Cremation Only	(1967)	2030+
Alton, IL	3	519	0	0	Cremation Only	(1961)	2012
Annapolis, MD	1	2,945	0	0	Closed	(1961)	(2001)
Balls Bluff, VA	0	25	0	0	Closed	(1889)	(1889)
Baltimore, MD	226	36,620	0	0	Cremation Only	(1970)	2008
Barrancas, FL	1,141	28,740	1,200	23,530	Open	2030+	2030+
Bath, NY	257	12,810	2,690	0	Open	2030+	2030+
Baton Rouge, LA	8	5,117	0	0	Cremation Only	(1960)	2030+
Bay Pines, FL	1,160	21,231	0	0	Cremation Only	(1987)	2020
Beaufort, SC	410	17,142	80	2,350	Open	2018	2018
Beverly, NJ	194	41,499	0	0	Closed	(1966)	(2003)
Biloxi, MS	696	14,525	4,470	0	Open	2015	2015
Black Hills, SD	698	15,734	2,020	7,020	Open	2030+	2030+
Calverton, NY	6,803	169,849	24,620	249,190	Open	2030+	2030+
Camp Butler, IL	571	16,612	5,650	0	Open	2030+	2030+
Camp Nelson, KY	369	11,192	3,470	0	Open	2020	2020
Cave Hill, KY	4	5,863	0	0	Closed	(1939)	(1998)
Chattanooga, TN	999	38,112	5,600	0	Open	2016	2016
City Point, VA	8	5,545	0	0	Closed	(1971)	(1994)
Cold Harbor, VA	1	979	0	0	Closed	(1970)	(1997)
Corinth, MS	51	6,981	6,390	0	Open	2030+	2030+
Crown Hill, IN	0	795	0	0	Closed	(1959)	(1959)
Culpeper, VA	211	8,552	4,820	0	Open	2030+	2030+
Cypress Hills, NY	6	18,587	0	0	Closed	(1954)	(2003)

¹. Excludes reserved, adjacent set aside, and sites suitable for cremated remains.

**Location and Status of National Cemetery Gravesites
September 30, 2006**

National Cemetery	FY 2006 Interments	Cumulative Gravesites (Full Casket)		Undeveloped Potential	Cemetery Status ²	Projected Depletion Date	
		Occupied Gravesites	Available ¹			Full Casket Gravesites	Cremation Gravesites
Dallas/Ft. Worth, TX	3,069	15,021	5,360	297,240	Open	2030+	2030+
Danville, IL	146	9,544	2,780	16,470	Open	2030+	2030+
Danville, KY	0	394	0	0	Closed	(1952)	(1990)
Danville, VA	5	2,166	0	0	Cremation Only	(1970)	2012
Dayton, OH	884	39,875	900	15,260	Open	2030+	2030+
Eagle Point, OR	668	10,963	240	11,640	Open	2030+	2030+
Fayetteville, AR	225	6,264	840	0	Open	2015	2030+
Finn's Point, NJ	45	2,898	0	0	Cremation Only	(1963)	2007
Florence, SC	304	8,356	100	6,460	Open	2030+	2030+
Florida, FL	6,943	72,270	5680	33,130	Open	2030+	2030+
Ft. Bayard, NM	108	3,430	1,600	0	Open	2030+	2030+
Ft. Bliss, TX	1,326	35,101	1,040	4,900	Open	2025	2025
Ft. Custer, MI	1,055	19,214	4,430	140,000	Open	2030+	2030+
Ft. Gibson, OK	558	15,831	1,020	9,000	Open	2030+	2030+
Ft. Harrison, VA	1	1,123	0	0	Closed	(1967)	(2005)
Ft. Leavenworth, KS	147	19,418	0	0	Cremation Only	(1982)	2030+
Ft. Logan, CO	3,491	70,902	2,520	27,550	Open	2027	2027
Ft. Lyon, CO	38	1,897	290	23,180	Open	2030+	2030+
Ft. McPherson, NE	260	6,900	4,350	0	Open	2030+	2030+
Ft. Meade, SD	0	188	0	0	Closed	(1948)	(1948)
Ft. Mitchell, AL	454	5,196	510	129,040	Open	2030+	2030+
Ft. Richardson, AK	195	3,919	1,400	9,250	Open	2030+	2030+
Ft. Rosecrans, CA	2,648	73,589	0	0	Cremation Only	(1966)	2030+
Ft. Sam Houston, TX	3,673	91,299	6,490	78,250	Open	2020	2030+
Ft. Scott, KS	127	4,864	2,910	0	Open	2030+	2030+
Ft. Sill, OK	295	1,197	13,740	106,000	Open	2030+	2030+

**Location and Status of National Cemetery Gravesites
September 30, 2006**

National Cemetery	FY 2006 Interments	Cumulative Gravesites (Full Casket)			Undeveloped Potential	Cemetery Status ²	Projected Depletion Date	
		Occupied Gravesites	Available ¹	Cremation Gravesites			Full Casket Gravesites	Cremation Gravesites
Ft. Smith, AR.....	375	10,931	1,070	0	Open	2012	2015	
Ft. Snelling, MN	4,367	142,880	13,800	47,850	Open	2030+	2030+	
Georgia National, GA	491	448	7,900	218,000	Open	2030+	2030+	
GBH Solomon Saratoga, NY..	909	5,281	640	50,100	Open	2030+	2030+	
Glendale, VA.....	5	1,304	0	0	Closed	(1970)	(2005)	
Golden Gate, CA	602	112,456	0	0	Closed	(1967)	(1998)	
Grafton, WV	1	2,103	0	0	Closed	(1961)	(1961)	
Great Lakes, MI	1,692	1,585	2,420	303,360	Open	2030+	2030+	
Hampton (VAMC), VA	0	22	0	0	Closed	(1899)	(1899)	
Hampton, VA.....	81	25,808	0	0	Closed	(1993)	(2000)	
Hot Springs, SD	0	1,480	0	0	Closed	(1964)	(1964)	
Houston, TX	2,680	53,068	9,400	114,500	Open	2030+	2030+	
Indiantown Gap, PA	1,803	24,138	6,130	258,240	Open	2030+	2030+	
Jefferson Barracks, MO	4,478	129,122	21,750	0	Open	2011	2011	
Jefferson City, MO	3	1,652	0	0	Closed	(1969)	(1996)	
Keokuk, IA	91	3,940	1,560	3,400	Open	2030+	2030+	
Kerrville, TX.....	0	462	0	0	Closed	(1957)	(1957)	
Knoxville, TN	26	8,236	0	0	Cremation Only	(1990)	2030+	
Leavenworth, KS	820	28,737	3,900	0	Open	2015	2015	
Lebanon, KY.....	194	4,397	4,360	2,550	Open	2030+	2030+	
Lexington, KY	0	1,389	0	0	Closed	(1939)	(1988)	
Little Rock, AR.....	98	22,205	0	0	Closed	(2001)	(2001)	
Long Island, NY	1,989	242,969	0	0	Cremation Only	(1978)	2030+	
Los Angeles, CA.....	129	76,042	0	0	Closed	(1976)	(1997)	
Loudon Park, MD	2	6,497	0	0	Closed	(1970)	(1994)	
Marietta, GA.....	27	17,076	0	0	Closed	(1970)	(1997)	
Marion, IN	221	8,102	2,370	4,050	Open	2030+	2030+	

**Location and Status of National Cemetery Gravesites
September 30, 2006**

National Cemetery	FY 2006 Interments	Cumulative Gravesites (Full Casket)		Undeveloped Potential	Cemetery Status ²	Projected Depletion Date	
		Occupied Gravesites	Available ¹			Full Casket Gravesites	Cremation Gravesites
Massachusetts, MA.....	2,319	35,633	6,130	133,000	Open	2030+	2030+
Memphis, TN.....	158	36,317	0	0	Cremation Only	(1992)	2030+
Mill Springs, KY.....	65	2,723	1,300	0	Open	2030+	2030+
Mobile, AL.....	10	3,827	0	0	Closed	(1963)	(2004)
Mound City, IL.....	54	7,667	170	2,190	Open	2030+	2030+
Mountain Home, TN.....	361	11,423	2,830	27,900	Open	2030+	2030+
Nashville, TN.....	186	31,523	0	0	Cremation Only	(1993)	2019
Natchez, MS.....	111	6,549	90	1,580	Open	2030+	2030+
NCOTA, PA.....	565	639	1,660	162,710	Open	2030+	2030+
New Albany, IN.....	67	6,425	0	0	Cremation Only	(1991)	2009
New Bern, NC.....	34	6,734	0	0	Closed	(1992)	(1995)
NMCA, AZ.....	3,009	40,180	6,950	58,580	Open	2030+	2030+
NMCP, HI.....	974	40,589	0	0	Cremation Only	(1991)	2011
Ohio Western Reserve, OH.....	1,695	7,622	9,630	44,070	Open	2030+	2030+
Philadelphia, PA.....	44	11,044	0	0	Closed	(1962)	2006
Port Hudson, LA.....	456	11,041	840	0	Open	2009	2021
Prescott, AZ.....	3	2,966	0	0	Closed	(1974)	(1974)
Puerto Rico, PR.....	1,474	37,186	1,570	6,300	Open	2016	2017
Quantico, VA.....	1,169	19,111	3,740	340,740	Open	2030+	2030+
Quincy, IL.....	0	563	0	0	Closed	(1994)	(2000)
Raleigh, NC.....	28	5,242	0	0	Closed	(1990)	(1998)
Richmond, VA.....	6	7,419	0	0	Closed	(1963)	(2005)
Riverside, CA.....	8,526	144,958	27,110	363,600	Open	2030+	2030+
Rock Island, IL.....	636	20,945	2,160	10,130	Open	2030+	2030+
Roseburg, OR.....	158	3,141	0	0	Cremation Only	(1981)	2011
Salisbury, NC.....	501	20,219	340	4,400	Open	2030+	2030+
San Antonio, TX.....	0	3,010	0	0	Cremation Only	(1961)	2030+

**Location and Status of National Cemetery Gravesites
September 30, 2006**

National Cemetery	Cumulative Gravesites (Full Casket)				Projected Depletion Date	
	FY 2006 Interments	Occupied Gravesites	Available ¹	Undeveloped Potential	Cemetery	Cremation
					Status ²	Gravesites
San Francisco, CA	97	26,465	0	0	Closed	(1962)
San Joaquin Valley, CA	2,094	23,866	6,210	84,400	Open	2030+
Santa Fe, NM	1,583	33,550	7,390	0	Open	2020
Seven Pines, VA	2	1,138	0	0	Closed	(1964)
Sitka, AK	26	964	10	310	Open	2023
Springfield, MO	116	11,423	0	0	Cremation Only	(1995)
Staunton, VA	0	848	0	0	Closed	(1983)
St. Augustine, FL	1	1,232	0	0	Closed	(1949)
Tahoma, WA	2,366	15,587	2,030	57,050	Open	2030+
Togus, ME	0	5,371	0	0	Closed	(1961)
West Virginia, WV	223	2,791	2,490	8,910	Open	2030+
Willamette, OR	3,252	104,855	3,110	9,000	Open	2026
Wilmington, NC	15	5,135	0	0	Closed	(1987)
Winchester, VA	5	5,170	0	0	Closed	(1969)
Wood, WI	177	33,813	0	0	Closed	(1997)
Woodlawn, NY	160	8,025	0	0	Cremation Only	(2003)
Zachary Taylor, KY	59	11,167	0	0	Closed	(1989)
Systemwide Totals.....	96,797	2,774,634	296,230	3,835,740		

1. Excludes reserved, adjacent set aside, and sites suitable for cremated remains.
2. Open cemeteries contain unassigned gravesites for the burial of both casketed and cremated remains. Cremation Only cemeteries will only accept cremated remains and remains of family members for the interment in the same gravesite as a previously deceased family member. Closed cemeteries will only perform interments of family members in the same gravesite as a previously deceased family member.



National Cemetery Administration Construction Program

National Cemetery Construction

Construction projects to build new cemeteries, develop additional gravesites at existing 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. The funding requests and justifications for these two appropriations are found in the Construction Programs volume; however, NCA is providing this summary of its construction program in order to better relate the requested funding to its performance plan.

Objective 3.4 is to ensure that the burial needs of veterans and eligible family members are met. Achievement of this objective is measured by two key performance measures which are impacted by NCA's construction program. The first of these measures is the percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence. The second measure is the percent of respondents who rate the quality of service provided by the national cemeteries as excellent.

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 or state veterans cemetery within a reasonable distance of their residence. Projects to keep existing national cemeteries open by developing additional gravesites and columbaria, or by acquiring additional land, prevent the loss of a burial option for veterans that currently are served by a national cemetery within a reasonable distance of their residence. Construction of committal shelters, public restrooms, and public information centers improves service to veterans and their families.

Objective 4.5 is to ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made. Achievement of this objective is measured by one key performance measure which is impacted by NCA's construction program. That 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.

Major Construction Funding for NCA Programs	
(dollars in thousands)	
Construction	2008 ¹ Estimate
<u>New Cemeteries:</u>	
Bakersfield, CA Area - Phase 1 Development	19,500
Birmingham, AL Area - Phase 1 Development	18,500
Columbia/Greenville, SC Area - Phase 1 Development	19,200
Jacksonville, FL Area - Phase 1 Development	22,400
Southeastern PA Area - Phase 1 Development	29,600
Sarasota, FL Area - Phase 1 Development	27,800
<u>Cemetery Expansion and Improvement:</u>	
Fort Sam Houston, TX - Gravesite Development	29,400
Subtotal, Construction	\$166,400
Advance Planning Fund	\$1,000
Various Locations	
Total, Major Projects	\$167,400
Funding excludes the cost of pre-placed crypts, which are funded by the Compensation and Pensions appropriation.	
^{1/} The 2008 estimate assumes 2007 enacted funding close to that passed by the House and Senate	

Major Construction Projects

This section provides brief summaries of NCA projects requested for funding in 2008. The National Cemetery Expansion Act of 2003 (P.L. 108-109) requires the Secretary, not later than four years after the date of the enactment of the Act, to establish six new national cemeteries in the following locations: Bakersfield, California, area; Birmingham, Alabama, area; Columbia/Greenville, South Carolina, area; Jacksonville, Florida, area; Southeastern Pennsylvania; and Sarasota County, Florida, area. In addition to funding for the six new national cemeteries, funding is also requested for the expansion of Fort Sam Houston National Cemetery and the Advance Planning Fund.

Bakersfield, CA Area - Phase 1 Development

This project will develop approximately 4,800 full casket gravesites including 4,000 pre-placed concrete burial crypts, 500 in-ground gravesites for cremated remains, a 3,000-niche columbarium, and a garden for scattering cremated remains. In addition to the gravesites, the project will include the infrastructure necessary to the cemetery site to support cemetery operations: an administration/public information building with an electronic gravesite locator and public restrooms; a maintenance complex; two committal service shelters; and supporting infrastructure such as roads, utilities, and irrigation. Phase 1 will develop approximately 50 acres and will provide for 10 years of burial capacity.

Birmingham, AL Area - Phase 1 Development

This project will develop approximately 6,000 full casket gravesites including 5,000 pre-placed concrete burial crypts, 400 in-ground gravesites for cremated remains, a 2,700-niche columbarium, and a garden for scattering cremated remains. In addition to the gravesites, the project will include the infrastructure necessary to the cemetery site to support cemetery operations: an administration/public information building with an electronic gravesite locator and public restrooms; a maintenance complex; two committal service shelters; and supporting infrastructure such as roads, utilities, and irrigation. Phase 1 will develop approximately 45 acres and will provide for 10 years of burial capacity.

Columbia/Greenville, SC Area - Phase 1 Development

This project will develop approximately 5,000 full casket gravesites including 4,200 pre-placed concrete burial crypts, 450 in-ground gravesites for cremated remains, a 2,000-niche columbarium, and a garden for scattering cremated remains. In addition to the gravesites, the project will include the infrastructure necessary to the cemetery site to support cemetery operations: an administration/public information building with an electronic gravesite locator and public restrooms; a maintenance complex; two committal service shelters; and supporting infrastructure such as roads, utilities, and irrigation. Phase 1 will develop approximately 50 acres and will provide for 10 years of burial capacity.

Fort Sam Houston, TX - Gravesite Development

This project will develop approximately 19,000 full casket gravesites including 16,000 pre-placed concrete burial crypts, 500 in-ground gravesites for cremated remains, and a 4,000-niche columbarium. In addition to the gravesite expansion, the project will include the following improvements to the cemetery site to

continue to support cemetery operations: new administration building; renovation of the maintenance facility; renovation of the old administration building into public restrooms with an electronic information kiosk; and supporting infrastructure such as roads, utilities, and irrigation. This 40-acre expansion will provide for an additional 10 years of burial capacity.

Jacksonville, FL Area - Phase 1 Development

This project will develop approximately 7,500 full casket gravesites including 6,500 pre-placed concrete burial crypts, 500 in-ground gravesites for cremated remains, a 4,500-niche columbarium, and a garden for scattering cremated remains. In addition to the gravesites, the project will include the infrastructure necessary to the cemetery site to support cemetery operations: an administration/public information building with an electronic gravesite locator and public restrooms; a maintenance complex; two committal service shelters; and supporting infrastructure such as roads, utilities, and irrigation. Phase 1 will develop approximately 50 acres and will provide for 10 years of burial capacity.

Southeastern PA Area - Phase 1 Development

This project will develop approximately 15,500 full casket gravesites including 13,500 pre-placed concrete burial crypts, 800 in-ground gravesites for cremated remains, a 9,500-niche columbarium, and a garden for scattering cremated remains. In addition to the gravesite expansion, the project will include the following improvements to the cemetery site to continue to support cemetery operations: an administration/public information building with an electronic gravesite locator and public restrooms; a maintenance complex; three committal service shelters; and supporting infrastructure such as roads, utilities, and irrigation. Phase 1 will develop approximately 60 acres and will provide for 10 years of burial capacity.

Sarasota, FL Area - Phase 1 Development

This project will develop approximately 18,200 full casket gravesites including 15,200 pre-placed concrete burial crypts, 500 in-ground gravesites for cremated remains, a 7,000-niche columbarium, and a garden for scattering cremated remains. In addition to the gravesite expansion, the project will include the following improvements to the cemetery site to continue to support cemetery operations: a maintenance facility; an electronic information kiosk with public restrooms; two committal service shelters; and supporting infrastructure such as roads, utilities, and irrigation. Phase 1 will develop approximately 60 acres and will provide for 10 years of burial capacity.

Advance Planning Fund

The advance planning fund request includes funds for activities such as master planning for expansion at existing national cemeteries, environmental assessments and facility condition assessments at national cemeteries.

<i>Minor Construction Funding for NCA Programs</i> <i>(dollars in thousands)</i>	
	2008 Estimate
Annual appropriations bill	\$24,400
Total, Minor Projects	\$24,400

Pending Congressional action.

NCA's 2008 minor construction request provides for gravesite expansion and columbaria projects to keep existing national cemeteries open. The minor request will also address infrastructure deficiencies and other requirements necessary to support National Cemetery operations including repair projects identified in the Facility Condition Assessment report of the Millennium Act study on improvements to veteran's cemeteries. Projects for irrigation improvements, renovation and repair of buildings, and roadway repairs and drainage improvements are critical to serving veterans and ensuring that the cemeteries are maintained as national shrines. Projects will also address administrative and management functions that support cemetery operations.



Grants for Construction of State Veterans Cemeteries

Appropriation Language

For grants to aid States in establishing, expanding, or improving State veterans cemeteries as authorized by section 2408 of title 38, United States Code, [\$32,000,000] \$32,000,000, to remain available until expended.

<i>Appropriation Highlights</i> (dollars in thousands)				
	2006 Actual	2007		2008 ¹ Estimate
		Budget Estimate	Continuing Resolution	
Appropriation	\$32,000	\$32,000	\$32,000	\$32,000
Impact of Continuing Resolution P.L. 109-383			-14,226	
Budget authority	\$32,000	\$32,000	\$17,777	\$32,000
Unobligated balances SOY (+)	\$2	\$0	\$14,226	\$0
Unobligated balances EOY (-)	-\$14,226	\$0	\$0	\$0
Obligations	\$17,776	\$32,000	\$32,003	\$32,000
Outlays	\$37,354	\$22,640	\$15,011	\$20,958

1/ The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate

Program Description

Grants are provided to states for the establishment, expansion, or improvement of state veteran cemeteries. The state veterans cemeteries complement the national cemeteries and are a critical part of National Cemetery Administration (NCA) strategy for meeting Objective 3.4 of ensuring that the burial needs of veterans and eligible family members are met. In 2006, 22,434 veterans and eligible family members were buried in state veterans cemeteries that have been assisted by the program.

NCA data show that about 80 percent of persons interred in national cemeteries resided within 75 miles of the cemetery at time of death. Based upon 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 veterans' cemeteries is a means to provide a burial option to those veterans who may not have reasonable access to a national cemetery. States may locate these cemeteries in areas where there are no plans for NCA to operate and maintain a national cemetery.

Summary of Budget Request

The National Cemetery Administration requests \$32,000,000 to fund grants for state veterans cemeteries in 2008. Grants to states play a crucial role in achieving NCA's strategic target of providing 90 percent of veterans with reasonable access to a burial option. States are planning to open 24 new state veterans cemeteries between 2007 and 2012. These new state cemeteries, along with the six new national cemeteries for which construction funds are requested in the Major Construction appropriation, will allow NCA to achieve its strategic target.

Total Obligations by StateFrom program inception in 1980 through 2006
(dollars in thousands)

Arizona	\$8,003
Arkansas	5,892
California	8,822
Colorado	6,007
Connecticut	682
Delaware	11,017
Georgia	5,290
Guam	5,438
Hawaii	14,254
Idaho	8,238
Illinois	231
Indiana	5,662
Kansas	12,749
Kentucky	14,610
Louisiana	5,621
Maine	8,641
Maryland	4,961
Massachusetts	19,020
Minnesota	3,894
Missouri	16,536
Montana	1,806
Nevada	14,249
New Hampshire	4,327
New Jersey	20,066
North Carolina	2,402
North Dakota	3,111
Pennsylvania	23
Rhode Island	3,148
Saipan, CNMI	1,667
South Carolina	5,184
Tennessee	3,905
Texas	16,764
Utah	868
Vermont	852
Virginia	8,048
Wisconsin	8,737
Wyoming	1,781
Total	\$262,506

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***National Cemetery Administration
Facilities Operation Fund***

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.

<i>Fund Highlights</i> (dollars in thousands)				
	2006 Actual	2007		2008 Estimate
		Budget Estimate	Current Estimate	
<i>Obligations</i>	\$0	\$65	\$48	\$53
Unobligated balances:				
Start of year (-)	-18	0	-69	-83
End of year	+69	0	+83	+70
Budget Authority (from collections)	\$51	\$65	\$62	\$40
Outlays.....	\$0	\$61	\$29	\$48

Summary of Budget Request

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

Program Activity

Fund obligations are estimated to be \$53,000 in 2008. The fund became operational in March 2005. The fund is used 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.



National Cemetery 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.

Fund Highlights (dollars in thousands)				
	2006 Actual	2007		2008 Estimate
		Budget Estimate	Current Estimate	
Appropriation (permanent, indefinite).....	\$396	\$120	\$120	\$120
Obligations	75	120	120	120
Outlays	79	120	120	120

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 \$120,000 in 2008. The fund was established and began accepting 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. 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.

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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; pensions benefits to or on behalf of veterans; burial benefits; and adjusted-service credits and certificates, payment of premiums due on commercial life insurance policies, the Reinstated Entitlement Program for Survivors, and for other benefits as authorized by law \$41,236,322,000; of which, not to exceed \$25,033,000 may be reimbursed to "General Operating Expenses" and "Medical Administration" for the administrative expenses authorized by the Omnibus Budget Reconciliation Act of 1990 and the Veterans' Benefits Act of 1992. Provided, That such sums as may be earned on an actual qualifying patient basis, shall be reimbursed to "Medical Services" to augment the funding of individual medical facilities for nursing home care provided to pensioners as authorized. (38 U.S.C. 107, 1312, 1977, and 2106, chapters 11, 13, 15, 18, 23, 51, 53, 55, and 61; 42 U.S.C. 402, chapter 7; 50 U.S.C. App. 540-548

Summary of Appropriation Highlights

(dollars in thousands)

	2006 Actual	2007		2008 Estimate	Increase(+) Decrease(-)
		Budget Estimate	Current Estimate		
Compensation Obligations					
Veterans	\$26,469,578	\$29,422,857	\$30,368,219	\$32,416,448	\$+2,048,229
Survivors	4,363,348	4,662,103	4,506,873	4,666,027	+159,154
Special Benefits for Children	17,573	18,854	18,327	18,648	+321
Clothing Allowance	54,412	57,220	58,280	61,157	+2,877
REPS	4,171	6,771	4,111	3,597	-514
Special Allowance for Dependents	300	256	310	314	+4
Equal Access to Justice Act	5,467	3,646	3,553	3,603	+50
Medical Exam Pilot Program	79,578	84,990	84,990	88,390	+3,400
OBRA Payments	1,996	1,689	2,301	1,722	-579
Total Compensation Obligations:	\$30,996,423	\$34,258,386	\$35,046,964	\$37,259,907	\$+2,212,943
Pensions Obligations					
Veterans	\$2,747,281	\$2,795,711	\$2,814,409	\$2,883,173	\$+68,764
Survivors	777,752	744,517	831,296	889,971	+58,675
Medical Exam Pilot Program	804	1,010	1,010	1,050	+40
OBRA Payment to VBA	9,743	8,247	10,706	7,860	-2,846
OBRA Payment to VHA	11,250	14,576	14,576	15,450	+874
Total Pension Obligations:	\$3,546,831	\$3,564,060	\$3,671,997	\$3,797,505	\$+125,508
Burial Obligations					
Burial Allowance	\$27,205	\$38,772	\$35,274	\$36,572	\$+1,299
Burial Plot	14,998	20,590	20,961	21,482	+521
Service Connected Deaths	22,322	28,609	29,182	30,576	+1,394
Burial Flags	16,451	19,603	18,757	18,879	+122
Headstones/Markers/ Allowances	37,223	41,926	42,000	42,500	+500
Graveliners/OBR	23,150	35,149	53,500	28,900	-24,600
Total Burial Obligations:	\$141,349	\$184,649	\$199,673	\$178,910	\$-20,763
Total C&P Obligations	\$34,684,603	\$38,007,095	\$38,918,634	\$41,236,322	\$+2,317,688
Funding:					
Unobligated balances (SOY)	\$-1,083,090	\$0	\$-296,274	\$0	\$+296,274
Unobligated balances (EOY)	\$296,274	\$0	\$0	\$0	\$0
Adjusted Budget Authority (Net)	\$33,897,787	\$38,007,095	\$38,622,360	\$41,236,322	\$+2,613,962
Appropriation	\$33,897,787	\$38,007,095	\$38,172,360	\$41,236,322	\$+3,063,962
Transfers from RB	\$0	\$0	\$450,000	\$0	\$-450,000
Outlays	\$34,680,630	\$34,978,548	\$35,849,193	\$41,045,688	\$+5,196,496
Distribution of Budget Authority (net):					
Compensation	\$30,216,116	\$34,258,386	\$34,750,690	\$37,259,907	\$+2,509,217
Pension	\$3,540,322	\$3,564,060	\$3,671,997	\$3,797,505	\$+125,508
Burial	\$141,349	\$184,649	\$199,673	\$178,910	\$-20,763
Distribution of Outlays (net):					
Compensation	\$30,992,539	\$31,514,859	\$32,267,575	\$37,079,496	\$+4,811,921
Pension	\$3,546,742	\$3,279,040	\$3,381,945	\$3,787,283	\$+405,338
Burial	\$141,349	\$184,649	\$199,673	\$178,910	\$-20,763

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

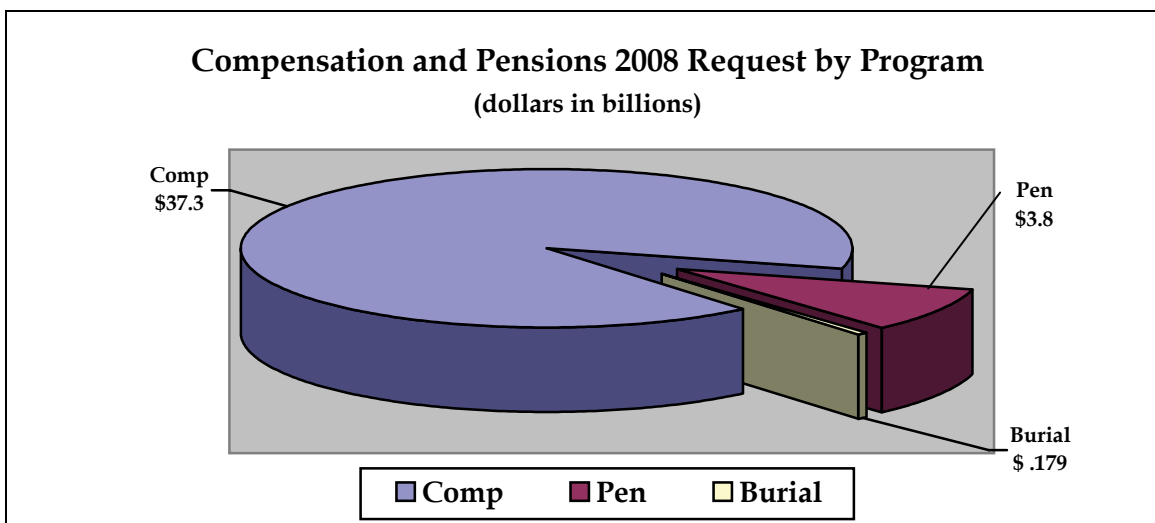
Caseload Summary					
		2007			
	2006 Actual	Budget Estimate	Current Estimate	2008 Estimate	Increase(+) Decrease(-)
Compensation					
Veterans:					
Cases	2,683,380	2,867,013	2,782,296	2,879,329	+97,033
Average Payment	\$9,864	\$10,263	\$10,915	\$11,258	\$+343
Survivors:					
Cases	329,710	348,479	334,432	340,702	+6,270
Average Payment	\$13,234	\$13,378	\$13,476	\$13,695	\$+219
Other Caseload:					
Special Benefits for Children	1,192	1,234	1,203	1,207	+4
Clothing Allowance	84,990	87,053	88,123	91,196	+3,073
REPS	306	298	149	120	-29
Special Allowance for Dependents	75	94	75	75	0
Equal Access to Justice Act	1,079	803	803	803	0
Pensions					
Veterans:					
Cases	332,034	325,305	326,154	320,378	-5,776
Average Payment	\$8,274	\$8,594	\$8,629	\$8,999	\$+370
Survivors:					
Cases	203,346	194,504	197,670	192,656	-5,014
Average Payment	\$3,825	\$3,828	\$4,205	\$4,619	\$+414
Burial Caseload					
Burial Allowance	62,474	82,843	87,050	89,214	+2,164
Burial Plot	50,330	67,430	69,870	71,608	+1,738
Service-Connected Deaths	13,020	14,304	14,591	15,288	+697
Burial Flags	486,117	544,518	518,213	515,579	-2,634
Headstones/Markers/ Allowances	335,172	355,388	354,973	353,169	-1,804
Graveliners/Outer Burial Receptacles	64,603	123,484	160,462	97,643	-62,819

Summary of Budget Request

Budget authority of \$41.2 billion is estimated for 2008 to support the benefit programs funded by the Compensation and Pensions appropriation account. Continued funding is requested for the medical exam pilot program (PL 104-275) and payments for discretionary expenses associated with the Omnibus Budget Reconciliation Act (OBRA). Under current law, OBRA payments allow the VA to perform program integrity matches that help ensure payments are made to eligible beneficiaries. The 2008 request includes the Reinstated Entitlement Program for Survivors (REPS) funding appropriated through the Compensation and Pensions Account.

In 2008, funding for Compensation is estimated at almost \$37.3 billion, for payments to 2,879,329 veterans, 340,702 survivors, and 1,207 children receiving

benefits. The Pensions program will provide benefits to an estimated 320,378 veterans and 192,656 survivors totaling \$3.8 billion. Of the total requested, \$178.9 million is estimated for 2008 to provide burial benefits on behalf of eligible deceased veterans. This funding will provide 89,214 burial allowances, 71,608 burial plot allowances, 15,288 service-connected death awards, 515,579 burial flags, 353,169 headstones or markers, and 97,643 graveliners or reimbursement for privately purchased outer burial receptacles.



Changes From Original 2007 Budget Estimate

Current estimated obligations for 2007 for the Compensation and Pensions program increase \$911.5 million from the original estimate. This increase is primarily the result of an increase in the cost of living adjustment (COLA), and the impact of increased average benefit payments in the Compensation program. The revised estimates for 2007 are based on an analysis of actual compensation and pension cases and average cost observed during 2006. The estimated unobligated balance carried over from 2006 increased to \$296.3 million. To assist with program increases, a transfer of \$450 million from the Readjustment Benefits appropriation is required in 2007.

Compensation

The Compensation program accounts for \$788.6 million of the \$911.5 million increase over the original estimate. Driving the increase is the higher estimated costs associated with increases in average annual payments for both veterans and survivors. The average annual payment for veterans is \$652 higher than previously estimated (\$10,915 vs. \$10,263), resulting in a \$1.8 billion increase in obligations, including the effect of a higher COLA (3.3 percent vs. 3.0 percent). This also includes the increase due to a higher average degree of disability and the associated costs. Survivor average annual benefit payments have increased

\$98 from the original estimate (\$13,476 vs. \$13,378), amounting to a \$32.8 million increase from the previous estimate. These increases are partially offset by decreases in caseload. Veteran cases are projected to be 84,717 lower (2,782,296 vs. 2,867,013) than originally estimated, decreasing costs by \$869.4 million. In addition, survivor caseload decreased by 14,047 (334,432 vs. 348,479), decreasing costs \$187.9 million.

Other Benefit obligations include Special Benefits for Children, Clothing Allowance, Reinstated Entitlement Program for Survivors, Special Allowance for Dependents, Equal Access to Justice Act (EAJA) payments, Contract Medical Examinations, and OBRA payments. The costs for these benefits decreased \$1.5 million, from \$173.4 million to \$171.9 million. This is primarily due to a \$2.7 million decrease in REPS; however, it is partially offset by a \$1.1 million increase in clothing allowance.

Pensions

There is an increase of \$107.9 million in obligations for the Pensions program from the 2007 budget estimate. The increase is due to both rising caseload and average annual payments as a result of the COLA increase. Veteran cases are projected to be 849 higher (326,154 vs. 325,305) than originally expected, increasing costs by \$7.3 million. In addition, survivor caseload increased by 3,166 (197,670 vs. 194,504), increasing costs \$12.1 million. The average annual payment for veterans is \$35 higher than previously estimated (\$8,629 vs. \$8,594), resulting in an \$11.4 million increase in obligations and a net increase in veteran's pension of \$18.7 million. Survivor average annual benefit payments have increased \$377 from the original estimate (\$4,205 vs. \$3,828), amounting to a \$74.6 million increase from the previous estimate and a total increase in survivor's pension of almost \$86.8 million. Other pension obligations include the Medical Exam Pilot Program and OBRA reimbursements to VBA and VHA. The only change to these obligations was in the OBRA payment to VBA, which increased \$2,459 from the original estimate (\$10,706 vs. \$8,247).

Burial

The current 2007 Burial benefits budget estimate of \$199.7 million is \$15.0 million more than the original budget estimate of \$184.6 million. This increase in funding is due to an anticipated increase of 36,978 pre-placed crypts, which raised the obligation amount by \$18.4 million. While the burial allowance caseload has increased by 4,207, the average payment has decreased by \$63, creating a \$3.5 million net decrease in obligations.

Analysis of Increases and Decreases (dollars in thousands)		
	2007 Estimate	2008 Estimate
Prior Year Obligations	\$34,684,603	\$38,918,634
Compensation		
Veterans Caseload and average payment changes (net)	\$+3,105,214	\$+1,623,319
Survivor Caseload and average payment changes (net)	-8,531	+80,291
PL 109-138 COLA 4.1%, effective 12/01/05	+192,732	...
PL 109-361 COLA 3.3%, effective 12/01/06	+752,751	+155,353
Proposed COLA 1.4%, effective 12/01/07	...	+348,421
Other Benefits		
Special Benefits for Children	\$+754	\$+321
Clothing Allowance	+3,868	+2,877
REPS	-60	-514
Special Allowance for Dependents	+10	+4
EAJA	-1,914	+50
Medical Exam Pilot Program	+5,412	+3,400
Payments for OBRA	+305	-579
Total Compensation Net Change	\$+4,050,541	\$+2,212,943
Pensions		
Caseload and average payment changes (net)	\$+4,195	\$+66,253
COLAs	+116,476	+61,187
VBA OBRA Reimbursements	+963	-2,846
VHA OBRA Reimbursements	+3,326	+874
Medical Exams Pilot Program	+206	+40
Total Pensions Net Change	\$+125,166	\$+125,508
Burial	\$+58,324	\$-20,763
Total Net Change	\$+4,234,031	\$+2,317,688
Estimated Obligations	\$38,918,634	\$41,236,322

Analysis of Increases and Decreases

Compensation

In 2008, Compensation obligations are estimated to surpass the 2007 level by \$2.2 billion, from \$35.0 billion to \$37.3 billion. The net effect of projected higher caseloads and changes in average payments for both veterans and survivors will increase costs by over \$1.7 billion over 2007. The significant changes in average payments and caseloads are primarily the result of both increased workload and increased rating-related claims processing expected in 2008. The expected production will result in a significant number of new beneficiaries, as well as,

payment adjustments for re-evaluated claims as a result of worsening disabilities. We also anticipate a significant increase in the average degree of disability, which impacts dependency payments, eligibility for individual unemployability and the amount of retroactive average payments.

The 2007 COLA (3.3 percent) and ten months of the anticipated 2008 COLA (1.4 percent) are expected to add \$503.8 million to the cost of the program in 2008. These public laws provide rate increases to all Disability Compensation beneficiaries, including DIC spouses and children. Rates are matched with the Consumer Price Index and are automatically tied to that afforded to Social Security beneficiaries.

Under the category of Other Benefits, costs are projected to increase by over \$5.6 million from 2007 to 2008. This is primarily due to increases in each of the following program areas: Medical Examinations (\$3.4 million), Clothing Allowance (\$2.9 million), Special Benefits for Children (\$321 thousand), Equal Access to Justice (\$50 thousand) and Special Allowance for Dependents (\$4 thousand). These are partially offset by decreases in other areas such as payments for REPS (\$514 thousand) and payments for OBRA (\$579 thousand).

Pensions

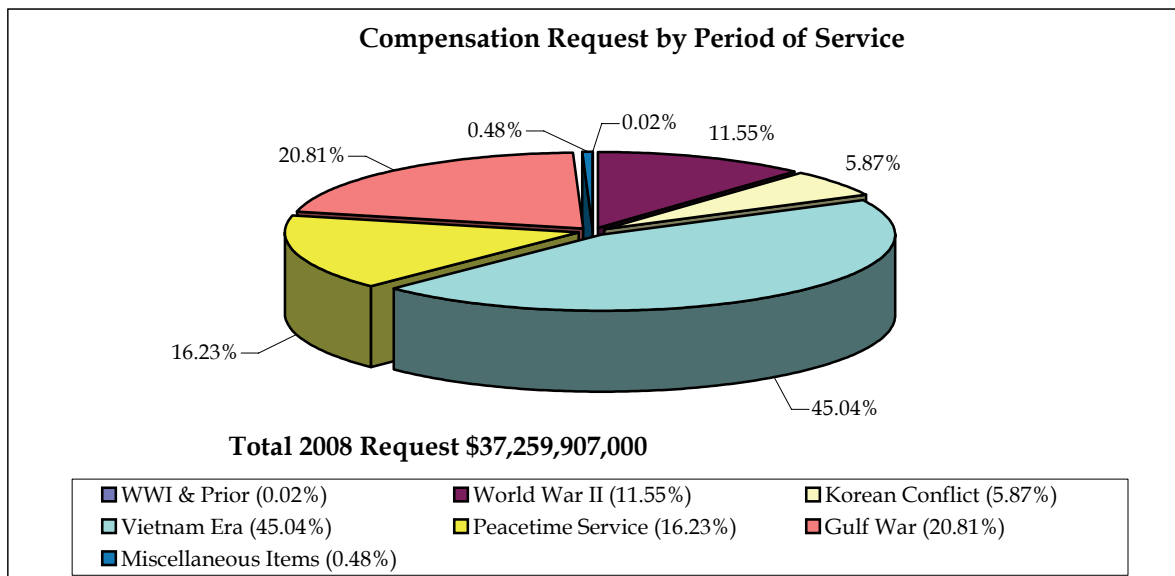
In 2008, Pensions obligations are expected to increase by \$125.5 million from the 2007 level. The 2007 3.3 percent COLA and ten months of the proposed 2008 COLA (1.4 percent) are expected to add \$61.2 million to the cost of the program in 2008. Obligations are also increased by \$66.3 million due to higher average payments. Although caseload estimates continue to decrease (513,034 vs. 523,824), the increase in average payment (\$7,355 vs. \$6,960) causes a greater increase to pension obligations. Caseload declines for veterans by 5,776 cases and for survivors by 5,014 cases, but average payment increases by \$370 for veterans and \$414 for survivors. Additionally, VBA OBRA will decrease program cost by \$2.8 million and VHA OBRA will increase costs by \$874 thousand. Contract Medical Exam costs will increase by \$40 thousand.

Burial

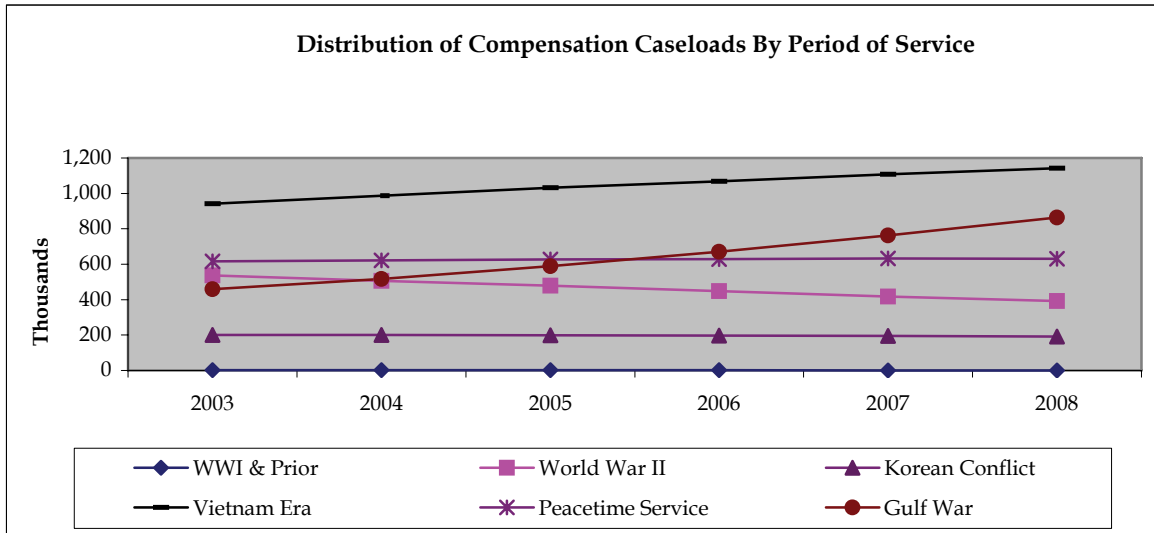
In 2008, Burial benefits obligations are projected to decrease by \$20.8 million. The decrease of \$24.6 million in graveliners and pre-placed crypts is partially offset by the increase in the majority of burial benefits. An increase in headstones and markers and service-connected deaths, due to the projected increase in veterans' deaths, along with fluctuations in the average price, will increase obligations by \$1.9 million. Workload associated with the increase in veterans' deaths and slight changes in average payments for burial allowances will increase the 2008 estimate by \$1.3 million. Obligations for burial plots as well as burial flags will increase burial benefits costs by \$644 thousand, primarily due to an increase in workload.

Compensation Program Highlights

The 2008 request continues historical trends. In 2008, Compensation benefit obligations are expected to total \$37.3 billion and be made to 3,220,031 beneficiaries (2,879,329 veterans and 340,702 survivors). The estimated obligations for 2008 will increase \$2.2 billion over the 2007 level (from \$35.0 billion to almost \$37.3 billion). In 2008, over 89 percent of the estimated cases will receive benefits under the veteran's portion of the Compensation program, which accounts for over 87 percent of the program cost. As shown in the graphic below on "Compensation Request by Period of Service", the Vietnam Era accounts for 45 percent of program obligations. This percentage will increase in the outyears.



In 2008, benefits in the Compensation program are estimated to be dispersed to 2,879,329 veterans, 340,702 survivors, and 1,207 children. The 2008 veteran and survivor caseload estimate is distributed among World War I & Prior (778), World War II (391,454), Korean Conflict (192,274), Vietnam Era (1,142,568), Gulf War (862,975), and Peacetime (629,982). The older periods of service are steadily declining. Recent periods of service (Gulf War and Vietnam Era) are increasing rapidly and this trend is projected to continue through the budget year.

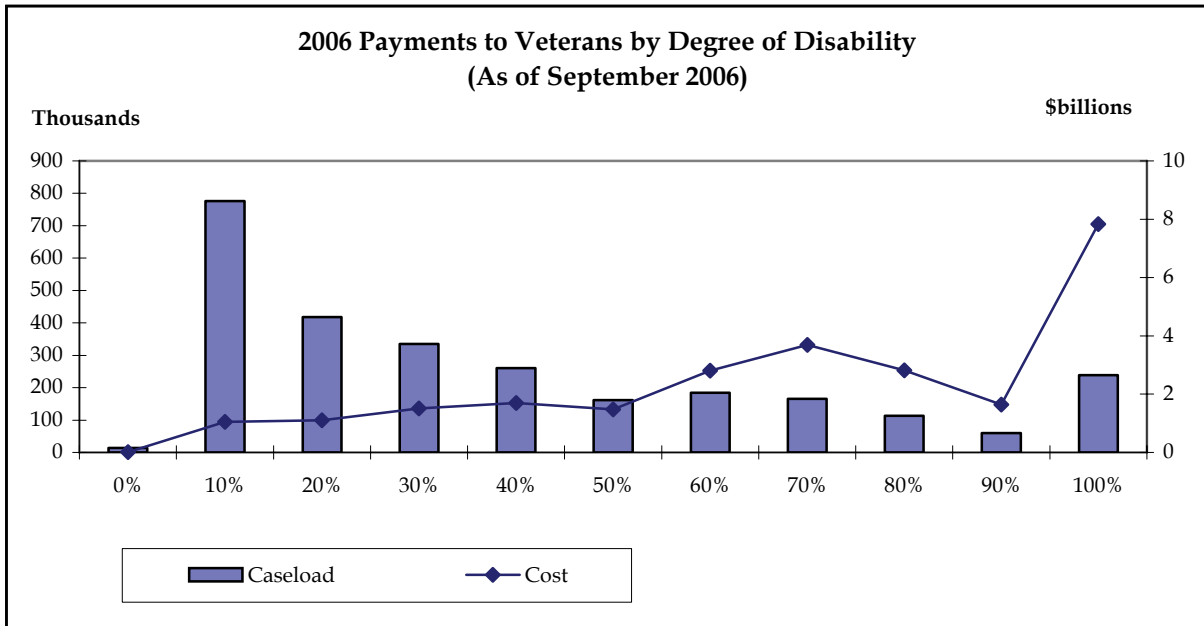


Numerous factors contribute to the total cost of the Compensation program. Some factors that influence cost fluctuations are increasing average degree of disability, additional benefits from enacted legislation or regulations, variations in the number of dependents, increasing number of Individual Unemployability (IU) cases, rising Special Monthly Compensation cases, a number of retroactive payments, and variable numbers of accessions and terminations. Deviations in these factors alter average payments, therefore increasing program obligations.

The average degree of disability is forecasted to increase through 2008 and the outyears. The average degree of disability for veterans increased from 38.3 percent in 2005 to 38.9 percent in 2006. Additional regulations, legislation, and the increasing number of 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.

Veteran Compensation Caseloads by Degree of Disability (As of September 2006)												
Year	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	Avg. Degree
2001	16,767	816,949	373,402	308,145	203,027	122,216	128,613	95,947	58,780	27,825	175,667	33.9%
2002	16,337	803,067	386,622	312,354	214,011	128,173	138,029	106,802	67,391	32,793	186,281	34.9%
2003	15,899	789,374	395,571	317,367	227,288	136,181	151,058	123,606	80,326	40,218	201,751	36.2%
2004	15,287	780,818	401,416	320,365	236,116	142,936	160,640	138,167	91,285	46,686	214,939	37.2%
2005	14,725	773,805	407,589	326,092	246,323	151,569	172,258	152,811	102,699	54,014	228,222	38.3%
2006	14,273	777,875	418,855	334,921	259,892	161,572	184,250	165,124	113,241	60,453	238,279	38.9%

Currently, veterans who are rated 10 percent disabled are the largest group of Compensation recipients. However, they do not account for the majority of program cost. This is a result of lower average monthly payments. In addition, these veterans are not entitled to additional compensation for dependents. Only veterans at or above the 30 percent disability rating may be entitled to additional compensation for dependents, resulting in higher average payments.



The Compensation and Pension Service projections aid in forecasting changes to a veteran beneficiary's degree of disability rating. These claims result when a veteran files an amended claim because their disability worsens and/or new legislation or regulation allows for additional compensation. In 2006, almost 130,000 veterans received an increase to their disability benefits, as shown on the following chart.

Veterans Compensation 2006 Increased Disability Rating Levels

Current	Disability Level Increase										Total
	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	
0%	62	72	42	48	16	21	7	1	0	33	302
10%	-	8,899	5,641	4,205	1,658	2,029	913	430	152	1,489	25,416
20%	-	-	6,310	6,622	2,227	2,136	1,057	763	272	1,436	20,823
30%	-	-	-	6,823	4,702	2,819	2,101	831	276	1,900	19,452
40%	-	-	-	-	5,545	6,287	2,937	1,721	558	1,819	18,867
50%	-	-	-	-	-	4,883	4,214	1,670	617	1,907	13,291
60%	-	-	-	-	-	-	5,902	3,841	1,256	2,487	13,486
70%	-	-	-	-	-	-	-	4,855	1,793	2,820	9,468
80%	-	-	-	-	-	-	-	-	3,459	2,371	5,830
90%	-	-	-	-	-	-	-	-	-	2,655	2,655
Total	62	8,971	11,993	17,698	14,148	18,175	17,131	14,112	8,383	18,917	129,590

As of September 2006, 870,521 out of 2.7 million veteran cases received additional compensation for dependents, with an average of 1.01 dependents per case. As the average age of veterans from the older war periods increases, the number of dependents decreases. During 2006, Gulf War veterans accounted for the largest number of dependents per case.

Veterans Compensation Average Dependents per case

	2000	2001	2002	2003	2004	2005	2006
World War I	1.70	1.62	1.00	1.33	0.63	0.63	0.62
World War II	1.02	1.02	1.02	1.02	0.63	0.63	0.62
Korean Conflict	1.05	1.05	1.04	1.04	0.69	0.69	0.69
Vietnam Era	1.45	1.40	1.35	1.31	0.86	0.83	0.80
Gulf War	2.21	2.24	2.19	2.19	1.66	1.63	1.59
Peacetime Service	1.81	1.79	1.78	1.75	1.13	1.09	1.04

In addition to monetary benefits for dependents, veterans who are rated 60 percent and above are eligible for Individual Unemployability. The IU program is administered to veterans who are unable to maintain employment due to a service-connected disability. As a result, veterans receiving IU payments receive compensation at the 100 percent disability rating regardless of their compensable rating. Increases in the IU benefit affect the average payment, resulting in increased program costs. In 2006, there were 228,635 veterans receiving IU, an increase of 7,543 cases over 2005.

Veterans Compensation Individual Unemployability							
	2000	2001	2002	2003	2004	2005	2006
Without Dependents	28,096	32,304	38,920	47,960	55,492	62,035	64,497
With Dependents	84,328	92,535	106,937	127,575	144,826	159,057	164,138
Total	112,424	124,839	145,857	175,535	200,318	221,092	228,635

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. The increasing number of Special Monthly Compensation payments partially contributes to an increasing trend in average payments.

Veterans Compensation Special Monthly Compensation							
	2000	2001	2002	2003	2004	2005	2006
Without Dependents	62,301	63,396	68,999	76,543	82,431	89,552	96,345
With Dependents	81,966	83,803	94,274	110,851	125,206	141,161	154,555
Total	144,267	147,199	163,273	187,394	207,637	230,713	250,900

The majority of retroactive payments are one-time payments dispersed as original or amended claims are granted. These payments typically are paid back to the date of claim unless legislation allows for payment to begin at the date of enactment. During 2006, retroactive payments were 6.5 percent of total disability compensation obligations. The retroactive awards have returned to a more consistent rate since the increases in the percentage of retroactive awards in 2002 and 2003. The higher rates mainly reflected the full implementation of the Claims Processing Initiative and the Tiger Team's emphasis on reducing claims pending longer than one year.

Compensation Retroactive Payments (Dollars in millions)							
	2000	2001	2002	2003	2004	2005	2006
Retro Payments	\$1,536	\$1,537	\$2,498	\$2,613	\$2,302	\$2,184	\$2,002
Compensation Payments	\$19,010	\$20,180	\$22,341	\$24,686	\$26,330	\$28,643	\$30,833
Percent of Retro to Total	8.1%	7.6%	11.2%	10.6%	8.7%	7.6%	6.5%

During 2002, the Claims Processing Initiative was fully implemented. This initiative increased emphasis on claims processing, benefits delivery at discharge locations at military installations, and implementation of the “Tiger Team,” which led to increased accessions.

The Compensation program model considers the effects of accessions (new claims per year) and terminations (removal from rolls due to factors such as death, etc.). The net effect (accessions minus terminations) has been increasing, contributing to a rapid increase in the disability compensation rolls.

Accessions are derived from the Compensation and Pensions Service’s workload projections. These projections consider recently enacted legislation, regulation changes, and the “normal” applications of veterans. Estimates of veteran accessions are distributed among the disability ratings using historical trends.

Veterans Compensation Accession Trends							
	2000	2001	2002	2003	2004	2005	2006
0%	344	345	408	584	412	467	495
10%	27,704	27,209	30,635	42,313	41,102	44,960	50,850
20%	15,216	19,725	30,038	33,691	28,569	30,465	32,752
30%	13,588	14,459	16,711	22,494	20,543	23,486	24,775
40%	8,315	10,236	13,292	18,018	16,286	18,774	20,324
50%	6,016	7,002	8,349	11,514	10,852	12,617	12,889
60%	4,368	5,452	6,908	10,096	9,251	11,104	11,949
70%	3,817	4,263	5,625	8,424	7,783	8,737	8,478
80%	1,251	1,906	2,764	4,248	3,797	4,665	4,864
90%	509	727	1,260	1,964	1,788	2,138	2,162
100%	3,913	4,808	6,934	9,602	9,338	9,309	8,829
Total	85,041	96,132	122,924	162,948	149,721	166,722	178,368
Avg. Degree	31.6%	33.1%	34.1%	35.2%	35.3%	38.5%	34.8%

Based on an analysis of veteran trends, there is a relationship between veterans terminating from the compensation rolls and survivors accessing 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.

For surviving spouses of veterans who were not rated totally disabled to become eligible, they must meet at least one of three requirements: (1) the veteran died from a disease or injury incurred or aggravated while on active duty; (2) the veteran's injury was incurred or aggravated in the line of duty while on inactive duty training; or (3) the veteran had 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.

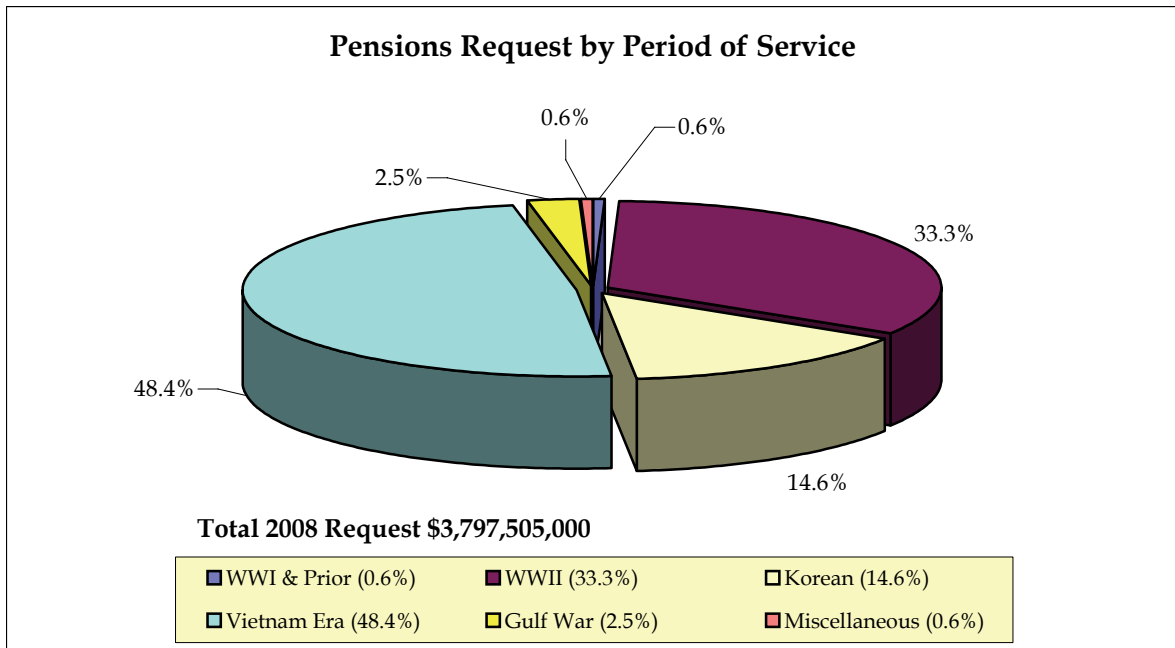
Survivor Compensation							
Accession Trends							
	2000	2001	2002	2003	2004	2005	2006
Total	16,537	14,383	13,366	17,421	18,211	18,551	17,876

Veteran termination data has demonstrated that survivors typically access the compensation rolls within three years. In 2006, 11,629 cases accessed the DIC rolls within the first three years after the veteran terminated. As shown in the chart below, the net delta for 2005 and 2006 was impacted because of increased accessions. This impact has been considered in future projections.

Compensation							
Net Effect (Accession Minus Terminations)							
	2000	2001	2002	2003	2004	2005	2006
Veterans	11,878	24,277	64,381	86,591	70,082	81,405	99,014
Survivors	4,108	1,735	3,024	5,224	5,052	5,568	3,344
Total	15,986	26,012	67,405	91,815	75,134	86,973	102,358

Pensions Program Highlights

In 2008, Pensions benefit obligations are expected to total almost \$3.8 billion and be made to 513,034 pensions beneficiaries. The 2008 request continues the historical trends of decreasing caseload and increasing obligations. Over 90 percent of the estimated cases will receive benefits under the Improved Law program, accounting for over 98 percent of the program's cost. As shown in the "Pensions Request by Period of Service" chart, the Vietnam Era accounts for 48.4 percent of program obligations. This percentage will continue to increase as Vietnam Era veterans become 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 access the Improved Pensions rolls (PL 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 caseloads in these programs are from earlier periods of service and will continue to decline.

Pensions Summary by Law

	2006			2007			2008		
	Average Cases	Average Benefit (\$'s)	Total Obligations (000's)	Average Cases	Average Benefit (\$'s)	Total Obligations (000's)	Average Cases	Average Benefit (\$'s)	Total Obligations (000's)
Total									
Improved Law	484,425	\$7,152	\$3,464,800	474,194	\$7,554	\$3,582,065	464,592	\$7,976	\$3,705,800
Prior Law	50,453	\$1,183	\$59,694	49,139	\$1,284	\$63,070	47,962	\$1,392	\$66,740
Old Law	504	\$1,069	\$539	491	\$1,161	\$570	479	\$1,260	\$604
Veterans									
Improved Law	322,620	\$8,464	\$2,730,622	316,905	\$8,827	\$2,797,343	311,293	\$9,206	\$2,865,690
Prior Law	9,293	\$1,778	\$16,527	9,129	\$1,855	\$16,931	8,967	\$1,934	\$17,344
Old Law	123	\$1,073	\$132	121	\$1,119	\$135	119	\$1,167	\$138
Survivors									
Improved Law	161,806	\$4,537	\$734,178	157,289	\$4,989	\$784,721	153,299	\$5,480	\$840,110
Prior Law	41,159	\$1,049	\$43,167	40,010	\$1,153	\$46,139	38,996	\$1,267	\$49,396
Old Law	381	\$1,068	\$407	370	\$1,175	\$435	361	\$1,290	\$466

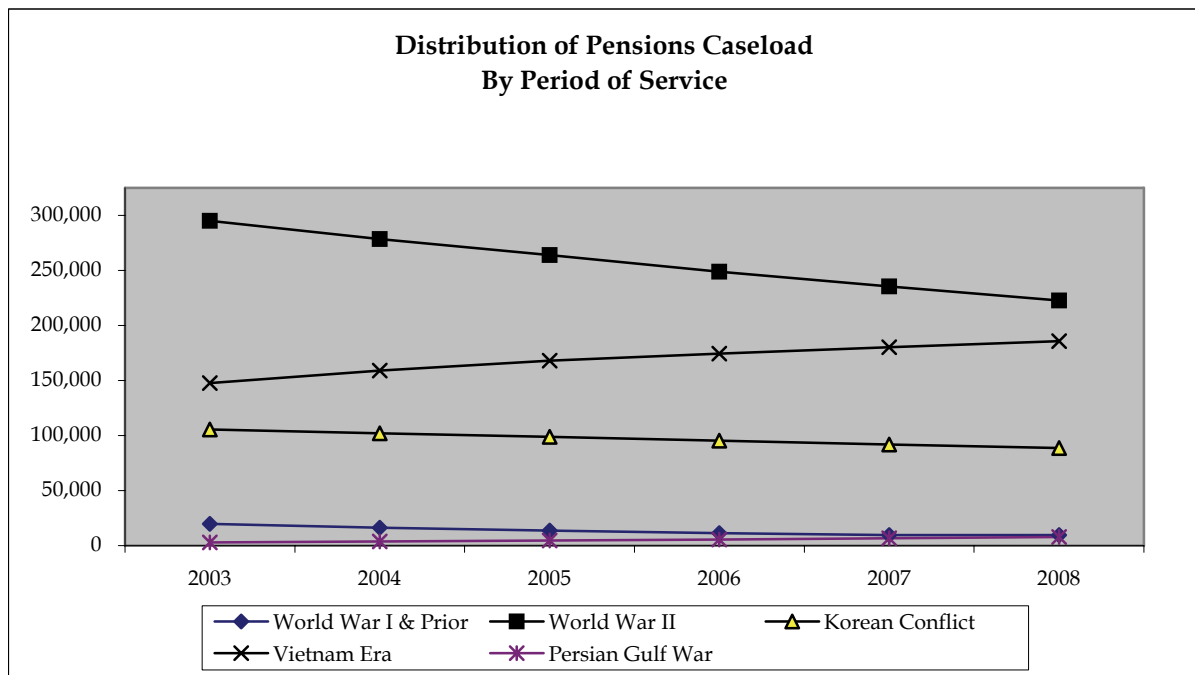
A major factor of the cost of the Pensions program is the impact of the automatic cost-of-living adjustment. The COLA for Improved Law beneficiaries, which is automatically tied to that afforded to Social Security beneficiaries, is estimated to increase 2008 rates and income limitations by 1.4 percent. Rate increases afforded by COLAs are responsible for most of the average cost increases. 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.

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

If veterans are entitled to Improved Law Pensions based on service during the Mexican Border Period or World War I, \$2,480 is added to their income limit. Veterans and surviving spouses with entitlement to housebound or aid and attendance benefits have higher income limits due to the severity of their disabilities.

Pensions PL 95-588 Income Limitations (As of December 2006 based on C&P rate tables)			
Veterans		Survivors	
Without dependents	\$10,929	Spouses without dependents	\$7,329
With one dependent	\$14,313	Spouses with one dependent	\$9,594
Each additional dependent	\$1,866	Each additional dependent	\$1,866

Total Pensions caseloads for both veterans and survivors are expected to continue to decline through 2008. The 2008 veteran and survivor caseload estimate is distributed among World War I & Prior (7,970), World War II (222,605), Korean Conflict (88,747), Vietnam Era (185,823), and Gulf War (7,889). Caseloads for the earlier periods of service are declining, however the most recent eras are expected to continue to increase. 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 achieved the level of other periods of service. World War II veterans and their survivors are the largest group of pension recipients but do not account for the majority of program cost. This is a result of lower average payments since there are still veterans and survivors receiving benefits under the "Old Law" program. In addition, the Pensions program currently assists 249 survivors of veterans from the Spanish-American War and the Civil War.



A significant factor in forecasting obligations is the age distribution of both veterans and survivors. As of September 30, 2006, the average age of veterans was 69. The age of survivors of these veterans was higher at 72. Although the average age of veterans has historically been increasing, VA has also experienced a slight growth in the number of Vietnam Era and Gulf War claims. These trends are expected to continue during the budget year, as well as in the outyear projections. During 2006, Gulf War and Vietnam Era veteran caseloads increased (net) by 837 and 5,745, respectively. VA estimates that the increasing average age will eventually slow down due to the increasing number of veterans from recent periods of service accessing the rolls.

<p style="text-align: center;">Pensions Age of Pensions Recipients (As of September 30, 2006 from COIN CP 103)</p>								
Age	Veteran PL 95-588	Veterans PL 86-211	Veterans Old Law	Total Veterans	Survivors PL 95-588	Survivors PL 86-211	Survivors Old Law	Total Survivors
Under 25	44	-	-	44	22	-	-	22
25 - 35	1,277	-	-	1,277	207	-	-	207
36 - 45	3,410	-	-	3,410	1,688	6	-	1,694
46 - 55	54,776	111	-	54,887	12,726	132	-	12,858
56 -65	96,403	576	-	96,979	21,845	571	-	22,416
66 - 75	44,558	1,526	11	46,095	28,530	2,589	2	31,121
Over 75	120,677	6,388	99	127,164	91,445	26,091	220	117,756
Total	321,145	8,601	110	329,856	156,463	29,389	222	186,074

The Pensions program forecasting model considers the effects of accessions (new claims 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 increase or decrease. During 2003, the Pensions Maintenance Centers became fully operational, resulting in increased accessions. The net delta for 2003 was impacted because of the increased accessions. This impact has been considered in future projections, as well as the most recent trend in terminations.

<p style="text-align: center;">Pensions Accessions and Terminations (Data obtained from DMDC)</p>							
	2000	2001	2002	2003	2004	2005	2006
Accessions	36,785	37,976	37,124	47,489	44,956	42,208	40,213
Terminations	52,863	48,798	38,913	47,515	48,589	49,300	46,146
Net Delta	-16,078	-10,822	-1,789	-26	-3,633	-7,092	-5,933

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 because it affects the amount of average payment. For each program category, pensioners with dependents receive additional benefits.

Pensions Program Trends

(As of September 30, 2006)

“Old Law” Pensions Cases

“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					Surviving Spouses				
Year	Number	%	Veterans Alone	Veterans W/ Dependents	Number	%	Spouses Alone	Spouses W/ Dependents	Children Alone
2001	260	<0.1	150	110	839	0.4	821	18	245
2002	231	<0.1	134	97	633	0.3	620	13	208
2003	191	<0.1	113	78	482	0.2	471	11	182
2004	160	<0.1	94	66	362	0.2	351	11	158
2005	136	<0.1	81	55	287	0.2	277	10	140
2006	110	<0.1	69	41	222	0.1	214	8	123

“Prior Law” Pensions Cases

“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					Surviving Spouses				
Year	Number	%	Veterans Alone	Veterans W/ Dependents	Number	%	Spouses Alone	Spouses W/ Dependents	Children Alone
2001	19,925	5.7	8,566	11,359	56,348	25.1	53,979	2,369	11,958
2002	16,856	4.9	7,405	9,451	49,342	23.1	47,171	2,176	11,542
2003	14,288	4.1	6,449	7,839	43,903	21.2	41,933	1,970	11,173
2004	11,976	3.5	5,458	6,518	38,305	19.2	36,485	1,820	10,719
2005	10,100	3.0	4,682	5,418	33,496	17.5	31,855	1,641	10,317
2006	8,601	2.6	4,024	4,577	29,389	15.8	27,886	1,503	9,952

“Improved Law” Pensions Cases

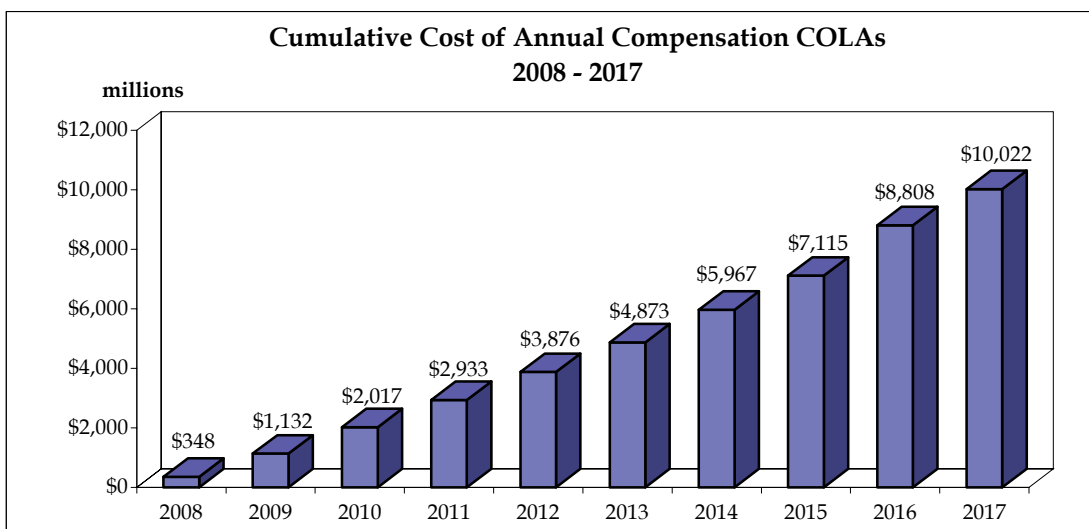
“Improved Law” refers to the pensions program in existence since January 1, 1979. Payments for the Improved Law program beneficiaries are computed by reducing dollar-for-dollar, the benefit levels specified under Public Law 95-588 by the income of the beneficiary.

Veterans					Surviving Spouses				
Year	Number	%	Veteran Alone	Veterans W/ Dependents	Number	%	Spouse Alone	Spouse W/ Children	Children Alone
2001	327,867	94.2	228,537	99,330	167,008	74.5	163,084	3,924	5,716
2002	329,492	95.1	231,954	97,538	163,579	76.6	159,936	3,643	5,572
2003	332,077	95.8	236,446	95,631	162,878	78.6	159,361	3,517	5,520
2004	330,767	96.4	237,833	92,934	160,948	80.6	157,660	3,288	5,340
2005	325,551	97.0	237,026	88,525	157,758	82.4	154,806	2,952	5,140
2006	321,145	97.4	236,815	84,330	156,463	84.1	153,832	2,631	5,007

Proposed Legislation for 2008 Budget

Cost of Living Adjustment

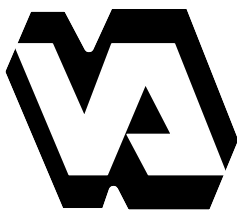
Legislation will be proposed to provide a 1.4 percent rate increase to all Compensation beneficiaries, including DIC spouses and children as well as REPS spouses, effective December 1, 2007. A 1.4 percent increase is the expected increase in the Consumer Price Index and it is the same increase estimated for Social Security benefits. The cost of this increase in 2008 is estimated to be \$348.4 million in the first year.



Compensation and Pensions
Summary of Obligations
(obligations in thousands)

	2006			2007			2008		
	Average Cases	Average Benefit	Total Obligations	Average Cases	Average Benefit	Total Obligations	Average Cases	Average Benefit	Total Obligations
Compensation Total ^{1/}	3,013,090		\$30,832,926	3,116,728		\$34,875,092	3,220,031		\$37,082,475
Veterans Total	2,683,380	\$9,864	\$26,469,578	2,782,296	\$10,915	\$30,368,219	2,879,329	\$11,258	\$32,416,448
Mexican Border Period	2	\$7,905	\$16	2	\$7,905	\$16	2	\$7,905	\$16
World War I	3	17,712	50	3	17,712	50	3	17,712	50
World War II	340,777	9,095	3,099,284	313,701	10,619	3,331,158	288,777	10,258	2,962,173
Korean Conflict	160,519	9,900	1,589,108	158,233	10,238	1,619,962	155,980	10,587	1,651,415
Vietnam Era	932,640	13,137	12,252,136	965,476	14,219	13,728,213	993,494	14,843	14,746,189
Peacetime Service	593,628	8,071	4,791,416	597,772	9,134	5,460,194	595,988	9,361	5,578,974
Gulf War	655,812	7,224	4,737,567	747,109	8,337	6,228,626	845,085	8,848	7,477,632
Survivors Total	329,710	\$13,234	\$4,363,348	334,432	\$13,476	\$4,506,873	340,702	\$13,695	\$4,666,027
Spanish-American War	10	\$13,416	\$132	10	\$13,416	\$132	10	\$13,416	\$132
Mexican Border Period	2	13,777	26	2	13,203	26	2	13,203	26
World War I	1,032	11,475	11,837	886	11,450	10,144	761	11,425	8,693
World War II	106,640	13,060	1,392,663	104,386	13,100	1,367,441	102,677	13,075	1,342,530
Korean Conflict	36,524	13,719	501,090	36,409	14,213	517,495	36,294	14,725	534,436
Vietnam Era	135,798	13,227	1,796,203	142,054	13,453	1,911,068	149,073	13,649	2,034,668
Peacetime Service	35,440	12,960	459,301	34,710	13,379	464,388	33,995	13,812	469,532
Gulf War	14,264	14,168	202,097	15,975	14,785	236,180	17,890	15,428	276,011
Other Total			\$163,497			\$171,872			\$177,431
Spec. Ben. For Children	1,192	\$15,136	\$17,573	1,203	\$15,638	\$18,327	1,207	\$15,857	\$18,648
Clothing Allowance	84,990	640	54,412	88,123	661	58,280	91,196	671	61,157
REPS	186	22,425	4,171	149	27,501	4,111	120	29,947	3,597
Special Allow. for Dep.	75	3,997	300	75	4,129	310	75	4,187	314
EAJA Payments	1,079	5,067	5,467	803	4,425	3,553	803	4,487	3,603
OBRA Pymt to VBA	-	-	1,996	-	-	2,301	-	-	1,722
Medical Exam Pilot Pgm	-	-	79,578	-	-	84,990	-	-	88,390
Pensions Total	535,380		\$3,525,034	523,824		\$3,645,705	513,034		\$3,773,144
Veterans Pensions Total	332,034	\$8,274	\$2,747,281	326,154	\$8,629	\$2,814,409	320,378	\$8,999	\$2,883,173
World War I	6	\$19,775	\$120	6	\$19,775	\$120	6	\$19,775	\$120
World War II	105,003	7,563	794,122	95,726	7,685	735,677	86,626	7,768	672,929
Korean Conflict	67,875	6,198	420,716	65,010	6,561	426,513	62,267	6,944	432,390
Vietnam Era	153,793	9,581	1,473,443	159,064	9,921	1,578,060	163,956	10,275	1,684,632
Gulf War	5,357	10,992	58,880	6,348	11,663	74,039	7,524	12,374	93,100
Survivors Pensions Total	203,346	\$3,825	\$777,752	197,670	\$4,205	\$831,296	192,656	\$4,619	\$889,971
Civil War	3	\$756	\$2	3	\$756	\$2	3	\$756	\$2
Spanish- American War	246	2,656	653	210	3,661	770	180	5,047	909
Mexican Border Period	86	4,985	427	71	6,167	436	58	7,630	445
World War I	11,017	2,505	27,601	9,224	2,580	23,801	7,723	2,658	20,525
World War II	143,792	3,590	516,216	139,721	3,949	551,813	135,979	4,338	589,852
Korean Conflict	27,392	3,892	106,600	26,932	4,242	114,253	26,480	4,624	122,456
Vietnam Era	20,522	6,056	124,288	21,184	6,501	137,718	21,868	6,978	152,599
Gulf War	289	6,800	1,965	325	7,697	2,501	365	8,712	3,184
Other Pensions Total			\$21,797			\$26,292			\$24,360
OBRA Payment to VBA			\$9,743			\$10,706			\$7,860
OBRA Payment to VHA			11,250			14,576			15,450
Medical Exams Pilot Pgm			804			1,010			1,050

1/ Includes the 1.4 percent COLA, effective December 1, 2007. Does not include "other" caseloads.



Readjustment Benefits

Appropriation Language

For the payment of readjustment and rehabilitation benefits to or on behalf of veterans as authorized by law (38 U.S.C. chapters 21, 30, 31, 34, 35, 36, 39, 51, 53, 55, and 61), \$3,300,289,000, to remain available until expended: Provided, That expenses for rehabilitation program services and assistance which the Secretary is authorized to provide under section 3104(a) of title 38, United States Code, other than under subsection (a)(1), (2), (5), and (11) of that section, shall be charged to this account.

Readjustment Benefits
Summary of Appropriation Highlights
(dollars in thousands)

	2007				
	2006 Actual	Budget Estimate	Current Estimate	2008 Estimate	Increase (+) Decrease(-)
Obligations:					
Veterans/servicemembers	\$1,937,037	\$2,251,996	\$2,200,053	\$2,108,619	\$-91,434
Reservists (1606)	119,913	206,583	214,738	252,359	+37,621
Reservists (1607)	153,362	192,400	197,400	178,800	-18,600
Dependents' Education and Training	413,136	465,900	450,234	478,342	+28,108
VR&E Subsistence Allowance	226,039	258,699	241,262	252,982	+11,720
VR&E Books, Tuition, Supplies, Fees, etc.	340,341	398,794	377,327	409,965	+32,638
Specially Adapted Housing Grants	25,780	28,920	26,520	26,520	0
Automobile Grants	14,246	15,800	14,200	14,200	0
Adaptive Equipment	36,491	50,900	37,600	38,800	+1,200
Tuition Assistance	19,710	20,755	20,498	20,970	+472
National Call to Service	0	3,400	680	680	0
Licensing and Certification Tests	1,414	1,478	1,471	1,504	+33
National Exams 1/	13	13,995	67	70	+3
Work-Study 2/	21,407	29,056	23,202	23,945	+743
State Approving Agencies	17,657	19,000	19,000	13,000	-6,000
Reporting Fees	4,783	4,031	3,719	3,756	+37
Reimbursement to GOE	1,662	2,200	6,720	2,260	-4,460
Total Obligations	\$3,332,991	\$3,963,906	\$3,834,691	\$3,826,771	\$-7,920
Funding:					
Unobligated balance (SOY)	\$-157,357	\$-192,438	\$-511,302	\$0	+\$511,302
Unobligated balance (EOY)	511,302	0	0	0	0
Budget authority (gross)	3,686,936	3,771,467	3,323,389	3,826,772	+503,383
Offsetting collections	-377,702	-509,461	-511,383	-526,483	-15,100
Budget authority (net)	\$3,309,234	\$3,262,006	\$2,812,006	\$3,300,289	+\$488,283
Appropriation	3,309,234	3,262,006	3,262,006	3,300,289	+38,283
Transfer to Compensation	0	0	-450,000	0	+450,000
Appropriation adjusted	3,309,234	0	2,812,006	3,300,289	+\$488,283
Outlays (net)	\$2,949,314	\$3,407,488	\$3,278,133	\$3,287,542	\$+9,409
Total Obligations	\$3,332,991	\$3,963,906	\$3,834,691	\$3,826,771	\$-7,920
Education Program	2,758,721	3,297,718	3,208,268	3,155,024	-53,244
VR&E Program 3/	574,270	666,188	626,424	671,748	+45,324
Budget authority (net)	\$3,309,234	\$3,262,006	\$2,812,006	\$3,300,289	+\$488,283
Education Program	2,751,428	2,595,818	2,185,582	2,628,541	+442,959
VR&E Program	557,806	666,188	626,424	671,748	+45,324
Outlays (net)	\$2,949,314	\$3,407,488	\$3,278,133	\$3,287,542	\$+9,409
Education Program	2,376,060	2,750,574	2,659,978	2,619,709	-40,269
VR&E Program	573,254	656,914	618,156	667,833	+49,667

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

1/ National Exams includes chapter 30 and chapter 35

2/ Includes chapter 1606 work-study reimbursement

3/ Includes chapter 31 work-study

Readjustment Benefits
Summary of Appropriation Highlights (cont'd)
(dollars in thousands)

	2007				
	2006 Actual	Budget Estimate	Current Estimate	2008 Estimate	Increase(+) Decrease(-)
Workload Data and Other Items					
Workload:					
Veterans/servicemembers	331,557	373,368	340,813	340,912	+99
Reservists (1606)	66,579	91,579	113,932	130,913	+16,981
Reservists (1607)	23,751	50,755	52,024	45,794	-6,230
Survivors' Dependents' Education and Training	75,534	83,235	79,134	82,174	+3,040
VR&E Subsistence Allowance	53,431	58,919	54,836	56,207	+1,371
VR&E Books, Tuition, Supplies, Fees, etc.	14,180	14,857	14,570	14,934	+364
VR&E Rehab, Evaluation, Planning and Service 1/	22,180	24,278	22,790	23,360	+570
Specially Adapted Housing Grants	593	668	620	620	0
Automobile Grants	1,317	1,461	1,317	1,317	0
Adaptive Equipment	7,508	8,009	7,508	7,508	0
National Call to Service	0	1,000	200	200	0
Average cost:					
Veterans/servicemembers 3/	\$5,842	\$5,983	\$6,386	\$6,096	\$-290
Reservists (1606)	\$1,801	\$2,256	\$1,885	\$1,928	\$+43
Reservists (1607)	\$6,457	\$3,791	\$3,794	\$3,904	\$+110
Survivors' Dependents' Education & Training 3/	\$5,470	\$5,597	\$5,690	\$5,821	\$+131
VR&E Subsistence Allowance	\$4,230	\$4,391	\$4,400	\$4,501	\$+101
VR&E Books, tuition, supplies, fees, etc.	\$5,034	\$5,405	\$5,437	\$5,763	\$+326
Specially Adapted Housing Grants	\$43,474	\$43,293	\$42,774	\$42,774	\$0
Automobile Grants	\$10,817	\$10,784	\$10,817	\$10,817	\$0
Adaptive Equipment	\$4,860	\$6,358	\$5,011	\$5,166	\$+155
National Call to Service	\$0	\$3,400	\$3,400	\$3,400	\$0
Total Cost:					
Veterans/servicemembers 3/	\$1,937,037	\$2,233,696	\$2,176,553	\$2,078,119	\$-98,434
Reservists (1606) 2/	\$119,913	\$206,583	\$214,738	\$252,359	\$+37,621
Reservists (1607)	\$153,362	\$192,400	\$197,400	\$178,800	\$-18,600
Survivors' Dependents' Education & Training 3/	\$413,136	\$465,900	\$450,234	\$478,342	\$+28,108
VR&E Subsistence Allowance	\$226,039	\$258,699	\$241,262	\$252,982	\$+11,720
VR&E Books, tuition, supplies, fees, etc.	\$340,341	\$398,794	\$377,327	\$409,965	\$+32,638
Specially Adapted Housing Grants	\$25,780	\$28,920	\$26,520	\$26,520	\$0
Automobile Grants	\$14,246	\$15,800	\$14,200	\$14,200	\$0
Adaptive Equipment	\$36,491	\$50,900	\$37,600	\$38,800	\$+1,200
National Call to Service	\$0	\$3,400	\$680	\$680	\$0

1/ No monetary benefit payment associated with these cases

2/ Work-study costs not included

3/ Budget estimate does not include National Exams and may not tie to the 2007 President's Budget

Summary of Budget Request

Budget authority of over \$3.3 billion, when combined with \$526.5 million in offsetting collections from the Department of Defense, provides funding for estimated Readjustment Benefits obligations. This account will also provide reimbursement to the General Operating Expenses account for printing and reproduction, regular mail, contracts, and other personal services costs associated with outreach under PL 101-237 and PL 105-368. This funding will also provide for subsistence allowance and the cost of books, supplies, tuition, and fees under the Vocational Rehabilitation and Employment program. The National Defense Authorization Act, PL 108-375, enacted October 28th, 2004, established the chapter 1607 program. This program provides educational assistance to members of the reserve components called or ordered to active service. VBA administers the benefits of the program and receives reimbursement from DOD.

Changes From Original 2007 Budget Estimate

The current estimated obligation of over \$3.8 billion for 2007 for the Readjustment Benefits program decreases nearly \$129.2 million from the original budget estimate of almost \$4.0 billion. The revised estimates for 2007 are based on an analysis of actual participation rates and average cost observed during 2006. Caseload for both Education and Vocational Rehabilitation and Employment services was revised from the 2007 budget estimate to reflect more moderate increases above the 2006 level. In addition to the overall decrease in obligations, the unobligated balance start of year increased by \$318.9 million from the original budget estimate of \$192.4 million to the current estimate of \$511.3 million. The Readjustment Benefit Account will transfer \$450 million of this balance to the Compensation and Pensions account in 2007.

Education Program

Current estimated obligations for 2007 reflect a decrease of \$89.5 million from the original budget estimate of \$3.3 billion to over \$3.2 billion. This results primarily from a decrease in caseload for the chapter 30 program. The start of year unobligated balance carried over from 2006 is \$511.3 million and there is no anticipated unobligated balance end of year for the 2007 current estimate.

Current 2007 estimated obligations are decreasing by \$51.9 million for chapter 30. A projected decrease in caseload of 32,555 has decreased obligations by \$194.8 million. The increase in average payment (\$5,983 to \$6,386) has partially offset the decrease in obligations by \$135.6 million. An increase in the change in selected resources has increased obligations by almost \$5.2 million. A rise in the COLA (3.9 percent to 4.0 percent) has increased obligations by \$2 million.

Current 2007 obligations have decreased by \$15.7 million for the chapter 35 program. A decrease in caseload of 4,101 has decreased obligations by \$23.0 million. The increase in average payment (\$5,597 to \$5,690) has increased

obligations by \$6.8 million. The change in the COLA has increased obligations by \$448 thousand.

Current 2007 estimated obligations are increasing by \$8.2 million in total for chapter 1606. The chapter 1606 caseload has increased by 22,353, increasing obligations by \$50.4 million. A decrease in average payment (\$2,256 to \$1,885) has decreased obligations by \$42.5 million. The change in COLA has increased obligations by \$196 thousand.

Chapter 1607 current 2007 estimated obligations have increased by \$5 million in total from the original estimate. The chapter 1607 caseload has increased by 1,269, increasing obligations by \$4.8 million. The change in COLA has increased obligations by only \$164 thousand. A slight increase in average payment (\$3,791 to \$3,794) has increased obligations by \$25 thousand. Caseload and obligation estimates for the chapter 1606 and 1607 programs are provided by Department of Defense Office of the Actuary.

For the Special Assistance programs, based on historical data, the number of anticipated specially adapted housing grants was decreased by 48, thereby decreasing obligations from \$28.9 million to \$26.5 million. Adaptive equipment grants have decreased by 501, decreasing obligations from \$50.9 million to \$37.6 million. A decrease of 144 automobile grants has decreased obligations from \$15.8 million to \$14.2 million. Work-study has decreased by \$5.9 million due to a decrease of 7,769 in the number of contracts. Reporting Fees have decreased by \$312 thousand from the original budget estimate. The number of trainees for Tuition Assistance decreased by 718, and when partially offset with a rise in average payment (\$899 to \$917) results in a decrease of \$257 thousand in obligations. The number of Licensing and Certification payments decreased by 886. The rise in average payment for the program (\$314 to \$385) has partially offset the decrease resulting in a decline in total obligations of \$7 thousand.

Vocational Rehabilitation & Employment Program

The current obligation estimate for 2007, \$618.6 million, is \$38.9 million less than the original estimate (\$657.5 million). The revised estimates for 2007 are based on an analysis of actual participation rates during 2006. A decrease of 4,370 trainees has decreased obligations by \$38.9 million. The net effect of an increase in the COLA and a slight decrease in average payment has increased obligations by \$41 thousand.

Readjustment Benefits
Analysis of Increases and Decreases
(dollars in thousands)

	2007 Estimate	2008 Estimate
Prior year obligations	\$3,332,991	\$3,834,691
Chapter 30 (Montgomery GI Bill)		
COLA	\$+74,911	\$+44,653
Caseload	+54,075	+633
Average Payment and other adjustments	+134,030	-136,720
National Exams	+46	+1
Net Changes	\$+263,062	\$-91,433
Chapter 35 (Survivors' and Dependents' Education)		
COLA	\$+17,316	\$+10,754
Caseload	+19,714	+17,307
Average Payment	+68	+47
National Exams	+8	0
Net Changes	\$+37,107	\$+28,108
Chapter 1606 (Reservists)		
COLA	\$+8,293	\$+5,696
Caseload	+85,282	+32,006
Average Payment and other adjustments	+1,250	-81
Net Changes	\$+94,825	\$+37,621
Chapter 1607 (Reservists)		
COLA	\$+7,592	\$+5,039
Caseload	+182,559	-23,639
Average Payment	-146,113	0
Net Changes	\$+44,038	\$-18,600
Chapter 31 (Vocational Rehabilitation and Employment)		
COLA	\$+9,279	\$+5,688
Caseload	+15,037	+15,463
Average Cost	+27,893	+23,206
Net Changes	\$+52,209	\$+44,358
Special Assistance for Disabled Veterans		
Specially Adapted Housing Grants	\$+740	\$0
Automobile Grants	-46	0
Adaptive Equipment	+1,109	+1,200
Net Changes	\$+1,803	\$+1,200
Miscellaneous		
Tuition Assistance Top-Up	\$+788	\$+472
National Call to Service	+680	0
Licensing and Certification	+57	+33
State Approving Agencies	+1,343	-6,000
Reporting Fees	-1,064	+37
Reimbursement to GOE	+5,058	-4,460
Work-Study (Chapters 30, 35, 1606, and 31)	+1,795	+743
Net Changes	\$+8,657	\$-9,174
Total Net Change	\$+501,701	\$-7,920
Estimated Obligations	\$3,834,691	\$3,826,771

Analysis of Increases and Decreases

Obligations are expected to increase \$501.7 million from 2006 to 2007 due to the following:

All-Volunteer Force Educational Assistance Program (Chapter 30 MGIB)

The increase in chapter 30 obligations is projected to be \$263.1 million. An increase in average payment, excluding the COLA, and other adjustments, has increased obligations by \$134.0 million. The COLA is expected to increase obligations by \$74.9 million in 2007. Trainees for the chapter 30 program are expected to increase by 9,256, raising obligations an additional \$54.1 million. This increase is due to more trainees training after separating from service, according to data provided by Department of Defense. The National Exams program is expected to increase by \$46 thousand. Average benefit payments for chapter 30 and for the other programs are based on eligibility criteria such as time in service, educational curriculum, and establishment and change in the number of dependents. The 2007 current estimate is revised with the latest Department of Defense supplemental benefit estimates.

Survivors' and Dependents' Educational Assistance (Chapter 35)

The total increase in obligations attributed to chapter 35 is expected to be \$37.1 million. Estimated caseload is expected to increase by 3,103 for children and 496 for spouses, increasing obligations by \$19.7 million. The COLA will increase obligations an additional \$17.3 million. An increase in average payment, not including the COLA, is expected to increase obligations by nearly \$68 thousand. The National Exams program is expected to increase by \$8 thousand.

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

Chapter 1606 obligations are projected to increase by \$94.8 million. An increase in obligations of \$85.3 million results from an expected increase in chapter 1606 trainees of 47,353. The COLA applied to the entitlement rate for reservist education is expected to increase obligations by \$8.3 million. An increase in the average payment, not including the COLA, is expected to account for an additional \$1.3 million in obligations.

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

Chapter 1607 obligations are projected to increase by \$44.0 million. An increase of 28,273 trainees will increase obligations by \$182.6 million. A decrease in average payment is expected to decrease obligations by \$146.1 million. The decrease in average payment is due to interim retroactive payments that were made in 2006 and will not continue to be paid out in 2007. The COLA will increase obligations an additional \$7.6 million.

Vocational Rehabilitation and Employment (Chapter 31)

The total increase in program obligations is approximately \$52.2 million from 2006 to 2007. Average payments are expected to increase by \$536 per participant, including the effect of the 2007 COLA. A \$9.3 million increase is attributable to

the COLA for subsistence allowance. Approximately \$27.9 million reflects average cost increases for tuition, books, and supplies. A greater number of trainees (+1,795) yields an additional \$15.0 million in program costs.

Special Assistance for Disabled Veterans

Special Assistance provides housing, automotive, and adaptive equipment grants for severely disabled veterans or servicepersons. Adaptive equipment obligations have increased by \$1.1 million due to an increase of \$151 in average payment. An increase of 27 grants for the specially adapted housing program increased obligations by \$740 thousand. Workload and average payment for automobile grants are expected to remain constant. Automotive grants are limited to \$11,000 and the maximum housing grant is \$50,000.

Miscellaneous

A net increase of \$8.7 million is attributed to other programs. Reimbursement to General Operating Expenses is expected to increase by \$5.1 million. This is due to PL 108-454 that identified \$3 million for computer system modifications for apprenticeship payments. These funds were not expended in 2006. Work-study obligations will increase by \$1.8 million. Payments to State Approving Agencies are expected to increase by \$1.3 million. Reporting fees paid to educational institutions are expected to decrease by \$1.1 million. The number of Tuition Assistance payments has remained constant; however, average payments have increased by \$35, increasing obligations by \$788 thousand. An increase of \$680 thousand is attributable to the National Call to Service program. The Licensing and Certification program is expected to increase by \$57 thousand.

Obligations are expected to decrease \$7.9 million from 2007 to 2008 due to the following:

All-Volunteer Force Educational Assistance Program (Chapter 30)

The decrease in obligations attributed to chapter 30 is expected to be \$91.4 million, including National Exams. The majority of the decrease is due to a decline in the average payment, excluding the COLA, and other adjustments, resulting in a decrease of \$136.7 million. This decrease in average payment reflects the anticipated drop in trainees training at a full time rate. The COLA increases obligations by \$44.7 million. Chapter 30 estimates assumed a constant caseload based on historical data and are expected to increase by only 99 from 340,813 to 340,912, raising obligations \$633 thousand. Payments for National Exams are expected to increase by \$1 thousand.

Survivors' and Dependents' Educational Assistance (Chapter 35)

The total increase in obligations attributed to chapter 35 is expected to be \$28.1 million. Estimated caseload is expected to increase by 2,607 for children and 434 for spouses, increasing obligations by \$17.3 million. The COLA is expected to increase costs by \$10.8 million. An increase in the average payment, excluding

the COLA, for children and spouses is expected to account for an increase in obligations of \$47 thousand. National Exams is projected to remain unchanged.

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

An increase in obligations attributed to chapter 1606 is expected to be \$37.6 million. An estimated increase of 16,981 reservist trainees is expected to increase obligations by \$32.0 million. The COLA applied to the entitlement rate for reservist education is expected to increase obligations by \$5.7 million. A slight decrease in average payments will decrease obligations by \$81 thousand.

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

Obligations for chapter 1607 are expected to decrease by \$18.6 million. An increase in the COLA and an estimated decrease of 6,230 reservists contribute to an increase of \$5.0 million and a decrease of \$23.6 million, respectively, in obligations.

Vocational Rehabilitation and Employment (Chapter 31)

The total increase in chapter 31 obligations is \$44.4 million from 2007 to 2008. Average costs are expected to rise by \$406 per participant and almost \$23.2 million reflects the higher costs of tuition, books, and supplies. Increased costs due to more trainees (+1,735) total \$15.5 million. Approximately \$5.7 million of the obligation increase is effected by an increase in the subsistence allowance COLA.

Special Assistance for Disabled Veterans

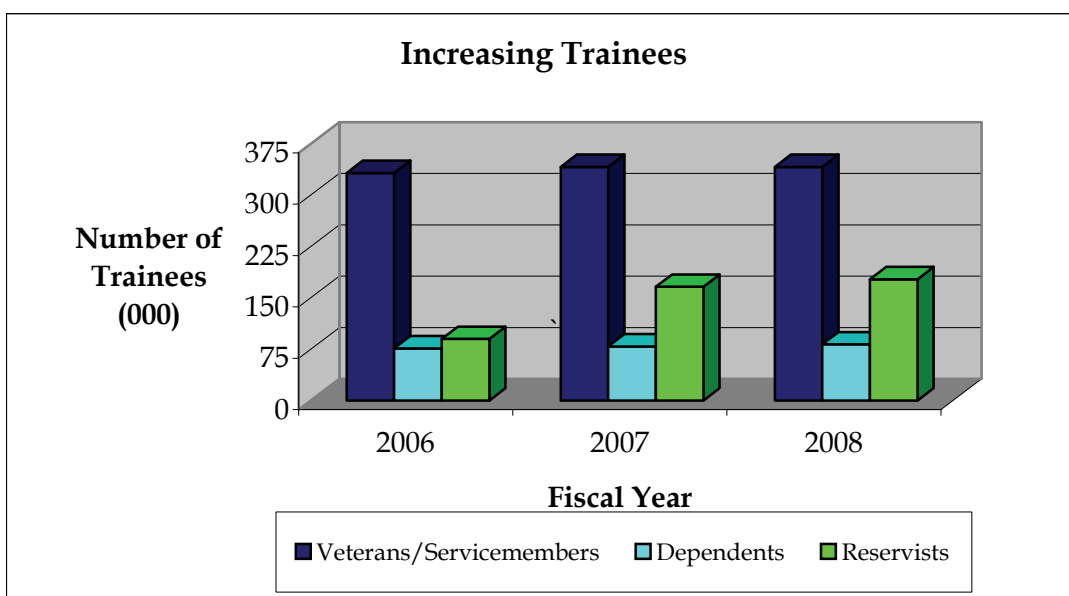
Special Assistance provides housing, automotive, and adaptive equipment grants for severely disabled veterans or servicemembers. The workload is expected to remain constant through 2008. An increase of \$1.2 million is associated with the increasing costs of adaptive equipment made necessary by the nature of the veteran's disability.

Miscellaneous

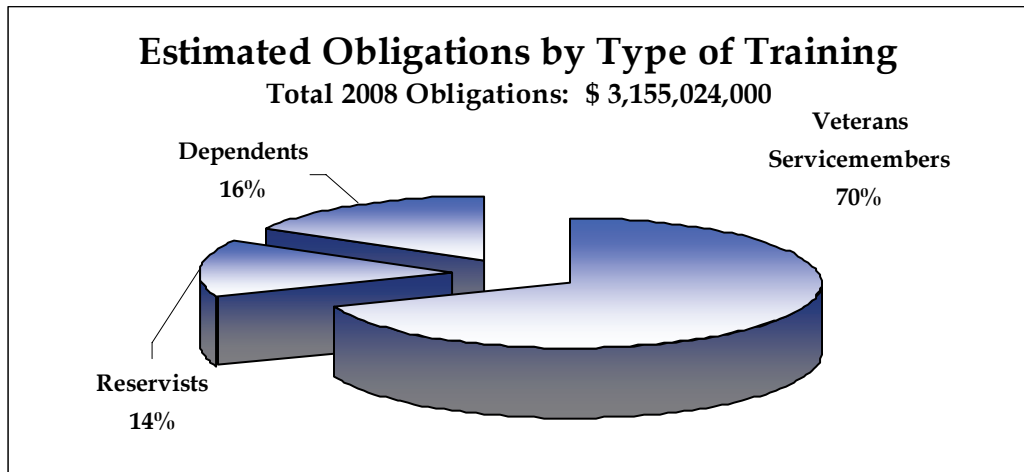
The total change in obligations attributed to the remaining programs is expected to be a decrease of \$9.2 million. The statute limiting obligations to \$13 million for payments to State Approving Agencies in 2008 reflects a decrease of \$6.0 million from the 2007 limitation. Reimbursement to GOE is expected to decrease by \$4.5 million. While net obligations decrease, there are several programs with increases in obligations from 2007 to 2008. Work-study obligations will increase by \$743 thousand. Tuition Assistance obligations are expected to increase by \$472 thousand. Reporting Fees are expected to increase by \$37 thousand. Licensing and Certification is projected to increase by \$33 thousand. National Call to Service will remain constant. This is a relatively new program with eligibility requirements of 15 months of active duty service with three to four months of basic training in order to qualify.

Education Program Highlights

In 2006, education benefit obligations of almost \$2.8 billion provided benefits to almost 498,000 trainees (excluding Tuition Assistance payments). The anticipated total number of trainees increases to over 586,000 in 2007 and rises to almost 600,000 by 2008, contributing to increases in obligations. Chapter 30 participants are increasing minimally while chapter 35 trainees are increasing at a decreasing rate through 2008 while reservist's usage expands. The increases in chapter 1606 trainees are partially offset by projected decreases in chapter 1607 trainees. The chart below shows the increasing trend in trainees for veterans/servicemembers, dependents, and reservists.

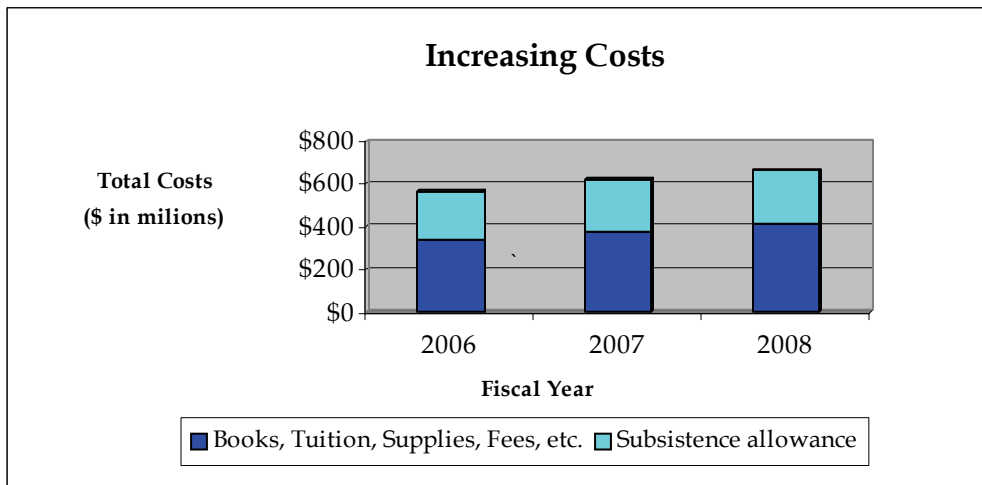


Among the education programs, chapter 30 has the largest number of trainees, 341,000 in 2008, and accounts for 70 percent of program obligations. Chapter 35 accounts for 16 percent of the funding, as opposed to 14 percent for chapter 1606 and 1607 selected reservists. The average cost per trainee for chapter 30 and chapter 35 is higher (\$6,096 and \$5,821, respectively) than chapter 1606 (\$1,928) and 1607 (\$3,904) due to larger monthly entitlement rates based on the training period. Average benefit payments for all programs can be affected by time in service eligibility, type of educational program or institution, change in dependents, and other eligibility criteria.

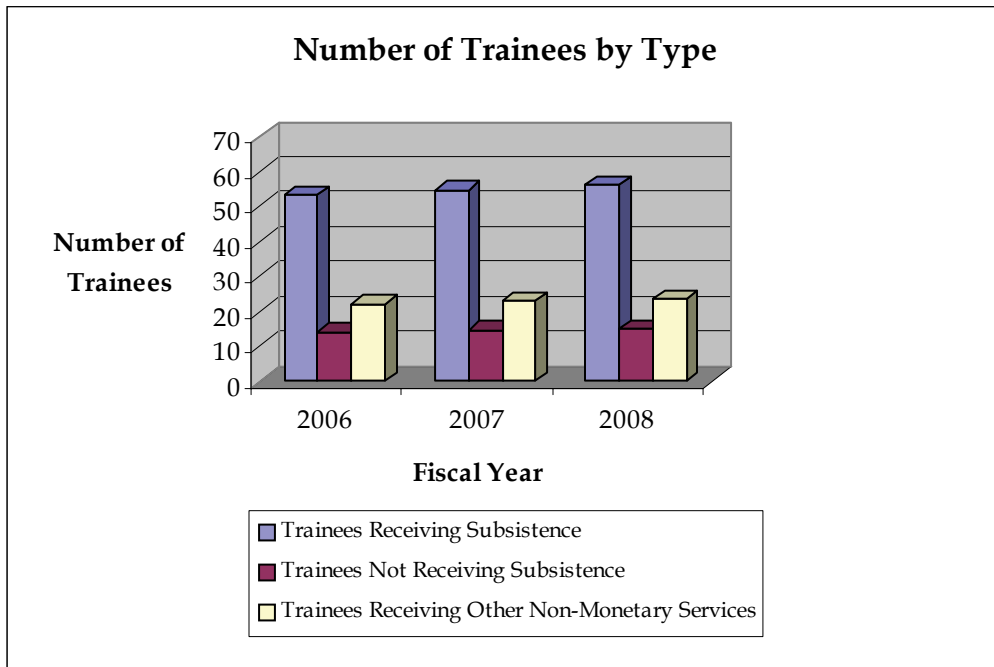


Vocational Rehabilitation & Employment Program Highlights

The number of participants in the program is increasing; consequently program costs are also rising. VR&E participation is contingent on individuals having a compensable service-connected disability. Based on historical trends, the number of compensation claims is projected to increase along with significant increases in the average degree of disability. The increase in trainees can also be attributed to an increase in program outreach efforts through the Transition Assistance Program (TAP) and Disabled Transition Assistance Program (DTAP).



This increase in participation, compounded by increases in the average cost per participant, results in increases in the total cost of the VR&E program. Books, tuition, and supplies, coupled with subsistence allowance, account for 99 percent of program costs.

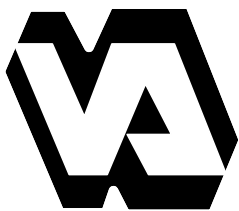


Trainees for VR&E are broken down into three categories: trainees receiving a monthly subsistence allowance, trainees not receiving subsistence, and trainees receiving rehabilitative evaluation, planning, and delivery services. The majority of program participants enter education or training programs. All program costs, including tuition, books, and fees, if appropriate, are borne by VA, and the veteran is provided with a monthly subsistence allowance. Thus, it is this particular category in the VR&E program that accounts for 60 percent of the costs. Trainees 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 job.

Summary of Readjustment Benefit Requirements (dollars in thousands)

	2006			2007			2008		
	Caseload	Average Benefit	Obligations	Caseload	Average Benefit	Obligations	Caseload	Average Benefit	Obligations
Total chapters 30, 1606, 1607,35,31	565,032	5,662	3,199,166	655,308	5,597	3,667,711	670,934	5,457	3,661,309
All-volunteer force educational assistance:									
Chapter 30 total	331,557	5,842	1,937,037	340,813	6,386	2,176,553	340,912	6,096	2,078,119
Veterans	311,153	6,003	1,867,915	318,563	6,588	2,098,580	316,552	6,290	1,991,081
Servicepersons	20,404	3,388	69,122	22,250	3,504	77,973	24,360	3,573	87,038
Reservists (1606)	66,579	1,801	119,913	113,932	1,885	214,738	130,913	1,928	252,359
Reservists (1607)	23,751	6,457	153,362	52,024	3,794	197,400	45,794	3,904	178,800
Education and training:									
Dependents total	75,534	5,470	413,136	79,134	5,690	450,234	82,174	5,821	478,342
Sons and Daughters total	64,517	5,601	361,372	67,620	5,826	393,932	70,227	5,960	418,551
College	62,064	5,610	348,186	65,167	5,835	380,219	67,774	5,969	404,522
Below College Level	2,354	5,432	12,788	2,354	5,650	13,300	2,354	5,780	13,605
On-the-job training	99	4,020	398	99	4,182	414	99	4,273	423
Spouses and widow (ers)									
Total	11,017	4,699	51,764	11,513	4,890	56,302	11,947	5,005	59,791
College	10,329	4,754	49,102	10,845	4,944	53,619	11,279	5,058	57,047
Below College Level	607	4,292	2,605	584	4,464	2,607	584	4,565	2,666
Correspondence	74	257	19	74	267	20	74	273	20
On-the-job training	7	5,429	38	10	5,646	56	10	5,776	58
Chapter 31	67,611	8,377	566,380	69,406	8,913	618,589	71,141	9,319	662,947
Tuition Assistance	22,362	881	19,710	22,362	917	20,498	22,362	938	20,970
Licensing and Certification Tests	3,820	370	1,414	3,820	385	1,471	3,820	394	1,504
Work-study	15,732	1,361	21,407	16,236	1,429	23,202	16,756	1,429	23,945
State Approving Agencies			17,657			19,000			13,000
Reporting Fees			4,783			3,719			3,756

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Vocational Rehabilitation Loan Program

Appropriation Language

For the cost of direct loans, \$71,000, as authorized by 38 U.S.C. chapter 31, as amended: 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, as amended; Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed \$3,287,000.

In addition, for administrative expenses necessary to carry out the direct loan program, \$311,000, which may be transferred to and merged with the appropriation for General Operating Expenses.

<u>Summary of Net 2008 Estimates</u>				
	(dollars in thousands)			
	Budget Authority	Outlays	Financing Authority	Financing Disbursement
<u>Program Account</u>	\$382	\$382	\$0	\$0
Direct Loan Financing Account	\$0	\$0	\$176	\$176
Total	\$382	\$382	\$176	\$176

Summary of Budget Request

An appropriation of \$382,000 is being requested to provide subsidy payments of \$71,000 to the Vocational Rehabilitation Direct Loan Financing Account and to reimburse \$311,000 to the General Operating Expenses appropriation for administrative expenses.

Program Description

Currently, loans of up to \$1,016, twice the amount of the indexed full-time subsistence allowance for a veteran with no dependents under chapter 31, are available to service-connected disabled veterans participating in VA's Vocational Rehabilitation and Counseling Program. Vocational rehabilitation counselors approve these temporary loans to those needing additional financial assistance. The loan program helps provide veterans with the resources necessary for them to continue their vocational rehabilitation training if unforeseen hardship occurs. These loans help to ensure the veteran remains in training and assist them moving from shelters to permanent housing.

These loans help protect VA's investment in the veteran, which averages approximately \$8,900 each year. Repayment of the loan is made in monthly installments, without interest, through deductions from future payments of compensation, pension, subsistence allowance, educational assistance allowance, or retired pay, thus ensuring loans are repaid. Most loans are repaid in full in less than one year. There are few defaults.

Credit Reform

The "Federal Credit Reform Act of 1990," PL 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, credit programs separate the Vocational Rehabilitation Loan Program into two accounts, the Program Account and the Direct Loan Financing Account.

Program Account

The Vocational Rehabilitation Loan Program Account requests appropriations for subsidy payments to the Vocational Rehabilitation Direct Loan Financing Account and for associated administrative expenses reimbursed to the General Operating Expenses appropriation. Subsidy amounts are estimated on a present value basis; administrative expenses are estimated on a cash basis.

Summary of Appropriation Highlights (dollars in thousands)					
	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Obligations					
Direct loan subsidy	\$42	\$67	\$53	\$71	+\$18
Upward Reestimate	28	0	654	0	-654
Interest on Reestimates	1	0	23	0	-23
Administrative expenses	305	305	305	311	+6
Total obligations	\$376	\$372	\$1,035	\$382	-\$653
Unobligated Balance:					
Start of year	\$11	\$0	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
Budget authority (net)	\$376	\$372	\$1,035	\$382	-\$653
Obligated Balance:					
Start of year	\$0	\$0	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
Outlays (net)	\$376	\$372	\$1,035	\$382	-\$653
Workload:					
Number of loans established	3,887	4,630	3,590	4,349	+759
Average loan amount	\$722	\$728	\$738	\$756	+\$18
Total Loan Amount	\$2,807	\$3,369	\$2,650	\$3,287	+\$637
Loan subsidy rate	1.59%	2.00%	2.00%	2.16%	+0.16%
Average employment:					
Veterans Benefits Administration	5	5	5	5	0

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

Detail of Budget Request

The subsidy rate increases from 2.00 percent in 2007 to 2.16 percent in 2008. The default rate for these loans remains less than .5 percent. Up to 4,349 loans are estimated to be made in 2008, with an average loan amount of \$756, resulting in a \$3,287,000 direct loan level and \$71,000 in direct loan subsidy. For administrative expenses to provide issuance and accounting of all loans disbursed, an average employment level of 5 FTE and \$311,000 is requested during 2008.

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 obligations. 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.

Financial Summary (dollars in thousands)					
	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Obligations:					
Direct loans	\$2,807	\$3,369	\$2,650	\$3,287	+\$637
Downward Reestimates	574	0	46	0	-46
Interest on Treasury borrowings	174	63	24	12	-12
Total obligations	\$3,555	\$3,432	\$2,720	\$3,299	+\$579
Unobligated Balance:					
Start of year	-\$612	\$0	-\$162	-\$138	+\$24
End of year	\$162	\$0	\$138	\$126	-\$12
Obligated Balance:					
Start of year	\$0	\$0	\$0	\$24	+\$24
End of year	\$0	\$0	-\$24	-\$36	-\$12
Offsetting Collections:					
Loan Repayments	\$2,913	\$3,355	\$2,696	\$3,040	\$344
Interest on Uninvested Funds	121	0	0	0	+0
Payments from Program Account	42	67	53	71	+18
Upward Reestimate	29	0	677	0	-677
Total offsetting collections	\$3,105	\$3,422	\$3,426	\$3,111	-\$315
Financing:					
Financing authority, net	\$0	\$9	-\$730	\$176	+\$906
Financing disbursements, net	\$449	\$9	-\$730	\$176	+\$906

Summary of Off-Budget Financing Account

Approximately \$3,287,000 in direct loans will be made in 2008, an increase of \$637,000 from the 2007 level. The increase is due to an increase in the number of loans expected to be established (4,349 vs. 3,590) at a higher average loan amount (\$756 vs. \$738).

Offsetting collections in 2008 are estimated to be \$3,111,000, a decrease of \$315,000 from the 2007 level. The decrease is due primarily to the collection of downward reestimates in the amount of \$677,000 during 2007. Included in collections are \$71,000 in subsidy payments from the Vocational Rehabilitation Program Account and \$3,040,000 in loan repayments.

In 2008, obligations of \$3,299,000 exceed offsetting collections of \$3,111,000, requiring net financing authority of \$176,000 with an increase to Obligated balances of \$12,000.

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Post-Vietnam Era Veterans' Education Account

Program Description

Title 38 U.S.C. chapter 32, Post-Vietnam Era Veterans' Educational Assistance Program (VEAP) is a voluntary contribution and matching program. 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 may 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, to encourage individuals to enlist or reenlist in the Armed Forces.

Educational Assistance Test Program, authorized in section 901, PL 96-342, is a noncontributory program in which individuals, or, in some cases, their dependents, may receive educational assistance and subsistence allowance while training at accredited educational institutions. The program is funded by DoD and codified in 10 U.S.C. chapter 106A.

Section 903, PL 96-342, Educational Assistance Pilot Program - Noncontributory VEAP, is a modified chapter 32 program. 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. The program is codified in 10 U.S.C. 2141(a).

The enactment of PL 101-510, "National Defense Authorization Act for Fiscal Year 1991" on November 5, 1990, allowed servicepersons 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. Certain servicepersons who voluntarily separated from the military on or after December 5, 1991, as provided for under PL 102-484, "The National Defense Authorization Act for Fiscal Year 1993," are eligible for the MGIB program effective October 23, 1992. An opportunity to enroll in the MGIB program also was extended to chapter 32 (and section 903) servicepersons under PL 104-275, "The

Veterans Benefits Improvement Act of 1996.” Under that law, the serviceperson 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.

The enactment of PL 108-454 sections 103 and 106 extended educational assistance for VEAP participants. Section 103 of PL 108-454 increased benefits for individuals pursuing apprenticeship training beginning October 1, 2005, and before January 1, 2008. Starting in 2005, section 106 of PL 108-454 made educational benefits available to pay for the national admissions exams and national exams for credit at institutions of higher education.

Post-Vietnam Era Veterans’ Education Program					
Fund Highlights (dollars in thousands)					
		2007			
	2006 Actual	Budget Estimate	Current Estimate	2008 Estimate	Increase (+) Decrease (-)
Obligations:					
Training	\$973	\$874	\$953	\$938	\$-15
PL 108-454	0	18	18	13	-5
Section 901 Training PL 96-342	302	265	282	274	-8
Disenrollments	1,091	1,373	669	401	-268
Total Obligations	\$2,366	\$2,530	\$1,922	\$1,626	\$-296
Budget Authority (trust fund, indefinite)	\$333	\$914	\$411	\$564	\$+153
Outlays	\$2,375	\$2,251	\$1,710	\$1,665	\$-45
Unobligated balance, start of year	\$71,269	\$69,442	\$69,236	\$67,725	\$-1,511
Unobligated balance, end of year	\$69,236	\$67,827	\$67,725	\$66,663	\$-1,062
Workload					
Trainee	627	600	600	550	-50
PL 108-454 Trainees	0	123	123	122	-1
Section 901 Trainees	39	27	31	31	0
Participants, end of year	195,862	192,178	194,918	194,196	-722
Disenrollments	816	1,200	500	300	-200

Summary of Budget Request

No appropriation action by Congress is required. Budget authority, consisting of transfers from DoD and deposits from participating servicepersons, are available as permanent and indefinite authority. Currently, the Department of Veterans Affairs estimates that the 2008 portion of the cost for VEAP will be over \$1 million for 581 trainees.

Changes From the Original 2007 Estimate

In revising the 2007 budget estimate, obligations decreased by \$608 thousand from the 2007 original estimate. The number of anticipated disenrollments has declined by 700, resulting in a decrease of \$704 thousand in disenrollment obligations. Chapter 32 trainees remained consistent from the 2007 original estimate. However, obligations increased by \$79 thousand due to an increase in average payment of \$131 (\$1,618 vs. \$1,487). Section 901 trainees increased by 4, increasing obligations by \$17 thousand. Budget Authority has decreased by \$503 thousand from the original estimate.

Post-Vietnam Era Veterans' Education Program		
Analysis of Increases and Decreases		
	(dollars in thousands)	
	2007 Estimate	2008 Estimate
Prior year obligations	\$2,366	\$1,922
Training	-20	-15
Training under PL 108-454	+18	-5
Training under Section 901	-20	-8
Disenrollments	-422	-268
Net Change	\$-444	\$-296
Estimated Obligations	\$1,922	\$1,626

Analysis of Increases and Decreases

In 2008, obligations are projected to be \$1.6 million, a decrease of \$296 thousand from the 2007 level of \$1.9 million. Training obligations are projected to decline by \$15 thousand due to fewer trainees (550 vs. 600) and are offset by the increase in average cost (\$1,728 vs. \$1,618). Disenrollment obligations are projected to decrease by \$268 thousand as a result of fewer participants disenrolling (300 vs. 500). Obligations for training under section 901 are projected to decrease by \$8 thousand primarily because of an anticipated decrease in average cost (\$8,907 vs. \$8,992). Training under PL 108-454 is expected to decline by \$5 thousand due to a slight decrease in trainees (122 vs. 123).

**Post-Vietnam Era Veterans' Education Program
Summary of Workloads & Obligations**

(dollars in thousands)

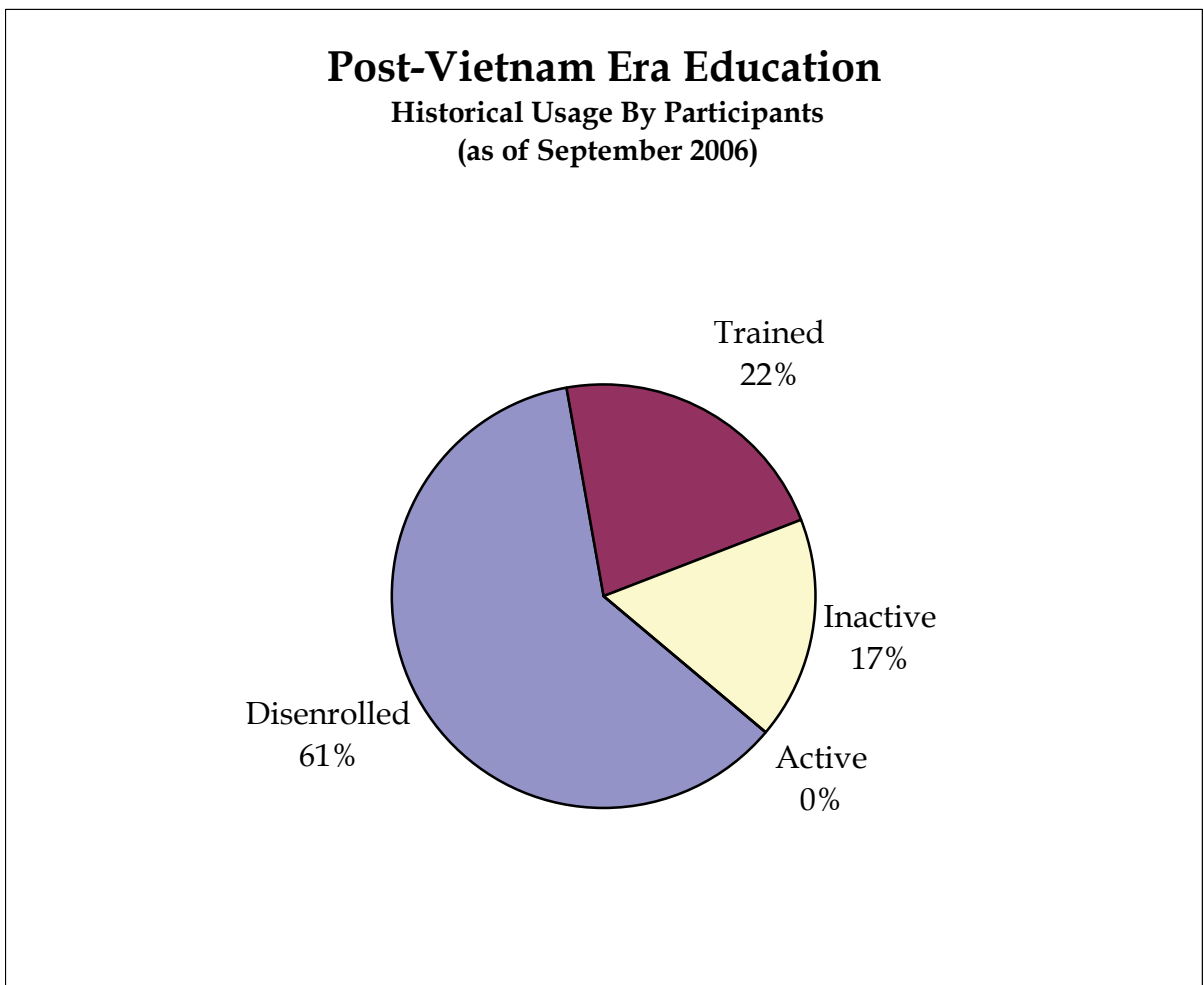
	2007				
	2006 Actual	Budget Estimate	Current Estimate	2008 Estimate	Increase (+) Decrease (-)
Participants, End of Year	195,862	192,178	194,918	194,196	-722
Contributors, End of Year	72	156	156	128	-28
Trainees	627	600	600	550	-50
Average Per Trainee (whole dollars)	\$1,552	\$1,487	\$1,618	\$1,728	\$+110
Obligations for Training	\$973	\$874	\$953	\$938	\$-15
Section 901 Trainees	39	27	31	31	0
Average Per Trainee (whole dollars)	\$7,744	\$10,000	\$8,992	\$8,907	\$-85
Obligations for Section 901	\$302	\$265	\$282	\$274	\$-8
Disenrollments	816	1,200	500	300	-200
Obligations for Disenrollments	\$1,091	\$1,373	\$669	\$401	\$-268
PL 108-454 Trainees	0	123	123	122	-1
Average Per Trainee (whole dollars)	\$0	\$146	\$146	\$107	\$-39
Obligations for PL 108-454	\$0	\$18	\$18	\$13	\$-5
Sources of budget authority:					
Contributions of Servicepersons	\$333	\$240	\$411	\$337	\$-74
<i>Transfers from DoD:</i>					
Matching Payments for Training	0	424	0	0	0
Bonus "Kickers"	0	250	0	227	\$+227
Section 901 Training	0	0	0	0	0
Section 903 Training	0	0	0	0	0
Total Transfers	\$333	\$914	\$411	\$564	\$+153

The number of participants, including training activity under the provisions of section 901, will continue to decline since the program is closed to new enrollments. Since eligibility is restricted to persons who first entered active duty prior to July 1, 1985, a smaller percentage of those discharged each year from the military are eligible for this program. There were two opportunities for participants and contributors in the VEAP program to disenroll from the program and enroll in the Montgomery GI Bill. VEAP participants who disenroll receive a refund of their contributions. The current participants' last date of eligibility for training in the VEAP program is projected to be 2025.

Program Highlights

In 2006, 627 participants trained under this program and received payments totaling \$973 thousand. In addition, 39 individuals trained under section 901 of PL 96-342 and received payments of \$302 thousand. During 2006, 816 participants disenrolled from this program and received nearly \$1.1 million in refunds.

Through the end of 2006, a total of 1,154,285 individuals have contributed to the VEAP program. Of these contributors, 252,043 have received some educational assistance; 706,338 have disenrolled and received a refund without receiving educational assistance; 195,862 are in an inactive status, never having received educational assistance or disenrolled; and 42 are currently on active duty and contributing.



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Housing

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 2008, within the resources available, not to exceed \$500,000 in gross obligations for direct loans is authorized for specially adapted housing loans.

In addition, for administrative expenses to carry out the direct and guaranteed loan programs, \$154,562,000.

Total Housing Summary of Appropriation Highlights (dollars in thousands)					
Housing Program and Liquidating Accounts	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Obligations:					
Liquidating Account	\$11,175	\$14,955	\$9,675	\$7,451	-\$2,224
Program Account	\$197,964	196,077	\$216,785	\$171,951	-\$44,834
Total Obligations	\$209,139	\$211,032	\$226,460	\$179,402	-\$47,058
Budget Authority:					
Mandatory, Program Account	\$46,559	\$42,892	\$63,600	\$17,389	-\$46,211
Mandatory, Liquidating Account	-49,485	- 48,606	-59,161	-50,861	+\$8,299
Discretionary Program Account	153,575	153,185	153,185	154,562	+\$1,377
Total Budget Authority (net)	\$150,649	\$147,471	\$157,624	\$121,090	-\$36,535
Outlays:					
Liquidating Account	-\$71,812	- \$48,606	-\$57,137	-\$50,861	+\$6,276
Program Account	\$200,134	\$196,077	\$216,785	\$171,951	-\$44,834
Total Outlays (net)	\$128,322	\$147,471	\$159,648	\$121,090	-\$38,558

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

Summary of Budget Request

The 2008 appropriation request includes funding for the mandatory and discretionary requirements of the Housing program. The mandatory request of \$17.4 million for the Housing program account includes estimated funding for subsidy payments (costs to the government) for the Veterans Housing Direct Acquired Loan program. The Liquidating account does not require an appropriation to fund account obligations because sufficient resources are available from offsetting collections (borrower's principal and interest payments, sale of homes, etc.). The discretionary request of \$154.6 million includes the funding requirements for general operating expenses associated with General Counsel, Information Technology, and Veterans Benefits Administration.

Direct acquired loan subsidies reflect the portion of loan disbursements the government does not expect to recover; i.e., the cost to the government, in net present value terms. In 2008, based on the number of loans acquired (2,631) and the average loan amount (\$74,779), \$196.7 million in direct acquired loans is estimated. The subsidy estimate of \$17.4 million is based on a subsidy rate of 8.84 percent applied to the total value of direct loans made. The 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.

Credit Reform

The "Federal Credit Reform Act of 1990," PL 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, credit programs separate the Housing Loan Program into three accounts, the Program Account, the Direct Loan Financing Account and the Liquidating Account.

Credit Reform Accounts Descriptions

Liquidating Account:

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.

Program Account:

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

Direct Loan Financing Account:

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 borrowings, interest paid to or received from Treasury, etc.) and is not included in the budget totals when calculating total government spending. Beginning in 2007, the DLFA will execute two distinct cohorts, one for Direct Acquired Loans and one for Direct Vendee Loans.

Guaranteed Loan Financing Account:

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 DLFA, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the budget totals.

Loan Sales Securities Guaranteed Loan Financing Account:

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. Like 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 the budget totals when calculating total government spending.

Program Description

The principal objective of the loan guarantee program is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families. The program operates by substituting the Federal Government's guarantee for a down payment that might otherwise be required when a veteran or reservist purchases a home.

Eligible veterans are thus able to finance home purchases even though they may not have the resources to qualify for conventional loans. Under current law, the guarantee amount 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 or;
- For certain loans in excess of \$144,000 the guarantee will be the lesser of: 25 percent of the Freddie Mac conforming loan limitation for a single family residence, as adjusted for the year involved; or 25 percent of the loan; or the veteran's available entitlement.

Avoiding foreclosure is critical to VA and veterans. VA's goal is to reduce the likelihood of foreclosure through aggressive intervention actions when loans are referred to VA as delinquent for three payments (or after 90 days) . Costs to the government are reduced when VA is able to pursue an alternative to foreclosure. Veterans are helped either by saving their home or avoiding the expense and damage to their credit rating caused by foreclosure.

VA charges various upfront 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, shall 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.

Loan Fee Structure for Guaranteed Loans		
	Veterans	Reservists
First Time Use		
Down payment:		
Less than 5 percent:		
- Before January 1, 2004	2.00%	2.75%
- January 1 until October 1, 2004	2.20%	2.40%
- October 1, 2004 until October 1, 2011	2.15%	2.40%
- On or after October 1, 2011	1.40%	1.65%
At least 5 percent but less than 10 percent:		
- Before October 1, 2011	1.50%	1.75%
- On or after October 1, 2011	0.75%	1.00%
10 percent or more:		
- Before October 1, 2011	1.25%	1.50%
- On or after October 1, 2011	0.50%	0.75%
Second and Subsequent Use		
Down payment:		
Less than 5 percent:		
- Before January 1, 2004	3.00%	3.00%
- January 1, 2004 until October 1, 2006	3.30%	3.30%
- October 1, 2006 until October 1, 2007	3.35%	3.35%
- October 1, 2007 until October 1, 2011	3.30%	3.30%
- October 1, 2011 until October 1, 2013	2.15%	2.15%
- On or after October 1, 2013	1.25%	1.25%
At least 5 percent but less than 10 percent	1.50%	1.75%
10 percent or more	1.25%	1.50%
Refinancing Loans		
Interest rate reduction	0.50%	0.50%
Other		
Assumptions	0.50%	0.50%
Service-connected veterans	0.00%	N/A

VA is authorized to make direct loans to severely disabled veterans in connection with Specially Adapted Housing Grants. The maximum loan amount is \$50,000.

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

Housing Liquidating and Program Accounts					
Summary of Appropriation Highlights					
(dollars in thousands)					
	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Liquidating:					
Program Obligations	\$11,175	\$14,955	\$9,675	\$7,451	-\$2,224
Unobligated Balance:					
Start of year	-\$31,798	\$0	-\$21,426	\$0	+\$21,426
End of year	\$21,426	\$0	\$0	\$0	\$0
Transfer to General Fund	-\$81,798	\$48,606	-\$80,586	-\$50,861	+\$29,725
Offsetting Collections	\$82,085	\$63,561	\$68,836	\$58,312	-\$10,523
Budget Authority (net)	-\$49,485	- \$48,606	-\$59,161	-\$50,861	+\$8,299
Outlays (net)	-\$71,812	- \$48,606	-\$57,137	-\$50,861	+\$6,276
Housing Program:					
Loan Subsidy Obligations:					
Veterans Housing Guaranteed	\$0	\$0	\$0	\$0	\$0
Veterans Housing Loan Sales	0	19,625	0	0	0
Veterans Housing Direct Acquired	7,050	23,267	21,888	17,389	-4,499
Veterans Housing Direct Vendee	0	0	0	0	0
Upward Reestimates, including interest:					
Veterans Housing Guaranteed	0	0	28,326	0	-28,326
Veterans Housing Loan Sales	653	0	9,427	0	-9,427
Veterans Housing Direct Acquired	38,856	0	3,959	0	-3,959
Veterans Housing Direct Vendee	0	0	0	0	\$0
Administrative Expenses:					
Veterans Benefits Administration	127,925	126,569	118,678	117,847	-831
General Counsel	4,777	4,885	4,885	4,989	+104
Information Technology	18,703	21,731	29,622	31,726	+2,104
Obligations	\$197,964	\$196,077	\$216,785	\$171,951	-\$44,834
Unobligated Balance:					
Unobligated Balance Expiring	\$2,170	\$0	\$0	\$0	\$0
Start of year	\$0	\$0	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
Budget Authority (net)	\$200,134	\$196,077	\$216,785	\$171,951	-\$44,834
Obligated Balance:					
Start of year	\$0	\$0	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
Outlays (net)	\$200,134	\$196,077	\$216,785	\$171,951	-\$44,834
Total Obligations	\$209,139	\$211,032	\$226,460	\$179,402	-\$47,058
Budget Authority:					
Appropriation, mandatory	\$46,559	\$42,892	\$63,600	\$17,389	-\$46,211
Appropriation, discretionary	\$153,575	\$153,185	\$153,185	\$154,562	+\$1,377
Liquidating Account	-\$49,485	- \$48,606	-\$59,161	-\$50,861	+\$8,299
Total Budget Authority (net)	\$150,649	\$147,471	\$157,624	\$121,090	-\$36,534
Total Outlays (net)	\$128,322	\$147,471	\$159,648	\$121,090	-\$38,558

Detail of Budget Request

The Liquidating Account does not require an appropriation to fund account obligations because sufficient resources are available from the anticipated \$58.3 million in offsetting collections (borrower's principal and interest payments, sale of homes, etc.). Obligations for 2008 are estimated at \$7.5 million which, when netted with collections, results in a negative budget authority of \$50.9 million. The Liquidating Account includes activity for all loans disbursed prior to fiscal year 1992. These loans do not fall under the requirements of credit reform and subsidy is not calculated for the Liquidating Account.

Budget authority of \$172 million is requested for the Housing Program Account for 2008 to provide funding for administrative expenses of \$154.6 million and subsidy payments of \$17.4 million to the Veterans Housing Direct Acquired Loan Financing Account. A subsidy appropriation is not required for the Veterans Housing Guaranteed Loan, Direct Vendee Loan, and Guaranteed Loan Sales Securities programs for 2008. The Veterans Housing Guaranteed Loan and Direct Vendee Loan programs have negative subsidy rates in 2008 and the Guaranteed Loan Sales Securities program has projected zero loan sales in 2008.

Subsidy for federal credit programs represents the estimated cost to the Government of making and guaranteeing loans. Veteran's Housing loans are generally for 30 years and the subsidy rate reflects 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 those 30 years. Risk-adjusted cash inflows and outflows are estimated for each year of the 30 years. Subsidy Budget Authority requested is the subsidy rate for the program multiplied by the total loan level projected for 2008. 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.

Changes from Original 2007 Budget Estimate

Current 2007 Housing Program Account budget authority of almost \$216.8 million is an increase of \$20.7 million from the original 2007 budget estimate. This is primarily the result of \$41.7 million subsidy upward reestimates for the Guaranteed, Loan Sales Securities, and Direct Loan housing programs. Offsetting this increase are decreases in obligations resulting from downward projections in subsidy associated with the Direct Acquired (\$1.4 million) and Loan Sales (\$19.6 million) programs.

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

	2007 Current Estimate	2008 Estimate
Prior Year Outlays	\$128,322	\$159,648
Liquidating:		
Liquidating Obligations	-\$1,500	-\$2,224
Liquidating Collections	+13,250	+10,523
Liquidating Change in Obligated Balance	+2,409	-2,023
Liquidating Change in Uncollected Customer Payments	+516	0
Housing Program:		
Direct Acquired Loan Subsidy	+14,838	-4,499
Upward reestimate, with interest:		
Guaranteed Loans	+28,326	-28,326
Loan Sales Securities	+8,774	-9,427
Direct Acquired Loans	-34,897	-3,959
Change in Obligated Balance	-2,170	0
Administrative Expenses	+1,780	+1,377
Net Change	+\$31,326	-\$38,558
Estimated Outlays (net)	\$159,648	\$121,090

Outlays for mandatory programs in 2008 are currently projected to decrease by almost \$38.6 million from 2007. This is primarily due to a decrease of \$41.7 million in upward reestimates for the Guaranteed Loans, Loan Sales Securities, and Direct Acquired Loans programs. The 2008 upward reestimates will not be calculated until the end of 2007 and will be shown in the 2009 Congressional Budget submission. The 2008 outlay is also reduced by a decrease of almost \$4.5 million in Direct Acquired Loan subsidy estimate resulting from downward projections in the volume of Direct Acquired loans and the associated subsidy rate. These decreases in outlays are offset by Liquidating Collections of \$10.5 million.

Financing Accounts - Non-Budgetary
Financial Summary
(dollars in thousands)

	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Guaranteed Loans:					
Obligations	\$2,212,502	\$2,863,537	\$3,528,692	\$2,585,710	-\$942,982
Collections	\$1,344,807	\$3,296,077	\$2,439,026	\$2,483,330	+\$44,304
Financing Authority (net)	\$0	\$0	\$101,737	\$107,687	+\$5,950
Financing Disbursements (net)	\$822,409	-\$425,463	\$1,070,480	\$116,126	-\$954,354
Loan Sales Securities:					
Obligations	\$108,715	\$551,151	\$131,166	\$32,249	-\$98,917
Collections	\$41,150	\$549,566	\$35,131	\$19,366	-\$15,765
Financing Authority (net)	-\$931	\$0	\$0	\$0	\$0
Financing Disbursements (net)	\$67,565	\$1,585	\$96,036	\$12,883	-\$83,153
Direct Loans:					
Obligations	\$387,089	\$707,012	\$576,702	\$690,677	\$113,975
Collections	\$372,394	\$896,173	\$183,487	\$221,026	\$37,539
Financing Authority (net)	-\$1,216,113	-\$189,161	\$349,651	\$469,650	\$119,999
Financing Disbursements (net)	-\$11,716	-\$187,848	\$393,215	\$469,650	\$76,435
Housing Financing Accounts Totals:					
Obligations	\$2,708,306	\$4,121,700	\$4,236,560	\$3,308,636	-\$927,924
Collections	\$1,758,351	\$4,741,816	\$2,657,644	\$2,723,722	+\$66,078
Financing Authority (net)	-\$1,217,044	-\$189,161	\$451,388	\$577,337	+\$125,949
Financing Disbursements (net)	\$878,258	-\$611,726	\$1,559,731	\$598,659	-\$961,072

Summary of Non-budgetary Financing Accounts

The Veterans Housing Guaranteed Loan program has a negative subsidy rate in 2008 and will not require any subsidy to finance 180,000 Veterans Housing Guaranteed loans totaling \$29.1 billion. Public Law 108-454, the Veterans Benefits Improvement Act of 2004, included some changes to the Loan Guarantee Program. The Veterans Housing Guaranteed Loan Hybrid Adjustable Rate Mortgage (ARM) demonstration project originally mandated for 2004 and 2005 has been extended through 2008 and will allow VA to guarantee both hybrid and traditional ARMs. The Act also increased the maximum loan guarantee amounts to be indexed to the current Freddie Mac conforming loan limitation. Public Law 109-233, the Veterans Housing Opportunity and Benefits Act of 2006, included additional changes to the Loan Guarantee Program. The law increased the

funding fee from 3.3 percent to 3.35 percent for subsequent loans with no down payments closed during fiscal year 2007. The \$17.4 million (on-budget) in Direct Acquired Loan subsidy for 2008 is to finance 2,631 acquired loans totaling \$196.7 million. The Veterans Housing Direct Vendee Loan Program has a negative subsidy rate in 2008 and will not require any subsidy to finance 2,883 Vendee loans totaling \$330 million for 2008.

Analysis of Financing Account Increases and Decreases Non-Budgetary Disbursements (dollars in thousands)		
Financing	2007 Current Estimate	2008 Estimate
Prior Year Net Disbursements	\$878,258	\$1,559,731
Veterans Housing Financing Accounts:		
Guaranteed Loans:		
Obligations	+\$1,316,190	-\$942,982
Offsetting collections	-1,094,219	-44,304
Change in obligated balance	+1,403	+32,931
Change in Uncollected Customer Payments	+24,697	0
Loan Sales Securities:		
Obligations	+22,451	-98,917
Offsetting collections	+6,019	+15,765
Change in obligated balance/other	0	0
Direct Loans:		
Obligations	+189,613	+113,975
Offsetting collections	+188,907	-37,539
Change in obligated balance/other	+26,411	0
Net Change	+\$681,473	-\$961,071
Estimated Net Disbursements	\$1,559,731	\$598,660

In 2007, total financing net disbursements (outlays) are projected to increase almost \$681.5 million, mostly due to increases in both the Guaranteed Loan and Direct Loan financing accounts. Net disbursements for the DLFA is estimated to increase \$405.0 million, primarily due to an increase in Direct Vendee loans and a decrease in offsetting collections. Net disbursements for the GLFA are estimated to increase by \$248.1 million due to an increase in claims paid on foreclosed loans and the cost to acquire a portion of these loans. In addition, net disbursements for the LSSA are estimated to increase \$28.5 million, primarily due to an increase of \$26.5 million in downward reestimates.

In 2008, total financing net disbursements (outlays) are projected to decrease \$961.1

million. Net disbursements for the GLFA are currently projected to decrease \$954.4 million in 2008. This decrease is due to an increase in offsetting collections of \$44.3 million combined with a decrease in obligations of almost \$943.0 million. Almost \$764 million of the obligation decrease is due to a decrease in downward reestimates, which will not be calculated until the end of 2007 and shown in the 2009 Congressional Budget submission, with the remaining decrease due to lower projected default claims. Net disbursements for the LSSA are projected to decrease \$83.2 million, primarily due to the effect of the 2007 reestimate. Offsetting these decreases is an increase in net disbursements for the DLFA by \$76.4 million in 2008, primarily due to an increase in Vendee loans.

Workload Summary
(dollars in thousands)

	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Veterans Housing Benefit Program:					
Liquidating Account:					
Property acquisitions	294	236	236	188	- 48
Properties sold	782	704	704	599	- 105
Guaranteed Loans:					
Subsidy rate	-0.32%	-0.36%	-0.36%	-0.37%	-0.01%
Number of guaranteed loans	135,151	230,000	180,000	180,000	0
Amount of guaranteed loans	\$23,499,949	\$37,189,036	\$28,260,360	\$29,104,463	+\$844,103
Average loan amount (full dollars)	\$173,879	\$161,691	\$157,002	\$161,691	+\$4,689
Loan Sales Securities:					
Subsidy rate	0.00%	3.99%	0.00%	0.00%	0.00%
Guaranteed loans sold:					
Number of loans sold	0	5,395	0	0	0
Amount of loans sold	0	\$491,842	0	0	0
Average loan amount (full dollars)	0	\$91,172	0	0	0
Gross proceeds from sale	0	\$496,513	0	0	0
Direct Loans:					
Acquired Loans:					
Subsidy rate	9.18%	10.43%	10.43%	8.84%	-1.59%
Number of Loans	1,150	3,734	2,868	2,631	-237
Total amount of loans	\$77,433	\$223,080	\$209,855	\$196,708	-\$13,147
Average loan amount (full dollars)	\$67,305	\$59,749	\$73,182	\$74,779	+\$1,597
Vendee Loans:					
Subsidy rate	-5.64%	-3.46%	-3.46%	-1.59%	+1.87%
Number of Loans	788	5,082	1,192	2,883	+1,691
Total amount of loans	\$73,326	\$365,581	\$124,777	\$329,907	+\$205,130
Average loan amount (full dollars)	\$93,053	\$71,939	\$104,719	\$114,425	+\$9,706



Native American Veterans Housing Loan Program

Appropriation Language

For administrative expenses to carry out the direct loan program authorized by title 38 U.S.C. chapter 37, subchapter V, as amended: \$628,000 which may be transferred to and merged with the appropriation for General Operating Expenses.

Explanation of Language Change

The "Veterans Housing Opportunity and Benefits Act of 2006", PL 109-233, made the Native American Program permanent. There are no loan limitations for this mandatory program.

<i>Summary of Net 2008 Estimates</i>				
(dollars in thousands)				
	Budget Authority	Outlays	Financing Authority	Financing Disbursements
Program Account	\$628	\$628	\$0	\$0
Direct Loan Financing Account	0	0	2,947	2,947
Total	\$628	\$628	\$2,947	\$2,947

Summary of Budget Request

An appropriation of \$628,000 is being requested to reimburse the General Operating Expenses account for expenses necessary to administer this program. The Native American Housing program has a negative subsidy rate in 2008 and therefore will not require any subsidy from the program's \$2.3 million unobligated balance.

Program Description

The Native American Veterans Housing Loan 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 veteran residences. The principal amount of a loan under this authority is limited to the Freddie Mac single-family conventional conforming loan limit. Veterans pay a funding fee of 1.25 percent of the loan amount but veterans with service-connected disability are exempt from paying the fee. The law also

requires that before a direct loan can be made, the veteran's tribal organization sign a Memorandum of Understanding with the Department of Veterans Affairs with respect to the terms and conditions of the loan.

The Native American Veterans Housing Loan Program is a program that began in 1993 as a pilot program. Indefinite subsidy authority of \$4.5 million was provided for by PL 102-389, "Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriation Act, 1993". Initial authority for this pilot program expired September 30, 1997. Authority was extended through December 31, 2001 by PL 105-114, "Veterans Benefits Act of 1997", through December 31, 2005 by PL 107-103, "Veterans Education and Benefits Expansion Act of 2001", through December 31, 2008, by PL 108-454, "Veterans Benefits Improvement Act of 2004", and became permanent by PL 109-233, "Veterans Housing Opportunity and Benefits Act of 2006".

Credit Reform

The "Federal Credit Reform Act of 1990," PL 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, credit programs separate the Native American Housing Loan Program into two accounts, the Program Account and the Direct Loan Financing Account.

Program Account

The Native American Veterans Housing Loan Program, Program Account was established to provide appropriations for the payment of subsidies to the Native American Veterans Housing Loan Program, Direct Loan Financing Account and to request appropriations for the associated administrative expenses, reimbursed to the General Operating Expenses appropriation. 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 subsidy.

Native American Direct Loan Program Account Summary of Appropriation Highlights

(dollars in thousands)

	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Obligations					
Direct loan subsidy	\$0	\$0	\$0	\$0	\$0
Upward reestimate, including interest	45	0	2,634	0	-2,634
Administrative expenses:					
Veterans Benefits Administration	560	595	560	608	+48
General Counsel	20	20	20	20	0
Total administrative expenses	580	615	580	628	+48
Total obligations	\$625	\$615	\$3,214	\$628	-\$2,586
Unobligated Balance:					
Start of year	-\$2,334	-\$2,334	-\$2,334	-\$2,334	\$0
End of year	\$2,334	\$2,334	\$2,334	\$2,334	\$0
Budget authority (net)	\$625	\$615	\$3,214	\$628	-\$2,586
Obligated Balance:					
Start of year	\$0	\$0	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
Outlays (net)	\$625	\$615	\$3,214	\$628	-\$2,586
Financing:					
Appropriation, discretionary	\$580	\$615	\$580	\$628	+\$48
Mandatory Indefinite	\$45	\$0	\$2,634	\$0	-\$2,634
Workload:			30		
Number of direct loans established	39	30	\$119,40	30	0
Average direct loan amount (dollars)	\$116,832	\$168,879	2	\$122,268	+\$2,866
Amount of direct loans established	\$4,556	\$5,066	\$3,582	\$3,668	+\$86
<i>NA direct loan subsidy rate</i>	-13.79%	-13.46%	-13.46%	-14.48%	-1.02%

Detail of Budget Request

The direct loan subsidy reflects the portion of loan disbursements, which 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 value of loans equals the subsidy rate.

When the Native American Direct Loan Program was initiated, a positive subsidy rate was assumed based on the assumption that these loans would have a default rate consistent with the default rate that VA had been experiencing for other direct loans. Funds used to make the loans are borrowed from Treasury and lent at market rates. This interest rate spread, coupled with minimal defaults,

generates a negative subsidy rate. Therefore, no subsidy will be transferred from the program to the financing account in 2008.

To provide for origination, servicing, management, investment and common overhead expenses, \$628,000 is required for the Program Account. This amount will provide VBA seven FTE at a cost of \$608,000 payroll and nonpayroll expenses. The Office of the General Counsel will be reimbursed \$20,000 to support one FTE.

<i>Native American Direct Loan Program Account</i>		
<i>Analysis of Increases and Decreases - Outlays</i>		
(dollars in thousands)		
	2007	2008
	Current Estimate	Estimate
Prior year outlays (net)	\$625	\$3,214
Increases (+) and Decreases (-)		
Upward reestimate, including interest	+\$2,589	-\$2,634
Administrative expenses	0	+48
Change in obligated balance/other	0	0
Net Change	+\$2,589	-\$2,586
Estimated Outlays (net)	\$3,214	\$628

In 2007, outlays will total \$3.2 million, an increase of \$2.6 million from the 2006 level. This is due to an increase of \$2.6 million in the direct loan upward reestimate from \$45,000 to \$2.6 million.

In 2008, outlays will total \$628,000, a decrease of \$2.6 million from the 2007 level. The decrease is primarily a result of the 2007 upward reestimates. The 2008 upward reestimates will not be calculated until the end of 2007 and will be shown in the 2009 Congressional Budget submission.

Direct Loan Financing Account - Non-budgetary

The Native American Veterans Housing Loan Program, Direct Loan Financing Account is a non-budgetary account that records all financial transactions, i.e., obligations, collections, and outlays associated with direct loan obligations. 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 - Non-budgetary Financial Summary

(dollars in thousands)

	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Obligations:					
Direct loans	\$4,556	\$5,066	\$3,582	\$3,668	+\$86
Negative subsidy	281	682	766	525	-241
Interest on Treasury borrowings	3,342	514	1,852	2,046	+194
Property expenses	3	4	4	6	+2
Other Expenses	0	0	18	9	-9
Treasury Receipt account:					
Downward Reestimate	2,584	0	854	0	-854
Int. on Downward Reestimate	380	0	190	0	-190
Total obligations	\$11,146	\$6,267	\$7,267	\$6,254	-\$1,013
Unobligated Balance:					
Start of year	-\$761	\$0	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
Obligated Balance:					
Start of year	\$1,602	\$0	\$1,000	\$0	-\$1,000
End of year	-\$1,000	\$0	\$0	\$0	\$0
Offsetting Collections:					
Payments from Program account	\$45	\$0	\$2,634	\$0	-\$2,634
Reimbursements from NADL	0	0	367	402	+35
Interest on Uninvested funds	1,692	0	0	0	0
Loan repayments	2,031	603	547	615	+68
Interest received on loans	1,373	2,330	2,091	2,271	+180
Fees	19	27	21	19	-2
Other	-12	426	0	0	0
Total offsetting collections	\$5,148	\$3,386	\$5,660	\$3,307	-\$2,353
Financing:					
Financing authority, net	\$32,441	\$2,880	\$1,606	\$2,947	+\$1,341
Financing disbursements, net	\$6,600	\$2,880	\$2,606	\$2,947	+\$341

Summary of Non-budgetary Financing Account

Obligations are estimated at almost \$6.3 million for 2008 and are expected to support 30 direct loans to Native American veterans with a value of almost \$3.7 million. Obligations also reflect interest on Treasury borrowing of over \$2.0 million and \$525,000 in negative subsidy. Interest on Treasury borrowing is computed based on average financing authority net of offsetting collections, using current interest rate assumptions on Treasury securities.

Total collections in 2008 are estimated at over \$3.3 million, including \$2.3 million

from borrower's interest payments, \$402,000 from Native American Direct Loan Financing Account reimbursements, \$615,000 in repayments and prepayments of principal, and \$19,000 from fees on loans. Collections are \$2.4 million lower in 2008 than in 2007 because of upward reestimates. The 2008 upward reestimates will not be calculated until the end of 2007 and will be shown in the 2009 Congressional Budget submission.

Changes From Original 2007 Budget Estimate

The current obligation estimate for 2007 is \$1.0 million higher than the original estimate primarily due to the downward reestimate of over \$1.0 million and an increase in estimated interest payments to Treasury for borrowing of over \$1.3 million. These increases are offset by the decrease in estimated Direct Loans from \$5.1 million to \$3.6 million due to the decrease in the estimated average loan amount.

<i>Native American Direct Loan Financing Account - Non-budgetary</i>		
<i>Analysis of Increases and Decreases - Outlays</i>		
(dollars in thousands)		
	2007 Current Estimate	2008 Estimate
Prior year outlays (net)	\$6,600	\$2,606
Increases (+) and Decreases (-)		
Obligations:		
Direct loans	-\$974	+\$86
Negative Subsidy	+485	-241
Interest on Treasury borrowing	-1,490	+194
Property Expenses	+1	+2
Other Expenses	+18	-9
Payments to Treasury Receipt account:		
Downward Reestimate	-1,730	-854
Int. on Downward Reestimate	-190	-190
Offsetting collections:		
Payments from Program account	-2,589	+2,634
Reimbursement from NADL	-367	-35
Interest on Uninvested funds	+1,692	0
Loan repayments	+1,484	-68
Interest received on loans	-718	-180
Fees		
Other	-2	+2
Change in obligated balances/other	-12	0
	+398	-1,000
Net Change	-\$3,994	+\$341
Estimated Outlays (net)	\$2,606	\$2,947

In 2007, outlays are estimated at \$2.6 million, a decrease of almost \$4.0 million from 2006. The overall outlay decrease is due to decreases in obligations and increases in offsetting collections. Obligations decrease by \$3.9 million primarily as the result of a decrease of almost \$1.0 million in direct loans, a decrease of \$1.5 million on interest on Treasury borrowing, and a decrease of \$1.9 million in downward reestimates from \$3.0 million to \$1.1 million. The obligation decreases are slightly offset by a \$485,000 increase in negative subsidy. Offsetting collections increase by \$138,000 primarily due to an increase of \$2.6 million in the upward reestimate from \$45,000 to \$2.6 million received from the Program Account and an increase of \$718,000 in the interest payments received from borrowers on outstanding direct loans from \$1.3 million to \$2.1 million. The offsetting collection increases are offset by decreases of \$1.7 million in the estimated interest payments received from Treasury on uninvested funds from \$1.7 million to zero and \$1.5 million in borrower's loan repayments from \$2.0 million to \$547,000.

In 2008, outlays are estimated at over \$2.9 million, an increase of \$341,000 from 2007. The increase is primarily the result of the \$2.6 million upward reestimate shown in 2007. Offsetting this increase are decreases in obligated balances of \$1.0 million and the result of the \$1.0 million downward reestimate shown in 2007. The 2008 upward and downward reestimates will be calculated at the end of 2007 and presented in the 2009 Congressional Budget submission.

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Guaranteed Transitional Housing Loans for Homeless Veterans

Appropriation Language

For the administrative expenses to carry out the guaranteed transitional housing loan program authorized by subchapter VI of chapter 20 of title 38, United States Code, not to exceed \$750,000 of the amounts appropriated by this Act for "General operating expenses" and "Medical administration" may be expended.

<i>Summary of Net 2008 Estimates</i>				
	(dollars in thousands)			
	Budget Authority	Outlays	Financing Authority	Financing Disbursements
Program Account	\$0	\$2,065	\$0	\$0
Direct Loan Financing Account	0	0	\$11,314	\$151
Total	\$0	\$2,065	\$17,552	\$151

Summary of Budget Request

Two loans are expected to be obligated during 2008. The total amount of the loans will be over \$11.5 million with a combined subsidy rate of 72.10 percent and a corresponding \$8.3 million in subsidy obligations. It is anticipated the loans will be disbursed over a two-year period. The subsidy requirements of the Guaranteed Transitional Housing program in 2008 will be funded from the unobligated balance of the initial \$48.3 million appropriation.

Program Description

The Guaranteed Transitional Housing program was established by PL 105-368, the "Veterans Benefits Enhancement Act of 1998". The program is 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 must enforce sobriety standards and provide a wide range of supportive services, such as counseling for substance abuse and job readiness skills. Residents, once employed, will be required to pay a reasonable fee.

Credit Reform

The "Federal Credit Reform Act of 1990," PL 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, credit programs separate the Guaranteed Transitional Housing Loans for Homeless Veterans into two accounts, the Program Account and the Direct Loan Financing Account.

Program Account

The Guaranteed Transitional Housing Loans for Homeless Veterans Program Account records the payment of subsidies to the Guaranteed Transitional Housing Loans for Homeless Veterans Direct Loan Financing Account. Administrative costs, typically funded from this account, are funded from the Medical Administration and General Operating Expenses appropriations and may not exceed \$750,000 of the amount appropriated. This account holds the unobligated balance of the original appropriation for subsidy.

Guaranteed Transitional Housing Loans Program Account					
Summary of Appropriation Highlights					
(dollars in thousands)					
	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Obligations					
Direct loan subsidy	\$0	\$7,757	\$0	\$8,302	+\$8,302
<i>Total obligations</i>	\$0	\$7,757	\$0	\$8,302	+\$8,302
Unobligated Balance:					
Start of year	-\$43,053	-\$34,487	-\$43,053	-\$43,053	\$0
End of year	\$43,053	\$26,731	\$43,053	\$34,751	-\$8,302
Budget authority (net)	\$0	\$0	\$0	\$0	\$0
Obligated Balance:					
Start of year	\$5,197	\$9,832	\$2,788	\$600	-\$2,188
End of year	-\$2,788	-\$6,508	-\$600	-\$6,837	-\$6,237
Outlays (net)	\$2,409	\$11,081	\$2,188	\$2,065	-\$123
Workload and Subsidy Rate:					
Number of loans established	0	2	0	2	0
Average loan amount	\$0	\$5,484	\$0	\$5,758	+\$5,758
Amount of loans established	\$0	\$10,965	\$0	\$11,515	+\$11,515
Combined Project Subsidy Rate	n/a	70.74%	n/a	72.10%	72.10%

Detail of Budget Request

Total obligations in 2008 increase by \$8.3 million from the 2007 estimate. Outlays decrease by \$123,000 from the 2007 estimate of \$2.2 million. We anticipate that two loans will be partially disbursed in 2008 with the subsidy requirements for these loans funded from the unobligated balance of the initial \$48.3 million appropriation.

Changes From Original 2007 Budget Estimate

The original estimate has been revised to reflect zero loans being disbursed in 2007.

<i>Guaranteed Transitional Housing Loans Program Account</i>		
<i>Analysis of Increases and Decreases - Outlays</i>		
(dollars in thousands)		
	2007 Current Estimate	2008 Estimate
Prior year outlays (net)	\$2,409	\$2,188
Increases (+) and Decreases (-)		
Transfer of Subsidy with Disbursements	-\$221	-\$123
Net Change	-\$221	-\$123
Estimated Outlays (net)	\$2,188	\$2,065

In 2007, outlays are projected to decrease by \$221,000 as loan disbursements decrease from the 2006 level with no new loans obligated in 2007. Outlays in 2007 consist of the second year of subsidy disbursements for the 2005 loan. Net outlays will decrease in 2008 by \$123,000 with loan disbursements to borrowers estimated to decrease. Outlays in 2008 consist of the first year of subsidy disbursements of two new loans and the third year of subsidy disbursements for the 2005 loan.

Direct Loan Financing Account -- Non-budgetary

The 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 the financial tracking of each cohort year's loan activity within the financing account and is not included in the budget totals when calculating total government spending. Guaranteed Transitional Housing Loans will be financed by the Federal Financing Bank (FFB) and, for budgetary and accounting purposes, considered Agency debt. Therefore, although this is a guaranteed loan program, all transactions will be accounted for in a direct loan financing account.

Transitional Housing Direct Loan Financing Account - Non-budgetary					
Financial Summary					
(dollars in thousands)					
	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Obligations:					
Direct loans	\$0	\$10,965	\$0	\$11,515	+\$11,515
Interest on Treasury borrowings	0	-128	0	0	0
Property expenses and other	0	85	0	19	+19
<i>Total obligations</i>	\$0	\$10,922	\$0	\$11,534	+\$11,534
Obligated Balance:					
Start of year	\$40	\$6,290	\$21	\$5	-\$16
End of year	-\$21	-\$2,776	-\$5	-\$2,564	-\$2,559
Offsetting Collections:					
Payments fr Program account	\$2,409	\$407	\$2,188	\$2,065	-\$123
Interest on Uninvested Funds	0	24	197	340	+143
Loan repayments	0	11,081	0	25	+25
Interest received on loans	0	0	0	157	+157
<i>Total offsetting collections</i>	\$2,409	\$11,512	\$2,385	\$2,586	+\$201
Financing:					
Financing authority, net	-\$0	-\$590	-\$0	\$11,314	+\$11,314
Financing disbursements, net	\$18	\$2,924	-\$180	\$151	+\$331

Summary of Non-budgetary Financing Account

It is projected that the Guaranteed Transitional Housing for Homeless Veterans program will partially disburse two loans in 2008. The total amount of the two loans is estimated at over \$11.5 million with a subsidy cost of over \$8.3 million (on-budget) to be financed with remaining unobligated funds.

Obligations are estimated at over \$11.5 million for 2008, consisting of \$11.5 million in direct loan payments and \$19,000 for property expenses. Collections are estimated at \$2.6 million in 2008. The offsetting collections consist of subsidy payments from the Program account of \$2.1 million, interest earned from Treasury on uninvested funds of \$340,000, interest received on loans of \$157,000, and repayments received on loans of \$25,000.

Transitional Housing Direct Loan Financing Account - Non-budgetary		
Analysis of Increases and Decreases - Outlays		
(dollars in thousands)		
	2007 Current Estimate	2008 Estimate
Prior year outlays (net)	+\$18	-\$180
Increases (+) and Decreases (-)		
Obligations:		
Direct loans	\$0	+\$11,515
Interest on Treasury borrowing	0	0
Property expenses and other	0	+19
Offsetting collections:		
Payments of subsidy from program account	+221	+123
Interest received on loans	-197	-143
Interest on Uninvested Funds	0	-25
Loan repayments	0	-157
Change in obligated balances	-222	-11,001
Net Change	-\$198	+\$331
Estimated Outlays (net)	-\$180	+\$151

In 2007, outlays are projected to decrease by \$198,000. The decrease is due primarily to an increase in interest received from Treasury on uninvested funds of \$197,000 and an increase in the net change in obligated balances and uncollected customer payments of \$222,000. These are somewhat offset by an increase in subsidy payments from the program account.

Outlays will increase \$331,000 in 2008. The change is primarily due to an increase in direct loan obligations of \$11.5 million. These outlays are partially offset by a net change in obligated balances of \$11.0 million as the 2005 and new 2008 loans are disbursed.

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Insurance Benefits

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 title 38, United States Code, chapters 19 and 21 41,250,000 to remain available until expended.

Insurance
Summary of Appropriation Highlights
(dollars in thousands)

	2006		2007		2008 Estimate	Increase (+) Decrease(-)
	Actual	Budget Estimate	Current Estimate			
Lives Insured:¹						
Veterans (Administered Programs)	1,317,550	1,249,568	1,228,318	1,138,920	-89,398	
Veterans (VGLI)	428,019	436,638	435,880	444,670	+8,790	
Servicemembers (SGLI)	2,391,500	2,417,900	2,393,500	2,387,500	-6,000	
Spouses and Children (FSGLI)	3,099,000	2,984,000	2,984,000	2,982,000	-2,000	
Total Lives Insured	7,236,069	7,088,106	7,041,698	6,953,090	-88,608	
Face Amount In Force	\$ 1,114,008,085	\$ 1,100,181,978	\$ 1,114,869,118	\$ 1,116,485,168	\$ +1,616,050	
Obligations:						
Death Claims	\$ 1,092,506	\$ 1,163,530	\$ 1,134,240	\$ 1,150,470	\$ +16,230	
Dividends	421,547	373,850	385,020	349,340	-35,680	
Premiums Paid to OSGLI	819,354	854,640	861,930	860,170	-1,760	
Transfers to Insurance Funds	646,098	41,190	665,990	33,180	-632,810	
Payments for Administrative Expenses	38,520	41,824	43,034	42,502	-532	
Capital Investments	92,830	89,864	92,730	90,230	-2,500	
All Other Obligations	193,073	186,372	188,208	188,791	+583	
Total Obligations	\$ 3,303,928	\$ 2,751,270	\$ 3,371,152	\$ 2,714,683	\$ -656,469	
Funding:						
Offsetting Collections						
Premiums	\$ 101,393	\$ 98,240	\$ 100,108	\$ 99,117	\$ -991	
SGLI Premiums	820,985	855,940	863,730	861,670	-2,060	
Interest on U.S. Securities	162,699	156,410	157,070	151,750	-5,320	
Payments for S-DVI	37,234	40,300	41,800	32,400	-9,400	
Extra Hazard Payments	405,230	0	490,000	0	-490,000	
TSGLI Payments	202,748	0	133,400	0	-133,400	
All Other Collections	332,597	320,474	317,604	293,247	-24,357	
Total Collections	\$ 2,062,886	\$ 1,471,364	\$ 2,103,712	\$ 1,438,184	\$ -665,528	
Unobligated balance (SOY)	\$ -11,123,872	\$ -10,678,876	\$ -10,718,841	\$ -10,232,051	\$ +486,790	
Unobligated balance (EOY)	\$ 10,718,841	\$ 10,184,780	\$ 10,232,051	\$ 9,678,812	\$ -553,239	
Budget Authority, net:						
Insurance Benefit (VI&I)	\$ 45,907	\$ 49,850	\$ 49,850	\$ 41,250	\$ -8,600	
Trust Funds	\$ 1,192,156	\$ 1,194,630	\$ 1,184,561	\$ 1,183,012	\$ -1,549	
Total:						
Budget Authority (net)	\$ 1,238,064	\$ 1,244,480	\$ 1,234,411	\$ 1,224,262	\$ -10,149	
Outlays (net)	\$ 1,236,732	\$ 1,292,836	\$ 1,278,108	\$ 1,296,702	\$ +18,594	

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

¹ 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".

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, Veterans' Mortgage Life Insurance (VMLI), and supervises two additional programs for the benefit of servicepersons, veterans, and their beneficiaries. All programs are operated on a commercial 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 redemption of U.S. securities.

In 2008, the VI&I account will require an appropriation of \$41.3 million to finance its operation. This will enable VA to transfer \$32.4 million to the S-DVI program, \$8.1 million to the VMLI program and \$780,000 to the NSLI program (detailed explanations for these transfers are included under Insurance - VI&I Appropriated Fund).

Changes from Original 2007 Budget Estimate

Total obligations in 2007 are estimated to increase by \$619.9 million from the original 2007 estimate. The majority of this increase is in transfers to insurance funds, particularly transfers to the Office of Servicemembers' Group Life Insurance (OSGLI). Transfers to insurance funds are expected to increase by \$624.8 million due to an increase in extra hazard payments and transfers to fund the new TSGLI program. There will be a \$490 million transfer to OSGLI from DoD to finance extra hazard payments. Extra hazard payments are payments that fund the difference between death claims incurred during hostile military action and what would be expected under peacetime experience. In addition, a \$133.4 million transfer will be made for the Traumatic Injury Protection Insurance (TSGLI) program during 2007. Pubic Law 109-13 established TSGLI under the SGLI program effective December 1, 2005. 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 results in certain severe losses. The \$133.4 million payment is composed of an estimated \$65 million in retroactive costs and \$68.4 million to provide TSGLI coverage for ongoing excess claim costs. Retroactive costs are associated with the provision in TSGLI that provides benefits to any servicemember who suffered a qualifying loss as a direct result of a traumatic injury incurred in Operation Enduring Freedom (OEF) or Operation Iraqi Freedom (OIF) on or after October 7, 2001 and through and including November 30, 2005.

Extra hazard payments and the payments for TSGLI are transferred from DoD to VA and then transferred by VA to OSGLI. Therefore, the transfer will appear as both a collection and an obligation. Offsetting collections are projected to increase by \$632.3 million. The majority of this increase is the result of the transfers to SGLI discussed above.

Insurance		
Analysis of Increases and Decreases		
(dollars in thousands)		
	2007 Estimate	2008 Estimate
Prior Year Outlays	\$ 1,236,732	\$ 1,278,108
Increases (+) and Decreases(-)		
Obligations:		
Death Claims	+41,734	+16,230
Dividends	-36,527	-35,680
Premiums Paid to OSGLI	+42,576	-1,760
Transfers to Insurance Funds	+19,892	-632,810
Payments for Administrative Expenses	+4,514	-532
Capital Investments	-100	-2,500
All Other Obligations	-4,865	+583
Offsetting collections:		
Premiums	+1,285	+991
SGLI Premiums	-42,745	+2,060
Interest on U.S. Securities	+5,629	+5,320
Payments for S-DVI	-4,566	+9,400
Extra Hazard Payments	-84,770	+490,000
TSGLI Payments	+69,348	+133,400
All Other Collections	+14,993	+24,357
Change in Obligated Balances	+14,978	+9,535
Net Change	\$ +41,376	\$ +18,594
Estimated Outlays (net)	\$ 1,278,108	\$ 1,296,702

In 2007, outlays increase by \$41.4 million above the prior year. The increase in outlays is primarily associated with increases in death claims and decreases in NSLI other collections (included in All Other Collections). Death claims are projected to increase in line with the advancing age of our policyholders. Decreases in NSLI other collections are due to decreases in premiums collected by offset associated with decreases in the number of NSLI policies in force. Increases to outlays are partially offset by decreases in dividends. Dividends will decline due to a lower average rate of return on securities, resulting in decreased investment earnings.

In 2007, there are several major increases and decreases to obligations and collections associated with SGLI and TSGLI that offset each other and do not have

an impact on net outlays. In each case, VA collects money from DoD, which shows as a decrease to outlays and sends it to OSGLI for the operation of the SGLI and TSGLI, which shows as an increase to outlays. SGLI premiums and premiums paid to OSGLI increase in 2007 because the SGLI premium rate increases from 6.5 cents to 7.0 cents per month per \$1,000 of insurance effective July 1, 2006. SGLI extra hazard payments received from DoD increase, while TSGLI payments from DoD decrease in 2007. The net increases in DoD payments are offset by an increase in Transfers to Insurance Funds.

In 2008, outlays will increase by \$18.6 million. The increase in outlays is associated with increases in death claims and decreases in NSLI other collections (included in All Other Collections). Increases to outlays are partially offset by decreases in dividends. Increases in death claims, decreases in NSLI other collections and decreases in dividends are explained above.

Again, in 2008, major increases and decreases to obligations and collections associated with SGLI and TSGLI offset each other but do not have an impact on net outlays. Estimated outlays increase due to the decrease in collections of \$490 million in extra hazard payments and \$133.4 million in TSGLI payments. However, these decreased collections are offset by a decrease in obligations of \$632.8 million in Transfers to Insurance funds.

Summary of Insurance Programs 2008 (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 Date	08/11/71	10/08/40	01/01/19	04/25/51	05/01/65	04/25/51	09/29/65	11/01/2001	8/1/74	
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.	
Lives Insured	2,310	775,886	5,457	157,028	33,304	164,935	2,387,500	2,982,000	444,670	6,953,090
Number of Policies Inforce										
Term insurance	2,310	216,960	n/a	13,550	n/a	68,740	n/a	n/a	n/a	301,560
Permanent plans	n/a	698,670	5,560	169,250	38,660	121,490	n/a	n/a	n/a	1,033,630
Tot. policies inforce	2,310	915,630	5,560	182,800	38,660	190,230	2,387,500	2,982,000	444,670	7,149,360
Tot. value inforce⁽¹⁾	\$ 165	\$ 10,553	\$ 16	\$ 2,350	\$ 376	\$ 1,911	\$ 922,695	\$ 116,231	\$ 62,189	\$ 1,116,486
Avg amt. per policy ⁽²⁾	\$ 71,429	\$ 11,525	\$ 2,878	\$ 12,856	\$ 9,726	\$ 10,046	\$ 386,469	\$ 38,978	\$ 139,854	
Avg age	55.6	82.9	90.0	76.5	83.8	60.2	30.1	33.1 ⁽³⁾	47.3	
Annual death rate per 1,000	58.7	76.6	144.5	33.4	87.6	36.4	1.1	0.85 ⁽⁴⁾	4.4	

- (1) The total value of inforce includes paid-up additional insurance.
- (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 insureds 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 and disability payments being made where the disability was caused by the extra hazards of military service. By law, these extra hazard costs are borne by the government.

VMLI provides up to \$90,000 of mortgage protection life insurance to disabled veterans who have received a grant for specially adapted housing. Policies are issued at standard premium rates to individuals who are considered health risks. A subsidy is necessary to support the VMLI program.

Servicemembers' Group Life Insurance - Public Enterprise Fund - Includes Veterans' Group Life Insurance² (VGLI) and 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 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. 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. Public Law 109-80 increased the maximum amount of SGLI coverage from \$250,000 to \$400,000 for all servicemembers effective September 1, 2005. SGLI also offers Family Servicemembers' Group Life Insurance 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.

² VGLI is a conversion option of the SGLI program. Prudential Financial 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.

The SGLI program is supervised by VA and administered, under a contractual agreement, by Prudential Financial through OSGLI. VA collects premiums from each of the uniformed services and disburses those funds to OSGLI 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. The SGLI premium rate increased from 6.5 cents per month per \$1,000 of insurance coverage to 7.0 cents on July 1, 2006.

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 results in certain severe losses. The premium charged for this coverage is \$1 per month from each servicemember insured under SGLI. This premium covers only the civilian incidence of such injuries with any excess program costs above the premiums collected to be paid by DoD. Public Law 109-13 established the TSGLI program as a rider under the SGLI program effective December 1, 2005. This law also contains a retroactive provision that provides a servicemember who suffered a qualifying loss on or after October 7, 2001 and through and including November 30, 2005 with a benefit under TSGLI, if the loss was a direct result of a traumatic injury incurred in OEF or OIF. The law specifies that the Secretary of Defense will certify to OSGLI the names and addresses of those members that the Secretary determines to be eligible for such benefits.

Administered Programs

The following five insurance programs operate basically in the same 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 up to \$20,000 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, except for claims traceable to the extra hazards of service in the armed forces.³

³ 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.

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. ⁴

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 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 \$20,000 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.

Veterans' Special Life Insurance - Trust Revolving Fund

VSLI was established in 1951 to meet the insurance needs of veterans who served during the Korean Conflict, 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.⁴

⁴ 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.

Highlights by Account (dollars in thousands)				
	2006 Actual	2007 Estimate	2008 Estimate	Increase (+) Decrease (-)
Obligations				
USGLI	\$ 6,673	\$ 6,291	\$ 5,636	\$ -655
NSLI	1,477,244	1,455,600	1,431,226	-24,374
SDVI	80,980	91,170	96,130	+4,960
VRI	57,539	60,731	57,329	-3,402
VSLI	204,606	217,720	219,252	+1,532
SGLI	1,428,964	1,487,130	861,670	-625,460
VI& I	47,922	52,510	43,440	-9,070
Total obligations	\$ 3,303,928	\$ 3,371,152	\$ 2,714,683	\$ -656,469
Budget authority (gross)				
USGLI	\$ 6,673	\$ 6,291	\$ 5,636	\$ -655
NSLI	1,477,244	1,455,600	1,431,226	-24,374
SDVI	85,750	92,064	84,214	-7,850
VRI	37,223	34,640	31,590	-3,050
VSLI	217,223	210,570	204,670	-5,900
SGLI	1,428,964	1,487,130	861,670	-625,460
VI& I	47,874	51,828	43,440	-8,388
Total budget authority (gross)	\$ 3,300,951	\$ 3,338,123	\$ 2,662,446	\$ -675,677
Outlays (gross)				
USGLI	\$ 8,012	\$ 7,993	\$ 7,296	\$ -697
NSLI	1,491,132	1,482,557	1,465,446	-17,111
SDVI	80,037	91,098	96,040	+4,942
VRI	58,179	61,390	58,539	-2,851
VSLI	185,371	198,934	202,452	+3,518
SGLI	1,428,965	1,487,130	861,670	-625,460
VI& I	47,922	52,715	43,440	-9,275
Total outlays (gross)	\$ 3,299,618	\$ 3,381,817	\$ 2,734,883	\$ -646,934
Offsetting collections				
USGLI	\$ 351	\$ 250	\$ 210	\$ -40
NSLI	291,389	277,050	253,610	-23,440
SDVI	85,750	92,064	84,214	-7,850
VRI	37,223	34,640	31,590	-3,050
VSLI	217,223	210,570	204,670	-5,900
SGLI	1,428,984	1,487,160	861,700	-625,460
VI& I (VMLI)	1,966	1,978	2,190	+212
Total offsetting collections	\$ 2,062,886	\$ 2,103,712	\$ 1,438,184	\$ -665,528

Highlights by Account (cont.)

(dollars in thousands)

	2006 Actual	2007 Estimate	2008 Estimate	Increase (+) Decrease (-)
Budget authority (net)				
USGLI	\$ 6,322	\$ 6,041	\$ 5,426	\$ -615
NSLI	1,185,855	1,178,550	1,177,616	-934
SDVI	0	0	0	0
VRI	0	0	0	0
VSLI	0	0	0	0
SGLI	-20	-30	-30	0
VI&I	45,907	49,850	41,250	-8,600
Total budget authority (net)	\$ 1,238,064	\$ 1,234,411	\$ 1,224,262	\$ -10,149
Outlays (net)				
USGLI	\$ 7,661	\$ 7,743	\$ 7,086	\$ -657
NSLI	1,199,743	1,205,510	1,211,839	+6,329
SDVI	-5,713	-966	11,826	+12,792
VRI	20,956	26,750	26,949	+199
VSLI	-31,852	-11,636	-2,218	+9,418
SGLI	-19	-30	-30	0
VI&I	45,956	50,737	41,250	-9,487
Total outlays (net)	\$ 1,236,732	\$ 1,278,108	\$ 1,296,702	\$ +18,594
Number of lives insured				
USGLI	7,696	6,537	5,457	-1,080
NSLI	937,707	856,175	775,886	-80,289
SDVI	157,013	161,597	164,935	+3,338
VRI	41,527	37,352	33,304	-4,048
VSLI	171,169	164,287	157,028	-7,259
SGLI	2,391,500	2,393,500	2,387,500	-6,000
FSGLI	3,099,000	2,984,000	2,982,000	-2,000
VGLI	428,019	435,880	444,670	+8,790
VI&I (VMLI)	2,438	2,370	2,310	-60
Total number of lives insured	7,236,069	7,041,698	6,953,090	-88,608
Dividends				
USGLI	\$ 1,268	\$ 1,020	\$ 840	\$ -180
NSLI	329,411	295,550	268,570	-26,980
VRI	11,604	9,950	8,210	-1,740
VSLI	79,264	78,500	71,720	-6,780
Total Dividends	\$ 421,547	\$ 385,020	\$ 349,340	\$ -35,680

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GOE Summary

Appropriation Language

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, and the Department of Defense for the cost of overseas employee mail, \$1,471,837,000: 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 the Veterans Benefits Administration shall be funded at not less than \$1,198,294,000: Provided further, That of the funds made available under this heading, not to exceed \$75,000,000 shall be available for obligation until September 30, 2009: Provided further, That from the funds made available under this heading, the Veterans Benefits Administration may purchase up to two passenger motor vehicles for use in operations of that Administration in Manila, Philippines.

Program Description

The GOE Appropriation, along with reimbursements from: (1) the credit appropriations; (2) surplus earnings from certain insurance programs; and (3) other miscellaneous accounts provides funding for the administration of all Department of Veterans Affairs non-medical benefits and support functions for the entire Agency. It includes two activities: the Veterans Benefits Administration (VBA) and General Administration.

VBA operates a national network of 57 regional offices and other specialized centers which are the main contact points for veterans regarding benefits matters with the Department of Veterans Affairs. All applications for non-medical benefits are processed through these locations.

General Administration consists of the Office of the Secretary, six Assistant Secretaries and three independent staff offices. The Office of the Secretary and Assistant Secretaries provide Department-level policy guidance. The Staff offices

provide administrative support to the Veterans Health Administration, VBA, National Cemetery Administration, and the Inspector General.

Appropriation Highlights				
(dollars in thousands)				
	2006	2007	2007	2008
Total General Operating Expenses	Enacted ^{1/}	Budget	Cont. Res.	Request
Appropriation				
Veterans Benefits Administration	\$1,053,938	\$1,167,859	\$1,119,723	\$1,198,294
Hurricane Supplemental	\$24,871	\$0	\$0	\$0
General Administration	\$294,431	\$312,905	\$317,855	\$273,543
Total Appropriated	\$1,373,240	\$1,480,764	\$1,437,578	\$1,471,837
Transfer from Medical Care	\$50,000	\$0	\$0	\$0
Unobligated balances	\$43,359	\$0	\$58,503	\$0
Total Budget Authority	\$1,466,599	\$1,480,764	\$1,496,081	\$1,471,837
GOE Average Employment				
Veterans Benefits Administration	12,810	13,104	13,104	13,065
General Administration	2,589	2,781	2,785	2,264
Total Average (FTE)	15,399	15,885	15,889	15,329

^{1/} after IT related transfers

Summary of Budget Request

The General Operating Expenses (GOE) Appropriation request in 2008 is \$1,471,837,000 and 15,329 FTE in average employment to accomplish the missions of the Veterans Benefits Administration (VBA) and the General Administration activity. Specifically, the VBA portion of this request is \$1,198,294,000 and for the General Administration activity, \$273,543,000. All payroll and non-payroll IT requirements for VBA and General Administration are budgeted for in the Department-wide IT account and are not included in the above request. A description of this centralized IT request can be found in the Department's IT Budget Chapter.



Veterans Benefits Administration

VBA Mission Statement

The mission of the Veterans Benefits Administration, in partnership with the Veterans Health Administration and the National Cemetery Administration, is to provide benefits and services to veterans and their families in a responsive, timely, and compassionate manner in recognition of their service to the nation.

VBA Vision Statement

"We are dealing with veterans, not procedures – with their problems, not ours."

Omar Bradley – 1947

Our vision is that the veterans whom we serve will feel that our nation has kept its commitment to them; employees will feel that they are both recognized for their contribution and are part of something larger than themselves; and taxpayers will feel that we've met the responsibilities they've entrusted to us. Courage, honesty, trust, respect, open communication, and accountability will be reflected in our day-to-day behavior.

VBA Core Values

- Veterans have earned our respect and our reason for being, our common purpose. All our efforts are directed toward meeting their needs.
- We are committed to communicating to our veterans and among ourselves in a timely, thorough, accurate, understandable, and respectful manner.
- We openly share our concerns and views and listen to those of veterans in order to bring about improvements in benefits and services, and the climate in which they are provided.
- We value understandable business processes that consistently produce positive results.
- We foster an environment that promotes personal and corporate initiative, risk taking, and teamwork.
- We are open to challenge and flexible in our attitudes.
- Respect, integrity, trust, and fairness are hallmarks of all our interactions.

- We value a culture where everyone is involved, accountable, respected, and appreciated.

Following are highlights for each program within VBA. Detailed information about each program can be found in the respective chapters throughout the 2008 Discretionary Budget Submission.

Program Highlights

Disability Compensation and Pensions

The Disability Compensation program provides monthly payments to veterans in recognition of the effects of disabilities, diseases, or injuries incurred or aggravated during active military service. Additionally, the program provides monthly payments, as specified by law, to surviving spouses, dependent children and dependent parents in recognition of the economic loss caused by the veteran's death during military service or, subsequent to discharge from military service, as a result of a service-connected disability.

The 2008 budget provides resources to timely and accurately process a claims workload that continues to increase in quantity and complexity. Disability compensation and other claims requiring a rating decision are projected to be 800,000 in 2008. If we receive 2007 funding near the levels passed by the House and the Senate, it is projected that our pending workload will decrease throughout 2007, ending the year with 369,980 claims pending in our inventory. In order to achieve our timeliness and accuracy performance goals and to reduce the backlog, hiring of additional FTE is necessary.

The disability claims workload from returning war veterans as well as from veterans of earlier periods has continuously increased since 2000. VBA annual claims receipts grew 39 percent from 2000 to 2006 – from 578,773 to 806,382, an increase of 227,609. In 2007 and 2008, we anticipate a slight decrease in receipts to 800,000. The complexity of the workload will continue to grow, however, because veterans are claiming greater numbers of disabilities and the nature of disabilities such as post-traumatic stress disorder (PTSD), complex combat injuries, diabetes and related conditions, and environmental diseases are becoming increasingly more complex. For example, the number of cases with eight or more disabilities claimed increased 135 percent from 21,814 in 2000 to 51,260 in 2006.

Changes in law and process also have a major impact on our resource requirements. The Veterans Claims Assistance Act (VCAA) of 2000 significantly increased both the length and complexity of claims development. VA's notification and development duties increased, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim. We are

also now required to review the claims at more points in the decision process. With a workforce that is sufficient and correctly balanced, VBA can successfully meet the needs of our veterans, while also ensuring stewardship of taxpayer funds.

VBA will continue efforts to enhance our data collection systems and provide additional automated tools to improve the timeliness and accuracy of the delivery of benefits and services. While IT initiatives are funded in the VA IT appropriation, ongoing VBA initiatives include: expansion of web-based technology and deliverables (i.e., web portal, Training and Performance Support Systems); Virtual VA paperless processing; enhanced veteran self service and access to benefit application, status, and delivery; single ID (PIN) for veterans; enhanced phone technologies; data integration across business lines; use of the corporate database; information exchange, primarily with DoD; quality assurance programs and controls; and employee skills certification and training.

The Pensions Program provides monthly payments, as specified by law, to needy wartime veterans who are permanently and totally disabled as a result of a disability not related to military service or are age 65 or older. The program also provides monthly payments to needy surviving spouses and dependent children of deceased wartime veterans. The 2008 pensions budget request is sufficiently funded to support improvements in timeliness, accuracy and services to our veterans and their survivors.

In 2002, the Pension Maintenance Centers (PMCs) were established to consolidate processing of Eligibility Verification Reports, Income Verification Matches, and other matching programs. In 2003, income changes and dependency adjustments were added to the workload; Committee on Waivers and Compromises decisions were added in 2004. These efforts improved quality and productivity and reduced the cycle-time for processing pension cases. Consolidation of original pension claims processing at the PMCs is currently under consideration. This initiative would relieve regional offices of their remaining pension work, allowing them to focus solely on compensation claims processing and related actions.

Education

VBA's Education programs provide veterans, servicemembers, reservists, and certain family members with educational resources. Our 2008 budget request reflects our commitment to their needs. These programs are also meant to assist in the readjustment to civilian life, help the armed forces both recruit and retain members and to provide the opportunity to enhance the Nation's competitiveness through the development of a more highly educated and productive workforce. The selection of opportunities is wide-ranging as well, from traditional degree attainment to vocational programs such as commercial flight training or on-the-job and apprenticeship training. In 2006, VA provided educational assistance benefits to over 497,000 individuals, totaling over \$2.7 billion.

In 2008, VBA will continue its effort to migrate all claims processing work off the Benefits Delivery Network legacy system to the new corporate environment. The Education Expert System (TEES) initiative is included in VA's 2008 IT appropriation request to expand a processing system that receives application and enrollment information electronically and processes that information in the VBA corporate environment without human intervention. When fully deployed, this system will dramatically improve the speed and quality of service to our beneficiaries as well as make all Education payments in the new VETSNET corporate environment.

We continue to work with our partners and stakeholders such as the Department of Defense, educational institutions, State Approving Agencies, Congress, and others to improve service to our beneficiaries. We will also continue to improve and expand our outreach efforts to better inform all potentially eligible veterans, servicemembers, reservists, and dependents about VA's educational programs.

Vocational Rehabilitation and Employment

The Vocational Rehabilitation and Employment (VR&E) Program provides service and assistance necessary to enable veterans with service-connected disabilities to become employable and obtain and maintain suitable employment, and to the maximum extent feasible, achieve independence in daily living.

In 2008, VBA will continue to provide unparalleled Vocational Rehabilitation and Employment (VR&E) services to the veteran. The rate at which veterans transition from military careers to civilian careers influences the demand for program services. We anticipate that the number of individuals leaving military service will increase. To meet this demand, we will continue our outreach efforts through the Disabled Transition Assistance Program (DTAP) and provide standardized and consistent information regarding program options early in the transition process.

VR&E will continue to grow in the area of increasing partnerships with other agencies and organizations. A few of the partnerships VR&E has cultivated include: Department of Defense, Department of Labor's Veterans Employment and Training Service, Helmets to Hardhats, Army Materiel Command: Always A Soldier, and Home Depot. Partners provide a variety of important services in combination with the VA Vocational Rehabilitation program that can help with adjustment to disabilities in the work place, enhance self-awareness, and connect people to employers. VR&E will capitalize on our relationships with the Veterans Health Administration, in the spirit of "One-VA," to bring more effective, efficient, and timely services to veterans and their families.

VR&E's Job Resource Labs were fully deployed in all regional offices in 2006. These labs include all the necessary equipment, supplies, and resource materials to aid VR&E staff and veterans in conducting comprehensive analyses of local and national job outlooks, developing job search plans, preparing for interviews, developing resumés, and conducting thorough job searches. These self-service job resource labs aid veterans in the job search process through the use of a comprehensive online employment preparation and job-seeking tool.

VR&E will continue to expand and further develop the "Coming Home to Work" initiative, which is a collaborative partnership between VR&E and federal agencies to provide civilian work experiences to interested servicemembers who are in a medical hold status at Military Treatment Facilities and who meet the Chapter 31 eligibility requirements. The "Coming Home to Work" initiative provides all necessary rehabilitation and employment services to veterans with disabilities so they may have access to job opportunities -- especially servicemembers returning from OIF and OEF, and those who are medically discharged from the military.

Currently, the VR&E program is managed under a structure of 57 Regional Offices and over 120 outbased stations. The case management activities will always need to remain in veterans' local communities. However, there are many management and administrative functions that VR&E can consolidate and centralize in order to improve efficiencies and free professional staff to perform

case management. VR&E is evaluating the feasibility and will develop a plan to consolidate activities including: subsistence allowance award processing, purchase card processing, contract management, quality assurance, and management oversight.

Housing

VA provides assistance to veterans in purchasing homes on terms not generally available to non-veterans. VA's partial guarantee on loans made by private lenders enables veterans, service personnel, and members of the reserve and National Guard to purchase homes with little or no down payment. Many of these borrowers would be unable to purchase a home without VA's assistance. Unless exempt, veterans pay a fee to VA that is usually financed in the mortgage loan to partially offset costs incurred due to default and foreclosure. In 2006, VA guaranteed 135,151 loans totaling \$23.5 billion. In 2007 and 2008, loan volume is estimated to increase to 180,000 as more veterans find that guaranteed loan financing is more attractive compared with interest-only loans and one-year adjustable rate mortgages.

Some veterans, like other homeowners, experience financial difficulties that may cause them to default on their home loans. When this occurs, VA strives to help veterans retain their homes through loan servicing efforts. In addition to counseling, VA may intervene directly on behalf of the veteran to work out a repayment plan to reinstate the loan. Of particular note was the level of successful interventions in 2006. There were 8,748 reinstatements with VA's direct assistance, saving an estimated \$174.9 million. In 2007 and 2008, VA will be implementing significant improvements in the management of defaults with emphasis on loan holders being compensated for foreclosure avoidance through loss mitigation. In limited circumstances, VA may buy the loan from the holder and the veteran will make future payments directly to VA. In the event of foreclosure, VA usually acquires the property from the mortgage loan holder. The property is then transferred to a private contractor to be sold on VA's behalf.

Insurance

The Insurance Program provides service members and their families with universally available life insurance, as well as traumatic injury protection insurance for service members. It also provides for the conversion to a renewable term insurance policy after a service member's separation from service. In addition, the program provides life insurance to veterans who have lost the ability to purchase commercial insurance at standard (healthy) rates due to lost or impaired insurability resulting from military service. VA insurance programs provide \$1.1 trillion of insurance coverage to 2.4 million service members, 1.7 million veterans, and 3.1 million spouses and children. All programs are operated on a commercial basis, to the extent possible, consistent with all applicable statutes. Benefits and services are provided in an accurate and timely manner at the lowest achievable administrative cost. Insurance coverage is made available in reasonable amounts at premium rates comparable to those offered by commercial companies. The program ensures a competitive secure rate of return on investments held on behalf of the insured.

VBA's Insurance Center, located in Philadelphia, PA, provides veterans and their dependents a full range of insurance services for those policies administered by VA. The Insurance Center is responsible for answering all insurance questions and responding to all types of policy requests, including policy changes and disability claims. The Insurance Center is also responsible for the processing of insurance awards, which is considered one of the most important services provided by the Insurance Program.

There were three recent major changes to the Servicemembers Group Life Insurance (SGLI) program. Public Law 109-80 increased the maximum amount of SGLI coverage for all servicemembers. As of September 1, 2005, the maximum coverage amount in the SGLI program increased from \$250,000 to \$400,000. Public Law 109-13 established Traumatic Injury Protection Insurance (TSGLI) under the SGLI program. The new insurance program became effective December 1, 2005. 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 results in certain severe losses. On June 15, 2006, Public Law 109-233 was enacted. This legislation extends the duration of SGLI coverage from one to two years for servicemembers who are totally disabled upon the date of their separation from active duty or reserve status. This extension in coverage is effective upon the date of the law's enactment for members released prior to October 1, 2011; the coverage reduces from a maximum of two years to 18 months for members released on or after October 1, 2011. Servicemembers who were

released within one year of the date of enactment of this law are also eligible for the extended coverage period.

In 2008, the Insurance Service will continue to maintain its already high level of performance and customer satisfaction and meet the anticipated rise in our customers' expectations. Paperless electronic workflow will continue to be phased in to all areas of insurance processing. This will help us maintain our average processing days for disbursements at a level below the insurance industry average. We will continue to provide world-class service through our toll-free telephone service and continue to improve alternative means for veterans and their representatives to reach us, including e-mail, the Interactive Voice Response system, and the Insurance self-service website.

The following chart reflects VBA's total 2008 discretionary budget request.

Total VBA Summary				
Discretionary Appropriation Highlights				
(dollars in thousands)				
Discretionary	2006	2007		2008 ^{2/}
		Budget Estimate	Current ^{1/} Estimate		2008^{2/} Estimate
FTE				
Direct	10,676	10,868	10,868	11,364
Information Technology ^{3/}	732	730	730	221
Management Direction and Support	1,402	1,506	1,506	1,480
Total FTE	12,810	13,104	13,104	13,065
Obligations:^{3/}				
Personal Services	\$1,006,752	\$1,121,056	\$1,083,342	\$1,108,829
Travel	12,763	10,542	15,278	14,933
Interagency Motor Pool	2,627	2,604	2,604	2,972
Transportation of Things	1,713	2,513	2,513	3,578
Rent, Communications & Utilities	134,856	131,741	131,741	137,671
Printing	3,637	4,039	4,039	4,121
Other Services	176,042	149,771	175,995	165,981
Supplies and Materials	9,990	9,078	9,078	9,741
Equipment	11,206	5,433	8,555	9,030
Insurance Claims	400	100	100	93
Total Administrative Obligations	\$1,359,985	\$1,436,877	\$1,433,244	\$1,456,950
Reimbursements	-\$259,431	-\$269,018	-\$271,503	-\$258,656
Unobligated balance SOY	-\$16,077	\$0	-\$42,018	\$0
Unobligated balance EOY	\$42,018	\$0	\$0	\$0
Emergency Supplemental for Hurricane (non add)	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$2,314	\$0	\$0	\$0
Total Appropriation^{4/}	\$1,078,809	\$1,167,859	\$1,119,723	\$1,198,294
Transfers from VHA ^{5/}	\$50,000	\$0	\$0	\$0
Appropriation Adjusted	\$1,128,809	\$1,167,859	\$1,119,723	\$1,198,294
Outlays (net)	\$1,115,215	\$1,112,591	\$1,095,023	\$1,194,649

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

^{1/} 2007 Current Estimate includes an additional \$3.6 million for increased OBRA workload.

^{2/} The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{3/} 2008 reflects the reassignment of 509 IT FTE and associated payroll, travel, and training dollars to the VA IT Appropriation.

^{4/} 2006 includes \$24.871 million for the Emergency Hurricane Supplemental DoD Appropriation, P.L. 109-148.

^{5/} In 2006, \$50 million was transferred from VHA in accordance with PL 108-324, for costs associated with processing claims.

The following charts summarize VBA's 2008 discretionary budget request by program.

Disability Compensation, Pensions & Burial				
Summary of Discretionary Appropriation Highlights				
(dollars in thousands)				
Discretionary	2006	2007		2008 ^{2/} Estimate
		Budget Estimate	Continuing ^{1/} Resolution	
FTE				
Direct Compensation	6,407	6,425	6,425	6,882
Direct Pensions	1,312	1,287	1,287	1,287
Direct Burial	139	151	151	151
Total Direct FTE	7,858	7,863	7,863	8,320
Information Technology ^{3/}	439	488	488	154
Management Direction and Support	989	1,094	1,094	1,085
Total FTE	9,286	9,445	9,445	9,559
Obligations:^{4/}				
Personal Services	\$727,114	\$808,775	\$776,362	\$804,004
Travel	7,898	5,463	9,827	9,392
Interagency Motor Pool	1,864	1,606	1,606	1,981
Transportation of Things	1,334	1,700	1,700	1,743
Rent, Communications & Utilities	95,791	94,320	94,320	98,787
Printing	2,658	2,120	2,120	2,163
Other Services	129,414	102,946	124,313	113,430
Supplies and Materials	6,266	5,418	5,418	5,949
Equipment	8,578	1,378	4,500	4,992
Insurance Claims	300	74	74	74
Total Administrative Obligations	\$981,215	\$1,023,800	\$1,020,241	\$1,042,514
Reimbursements	-\$94,536	-\$99,446	-\$102,005	-\$101,545
Unobligated balance SOY	-\$16,077	\$0	-\$42,018	\$0
Unobligated balance EOY	\$42,018	\$0	\$0	\$0
Emergency Supp for Hurricane (non add)	\$24,871	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$2,314	\$0	\$0	\$0
Total Appropriation^{4/}	\$864,935	\$924,354	\$876,218	\$940,969
Transfers from VHA ^{5/}	\$50,000	\$0	\$0	\$0
Appropriation Adjusted	\$914,935	\$924,354	\$876,218	\$940,969
Outlays (net)	\$895,539	\$877,259	\$859,773	\$938,920

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

^{1/} 2007 Continuing Resolution includes an additional \$3.6 million for increased OBRA workload.

^{2/} The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{3/} 2008 reflects the reassignment of 334 IT FTE and associated payroll, travel, and training dollars to the VA IT Appropriation.

^{4/} 2006 includes \$24.871 million for the Emergency Hurricane Supplemental DoD Appropriation, P.L. 109-148

^{5/} In 2006, \$50 million was transferred from VHA in accordance with PL 108-324, for costs associated with processing claims.

Education
Summary of Discretionary Appropriation Highlights
(dollars in thousands)

Discretionary	2006	2007		2008 ^{1/} Estimate
		Budget Estimate	Continuing Resolution	
FTE				
Direct	726	758	758	772
Information Technology ^{2/}	73	66	66	21
Management Direction and Support	91	106	106	101
Total FTE	889	930	930	894
Obligations^{2/}				
Personal Services	\$64,243	\$74,061	\$72,651	\$70,097
Travel	851	815	946	945
Interagency Motor Pool	166	180	180	196
Transportation of Things	78	95	95	99
Rent, Communications & Utilities	9,005	9,856	9,856	10,331
Printing	258	1,229	1,229	1,254
Other Services	7,005	4,584	5,863	11,322
Supplies and Materials	568	670	670	712
Equipment	575	816	816	832
Insurance Claims	27	7	7	6
Total Administrative Obligations	\$82,776	\$92,313	\$92,313	\$95,794
Reimbursements	-\$558	-\$2,200	-\$2,200	-\$2,260
Unobligated balance SOY	\$0	\$0	\$0	\$0
Unobligated balance EOY	\$0	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$0	\$0	\$0	\$0
Total Appropriation	\$82,218	\$90,113	\$90,113	\$93,534
Transfers from VHA	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$82,218	\$90,113	\$90,113	\$93,534
Outlays (net)	\$84,294	\$87,359	\$88,370	\$94,946

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

^{1/}The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{2/}2008 reflects the reassignment of 45 IT FTE and associated payroll, travel, and training dollars to the VA IT Appropriation.

Housing
Summary of Discretionary Appropriation Highlights
(dollars in thousands)

Discretionary	2006	2007		2008 ^{1/} Estimate
		Budget Estimate	Continuing Resolution	
FTE				
Direct	747	762	762	762
Information Technology ^{2/}	147	102	102	32
Management Direction and Support	148	107	107	99
Total FTE	1,042	971	971	893
Obligations:^{2/}				
Personal Services	\$87,163	\$85,732	\$83,993	\$81,539
Travel	2,045	2,358	2,541	2,587
Interagency Motor Pool	343	517	517	525
Transportation of Things	141	360	360	369
Rent, Communications & Utilities	12,605	9,140	9,140	9,600
Printing	337	339	339	346
Other Services	24,649	25,870	27,353	20,547
Supplies and Materials	893	1,154	1,154	1,177
Equipment	369	1,725	1,725	1,759
Insurance Claims	38	9	9	7
Total Administrative Obligations	\$128,581	\$127,204	\$127,130	\$118,456
Reimbursement from Credit Accounts	-\$128,561	-\$127,164	-\$127,130	-\$118,456
Reimbursement from Franchise Fund	-\$20	-\$40	\$0	\$0
Total Reimbursements/Obligations	-\$128,581	-\$127,204	-\$127,130	-\$118,456
Unobligated balance SOY	\$0	\$0	\$0	\$0
Unobligated balance EOY	\$0	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$0	\$0	\$0	\$0
Total Appropriation	\$0	\$0	\$0	\$0
Transfers from VHA	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$0	\$0	\$0	\$0
Outlays (net)	\$0	\$0	\$0	\$0

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

^{1/}The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{2/} 2008 reflects the reassignment of 70 IT FTE and associated payroll, travel, and training dollars to the VA IT Appropriation.

**Vocational Rehabilitation and Employment
Summary of Discretionary Appropriation Highlights
(dollars in thousands)**

Discretionary	2006	2007		2008 ^{1/} Estimate
		Budget Estimate	Continuing Resolution	
FTE				
Direct	948	1,063	1,063	1,102
Information Technology ^{2/}	44	44	44	14
Management Direction and Support	119	148	148	144
Total FTE	1,110	1,255	1,255	1,260
Obligations^{2/}				
Personal Services	\$95,666	\$116,171	\$114,019	\$119,661
Travel	1,809	1,737	1,794	1,851
Interagency Motor Pool	245	290	290	260
Transportation of Things	159	356	356	1,367
Rent, Communications & Utilities	11,988	12,751	12,751	13,691
Printing	327	321	321	327
Other Services	13,943	15,116	17,212	19,609
Supplies and Materials	1,957	1,476	1,476	1,574
Equipment	1,549	1,114	1,114	1,136
Insurance Claims	35	10	10	6
Total Administrative Obligations	\$127,677	\$149,342	\$149,342	\$159,482
Reimbursements	-\$305	-\$305	-\$305	-\$311
Unobligated balance SOY	\$0	\$0	\$0	\$0
Unobligated balance EOY	\$0	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$0	\$0	\$0	\$0
Total Appropriation	\$127,372	\$149,037	\$149,037	\$159,171
Transfers from VHA	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$127,372	\$149,037	\$149,037	\$159,171
Outlays (net)	\$130,767	\$143,852	\$142,752	\$156,431

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

^{1/}The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{2/} 2008 reflects the reassignment of 30 IT FTE and associated payroll, travel, and training dollars to the VA IT Appropriation.

Insurance				
Summary of Discretionary Appropriation Highlights				
(dollars in thousands)				
Discretionary	2006	2007		2008 ^{1/} Estimate
		Budget Estimate	Continuing Resolution	
FTE				
Direct	397	422	422	408
Information Technology ^{2/}	30	30	30	0
Management Direction and Support	55	51	51	51
Total FTE	482	503	503	459
Obligations:^{2/}				
Personal Services	\$32,566	\$36,317	\$36,317	\$33,528
Travel	161	169	169	158
Interagency Motor Pool	10	11	11	11
Transportation of Things	0	1	1	1
Rent, Communications & Utilities	5,467	5,675	5,675	5,262
Printing	57	30	30	31
Other Services	1,031	1,255	1,255	1,074
Supplies and Materials	307	360	360	329
Equipment	136	400	400	311
Insurance Claims	1	0	0	0
Total Administrative Obligations	\$39,735	\$44,218	\$44,218	\$40,705
Reimbursements	-\$35,451	-\$39,863	-\$39,863	-\$36,085
Unobligated balance SOY	\$0	\$0	\$0	\$0
Unobligated balance EOY	\$0	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$0	\$0	\$0	\$0
Total Appropriation	\$4,284	\$4,355	\$4,355	\$4,620
Transfers from VHA	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$4,284	\$4,355	\$4,355	\$4,620
Outlays (net)	\$4,621	\$4,128	\$4,128	\$4,352

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

^{1/}The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{2/}2008 reflects the reassignment of 30 IT FTE (27 reimbursable; 3 BA) and associated payroll, travel, and training dollars to the VA IT Appropriation.

The following is a brief summary of the resources and FTE planned for each initiative. A complete description of all the VBA initiatives can be found in each respective program chapter.

2008 Congressional Submission VBA Initiative Investments (000s)								
	2007 Estimate				2008 Estimate			
	Payroll	Non-pay	Total	FTE	Payroll	Non-pay	Total	FTE
C&P								
Telephone QA	727	10	737	8	-	-	-	-
C&P Subtotal	\$727	\$10	\$737	8	\$0	\$0	\$0	0
VBA-Wide:								
Co-location-Relocation	-	4,438	4,438	-	-	-	-	-
Training- Training and Performance Support (TPSS)	-	3,400	3,400	-	-	-	-	-
Skills Certification	-	1,400	1,400	-	-	-	-	-
Finance Consolidation	-	-	-	-	695	1,119	1,814	13
VBA-Wide Subtotal	-	9,238	9,238	-	\$695	\$1,119	\$1,814	13
C&P Total	\$727	\$9,248	\$9,975	8	\$695	\$1,119	\$1,814	13
EDUCATION								
Contact Mgmt Support Center	-	-	-	-	-	6,300	6,300	-
Stakeholder Training	-	-	-	-	-	400	400	-
Education Subtotal	\$0	\$0	\$0	0	\$0	\$6,700	\$6,700	0
VBA-Wide:								
Co-location-Relocation	-	-	-	-	-	-	-	-
Training- TPSS	-	-	-	-	-	-	-	-
Skills Certification	-	600	600	-	-	-	-	-
Finance Consolidation	-	-	-	-	65	104	169	1
VBA-Wide Subtotal	\$0	\$600	\$600	0	\$65	\$104	\$169	1
Education Total	\$0	\$600	\$600	0	\$65	\$6,804	\$6,869	1
VOCATIONAL REHABILITATION & EMPLOYMENT								
Task Force Recommendations	-	682	682	-	-	-	-	-
Process Consolidation	-	-	-	-	220	300	520	4
Coming Home to Work	-	-	-	-	758	183	941	8
CER Folder retirement	-	-	-	-	-	1,500	1,500	-
Disabled Transition Assistance Program (DTAP)	-	-	-	-	-	4,260	4,260	-
VR&E Training Package	-	-	-	-	-	375	375	-
VR&E Subtotal	\$0	\$682	\$682	0	\$978	\$6,618	\$7,596	12
VBA-Wide:								
Co-location-Relocation	-	562	562	-	-	-	-	-
Training- TPSS	-	-	-	-	-	-	-	-
Skills Certification	-	-	-	-	-	-	-	-
Finance Consolidation	-	-	-	-	85	138	223	2
VBA-Wide Subtotal	\$0	\$562	\$562	0	\$85	\$138	\$223	2
VR&E Total	\$0	\$1,244	\$1,244	0	\$1,063	\$6,756	\$7,819	14
HOUSING								
Appraisal Mgmt System	-	-	-	-	-	1,400	1,400	-
Real Estate On-Line	-	-	-	-	-	300	300	-
Housing Subtotal	\$0	\$0	\$0	0	\$0	\$1,700	\$1,700	0
VBA-Wide:								
Co-location-Relocation	-	-	-	-	-	-	-	-
Training- TPSS	-	-	-	-	-	-	-	-
Skills Certification	-	-	-	-	-	-	-	-
Finance Consolidation	-	-	-	-	69	111	180	1
VBA-Wide Subtotal	\$0	\$0	\$0	0	\$69	\$111	\$180	1
Housing Total	\$0	\$0	\$0	0	\$69	\$1,811	\$1,880	1
INSURANCE								
VBA-Wide								
Co-location-Relocation	-	5,000	5,000	-	-	-	-	-
Training- TPSS	-	3,400	3,400	-	-	-	-	-
Skills Certification	-	2,000	2,000	-	-	-	-	-
Finance Consolidation	-	-	-	-	914	1,472	2,386	17
VBA-Wide Subtotal	\$0	\$10,400	\$10,400	0	\$914	\$1,472	\$2,386	17
TOTAL OBLIGATIONS	\$727	\$11,092	\$11,819	8	\$1,892	\$16,490	\$18,382	29

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Discretionary Compensation, Pensions & Burial

Mission

To provide monthly payments to veterans in recognition of the effects of disabilities, diseases, or injuries incurred or aggravated during active military service. The disability compensation program also provides monthly payments, as specified by law, to a surviving spouse, dependent children, and dependent parents in recognition of the economic loss caused by the veteran's death during military service or, subsequent to discharge from military service, as a result of a service-connected disability. In addition, the pensions program provides monthly payments, as specified by law, to eligible wartime veterans who have attained age 65 or are permanently and totally disabled as a result of a disability not related to military service and to eligible surviving spouses and dependent children of deceased wartime veterans. The Veterans Benefits Administration (VBA) seeks to provide all possible benefits under the law to eligible claimants in a timely, accurate, and compassionate manner, and to the extent possible, apprise potential claimants of possible entitlement to benefits.

VBA provides benefits and services to more than 3.5 million veterans and beneficiaries currently receiving compensation and pensions benefits, as well as to hundreds of thousands more who apply for VA disability and survivors benefits each year. In 2006, VA added almost 250,000 new beneficiaries to the compensation and pension rolls. In 2007, we anticipate receiving 800,000 disability claims, and in 2008 receipts are estimated to remain at 2007 levels. Compensation and pension payments in 2007 are projected to total \$37.3 billion. Special near-term workload reduction initiatives undertaken in 2007 that include employment of rehired annuitants and expanded use of overtime will continue into 2008, enabling us to increase decision output. With these initiatives, we project that more than 840,000 veterans will receive decisions on their disability claims in 2008, and VBA will also process nearly 1.5 million other award adjustments and account maintenance actions (e.g., dependency adjustments, death pension awards, income adjustments, etc.).

Stakeholders

Stakeholders include any veteran, dependent of a veteran, or survivor of a veteran. In addition, stakeholders include interest groups and partners such as the Veterans Health Administration, National Cemetery Administration, Board of

Veterans' Appeals, Veterans Service Organizations, Department of Defense, National Archives and Records Administration, Department of Labor, and Social Security Administration.

Disability Compensation, Pensions & Burial Summary of Discretionary Appropriation Highlights (dollars in thousands)				
Discretionary	2006	2007		2008 ^{2/} Estimate
		Budget Estimate	Continuing ^{1/} Resolution	
FTE				
Direct Compensation	6,407	6,425	6,425	6,882
Direct Pensions	1,312	1,287	1,287	1,287
Direct Burial	139	151	151	151
Total Direct FTE	7,858	7,863	7,863	8,320
Information Technology ^{3/}	439	488	488	154
Management Direction and Support	989	1,094	1,094	1,085
Total FTE	9,286	9,445	9,445	9,559
Obligations:^{4/}				
Personal Services	\$727,114	\$808,775	\$776,362	\$804,004
Travel	7,898	5,463	9,827	9,392
Interagency Motor Pool	1,864	1,606	1,606	1,981
Transportation of Things	1,334	1,700	1,700	1,743
Rent, Communications & Utilities	95,791	94,320	94,320	98,787
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Unobligated balance EOY	\$42,018	\$0	\$0	\$0
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Unobligated balance expiring	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$2,314	\$0	\$0	\$0
Total Appropriation^{4/}	\$864,935	\$924,354	\$876,218	\$940,969
Transfers from VHA ^{5/}	\$50,000	\$0	\$0	\$0
Appropriation Adjusted	\$914,935	\$924,354	\$876,218	\$940,969
Outlays (net)	\$895,539	\$877,259	\$859,773	\$938,920

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

^{1/} 2007 Continuing Resolution includes an additional \$3.6 million for increased OBRA workload.

^{2/} The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{3/} 2008 reflects the reassignment of 334 IT FTE and associated payroll, travel, and training dollars to the VA IT Appropriation.

^{4/} 2006 includes \$24.871 million for the Emergency Hurricane Supplemental DoD Appropriation, P.L. 109-148.

^{5/} In 2006, \$50 million was transferred from VHA in accordance with PL 108-324, for costs associated with processing claims.

Summary of Budget Request

Budget authority of \$941 million is requested to fund the discretionary portion of the Disability Compensation, Pensions, and Burial programs. The request will provide sufficient funding for the administrative expenses of 9,559 FTE, the January 1, 2008 3.0 percent pay raise, associated level of fringe benefits, and inflationary expenses.

Disability Compensation, Pensions & Burial Average Salary Analysis	
2006 Average Salary (260 days)	\$58,354
Annualization of 3.1% 2006 raise (+.78%)	452
Annualization of 2.2% 2007 raise (+1.7%)	963
Change in staff composition	451
Regular benefits percentage	25.5%
2006 Average Cost	\$78,300
2007 Average Salary (260 days)	\$60,220
Annualization of 2.2% 2007 raise (+.55%)	331
Annualization of 3.0% 2008 raise (+2.3%)	1,355
Change in staff composition	-797
Two day adjustment	470
Regular benefits percentage	26.7%
2007 Average Cost	\$82,198
2008 Average Salary (262 days)	\$61,579
Regular benefits percentage	26.8%
2008 Average Cost	\$84,110

Workload and Resource Needs

Since 2000, VBA has experienced a steady increase in workload: in claims receipts, claims complexity, and workload generated by improved direct contact with increasing numbers of servicemembers and veterans. If resources are insufficient to handle this increased workload, our pending claims inventory rises and presents difficult management challenges. For example, disability claims from returning war veterans, as well as from veterans of earlier periods, increased by 39 percent from 2000 to 2006. In 2003, VBA was successful in reducing the inventory of pending disability claims to 253,000. Since 2004, increased claims and court decisions requiring new procedures and readjudication of claims have precluded VBA from sustaining previous gains. In 2006, VBA conducted special outreach to veterans in the six states with the lowest average annual compensation payment rate, as required by the Military Construction, Military Quality of Life, and Veterans Affairs Appropriations Act of 2006. Claims receipts increased by approximately 8,000 in 2006 as a result of the outreach. In 2007 and 2008, we anticipate receiving 800,000 claims each year, which is below the 2006

level of 806,382 claims, but above the 2006 level without the additional 8,000 claims generated by the special outreach.

The pending inventory of disability claims rose to 378,296 by the end of fiscal year 2006. Special near-term workload reduction initiatives are being undertaken in 2007 to increase decision output and stem the upward climb of the pending inventory. These initiatives are being funded through the use of carryover funds from 2006 and include employment of rehired annuitants, expanded use of overtime, expansion of our claims development centers, and establishment of a contract call center. Some of these initiatives will continue into 2008, enabling us to increase decision output in 2008 as well.

The 2008 FTE funding level requested in this budget is essential if VBA is to reduce the pending claims inventory, improve timeliness, and provide the level of service expected by the American people for those who have sacrificed so much in defense of our freedom. With a workforce that is sufficiently large and correctly balanced, VBA can successfully meet the needs of our veterans while ensuring good stewardship of taxpayer funds.

The table below provides a summary of VBA workload and FTE projections, which are discussed in more detail in the following sections. It is important to note that achieving the performance goals in 2007 and 2008 depends upon the success of several near-term workload reduction initiatives we are implementing in 2007.

Projected Workload and FTE Requirements	2006	2007 Estimate^{1/}	2008 Estimate
C&P Direct Labor FTE	7,858	7,863	8,320
Receipts	806,382 ^{1/}	800,000	800,000
Year-end Inventory	378,296	369,980	329,660
Output per FTE^{2/}	98.5	102.8	101
Production	774,378	808,316	840,320
Average Days to Complete	177	160	145

^{1/} Includes increased receipts of approximately 8,000 claims as a result of the six-state outreach

^{2/} All direct FTE (including clerical, public contact, non-rating claim processors, etc.) are used in this calculation.

^{3/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate and continuation of near-term workload reduction initiatives.

2008 FTE Requirements

The current staffing levels do not enable VA to reduce the pending claims inventory and provide timely service to veterans. Therefore, VBA requests 8,320

direct FTE for 2008. The productivity of the additional staffing will increase throughout 2008 and in subsequent years as these new employees receive training and gain experience.

We anticipate that disability claims receipts in 2008 will remain at the 2007 level of 800,000 claims. Based upon a direct labor force of 8,320 and continuation of our near-term workload reduction initiatives, we anticipate completing 840,320 claims. The increased FTE level and near-term workload reduction efforts will enable VBA to reduce the pending inventory to approximately 330,000 claims by the end of 2008. The additional staffing will enable VA to improve claims processing timeliness, reduce appeals workload, improve appeals processing timeliness, and enhance services to veterans returning from the global war on terrorism.

Recent decisions of the Court of Appeals for Veterans Claims have also had an impact on VBA's ability to bring inventories into a more acceptable range and make progress in achieving our timeliness goals. These decisions have expanded VA's statutory duty to notify, both in terms of content and the timing of that notice. These decisions have long-term implications for the next two to three years for claims already under development prior to decision. This is especially true for those claims that result in appeals. Court decisions that mandate the specific content of our notices to claimants and the specific timing of the notice impose both highly complex and problematic specific duties in a claims system that was designed to be informal. In such an environment, continual rework and re-notice are becoming unavoidable. Therefore, increased staffing is needed to meet this challenge.

In projecting our claims production, we use a ratio of all direct Compensation, Pensions, and Burial FTE (disability claims decision-makers, non-rating claims processors, public contact staff, as well as clerical staff) to rating-related disability claims completed.

Although disability claims (both original claims and claims for increase) are the primary subset of claims by which we measure production and output, there are other major work efforts that C&P must manage to deliver the full range of benefits and services to disabled veterans and their survivors. The other major workload efforts that are critical to the overall delivery of compensation and pension benefits include the following:

- appeals,
- account maintenance activities for beneficiaries already receiving benefits,
- outreach,
- telephone and personal interview activity, and

- guardianship activities.

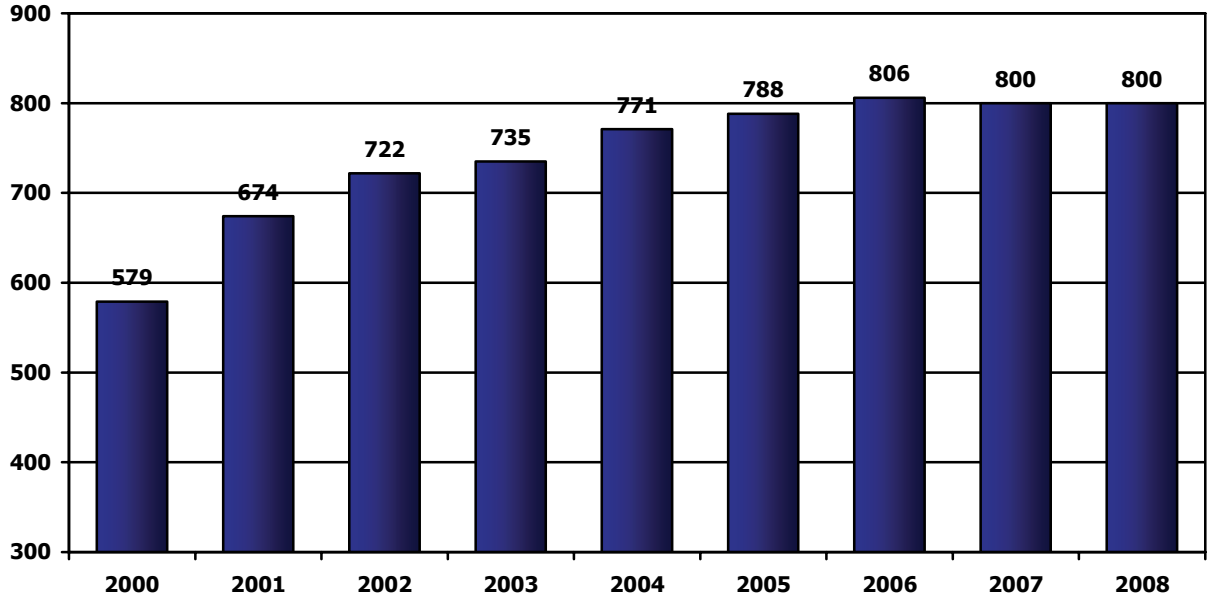
Each of these workloads also increases as disability claim receipts and beneficiaries on our rolls increase, resulting in additional resource requirements.

While additional claims processors are critical to deal with this workload, the quality of claims decisions and the services provided is also critical. VBA's robust training program is the key to improving the quality and consistency of our decisions and will enable us to be flexible and responsive to changing workload volumes. VBA is engaged in an ongoing effort to improve its training systems for new employees and to raise the skill levels of its existing staff. Improved quality and consistency require resources dedicated to providing employees with more and better training, up-to-date tools, and IT systems to support their decisions.

Increasing Disability Claims Workload

The number of veterans filing initial disability compensation claims and claims for increased benefits has increased every year since 2000. Disability claims from returning war veterans as well as from veterans of earlier periods increased from 578,773 in 2000 to 806,382 in 2006, an increase of 227,609 claims, or 39 percent. In addition to the increased claim rate, there are two other factors that drive future claims activity. First, over this same period of time the number of veterans receiving benefits has significantly increased, both in terms of whole numbers and as a percent of the veteran population. These veterans, like their predecessors, demonstrate similar disability profiles. Orthopedic, mental health, cardiovascular, endocrine, and hearing problems predominate. Most of these conditions can be characterized as chronic progressive disabilities resulting in repeat claims. Second, the average level of disability for veterans on the rolls has increased steadily in the last five years reflecting the aging population. Similar to the chronic condition issue, the aging process is likely to result in additional claims for increased benefits.

The table below represents the rise in claims receipts over the past seven fiscal years and anticipated trends through 2008, in thousands.



In 2007, we anticipate a slight decrease in disability claims receipts over the 806,382 claims received in 2006, to 800,000 claims. The one-time workload increase in 2006 that resulted from the six-state outreach initiative (approximately 8,000 claims) is not projected to continue into 2007 and 2008. With an FTE level of 7,863 and our near-term workload reduction initiatives, we estimate 808,316 completed claims and an end-of-year pending inventory of 369,980.

In 2008, we anticipate disability claims receipts will remain level with 2007. Based on a direct FTE level of 8,320 and our near-term initiatives, we estimate completed claims will increase to 840,320 and the pending inventory will decrease to 329,660 by the end of 2008.

Performance Statistics

Projected 2007 and 2008 output based upon near-term workload reduction initiatives and funded staffing levels of 7,863 and 8,320, respectively, are as follows:

- 808,316 rating decisions completed in 2007
- 840,320 rating decisions completed in 2008
- More than 2 million award actions of all types
- 6.6 million phone calls answered
- Almost 1 million personal interviews conducted
- More than 300,000 non-claim related correspondence actions
- 79,000 fiduciary-related activities including field examinations and account audits

- 390,000 anticipated servicepersons briefed in 8,500 briefings
- 73,000 hours of outreach (military, homeless, minority, POW, etc.)
- Projected pending rating inventory at the end of 2007 of 369,980
- Projected pending rating inventory at the end of 2008 of 329,660

(These performance statistics listed assume 2007 enacted funding close to that passed by the House and Senate and continuation of near-term workload reduction initiatives.)

2007 Workload Challenges

The factors driving 2007 claims activity include the following:

Operations Enduring Freedom and Iraqi Freedom

Ongoing hostilities in Afghanistan and Iraq, and the Global War on Terrorism in general, are expected to continue to increase the compensation workload. More than 1.3 million active duty servicemembers, members of the National Guard, and reservists have thus far been deployed to Afghanistan and Iraq. Whether deployed to foreign duty stations or maintaining security in the United States, the authorized size of the active force, as well as the mobilization of thousands of citizen soldiers, means that the size of the force on active duty has significantly increased. Studies by VA indicate that the most significant predictor of new claims activity is the size of the active force. Department of Defense data show there were more than 213,000 military separations in 2005. These figures do not include the demobilization of Guard and reserve members and units that remain part of the military. Historical trends suggest that approximately 35 percent (over 74,000) of these separating servicemembers will file a VA disability claim sometime in their life. The claims rate for Gulf War Era veterans is significant. In 2006, nearly 700,000 veterans and 15,000 survivors of this era received benefits, comprising the second largest population of veterans receiving benefits after Vietnam era veterans.

Reopened Disability Claims

The number of veterans receiving compensation has increased by more than 400,000 since 2000, from just over 2.3 million veterans to over 2.7 million at the end of 2006. The compensation recipients, many of whom suffer from chronic progressive disabilities such as diabetes, mental illness, and cardiovascular disabilities, will continue to reopen more claims for increased benefits in the coming years as they age and their conditions worsen. During 2006, reopened disability compensation claims comprised almost 55 percent of disability claims receipts.

More veterans applying for and receiving benefits not only increases our rating workload, it increases the need for direct veterans' services. The 2003 and 2004

Customer Satisfaction Surveys indicate that applicants called for information on an average of three times during the claims process. An increase in claimants and beneficiaries on the rolls has a direct relationship to the workload in the public contact area of telephone interviews, personal interviews, and correspondence, including electronic correspondence. VBA employees annually conduct more than 6 million telephone interviews and 1 million personal interviews.

Expanded Outreach to Active Duty Servicemembers and Veterans

VA has increased outreach to active duty personnel and we must continue to expand our efforts. These outreach efforts result in significantly higher claims rates. In 2004, the greatest increase in rating receipts was in original claims – an increase of 17 percent (from 167,105 in 2003 to 194,706 in 2004). Original claims increased by an additional eight percent (to 210,504) in 2005 and by an additional three percent (to 217,343) in 2006, which is a 30 percent increase over the last four years. We believe these increases are directly related to our aggressive outreach programs and that the increases will continue.

The Military Services Program provides transition assistance and other VA benefits briefings to nearly 400,000 active duty servicemembers and returning Guard and reserve members. Separating military personnel also receive enhanced services through the Benefits Delivery at Discharge (BDD) program.

An agreement signed in 2005 between VA and the National Guard Bureau (NGB) requires that we provide briefings regarding benefits as the need is identified to us by the NGB.

The chart below provides data on our benefits briefings for separating servicemembers (including active duty, Guard/reserve, and overseas locations).

Year	Briefings	Attendees
2003	5,840	210,025
2004	7,834	276,574
2005	8,184	326,664
2006	8,541	393,345

We anticipate the same high level of commitment in future years. Therefore, we expect the outreach hours and claims rate for separating servicemembers to continue to increase.

Outreach to veterans of other periods of service must also increase. Presently, more than 3.5 million of the 25 million living veterans are receiving compensation or pension. The Office of the Inspector General noted that veterans from particular periods of service, such as those from World War II, appear to be

underrepresented among the veterans currently receiving benefits. Outreach efforts have been expanded to reach veterans, particularly older veterans, who may not be aware of the benefits to which they are entitled.

In addition to outreach, the other major components of our public contact program are our telephone and personal interview activities. In 2006, public contact teams in regional offices answered almost 6.6 million phone calls and conducted more than 930,000 personal interviews in the office, hospitals, and other locations.

Combat Related Special Compensation and Concurrent Disability and Retired Pay

Combat Related Special Compensation (CRSC), a benefit available from the Department of Defense for certain military retirees with qualifying combat or combat-like disabilities, became effective July 1, 2003. The program was expanded effective January 1, 2004. Today, more than 54,000 military retirees receive this benefit. The military is adding between 1,500 and 2,000 retirees to the CRSC rolls monthly. This benefit and Concurrent Retired and Disability Pay (CRDP), another DoD program that permits partial to total restoration of retired pay previously waived to receive VA compensation, further contribute to increased claims activity. These claims are exceptionally complex, involving significant coordination with service retired pay centers to determine if retroactive benefits are payable.

It is now more advantageous for retirees, even those with relatively minor disabilities, to file claims and receive benefits from VA because their waived retired pay may be restored and may not be subject to waiver in the future. Nearly 194,000 retirees receive CRDP. The number of military retirees receiving VA compensation has increased to more than 819,000 since the advent of these programs. There is now significant incentive for retirees receiving compensation to file claims for increased benefits, as the increased amounts may no longer be subject to offset. Additionally, the total number of retirees as of July 2006 was 1,812,108, meaning that only 45 percent of military retirees now receive benefits. There are over 990,000 who could potentially still file claims due to CRSC and CRDP.

In 2007, VA anticipates significant workload to result from the ongoing CRSC and CRDP programs. DoD's change in policy regarding retroactivity of CRSC and the need to modify computer systems at the Defense Finance and Accounting Service mean that an estimated 80,000 records will have to be adjusted by VA. While our plan is to automate these adjustments to the maximum extent possible, the potential exists for thousands of cases to require manual adjustment.

Court Action

On August 16, 2006, the U.S. Court of Appeals for Veterans Claims (CAVC), in *Haas v. Nicholson*, determined that Vietnam veterans who served in the waters off Vietnam but did not set foot in Vietnam are entitled to a presumption of exposure to herbicide agents, including Agent Orange. This class of veterans is generally known as “blue water” Navy veterans; but any claim, regardless of branch of service, may be a *Haas* case. Prior to this decision, VA’s interpretation of 38 CFR 3.307(a)(6)(iii) was that a servicemember had to have actually set foot on Vietnamese soil or served on a craft in its rivers (also known as “brown water”) in order to be entitled to the presumption of exposure to herbicides. VA has appealed the *Haas v. Nicholson* decision to the U.S. Court of Appeals for the Federal Circuit. VA estimates a total of 187,208 claims will be received; 25,000 in 2007 and the remaining 162,208 in 2008 if the decision is not overturned. Since the decision in August 2006, we have received more than 3,500 *Haas* claims.

A recent ruling by the Federal District Court for the Northern District of California in *Nehmer v. U.S. Department of Veterans Affairs* has extended the reach of the Agent Orange Settlement Agreement to Chronic Lymphocytic Leukemia based upon the extension of the lapsed Agent Orange Act. VA has identified almost 1,500 cases that must be reviewed and readjudicated. Furthermore, the court order required VA to mail an outreach notice to approximately 26,000 additional claimants. VA is required to review and readjudicate cases for those claimants who respond to the mailing. Due to the unique rules in the *Nehmer* settlement and the stringent time requirements imposed, these cases require significantly more development and management oversight than normal claims. They also require priority processing.

Increasing Complexity of the Workload

The increase in claims receipts is not the only change in the claims processing environment that affects staffing requirements. More FTE are needed to complete claims in an accurate and timely manner due to the greater number of disabilities veterans now claim, the increasing complexity of the disabilities being claimed, and changes in law and process. In 2002, 159,078 original compensation claims were received and 17 percent (26,678) of them contained eight or more issues. At the end of 2006, this ratio increased to 24 percent, as 51,260 of the 217,343 original compensation claims received contained eight or more issues.

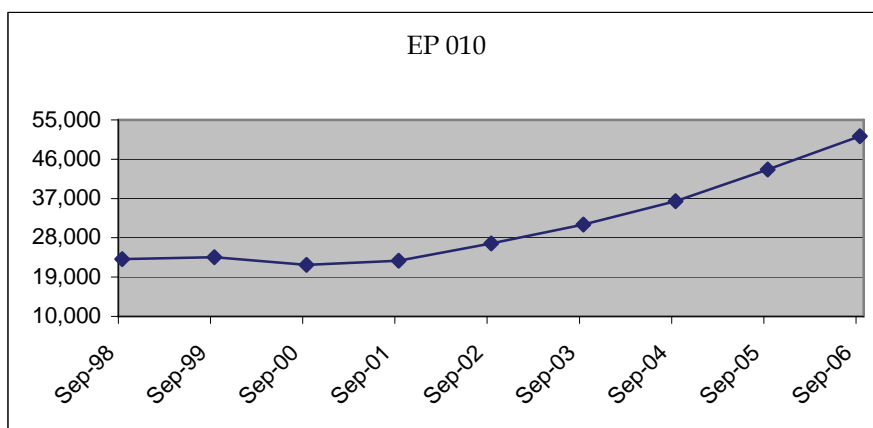
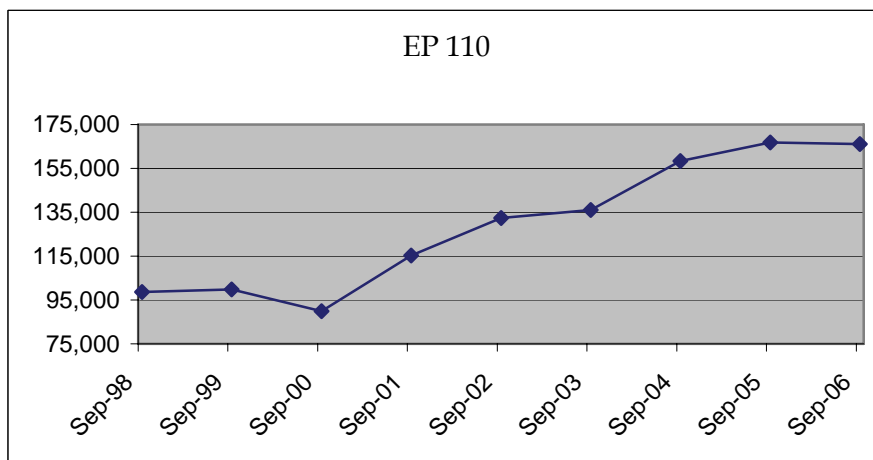
Increasing Number of Disabilities Claimed

The number of disabilities claimed by veterans has increased significantly. The number of directly claimed conditions increases the number of variables that must be considered and addressed, making the claim more complex. Multiple regulations, multiple sources of evidence, multiple potential effective dates and

presumptive periods, preparation of adequate and comprehensive Veterans Claims Assistance Act notice, as well as adequate and comprehensive rating decisions increase proportionately, and sometimes exponentially, as the number of claimed conditions increases. Furthermore, as the number of claimed conditions increases, the potential for additional unclaimed but secondary, aggravated, and inferred issues increases. Since veterans appeal decisions on specific disabilities, the increasing number of claimed conditions significantly increases the potential for appeal.

VA's experience since 2000 demonstrates that the trend of increasing numbers of conditions claimed is system-wide, not just at special intake locations such as BDD sites. The number of cases with eight or more disabilities claimed increased by 135 percent from 21,814 in 2000 to 51,260 in 2006.

The charts that follow illustrate the rise in original claims for service connection (EP 110), as well as the rise in the number of original claims with eight or more issues (EP 010).



Increasingly Complex Disabilities

Combat and deployment of U.S. forces to underdeveloped regions of the world have resulted in new and complex disability claims based on environmental and infectious risks, traumatic brain injuries, complex combat injuries involving multiple body systems, concerns about vaccinations, and other conditions.

In addition, the aging veteran population that is service-connected for diabetes adds to the complexity of claimed disabilities. At the end of fiscal year 2006, nearly 248,000 veterans were service-connected for diabetes. More than 215,000 of these awards were based upon herbicide exposure in Vietnam. As veterans with diabetes reach and move past the ten-year point since initial diagnosis, additional secondary conditions tend to manifest. VA has started to see increasingly complex medical cases resulting in neuropathies, vision problems, cardiovascular problems, and other issues directly related to diabetes. As previously discussed, much like original claims with more than eight claimed disabilities, diabetes claims routinely present multiple variables with which the rating specialist must deal. If secondary conditions are not claimed, the rating specialist must be alert to identify them. This increasing complexity of disabilities adds to the increased complexity of our workload and the resources needed to process it.

The number of veterans submitting claims for post-traumatic stress disorder (PTSD) has also grown dramatically and contributed to increased complexity in claims processing. From 1999 through 2006, the number of veterans receiving compensation benefits for PTSD has increased from 120,000 to nearly 270,000. These cases present unique processing complexities because of the evidentiary requirements to substantiate the event causing the stress disorder.

Compliance With the Veterans Claims Assistance Act

The Veterans Claims Assistance Act (VCAA) of 2000 has significantly increased both the length and complexity of claims development. VA's notification and development duties increased, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim. We are now required to review the claims at more points in the decision process. Additionally, positions advanced by some advocates, if sustained in court, will further aggravate the current situation.

The VCAA requires VA to provide written notice to claimants of the evidence required to substantiate a claim and notification of which party (VA or the claimant) is responsible for acquiring the evidence. VA's duty to assist the claimant in perfecting and successfully prosecuting his or her claim extends to obtaining government records, assisting in getting private records, and obtaining

all necessary medical examinations and medical opinions. As a claim progresses, additional notifications to the veteran may be required. Although VCAA has been the law for six years, the Court of Appeals for Veterans Claims (CAVC) continues to expand and interpret it. As a result of a decision in early 2006, it was necessary for VA to send more than 450,000 supplemental notice letters. This continued uncertainty with regard to VCAA continues to fuel rework and Board of Veterans' Appeals and CAVC appeals.

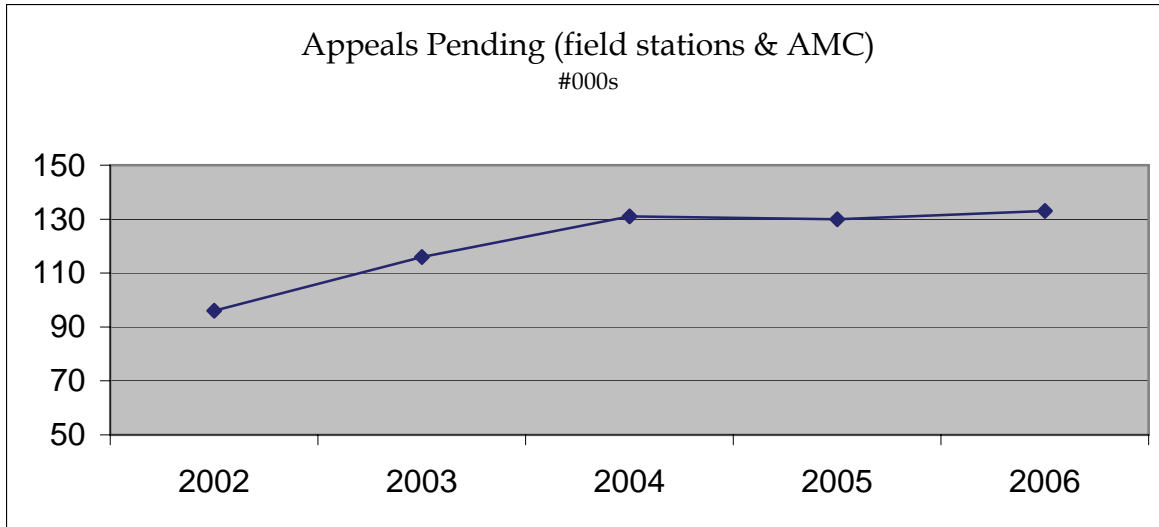
In summary, the number of conditions claimed, the nature of severe traumatic multiple body system combat injuries, highly complex medical conditions, and enhanced legal requirements substantially increase the complexity of the claims process and claims decisions. The resources required to enable us to keep up with the increasingly complex workload are, therefore, significantly greater.

Appeals and Other Workload

Disability claims receipts are only part of the C&P program workload VBA manages. Other major workload beyond disability determinations includes appeals, account maintenance activities for beneficiaries already receiving benefits, outreach, telephone and personal interview activity, and guardianship activities. As claims receipts and the number of beneficiaries on our rolls increase, the appeals and other workloads also increase. This significantly increases our resource requirements.

Appeals

As VBA renders more disability decisions, a natural outcome of that process is more appellate work from veterans and survivors who disagree with various parts of the decision made in their case. Veterans can appeal decisions to deny service connection for any conditions claimed and disposed of by a denial. They may also appeal the effective date of an award and the evaluation assigned to a disability. In recent years, the appeal rate on disability determinations has climbed from an historical rate of approximately 7 percent of all disability decisions being appealed to a current rate that ranges from 11 to 14 percent. Thus, the 808,316 projected disability decisions in 2007 are expected to generate between 88,000 and 113,000 appeals. The projected 840,320 completed disability decisions in 2008 will likely generate between 92,000 and 117,000 appeals. At the end of 2006 there were more than 133,000 appeals pending in field stations and the Appeals Management Center (AMC). In addition, there were slightly less than 31,000 appeals pending at the Board of Veterans' Appeals.



This increase in appellate workload seriously impacts our ability to devote resources to initial and reopened claims processing. Appeals are one of the most challenging types of cases to process because of their complexity and the growing body of evidence that must be reviewed in order to process these claims. In 2001, we received 39,000 notices of disagreement, the initial step in the appeals process. From 2003 to 2006, notices of disagreement exceeded 100,000 each year. The number of appeals received is proportionate to the number of decisions made. As workload and the number of decisions made increase, so too will the number of appeals. Likewise, the number of actions taken in response to our appellate workload has increased. In 2001, we processed more than 47,600 statements of the case and supplemental statements of the case. In 2006, this number increased to more than 134,000 statements of the case and supplemental statements of the case.

In 2006, 103,212 appeals were resolved and the average days pending was 657. As shown in the chart below, 72 percent (74,440) of the 2006 appeals were resolved prior to certifying the appeal to the Board of Veterans' Appeals (BVA).

Appeals Resolved 2006	Number of Cases	Percentage of Total Appeals Resolved
Prior to receipt of Appeal Form-9	21,507	21%
Failure to Respond to Statement of the Case	42,174	41%
After Form 9 Received	10,759	10%
BVA Decision	25,023	24%
After BVA Remand	3,749	4%
Total	103,212	100%

Account Maintenance (Non-rating) Award Actions

In 2006, C&P completed more than 2 million award actions with over 774,000 of them disability rating decisions. The remaining actions, nearly 1.3 million, were associated with account maintenance (dependency adjustments, death pension awards, income adjustments, etc.). As previously indicated, the number of veterans on our rolls has increased more than 400,000 in recent years, and the total number of veterans and survivors on our rolls is now more than 3.5 million. The combination of the higher numbers of beneficiaries on our rolls and the sustained and projected high levels of new claims activity will result in continued growth in account maintenance activities, and in the resources required to process these activities.

Fiduciary Activity

C&P resources also support a fiduciary program for beneficiaries who are incapable of managing their own funds. During 2006, VBA completed over 78,600 field examinations and accounting audits. These included initial appointment field examinations and regular follow-ups, as well as other actions associated with administering the fiduciary program. VBA's fiduciary program supervises slightly more than 100,000 incompetent beneficiaries. The combined VA benefits for these beneficiaries are more than \$114 million monthly and the combined estates for these beneficiaries exceed \$2.8 billion. Like our other work, the pace of activity in the fiduciary program is not diminishing. Additionally, the Veterans Benefits Improvement Act of 2004 imposed new requirements including fiduciary qualification, onsite review, and misuse determination requirements on this vital activity.

Overseas Military Services Program

Under the Overseas Military Services Program VA conducts veterans benefits briefings for active duty military personnel stationed overseas. Briefings are given at 70 military installations abroad, with employees assigned to host sites in five countries: England, Germany, Italy, Korea, and Japan, including the prefecture of Okinawa. These briefings are a part of the Transition Assistance Program. The overseas program was created by a 1993 Memorandum of Agreement between VA and the Department of Defense which provides that VA furnish the trained personnel to conduct the briefings, and that DoD pay for the overseas travel costs, as well as coordinating logistics at overseas installations. Effective in 2007, DoD has advised that they will no longer fund the program. Funding for this program is included in C&P's 2008 budget request.

Changes in C&P's Quality Assurance Program

In addition to the Systematic Technical Accuracy Review (STAR) program, C&P Service has begun a process of identifying unusual patterns of variance by diagnostic code, and then reviewing selected disabilities to assess the level of

decision consistency among regional offices. The outcome of these studies and STAR accuracy reviews will be used to identify the need for additional guidance and training to improve consistency and accuracy, as well as to drive procedural or regulatory changes.

Site surveys of regional offices address compliance with procedures, both from a management perspective in the operation of the service center and from a program administration perspective, with particular emphasis on the current consistency issue.

National silent monitoring of telephone interviews will be expanded, as well as the National Quality Review Program for electronic inquiries received through the Inquiry and Information Referral System associated with the VA Web Site.

C&P's Training Program

Our need to continually enhance our national quality assurance and training programs necessitates additional staffing that will improve consistency, quality, certification, and timeliness. It is critical that our employees receive the essential guidance, materials, and tools to meet the ever-changing and increasingly complex demands of their decision-making responsibilities. Highlights of our enhanced training efforts include the following:

- A quarterly cycle of three weeks of centralized basic training for VSRs and RVSRs. Training for these new employees continues onsite at the regional offices for a one-year period.
- Core training for all C&P business line staff was developed and includes annual curricula that are constantly reviewed and updated.
- Additional training is being developed and deployed to decrease errors and increase accuracy through our Training and Performance Support System computer-based training program and through new Electronic Performance Support System job aids.
- Satellite broadcasts are conducted on an as-needed basis to address special issues, areas of inconsistency and misunderstanding.
- Training letters providing guidance on the development and evaluation of specific disabilities are provided to decision makers.

Workload Data

The following tables provide statistical information addressing 2004 to 2008 Compensation and Pensions workload.

Claims Received Workload Projections - Compensation

Types of claims Specific end products (EPs) shown	2004	2005	2006	2007 Estimate	2008 Estimate
All Compensation Rating-Related Actions	683,758	703,167	720,988	720,000	720,000
Original Compensation (EP110)	158,305	166,849	166,083	168,000	168,000
Original Compensation (EP 010)	36,401	43,655	51,260	48,000	48,000
Original DIC (EP 140)	28,752	28,244	28,179	32,000	32,000
Reopened Compensation (EP 020)	437,723	438,812	436,845	448,000	448,000
Routine Future Examinations (EP 310)	15,321	18,119	31,550	16,000	16,000
Hospital Reviews (EP 320)	7,256	7,488	7,071	8,000	8,000

All Compensation Non-Rating Actions	261,551	246,068	233,954	232,993	232,993
Dependency Claims (EP 130)	187,089	173,088	162,650	164,089	164,089
Claims for Accrued Benefits (EP 165)	3,748	3,400	4,915	3,269	3,269
Other special eligibility determinations (EP 290)	70,714	69,580	66,389	65,635	65,635
All Compensation Other Actions	471,529	430,898	438,367	417,246	417,246
Ch 31 eligibility determinations (EP 095/295)	74,216	77,375	72,777	71,974	71,974
Hospital adjustments (EP 135)	544	698	614	600	600
Committee on Waivers & Compromises (EP 293)	4,955	5,035	4,303	4,380	4,380
Income Verification Match Service-connected Individual Unemployability (EP 314)	6,716	7,653	30,623	11,531	11,531
Spina bifida (EP 410, 420, 450, 470)	517	473	400	420	420
Special controlled correspondence (EP 500)	37,715	37,990	34,732	34,822	34,822
Privacy Act Requests (EP 510)	39,576	46,620	46,263	46,115	46,115
Predetermination notices (EP 600)	38,624	39,057	40,854	38,611	38,611
Special rating reviews (EP 680, 682, 683, 684)	97,788	37,032	30,828	30,459	30,459
Special authorization reviews (EP 690, 692, 693, 694)	15,171	13,032	19,912	19,587	19,587
Supplemental Statement of the Case release; partial grant; and certification to BVA (EP 070)	49,945	54,329	48,592	49,421	49,421
Statement of Case release; award of benefits on appeal (EP 172)	42,284	41,794	39,674	40,128	40,128
Informal hearing or withdrawal of disagreement (EP 173)	3,887	4,651	3,455	3,476	3,476
Decision Review Officer action (EP 174)	59,591	65,159	65,340	65,722	65,722

Public Contact and Fiduciary Workload Projections - Compensation

	2004	2005	2006	2007 Estimate	2008 Estimate
Public Contact (All)	7,641,500	7,345,952	7,572,458	7,453,186	7,453,186
Compensation Public Contact	4,584,899	4,407,572	4,543,475	4,471,911	4,471,911
Telephone Interviews - (EP- 1701)	3,939,518	3,805,441	3,984,995	3,907,523	3,907,523
At Office Interviews - (EP- 1720)	522,576	486,074	443,791	443,669	443,669
Away from Office Interviews - (EP- 1721)	75,226	75,670	84,851	89,554	89,554
Patient Interviews - (EP- 1722)	47,579	40,387	29,838	31,165	31,165
Fiduciary Workload (All)	78,341	77,196	78,609	78,286	78,286
Compensation Fiduciary Workload	62,673	61,756	62,888	62,629	62,629
Field Examinations	44,164	43,970	43,050	43,284	43,284
Accounts Prepared/ Audited	18,509	17,786	19,838	19,345	19,345

Claims Received Workload Projections - Pensions

Types of claims Specific end products (EPs) shown	2004	2005	2006	2007 Estimate	2008 Estimate
Pensions Rating-Related Actions	87,357	85,131	85,394	80,000	80,000
Original Pensions (EP 180)	33,945	33,476	35,390	32,000	32,000
Reopened Pensions (EP 120)	53,412	51,655	50,004	48,000	48,000
Pensions Non-Rating Actions:	343,782	329,906	308,925	321,299	321,299
Original Death Pensions (EP 190)	41,273	41,483	43,277	43,491	43,491
Dependency Issues - (EP 130)*	62,363	57,696	54,217	54,696	54,696
Income Issues (EP 150)	120,827	115,280	99,797	101,917	101,917
Income Verification Match (EP 154)	30,545	29,571	30,623	28,366	28,366
Eligibility Verification Report (EVR) (EP 155)	70,158	67,631	63,577	75,603	75,603
Claims for Accrued Benefits (EP 165)	937	850	837	817	817
Other special eligibility determinations (290)	17,679	17,395	16,597	16,409	16,409
Pensions - Other Activities:	237,774	209,182	269,365	266,033	266,033
Hospital Adjustments (EP 135)	4,894	6,285	5,530	5,402	5,402
EVR - No referral (EP 050)	9,537	8,517	8,622	10,376	10,376
Committee on Waivers & Compromises Decisions (EP 293)	11,561	11,749	10,041	10,221	10,221
Special Controlled Correspondence (EP 500)	9,429	9,497	8,683	8,705	8,705
Privacy Act Requests (EP 510)	9,894	11,655	11,566	11,529	11,529
Predetermination Notices (EP 600)	38,624	39,057	40,854	38,611	38,611
Special reviews (EP's 690, 692, 693, 694)	136,535	117,290	179,211	176,280	176,280
Statement Supplemental of Case release; partial grant; and certification to BVA (EP 070)	5,549	1,680	1,503	1,528	1,528
Statement of Case release; award of benefits on appeal (EP 172)	4,698	1,293	1,227	1,241	1,241
Informal hearing or withdrawal of disagreement (EP 173)	432	144	107	107	107
Decision Review Officer action (EP 174)	6,621	2,015	2,021	2,033	2,033

* Corrected 2004 and 2005 actuals.

Public Contact and Fiduciary Workload Projections – Pensions

	2004	2005	2006	2007 Estimate	2008 Estimate
Public Contact (All)	7,641,500^{1/}	7,345,952	7,572,458	7,453,186	7,453,186
Pensions Public Contact	2,161,133	2,076,938	2,138,904	2,105,705	2,105,705
Telephone Interviews – (EP- 1701)	1,838,442	1,775,872	1,859,664	1,823,511	1,823,511
At Office Interviews – (EP- 1720)	261,288	243,037	221,895	221,834	221,834
Away from Office Interviews – (EP- 1721)	37,613	37,835	42,426	44,777	44,777
Patient Interviews – (EP- 1722)	23,790	20,194	14,919	15,583	15,583
Fiduciary Workload (All)	78,341	77,196	78,609	78,286	78,286
Pensions Fiduciary Workload	15,668	15,440	15,721	15,800	15,800
Field Examinations	11,041	10,993	10,762	10,816	10,816
Accounts Prepared/ Audited	4,627	4,447	4,959	4,984	4,984

^{1/} 2004 Public Contact (All) Pension actual figure corrected to match Compensation actual figure.

Other Compensation and Pensions Program Highlights

Seamless Transition

VBA will continue the Seamless Transition program for servicemembers who are medically separated or retired. Through this process, VBA works with active duty personnel at the start of the military Medical Evaluation Board and/or Physical Evaluation Board process through personal interviews at military treatment facilities and/or outpatient facilities, claims assistance, vocational rehabilitation and employment evaluations, and health care eligibility discussions. VBA will also continue briefing separating and retiring servicemembers about VA benefits and services through military services programs including, but not limited to, the formal Transition Assistance Program co-sponsored by the Departments of Defense and Labor. A joint VBA/VHA Seamless Transition Coordination Office was created in Central Office to monitor and coordinate VA efforts with respect to healthcare and benefits, with a focus on the successful reintegration of seriously injured service persons into civilian society.

Benefits Delivery at Discharge (BDD)

Currently, the BDD program is available at 140 military installations within three countries. Under the VA/DoD Joint Strategic Plan, VA and DoD signed a Memorandum of Agreement (MOA) to create a Cooperative Separation Process/Examination on November 17, 2004. This MOA allows servicemembers to begin the VA application process 180 days prior to separation and incorporates a single examination using VA's protocols if the service department requires an exam prior to separation. This MOA supports VA efforts to provide seamless transition services for separating servicemembers. As of December 2006, VA and DoD have signed 130 local MOAs under this national agreement.

Restructuring of Program Delivery and Improving Productivity

In accordance with GAO Report 05-47, VBA continues to pursue opportunities to achieve efficiencies and improvements in our business processes and to improve productivity.

VBA consolidated the disability determination aspects of the BDD program into two rating activities located in Salt Lake City and Winston-Salem. Consolidation of original pension claims processing to the three pension maintenance centers (PMCs) is under consideration. This initiative will relieve field stations of their remaining pension work, allowing both regional offices and PMCs to specialize.

The Office of Resource Management is implementing a plan to consolidate the processing of requests for waiver of Compensation indebtedness to the three PMCs. Once complete, this would move a significant workload to a dedicated group of experts. The anticipated outcome would be improvements in the consistency of decisions and collection of debts.

VBA brokers claims between offices to help manage pending inventory. Each month, regional office inventories are reviewed to determine the gap between current inventory and end-of-year targets. Decisions on brokering are based on numerous factors including inventory, the number of cases that are ready for a decision, and staff experience levels.

Improvements in Appellate Processing

VBA and the Board of Veterans' Appeals jointly began work on a project to reduce unnecessary remands from the Board in July 2004. A number of improvements identified through this project have been implemented at both BVA and VBA, and the project and implementation of improvements are ongoing. In September 2005, VBA had an inventory of 23,564 remands; as of September 2006, the remand inventory has been reduced to 19,380 cases.

Technology Improvements

VBA continues to enhance the information technology tools supporting C&P processing, including Compensation and Pension Records Interchange (CAPRI) and the VETSNET suite of applications. The VETSNET applications that have been fully implemented include SHARE, Modern Award Processing-Development (MAP-D), and Rating Board Automation (RBA 2000).

- CAPRI supports the VA/DoD Benefits Executive Council goal to share beneficiary data and medical records through secure and interoperable information systems. CAPRI allows C&P to obtain instantaneous online medical evidence from VHA as well as select categories of medical evidence from DoD utilizing the Federal Health Information Exchange

(FHIE) architecture. Building on FHIE technical advancements, Bidirectional Health Information Exchange (BHIE) enables real-time sharing of select categories of medical evidence for patients treated at both VA and DoD facilities.

- SHARE is a Microsoft Windows-based application that allows regional office employees to query against legacy information, such as beneficiary identification, payment history, and information from other agencies (e.g., SSA). SHARE automatically creates claim data in the Benefits Delivery Network (BDN) and the VBA corporate database.
- MAP-D provides regional offices with a single processing capability that addresses complete claims development, claims status and case management functions.
- RBA 2000 supports the creation and generation of disability rating decisions.
- Award and Financial Accounting System (FAS) complete the suite of VETSNET applications that replace the legacy BDN system. These applications were installed at all regional offices during the first quarter of 2006. Development and testing of additional compensation and pension functionality will continue throughout 2007 and 2008.

Paperless Processing

Through the use of the Virtual VA program, VBA established the framework for reduction of long-term storage and maintenance of paper-based documentation in the C&P business line. Imaging is currently in use in pension processing and is being expanded to BDD sites.

- **Pilot Paperless BDD Processing:** The goal of this initiative is to electronically capture servicemembers' disability claim applications, service medical records, and other evidence prior to discharge. This will enable VBA to expedite service to separating servicemembers by reducing the time required to obtain claims information and drastically increasing document security, eliminating the risk of lost or misplaced files. Additional enhancements to Virtual VA will allow ratings and VHA medical records to be electronically captured into the repository.
- **Enhance Pension Paperless Processing:** Requirements for a full pension claims workflow, integrated with payment and accounting components, will be documented. The framework will be designed for expansion, bridging hardcopy evidence submissions with electronic data receipt. As

electronic data input increases, so will the level of automated processing. We will also explore development of a web-based portal, where beneficiaries and their representatives can log in from home, VA facilities, or from VSO locations to complete eligibility verification report actions.

Regional Office Enhancements

To optimize service delivery and improve the working environment of employees, VBA makes routine changes to regional office space. Co-location, relocation or renovation of VBA processing centers is done to improve veterans' access and operational efficiency, reduce rent costs where possible, and improve the physical security of VA records and staff. VBA plans to pursue co-location, relocations, and renovations of the following offices:

- **Columbia Regional Office:** Relocate this facility out of GSA space and into a direct VA lease. Funds are requested for furniture, equipment, building maintenance and utilities, moving the computer room, and the cost of shipping staff and files to the new location.
- **Las Vegas Veterans Assistance Office:** Co-locate this facility into the VA Medical Center. Funds are requested for furniture, equipment, moving, and security.
- **Albuquerque Regional Office:** Provide the RO with a more efficient and functional interior design. The realigned facility will improve business processes and enable employees to provide optimal customer service. Funds are requested for moving existing furnishings within the building.
- **Ft. Bragg BDD Site:** Relocate this facility to an existing building on the military base. This project will build out approximately 7,000 square feet of space. This facility will be an established outbased office under the jurisdiction of the Winston-Salem Regional Office. Funds are requested for moving expenses.

Performance Measures. The following charts provide performance measurements and expectations based on receiving the funding requested:

Performance Summary Table: Disability Compensation Program							
Measure Description (Key Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1) National accuracy rate - core rating work (%)^{2/}	86	87	84	88	89	90	98
2) Rating-related actions - average days pending	114	120	122	130	127	125	100
3) Average days to process - DIC actions	153	125	124	136	125	120	90
4) Overall satisfaction rate (%)	58	59	58	Avail. 2007	63	68	90
5) National accuracy rate (authorization work) (%) ^{2/}	88	90	90	91	93	95	98
6) Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a servicemember's discharge ^{3/}	N/A	N/A	55	44	48	50	65
Outcome Measures							
7) Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans	N/A	N/A	TBD ^{4/}	TBD ^{4/}	TBD ^{4/}	TBD ^{4/}	50
8) Percent of compensation recipients who were kept informed of the full range of available benefits	42	43	44	Avail. 2007	49	53	60
9) Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life	N/A	N/A	TBD ^{4/}	TBD ^{4/}	TBD ^{4/}	TBD ^{4/}	70
10) Percent of DIC recipients above the poverty level	N/A	99	100	100	100	100	100
11) Percent of DIC recipients who are satisfied that the VA recognized their sacrifice	N/A	80	TBD ^{4/}	TBD ^{4/}	TBD ^{4/}	TBD ^{4/}	90

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate and continuation of near-term workload reduction initiatives.

^{2/} Projections are based on a 12-month cumulative average from the STAR database.

^{3/} The 2006 result is a more accurate depiction of BDD participation as VBA moved to a new automated data collection methodology in 2006.

^{4/} Pending results of the Veterans' Disability Benefits Commission that began work in May 2005, and will conclude its work in October 2007.

Performance Summary Table: Pensions Program							
Measure Description (Key Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
12) Non-rating actions - average days to process	67	58	68	92	96	86	60
13) National accuracy rate – authorization work (%)^{2/}	81	84	86	88	89	92	98
14) National accuracy rate- core rating work (%) ^{2/}	91	93	90	90	92	95	98
15) Rating related actions - average days pending	98	77	83	90	85	80	65
16) Overall satisfaction rate (%)	66	66	65	Avail. 2007	71	74	90
Outcome Measures							
17) Percent of recipients who were informed of the full range of available benefits	39	40	41	Avail. 2007	43	45	60
18) Percent of recipients who said their claim determination was very or somewhat fair	62	64	65	Avail. 2007	68	72	75
19) Percent of VA beneficiaries receiving financial assistance for medical expenses (new) ^{3/}	N/A	N/A	N/A	TBD	TBD ^{3/}	TBD ^{3/}	TBD ^{3/}
20) Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran (new) ^{4/}	N/A	N/A	78	Avail. 2007	80	82	95

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate and continuation of near-term workload reduction initiatives.

^{2/} Projections are based on a 12-month cumulative average from the STAR database.

^{3/} New measure added during Pensions PART review. Targets for 2007 and 2008, as well as the strategic target, are pending based on receipt of data and research from customer satisfaction surveys in 2007.

^{4/} New measure added during Pensions PART review.

Performance Summary Table: Combined Measures							
Measure Description (Key Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
21) Rating - related actions - average days to process	182	166	167	177	160	145	125
22) Appeals Resolution Time (Number of Days) (Joint Measure with BVA) ^{2/}	633	529	622	657	685 ^{3/}	700 ^{3/}	675 ^{3/}
23) Productivity Index (%) ^{4/}	N/A	N/A	N/A	90	94	96	100
24) National accuracy rate - (fiduciary work) (%) ^{5/}	77	81	85	83	87	90	98

Note: Original disability compensation claims and pension claims are essentially worked by the same direct FTE at the Regional Offices. Consequently, some of the above performance measures either cannot accurately be separated by appropriation or the data are not currently available separately for each program.

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate and continuation of near-term workload reduction initiatives.

^{2/} Joint Measure with BVA; previously solely reported by BVA but now reported by both VBA and BVA.

^{3/} 2007, 2008, and strategic targets established by BVA.

^{4/} New measure added to 2007 budget in compliance with GAO Report 05-47. Productivity Index = Generated Veterans Service Center (VSC) employees/Actual VSC employees. In this case, generated VSC employees are the result of multiplying completed end products by the work rate standard and dividing by 1576.

^{5/} Projections are based on a 12-month cumulative average from the STAR database.

Performance Summary Table: Burial Program							
Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
25) Average number of days to process a claim for reimbursement of burial expenses	42	48	57	72	60	55	21
26) National Accuracy Rate for burial claims processed (%) ^{2/}	92	94	93	94	95	97	98

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate and continuation of near-term workload reduction initiatives.

^{2/} Projections are based on a 12-month cumulative average from the STAR database.

Compensation Performance

Departmental Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.

Objective 1.2: Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.

Performance Goals 1, 2, and 21: In 2008, attain 90 percent national accuracy rate for core rating work, 125 for rating-related actions average days pending, and 145 days for combined C&P rating-related actions average days to process.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1) National accuracy rate- core rating work (%)	86	87	84	88	89	90	98
2) Rating-related actions - average days pending	114	120	122	130	127	125	100
21) Combined Rating- related actions - average days to process	182	166	167	177	160	145	125

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate and continuation of near-term workload reduction initiatives.

Objective 1.4: Improve the standard of living and income status of eligible survivors of service-disabled veterans through compensation, education, and insurance benefits.

Performance Goal 3: In 2008, average days to process DIC actions will be 120 days.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
3) Average Days to Process-DIC actions	153	125	124	136	125	120	90

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate and continuation of near-term workload reduction initiatives.

Means and Strategies

VBA serves beneficiaries best by getting claims processed quickly and accurately. Separating the VBA Service Center into teams with distinct, functional areas has allowed for greater workload control, development of expertise by the staff, higher quality of decisions, and more efficient and timely processing.

In 2008, we expect continuation of high claim rates and increasing complexity. Therefore, the number of claims processors is critical to achieving the current targets. The requested funding level will provide additional resources to improve performance and to reduce the pending inventory. Specifically, we will be able to lower the pending inventory, improve claims processing timeliness, reduce the appeals workload, improve appeals processing timeliness, decrease remands on appeals, and enhance direct services to veterans and separating service personnel.

Pensions Performance

Departmental Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Objective 3.2: Provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity by processing pensions claims in a timely and accurate manner.

Performance Goals 12, 13, and 21: In 2008, attain 86 days for non rating-related actions average days to process, 92 percent national accuracy rate for authorization work, and 145 days for combined C&P rating-related actions average days to process.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
12) Non-rating actions - average days to process	67	58	68	92	96	86	60
13) National accuracy rate— authorization work (%)	81	84	86	88	89	92	98
21) Combined Rating- related actions - average days to process	182	166	167	177	160	145	125

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate and continuation of near-term workload reduction initiatives.

Means and Strategies

VBA serves beneficiaries best by getting claims processed quickly and accurately. Separating the VBA Service Center into teams with distinct, functional areas has allowed for greater workload control, development of expertise by the staff, higher quality of decisions, and more efficient and timely processing.

In 2008, we expect continuation of high claim rates and increasing complexity. Therefore, the number of claims processors is critical to achieving the current targets. The requested funding level will provide additional resources to improve performance and to reduce the pending inventory. Specifically, we will be able to more quickly consolidate remaining pensions workload at the pension centers, improve quality and timeliness, and enhance program oversight and integrity activities.

Compensation and Pensions Data Source

Claims Processing Timeliness/Average Days to Process

The timeliness of claims processing is measured using data captured automatically by the Benefits Delivery Network as part of claims processing.

National Accuracy Rate

C&P Service's current program for measuring claims processing accuracy is the STAR system. It includes review of work in three areas: claims that usually require a disability rating decision, claims that generally do not require a rating decision (authorization), and fiduciary work. Reviews are conducted after completion of all required processing actions on a claim.

Accuracy rates are captured based on the following review categories:

- Issue identification
- Compliance with VBA's duty to notify and duty to assist in claims processing
- Correct decisions

- Correct payment rates and dates

This core accuracy measurement is labeled “benefit entitlement.” It is the reported and official accuracy rate for compensation and pensions claims processing.

Compensation and Pensions Data Verification

This information is presented in the key measures data table.

Compensation and Pensions Goal Validation

This information is presented in the key measures data table.

Compensation and Pensions Crosscutting Activities

Collaborative Efforts with the Department of Defense

Under the Benefits Executive Council, VBA continues to pursue several efforts with VHA and DoD to improve timeliness, accuracy, and overall service delivery.

VA/DoD Cooperative Separation Process/Examination: VBA worked with VHA and DoD to develop a joint examination protocol that satisfies each service department’s requirements for a proper discharge examination, as well as VA’s requirement for a comprehensive C&P examination. VA and DoD signed a memorandum of agreement in November 2004 to implement a cooperative separation process/examination at all BDD sites. Since November 2004, VA and DoD have signed 130 local memoranda of understanding. VA has 140 BDD sites, seven of which are Coast Guard under the Department of Homeland Security. This effort is designed to reduce costs to the government, better use scarce medical resources, and improve baseline documentation of servicemembers’ medical status at the time of separation, which will improve decision making in future years with regard to service connection.

- **DoD’s Joint Requirements and Integration Office:** VBA is working with DoD’s Joint Requirements and Integration Office to continue to improve VA’s access to active duty personnel data. This access will enable VBA to obtain servicemembers’ combat history, service in various theaters of operation, reserve status/drill dates, dependency information, history of exposure to radiation and toxins, etc. In late 2008, DoD will begin to provide VA electronic information from its Defense Integrated Military Human Resources System (DIMHRS). This will enhance the quality of decision-making.
- **Interface to Defense Personnel Records Imaging System (DPRIS):** VA has been electronically requesting and receiving imaged personnel records

from the Army, Navy, Air Force, and Marine Corps through an interface between VA's Personnel Information Exchange System (PIES) and DPRIS.

Compensation and Pensions External Factors

Accuracy

Accuracy statistics are generated by the core compensation and pension programs. There are several factors that could affect the programs' key accuracy measures. Positive impact will be realized if performance resulting from BDD and Pension consolidation and enhanced training is as anticipated.

Negative impact could result if more experienced claims staff retire than expected.

Timeliness

There are several factors that could affect the programs' key timeliness measures. Positive impact will be realized if there are no significant court decisions mandating large-scale re-adjudication and the Defense Threat Reduction Agency is able to resolve the large number of pending radiation cases (thus, eliminating the more than 2,000 cases pending over one year).

Negative impact could be realized if workload receipts are significantly higher than anticipated, more experienced staff retire than expected, the appeal rate increases beyond current levels, and legislative or judicial action requires re-adjudication of a substantial number of claims.

Program Assessment Rating Tool (PART) - Compensation

VA's Compensation Program was reviewed under OMB's PART during 2002. The chart below outlines active PART follow-up actions and actions already taken or that will be taken. C&P Service worked closely with OMB and the VA Budget Office during this process.

<i>Program Name</i>	<i>Disability Compensation</i>	<i>Rating</i>	<i>Results Not Demonstrated</i>
Follow-up Action #1			
Maintain Staffing Levels			
Priority: Major			
Actions Completed or In Progress			
<i>Response (Status)</i>	<i>X-Agency</i>	<i>Response's Impact on Program Performance</i>	
While staffing has been relatively stable since 2002, the number of claims completed has risen: 703,254 in 2004 to 763,464 in 2005. This coincides with more complex claims received: In 2002, 17 percent of claims had eight or more issues; in 2005, 22 percent did. This trend shows no sign of diminishment. There are many reasons for this including the continued deployment of U.S. forces overseas in hostile areas, aging of the veteran population with service-connected disabilities, and the large increase in PTSD claims. (Completed)	No	The program has continued to deliver high quality service with an 88 percent accuracy rating in 2006 for core rating work.	
Follow-up Action #2			
Initiate a Program Evaluation			
Priority: Minor			
Actions Completed or In Progress			
<i>Response (Status)</i>	<i>X-Agency</i>	<i>Response's Impact on Program Performance</i>	
The Veterans' Disability Benefits Commission began work in May 2005. The Commission is scheduled to issue its report in October 2007. (No action taken)	No	When the Commission issues its report, its recommendations will be evaluated for performance impact.	

Program Name	Disability Compensation	Rating	Results Not Demonstrated
Follow-up Action #3			
Develop Long-Term and Cost-Efficiency Measures			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
Five new long-term (outcome) measures were added to the 2005 budget submission and a new cost-efficiency measure (Productivity Index) was added to the 2007 budget submission. (Completed)	No	Available data for two of the five long-term (outcome) measures have been collected and show improvement in VA's customer service. Data on the other three outcome measures are pending results of the Veterans' Disability Benefits Commission. When sufficient data are available for the Productivity Index measure, it will aid VA in monitoring and improving on the efficiency of our claims processing.	
Follow-up Action #4			
Develop Capability to Begin Reporting on Five New Performance Measures			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
Five new long-term (outcome) measures were added to the 2005 budget submission and a new cost-efficiency measure (Productivity Index) was added to the 2007 budget submission. We have developed the capability to report on two of the outcome measures and the cost efficiency measure. However, capability to report on the remaining three outcome measures is dependent upon a program outcome study that will be scheduled after the Veterans' Disability Benefits Commission issues its report in October 2007. (Action taken, but not completed)	No	Data for the three outstanding outcome measures focuses on customer service and/or service delivery. When results are available, they will allow VA to assess and improve upon customer service and delivery of benefits to service-connected disabled veterans with potential loss of earning capacity.	

Program Name	Disability Compensation	Rating	Results Not Demonstrated
Follow-up Action #5			
Develop Analysis of How Results Information From New Measures is Used and How This Information Impacts Performance			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
VA is currently analyzing results for two of the new outcome measures and the cost efficiency measure to determine impacts on program performance. (Action taken, but not completed)	No	Results of the two outcome measures show improved customer service and service delivery. However, sufficient results are not yet available for the cost efficiency measure as it has only been in place for one year.	
Follow-up Action #6			
Evaluate Recommendations From the Veterans' Disability Benefits Commission			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
The Veterans' Disability Benefits Commission was formed in May 2005. It is scheduled to conclude its review and issue a report in October 2007. (No action taken)	No	Once the report is issued, recommendations will be evaluated to determine their impact.	

Program Name	Disability Compensation	Rating	Results Not Demonstrated
Follow-up Action #7			
Verify Disability Compensation Benefit Based on Individual Unemployability			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
VA has responded to a GAO report by reinstating VA Forms 21-4140, 21-8940 and 21-4192 to verify and monitor entitlement to individual unemployability (IU). Additionally, VA is reviewing the potential benefits of using a New Hires database maintained by the Department of Health and Human Services to verify employment status. VA now sends a motivational letter to all new IU beneficiaries to advise of potential eligibility to Vocational Rehabilitation and Employment benefits. <i>(Action taken, but not completed)</i>	No	Monitoring entitlement to IU, through the completion of these forms, adds to the integrity of the program. The use of the New Hires database will assist in verifying employment status for this cohort of veterans and therefore ensure continued entitlement to the benefit. The purpose of the motivational letter is to advise disabled veterans that there is VA assistance available to help them return to work.	
Follow-up Action #8			
Develop a Measure Related to Rating Consistency			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
VA is developing the means to monitor rating consistency based on rating data, comparative statistical analysis of grant rates, and evaluations across all regional offices. <i>(Action taken, but not completed)</i>	No	This will allow VA to monitor and evaluate consistency of disability decisions between regional offices.	

Program Assessment Rating Tool (PART) - Pensions

OMB conducted a PART review of the Pensions program in 2005. C&P Service has worked closely with OMB and the VA Budget Office during this process.

Program Name	Pensions	Rating	Adequate
Follow-up Action #1			
Collect and Use Data to Implement Three New Performance Measures Regarding Access, Income, and Dignity			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
Two new performance measures were added to the 2007 budget submission for the purposes of measuring income and dignity, and joining the access-related measure, which has been in place for a number of years. In response to GAO Report 05-47, and during the Pension PART process, VA developed a productivity measure as well. Currently, VA is collecting and analyzing data to report the income measure. Dignity is measured by responses to the customer satisfaction survey regarding claim processing. <i>(Action taken, but not completed)</i>	No	The new measures will allow VA to improve customer service, target specific areas for outreach to those in need of income assistance, and give VA a means to track and improve on claims processing efficiency and timeliness.	

Program Name	Pensions	Rating	Adequate
Follow-up Action #2			
Provide Initial Steps in Linking Performance to Budget			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
VA has developed a methodology for estimating the marginal costs of changing performance targets. This will be included in VA's 2009 budget submission. <i>(Action taken, but not completed)</i>	Yes	As indicated by the "yes" in the "X-Agency" column, VA's response to this action item will have Department wide impact. When fully implemented, the marginal cost methodology will provide an accurate estimate of how a large or incremental change in budgetary resources (inputs) affects performance (outputs or outcomes) for each of VA's key measures. As a result, marginal cost information provided during the budget formulation process will give VA leadership an additional tool in their efforts to determine where resources should be directed in order to make the biggest positive and cost-effective impact in program performance.	
Follow-up Action #3			
Program Will Use Information Derived From New Performance Measures to Identify and Make Program Improvements			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
VA will use this information to identify and make necessary program improvements. <i>(Action taken, but not completed)</i>	No	The new measures will be used as a tool to improve customer service, identify specific outreach needs, and track and improve on claims processing efficiency and timeliness.	

Program Name	Pensions	Rating	Adequate
Follow-up Action #4			
Program Will Continue to Develop Steps to Address Increased Ambition for Strategic Targets			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
Ambitious strategic targets are currently displayed in VA's newly published Strategic Plan. <i>(Action taken, but not completed)</i>	No	Ambitious targets have been included as part of the VA Strategic Plan. These ambitious targets document VA's goal for continued improvement in service and benefits delivery.	

Initiatives

The following chart outlines resources requested in support of C&P initiatives:

<i>Compensation and Pensions Initiatives</i> (dollars in thousands)								
	2007 Estimate				2008 Estimate			
	Payroll	Non-pay	Total	FTE	Payroll	Non-pay	Total	FTE
Telephone Quality Assurance	727	10	737	8	0	0	0	0
VBA-Wide	0	9,238	9,238	0	695	1,119	1,814	13
Compensation and Pensions Total	\$727	\$9,248	\$9,975	8	\$695	\$1,119	\$1,814	13

VBA-Wide Initiatives

Specific crosscutting initiatives that can be linked to a specific business line have been integrated into the respective business line plan. However, some initiatives affect some or all business lines and the specific impact on an individual business line cannot be readily identified. These initiatives may be independent of specific business objectives, but are required activities to achieve the overall VBA mission and goals. Following are descriptions of VBA-wide initiatives that impact the Compensation, Pensions and Burial programs:

Finance Consolidation Initiative

Total 2008 Initiative Cost: \$2,386,000

C&P Portion: \$1,814,000

To meet the Secretary's directive to centralize finance functions across VA, this initiative builds upon past success VBA has achieved in the consolidation of administrative accounting functions such as mortgage loan accounting, electronic funds transfer processing for veterans benefits payments, check tracer, State Approved Agency payments, clothing allowance, work study payments, and permanent change of station travel. This initiative will begin the final phase to consolidate and centralize voucher audit, agent cashier, purchase card, and payroll financial operations currently being performed by 57 regional offices. We expect to complete the consolidation by 2009. In 2007, we will begin consolidation of the voucher audit activities.



Discretionary Education

Mission

VBA's educational assistance programs honor and reward veterans, servicemembers, reservists, survivors and eligible dependents for sacrifices made in military service to this nation by assisting them in achieving their educational or vocational goals. This mission is accomplished by providing financial assistance, generally in the form of monthly benefit payments, as mandated in Title 38 and Title 10 USC.

Stakeholders

Stakeholders and customers of the programs administered by Education Service include veterans, servicemembers, reservists, dependents of certain service-disabled or deceased veterans, educational institutions, training establishments, State Approving Agencies, Congress, Department of Defense, Department of Homeland Security, Department of Health and Human Services, Department of Commerce, Department of Labor, Department of Education, and other VA elements.

Education
Summary of Discretionary Appropriation Highlights
(dollars in thousands)

Discretionary	2006	2007		2008 ^{1/} Estimate
		Budget Estimate	Continuing Resolution	
FTE				
Direct	726	758	758	772
Information Technology ^{2/}	73	66	66	21
Management Direction and Support	91	106	106	101
Total FTE	889	930	930	894
Obligations^{2/}				
Personal Services	\$64,243	\$74,061	\$72,651	\$70,097
Travel	851	815	946	945
Interagency Motor Pool	166	180	180	196
Transportation of Things	78	95	95	99
Rent, Communications & Utilities	9,005	9,856	9,856	10,331
Printing	258	1,229	1,229	1,254
Other Services	7,005	4,584	5,863	11,322
Supplies and Materials	568	670	670	712
Equipment	575	816	816	832
Insurance Claims	27	7	7	6
Total Administrative Obligations	\$82,776	\$92,313	\$92,313	\$95,794
Reimbursements	-\$558	-\$2,200	-\$2,200	-\$2,260
Unobligated balance SOY	\$0	\$0	\$0	\$0
Unobligated balance EOY	\$0	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$0	\$0	\$0	\$0
Total Appropriation	\$82,218	\$90,113	\$90,113	\$93,534
Transfers from VHA	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$82,218	\$90,113	\$90,113	\$93,534
Outlays (net)	\$84,294	\$87,359	\$88,370	\$94,946

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

^{1/}The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{2/}2008 reflects the reassignment of 45 IT FTE and associated payroll, travel, and training dollars to the VA IT Appropriation.

Summary of Budget Request

Budget authority of \$93.5 million will fund 894 FTE, the January 1, 2008, 3.0 percent pay raise, the associated level of fringe benefits and health costs, and inflationary expenses. Additionally, this request will provide funding for the Education program's Contact Management Support Center initiative discussed later in this chapter.

Education Average Salary Analysis	
2006 Average Salary (260 days)	\$54,282
Annualization of 3.1% 2006 raise (+.78%)	421
Annualization of 2.2% 2007 raise (+1.7%)	896
Change in staff composition	2,406
Regular benefits percentage	24.9%
2006 Average Cost	72,257
2007 Average Salary (260 days)	\$58,004
Annualization of 2.2% 2007 raise (+.55%)	319
Annualization of 3.0% 2008 raise (+2.3%)	1,305
Change in staff composition	-2,240
Two day adjustment	441
Regular benefits percentage	25.8%
2007 Average Cost	78,120
2008 Average Salary (262 days)	\$57,830
Regular benefits percentage	26.2%
2008 Average Cost	78,408

Workload and Resource Needs

The table below provides a summary of VBA workload and FTE projections, which are discussed in more detail in the following sections.

	2005	2006	2007 Estimate	2008 Estimate
Direct Labor FTE	687	726	758	772
Increase in Claims (over previous year)		2.4%	2.4%	2.4%
Total Claims	1,334K	1,366K	1,399K	1,432K
Avg Days to Process Orig Claims	33	40	35	25
Avg Days to Process Suppl Claims	19	20	15	12

2007 Workload

Total claims for 2007 are projected to be 1,398,874, an increase of 2.4 percent over 2006 actuals of 1,365,926, or a total of 32,948 additional claims. The projected 2007 increase follows an increase of 430,549 education claims between 2000 and 2006, at 935,377 and 1,365,926, respectively; a cumulative 46 percent increase.

To handle the additional claims work, direct FTE rose 22 percent between 2000 and 2006 (from 591 to 726). Productivity improvements were gained as new staff became more experienced, thus enabling them to complete claims more quickly and accurately. For performance in 2007, we expect the requested 758 direct FTE to handle the anticipated workload increase.

2008 Workload

We expect to work 1,432,447 education claims in 2008, a 2.4 percent increase over 2007. We believe that workload can be processed by the 772 direct FTE requested in this budget and repair some of the timeliness deterioration experienced from 2004 through 2006 caused by lower FTE levels.

Program Highlights

Legislation enacted by the 106th, 107th, and 108th Congresses significantly impacted VA education benefits. The most noteworthy provisions, summarized below, addressed the 2000 program evaluation:

- (1) From 2001 to 2006, the Montgomery GI Bill (MGIB) rate has risen from \$650 per month for a full-time student to \$1,075 per month. The number of students has increased from almost 290,000 in 2001 to approximately 332,872 in 2006, a 15 percent increase. Public Law 107-103, Veterans' Education and Expansion Act of 2001, was the driving force in increasing the basic rate, which helped beneficiaries keep up with the increasing cost of education.
- (2) The MGIB will offset the cost of certain on-the-job training programs. Examples include veterans receiving on-the-job training for franchises or commercial driving licenses for independent truckers.
- (3) The Reserve Educational Assistance Program (Chapter 1607) provides an increased benefit for reservists and those in the National Guard who are activated for more than 90 days due to an emergency or contingency as defined by the President or Congress. VA began making payments under this program in 2006. The number of Chapter 1607 claims processed in 2006 was 39,281; approximately 10,000 are new claims with the remainder made up of individuals previously receiving benefits under Chapter 1606.

Performance Measures. The following chart provides performance measurements and expectations based on receiving the funding requested:

Performance Summary Table: Education Program							
Measure Description (Key Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1) Average days to complete original claims	23	26	33	40	35	25	10
2) Average days to complete supplemental claims	12	13	19	20	15	12	7
3) Montgomery GI Bill Usage Rate (%) All Program Participants	58	65	66 ^{5/}	67 ^{5/}	68	68	75
4) Montgomery GI Bill Usage Rate (%) Veterans who have passed their 10-year eligibility period	66	71	71 ^{5/}	70 ^{5/}	72	71 ^{3/}	80
5) Percent of Montgomery GI Bill participants who successfully completed an education or training program ^{2/}	N/A	N/A	N/A	TBD	TBD	TBD	TBD
6) The percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal ^{2/}	N/A	N/A	N/A	TBD	TBD	TBD	TBD
7) Customer satisfaction-high rating (%)	89	86	N/A ^{4/}	TBD	88	89	95
8) Telephone activities - Blocked call rate (%)	13	20	38	43 ^{5/}	25	20	10
9) Telephone activities- Abandoned call rate (%)	7	10	17	20 ^{5/}	15	10	5
10) Payment accuracy rate (%)	94	94	96	94 ^{5/}	96	96	97

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate

^{2/}Measure under development

^{3/}Due to projected decrease in military separations

^{4/}No customer satisfaction survey was performed in 2005

^{5/}Corrected

Education Performance

Department Strategic Goal 2: Ensure a smooth transition for veterans from active military service to civilian life.

Objective 2.2: Enhance the ability of veterans and servicemembers to achieve educational and career goals by providing timely and accurate decisions on education claims and continuing payments at appropriate levels.

The percent of MGIB participants who have successfully completed an education or training program and the percentage of beneficiaries who believe their VA educational assistance has been helpful or very helpful in the attainment of their educational or vocational goals were new outcome measures for the 2006 budget submission. In 2005, we completed the groundwork to develop a pilot to measure the percentage of MGIB participants who successfully completed an education or training program. In 2008, Education Service will make progress on the development of a survey instrument to determine the percentage of beneficiaries who believe their VA educational assistance has been helpful in the attainment of their educational or vocational goals. We will collect baseline data that will be used to determine a strategic target for both outcome measures.

Performance Goals 1, 2, and 10: In 2008, process original and supplemental claims in an average of 25 and 12 days, respectively. Attain a payment accuracy rate of 96 percent.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1) Average days to complete original claims	23	26	33	40	35	25	10
2) Average days to complete supplemental claims	12	13	19	20	15	12	7
10) Payment accuracy rate (%)	94	94	96	94	96 ^{2/}	96	97

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate

^{2/} 2006 has been corrected

Means and Strategies

Adequate staffing resources will be critical to achieving Education Service’s performance goals in 2008. The additional FTE requested for 2008 will enhance Education Service’s ability to address the increasing number of claims received annually while simultaneously improving claims processing timeliness and payment accuracy. Additionally, with the implementation of the Contact Management Support Center initiative (discussed later in the chapter), more resources can be directed toward claims processing activities.

The attainment of Education Service’s strategic goals is dependent upon the successful migration from the Benefits Delivery Network (BDN) to the new VBA corporate environment. The Education Expert System (TEES) will replace current BDN claim and payment processing support. Additionally, when fully deployed,

TEES will receive application and enrollment information and process that information electronically, reducing the need for human intervention. The TEES initiative is funded within the new IT appropriation.

Data Source

For average days to complete claims, this information is presented in the Key Measures Data Table, which is located in the Summary Volume.

The payment accuracy rate is the ratio of the number of claims reviewed that have been paid correctly to the total number of claims reviewed. Because quality assurance reviews measure each of the four Education programs separately, approximately equal numbers from each are in the review sample. Their actual proportion of the workload differs significantly. Consequently, VBA calculates the ratio separately for each program, multiplies each ratio by the program's workload percentage, and adds the four resulting products to obtain the payment accuracy rate.

Data Verification

For the key measures average days to complete original/supplemental claims, this information is presented in the Key Measures Data Table, which is located in the Summary Volume.

To accomplish data verification for the payment accuracy rate, a random sample of claims for each program is selected quarterly by Central Office staff from a database listing all claims completed during the review period. Reports based on the quality review of the selected claims are issued quarterly to the director of the Regional Processing Office (RPO) being reviewed. The results are shared with the station's Education business line management and are used to determine the RPO's payment accuracy rate. Action is taken to correct errors and refresher training is provided as needed.

Goal Validation

For average days to complete claims, this information is presented in the Key Measures Data Table, which is located in the Summary Volume.

Payment accuracy measures how well decisions reflect payment at the proper rate for the correct period of time. This is critical to the veteran who needs to make tuition payments on time and is dependent on VA for education assistance.

Crosscutting Activities

Education case managers rely on accurate enrollment information from school officials to process claims from veterans and other eligible beneficiaries. Conflicting or confusing information could lead to errors and hinder payment accuracy. We will continue to work with representatives from education and training institutions to assure the submission of reliable, accurate enrollment information. For example, we continue to conduct weeklong, on-line training courses for new school certifying officials. These courses are available to school officials who are new to the job and in need of “just-in-time” training. In addition, VA On-Line Certification of Enrollment (VA-ONCE), an application that has been well received by school certifying officials to transmit enrollment data electronically to VA, has been in use since 2003. In 2006, approximately 86 percent of all enrollment data were received electronically.

External Factors

Legislative expansion of educational benefit programs may have an impact on these goals.

Performance Goals 3 and 4: In 2008, maintain the MGIB-Active Duty usage rate at 68 percent for all program participants and achieve 71 percent for those who have passed their 10-year eligibility period.

The extent to which eligible beneficiaries use their earned benefit is one measure of program success. A greater number of veterans using the MGIB will contribute to a more highly educated and productive national workforce, thus enhancing the nation’s competitiveness. Veterans use the benefit to readjust to civilian life and achieve educational and vocational objectives that might not have been attainable had they not entered military service and enrolled in MGIB. The Department of Defense (DoD) uses the MGIB as a successful recruiting and retention tool.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
3) Montgomery GI Bill Usage Rate (%) All Program Participants	58	65	66	67	68	68	75
4) Montgomery GI Bill Usage Rate (%) Veterans who have passed their 10-year eligibility period	66	71	71	70	72	71 ^{2/}	80

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate

^{2/}Due to projected decrease in military separations

Note: 2005 and 2006 have been corrected

Means and Strategies

VA Education Service believes that a better-informed separating servicemember will lead to increased benefit usage. To that end, VA's Education Service distributes a series of informational brochures that target servicemembers after 12 and 24 months of active duty service and again 6 months prior to separation from service. The brochures are specifically tailored toward servicemembers who are eligible for the MGIB (Chapter 30), and designed to enhance their awareness and understanding of the education benefit. Mailings are sent to approximately 90,000 active duty members on a quarterly basis. In 2006, VA also conducted over 8,500 transition assistance briefings with an audience of nearly 393,000 attendees.

Education Service will continue to enhance current outreach efforts to better serve the informational needs of servicemembers, veterans, reservists, and dependents potentially eligible for and/or currently using VA education benefits. We will develop and disseminate informational materials and promotional items to both active duty members and veterans. In 2007, Education Service plans to attend six military organization conferences to distribute and discuss information on MGIB. These conferences will have 3,000 to 10,000 attendees each.

Education Service will continue to expand Internet-based options for obtaining information about benefits and contacting VA. In February 2006, the GI Bill web site was updated to mirror VA's new look and to be more user friendly. VA Education RPOs respond to over 8,000 electronic inquiries per month from current and potential beneficiaries.

Data Source

The data used to produce the MGIB-Active Duty (Chapter 30) Usage Rate are derived from the Defense Manpower Data Center's (DMDC) MGIB file. The data are a compilation of data elements from the military's active duty files, the pay file, the Military Entrance Processing Station Command's file, and the current VA extract. The report is an analysis of all active duty records on the MGIB file by service and record status aggregated by enrollment status.

Data Verification

DMDC runs basic edits to validate the data before sending the MGIB file to VA.

Goal Validation

The MGIB Usage Rates portray the number of eligible beneficiaries who use their earned benefit. A greater number of veterans using the MGIB will contribute to a more highly educated and productive national workforce, thus enhancing the nation's competitiveness. Veterans use the benefit to readjust to civilian life and achieve educational and vocational objectives that might not have been attainable had they not entered military service and enrolled in MGIB.

Crosscutting Activities

In keeping with the President's initiative to include faith-based and community organizations in government programs, Education Service will initiate a pilot program entitled "VA Education Benefit Outreach Program." The purpose of the pilot is to expand on the outreach efforts currently undertaken by Education Service by allowing faith-based and community organizations to assist in outreach by distributing informational materials on VA Education Benefits. This will ensure that we reach more veterans, reservists, and dependents who are potentially eligible for benefits.

External Factors

The rate of separation from military duty may have an impact on the usage rate of the MGIB.

Program Assessment Rating Tool (PART)

OMB and VA evaluated the All-Volunteer Force Educational Assistance Program (Chapter 30) and the Educational Assistance for Members of the Selected Reserve (Chapter 1606) programs using the PART during the development of the 2005 budget. The PART provided a comprehensive evaluation designed to improve the administration of the two programs. OMB rated the programs as "Results Not Demonstrated." The primary reason for this rating was the absence of a strong, long-term outcome measure. OMB also recommended refinement of the Chapter 30 usage measure.

Included in the 2006 Education budget were two outcome measures designed to measure the effectiveness of VA's educational assistance programs. The first was an outcome measure to determine the percentage of beneficiaries who believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goals. The second outcome measure would provide the percentage of MGIB participants who successfully completed an education or training program.

Education has worked closely with OMB and the VA budget office to develop an improvement plan, which contains three follow-up actions as shown below.

Program Name	Education	Rating	Results Not Demonstrated
Follow-up Action #1			
Determine the Optimum Level of Monthly Benefits Required to Accomplish the Military Recruitment and Retention Goals.			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
Requesting that DoD provide their annual survey data from research companies so that we may attempt to gauge if the current monthly benefits aid in military recruitment and retention goals annually. <i>(Action taken, but not completed)</i>	No	The Education Service is currently unable to determine optimum level of benefits to accomplish military recruitment and retention goals, but VA assumes benefit levels are sufficient because DoD surveys show education benefits rank in the top four reasons to enlist. Based on these surveys and military recruiters' experiences, educational benefits are valuable tools in meeting recruitment and retention goals. In addition to educational benefits, other factors impacting recruitment success include the economy, world conflicts, etc.	

Program Name	Education	Rating	Results Not Demonstrated
Follow-up Action #2			
Create an Outcome Measure on Veterans' Readjustment to Civilian Life due to the Educational Benefit Received			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
<p><i>Attempting to establish a contract to provide data on the percentage of service members and veterans who received VA educational benefits and who were enrolled in school and obtained a degree or certificate.</i></p> <p><i>(Action taken, but not completed)</i></p>	No	<p>Education Service has received some preliminary cost estimates based on our request for information from possible contractors. A briefing paper has been developed to give leadership the information needed to request funding from our budget office to fulfill this requirement.</p> <p><i>Without a contract we are unable to acquire the complete data necessary to determine the impact on program performance.</i></p>	

Program Name	Education	Rating	Results Not Demonstrated
Follow-up Action #2, continued			
Create an Outcome Measure on Veterans' Readjustment to Civilian Life due to the Educational Benefit Received			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
<p>Measures have been developed to evaluate beneficiaries' perception of the educational programs being helpful or very helpful as well as the success rate of completion of education or training program. Currently no contract is in place to generate data to provide a success rate of completion of education or training program. The proposed measure is as follows: Percentage of service members and veterans who were enrolled in school and obtained a degree or certificate.</p> <p><i>(Action taken, but not completed)</i></p>	No	<p>Education Service will develop a plan to survey beneficiaries to determine if the perception of education benefits is helpful or very helpful as well as the success rate of completion of education or training program.</p> <p>Until we have the data and trends from a survey, we are unable to determine the impact on program performance.</p>	

Program Name	Education	Rating	Results Not Demonstrated
Follow-up Action #3			
Reinstate a Cost-Effectiveness Measure such as the 'Administrative Cost per Trainee' Measure.			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
Developing formulas to identify appropriate annual targets and calculate the annual results for the 'Administrative Cost per Trainee' measure (<i>Action taken, but not completed</i>)	No	<p>We are still testing our model to assess the formula's efficiency. We are taking the number of students and dividing it by the direct FTE, times the payment accuracy, divided by the average claims timeliness for each year. We still require two years of actual data to establish targets. Once this model is implemented, we can use it to determine if increasing FTE levels is necessary.</p> <p>We are currently unable to determine if this model will generate data that could identify adjustments to resources that would ultimately improve program performance.</p>	

Initiatives

The following chart outlines resources requested in support of Education initiatives:

Education Initiatives (dollars in thousands)								
	2007 Estimate				2008 Estimate			
	Payroll	Non-pay	Total	FTE	Payroll	Non-pay	Total	FTE
Contact Management Support Center	0	0	0	0	0	6,300	6,300	0
Stakeholder Training	0	0	0	0	0	400	400	0
VBA-Wide	0	600	600	0	65	104	169	1
Education Total	\$0	\$600	\$600	0	\$65	\$6,804	\$6,869	1

Initiative: Contact Management Support Center (CMSC)**Education Resource Requirements in 2008: \$6,300,000**

The CMSC is designed to assist our customers regarding education claims. The CMSC staff responds to all telephone and electronic inquiries regarding payments, status of the claims and all questions about our education programs. The CMSC will consist of year-round contract customer service representatives handling all education calls that come in through the toll-free number, 1-888-GIBILL1. The Education RPOs receive on average 2.5 million phone inquiries per year. Telephone workload is directly related to pending inventory. The heaviest times of year are during fall and spring enrollment. Since both equipment and staffing remain relatively constant, the level of performance achieved is inversely related to workload. Performance is measured in terms of blocked call rate (the percentage of attempted calls which are not able to be connected to the RPOs) and the abandoned call rate (the percentage of calls connected to the RPOs which are disconnected by the caller before speaking with VA personnel). This initiative will enable the achievement of the strategic targets for these two performance measures.

Initiative: Stakeholder Training**Education Resource Requirements in 2008: \$400,000**

The delivery of VA education programs depends on the cooperation and help of many external stakeholders, such as school certifying officials, state approving agencies (SAA), and DoD partners. Currently, training is offered to new school certifying officials and SAA representatives via a rudimentary web-based system. Our outreach program works with DoD by providing instructional briefings and guides to help with their efforts to counsel military personnel on VA education benefits.

Due to the rate of turnover in the position of school certifying officials, and the wide geographic area where school officials, SAA and DoD contacts are located, a uniform distance learning tool must be developed. This will allow our stakeholders to receive the training they need to ensure all potential VA beneficiaries receive the full benefit of the GI Bill programs. It will also increase the accuracy of the information stakeholders give to both the VA and the veteran.

VBA-Wide Initiatives

Specific crosscutting initiatives that can be linked to a specific business line have been integrated into the respective business line plan. However, some initiatives affect some or all business lines and the specific impact on an individual business line cannot be readily identified. These initiatives may be independent of specific business objectives, but are required activities to achieve the overall VBA mission

and goals. Following are descriptions of VBA-wide initiatives that impact the Education program:

Finance Consolidation Initiative

Total 2008 Initiative Cost: \$2,386,000

Education: \$169,000

To meet the Secretary's directive to centralize finance functions across VA, this initiative builds upon past success VBA has achieved in the consolidation of administrative accounting functions such as mortgage loan accounting, electronic funds transfer processing for veterans benefits payments, check tracer, State Approved Agency payments, clothing allowance, work study payments, and permanent change of station travel. This initiative will begin the final phase to consolidate and centralize voucher audit, agent cashier, purchase card, and payroll financial operations currently being performed by 57 regional offices. We expect to complete the consolidation by 2009. In 2007, we will begin consolidation of the voucher audit activities.

Information Technology (IT) Initiatives (funding included in the IT appropriation)

The Education Expert System (TEES)

This project is a response to the VA goal of meeting strategic targets of ten days to complete original claims and seven days to complete supplemental claims. Additionally, TEES will process 90 percent of veteran education benefit applications, enrollment certifications and notices of change in student status to final resolution without human intervention. Working with the VA/VBA corporate database and the data warehouse, TEES builds on previous VBA initiatives and will replace the existing benefit payment system. The new system provides processing for all benefit chapters, including the recently enacted Chapter 1607 benefit for Reservists and National Guard soldiers deployed in support of Operation Enduring Freedom and the War on Terrorism, and for all training types.



Housing

Mission

VA will help veterans and active duty personnel purchase and retain homes in recognition of their service to the Nation. We will treat all veterans and other participants in the program in a courteous, responsive, and timely manner. We will endeavor to operate in the most efficient manner possible to minimize cost and ensure the best use of taxpayers' dollars.

Stakeholders

Veterans, active duty personnel, eligible surviving spouses, and their families are the primary customers of the program. Lenders, loan servicers, others in the housing finance industry, homebuilders, and real estate agents are partners with VA in providing service to veterans. Employees and fee personnel, such as appraisers, inspectors and management brokers, are key to providing veterans with quality and timely service. Congress, veterans service organizations, state and county veteran representatives, and the military services are also important stakeholders.

Housing				
Summary of Discretionary Appropriation Highlights				
(dollars in thousands)				
Discretionary	2006	2007		2008 ^{1/} Estimate
		Budget Estimate	Continuing Resolution	
FTE				
Direct	747	762	762	762
Information Technology ^{2/}	147	102	102	32
Management Direction and Support	148	107	107	99
Total FTE	1,042	971	971	893
Obligations:^{2/}				
Personal Services	\$87,163	\$85,732	\$83,993	\$81,539
Travel	2,045	2,358	2,541	2,587
Interagency Motor Pool	343	517	517	525
Transportation of Things	141	360	360	369
Rent, Communications & Utilities	12,605	9,140	9,140	9,600
Printing	337	339	339	346
Other Services	24,649	25,870	27,353	20,547
Supplies and Materials	893	1,154	1,154	1,177
Equipment	369	1,725	1,725	1,759
Insurance Claims	38	9	9	7
Total Administrative Obligations	\$128,581	\$127,204	\$127,130	\$118,455
Reimbursement from Credit Accounts	-\$128,561	-\$127,164	-\$127,130	-\$118,455
Reimbursement from Franchise Fund	-\$20	-\$40	\$0	\$0
Total Reimbursements/Obligations	-\$128,581	-\$127,204	-\$127,130	-\$118,455
Unobligated balance SOY	\$0	\$0	\$0	\$0
Unobligated balance EOY	\$0	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$0	\$0	\$0	\$0
Total Appropriation	\$0	\$0	\$0	\$0
Transfers from VHA	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$0	\$0	\$0	\$0
Outlays (net)	\$0	\$0	\$0	\$0

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

^{1/}The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{2/} 2008 reflects the reassignment of 70 IT FTE and associated payroll, travel, and training dollars to the VA IT Appropriation.

Summary of Budget Request

Reimbursement authority of \$118.5 million is required from credit accounts to fund the discretionary portion of the Housing program in 2008. Administrative funding includes \$117,847 thousand for the Veterans Housing Program and \$608 thousand for the Native American Housing Program. The funding will support 893 VBA FTE for the Veterans and Native American Housing programs.

Housing Average Salary Analysis

2006 Average Salary (260 days)	\$64,425
Annualization of 3.1% 2006 raise (+.78%)	499
Annualization of 2.2% 2007 raise (+1.7%)	1,063
Change in staff composition	-120
Regular benefits percentage	23.0%
2006 Average Cost	83,626
2007 Average Salary (260 days)	\$65,867
Annualization of 2.2% 2007 raise (+.55%)	362
Annualization of 3.0% 2008 raise (+2.3%)	1,482
Change in staff composition	975
Two day adjustment	528
Regular benefits percentage	23.9%
2007 Average Cost	86,502
2008 Average Salary (262 days)	\$69,215
Regular benefits percentage	24.2%
2008 Average Cost	91,309

Workload and Resource Needs

2007 Workload

Total loans guaranteed in 2006 were 135,151 and are estimated to increase to 180,000 in 2007. Rising interest rates should make the guaranteed loan program more attractive than alternative mortgage products such as interest only loans. VA also expects an increase in defaults and foreclosures from historic lows in 2006. In 2003 and 2004, VA guaranteed a total of 682,000 loans. These loans are entering the maturity period of 3 to 6 years, which is the time span where mortgages are most likely to default.

2008 Workload

VA estimates that the workload in 2008 will continue at the same level as 2007, approximately 180,000 loans guaranteed. Defaults and foreclosures will continue to increase consistent with the large volume of loans guaranteed in 2003 and 2004.

The program emphasis is on developing and implementing information technology solutions to provide more timely service to our customers at a reduced cost. Important benchmarks are the quality and efficiency of service provided by private entities because they set the level of expectations for all real estate transactions.

Performance Measures. The following chart provides performance measurements and expectations based on receiving the funding requested:

Performance Summary Table: Housing Program							
Measure Description (Key Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1) Foreclosure avoidance through servicing (FATS) ratio %	45	44	48	54	51	50	51
2) Statistical quality index %	98	98	98	99	98	98	98
3) Veterans' satisfaction level % ^{2/}	95	N/A	N/A	Avail. 2007	95	95	97
4) Rate of homeownership for veterans compared to that of the general population % ^{3/}	N/A	N/A	N/A	N/A	N/A	104	105
5) E-FATS (The ratio of dollars saved through successful loan interventions, to dollars spent by VA on Loan Administration FTE who perform intervention work)	N/A	N/A	N/A	7:1	8:1	8:1	8:1
6) Specially Adapted Housing Independence (Percent of Specially Adapted Housing (SAH) grant recipients who indicate that grant-funded housing adaptations increased their independence)	N/A	N/A	N/A	Avail. 2007	98	98	99
7) Lender Satisfaction (Percent of lenders who indicate that they are satisfied with the VA Loan Guaranty Program) ^{2/}	92	N/A	N/A	Avail. 2007	94	94	95

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

^{2/}No Housing survey was completed in 2004 and 2005.

^{3/}New measure added to 2008 budget and strategic plan. For 2005, the homeownership rate for the general population was 69%.

Housing Performance

Departmental Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Objective 3.6: Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.

Performance Goal 1: In 2008, achieve a Foreclosure Avoidance Through Servicing (FATS) Ratio of 50 percent.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1) Foreclosure avoidance through servicing (FATS) ratio %	45	44	48	54	51	50	51

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

One of VA’s critical functions is to assist veterans after they receive their housing benefit. Lenders report to VA when veterans are seriously delinquent (a payment is 90 days in default) on their mortgages. The veteran is responsible for repayment of the loan. VA is responsible for contacting the veteran and offering assistance to help retain his or her home, or resolve the issue at the lowest possible cost to the veteran and VA.

VA uses the FATS ratio to measure its success in assisting veterans who are facing foreclosure. This measures the extent to which foreclosures would have been greater had VA not pursued alternatives to foreclosure. Benefits of foreclosure avoidance include the cost savings to the government and the veteran avoiding damage to his/her credit rating. Of particular note is the level of successful interventions in 2006. There were 8,748 reinstatements with VA’s direct assistance, saving an estimated \$174.9 million. There are four alternatives to foreclosure:

Successful intervention – VA may intervene with the holder of the loan on behalf of the borrower to set up a repayment plan or take other action that results in the loan being reinstated.

Refunding – VA may purchase the loan when the holder is no longer willing or able to extend forbearance, but VA believes the borrower has the ability to make mortgage payments, or will have the ability in the near future.

Voluntary conveyance – VA may accept the deed in lieu of foreclosure from the borrower if it is in the best interest of the government.

Compromise Claim – If a borrower in default is trying to sell the home, but it cannot be sold for an amount greater than, or equal to, what is owed on the loan, VA may pay a compromise claim for the difference in order to complete the sale.

As different alternatives are appropriate in different situations, VA does not have goals for each type of alternative. Field stations have the discretion to decide

which alternative should be pursued in each situation. FATS was devised to measure the overall level of success VA is having in assisting veterans who are facing foreclosure.

Means and Strategies

To improve VA's ability to effectively assist veterans who are delinquent on their mortgages, nearly eleven years ago VBA consolidated most of its supplemental servicing activities into Loan Administration sections at nine Regional Loan Centers. This helped assure the quality of servicing to veterans by increasing access to VA in an environment of shrinking staff resources. Customer service was improved by providing veterans with toll-free telephone access and increased hours of operation. This consolidation, coupled with implementation of the Loan Service and Claims (LS&C) system, which had been initiated prior to staff consolidation, led to revisions of numerous procedures within VA.

VA began a complete review and redesign of the guaranteed loan default servicing in 2002. New processes and procedures will be fully implemented by 2008. This will bring VA very close to performance and operational standards used by large private sector servicers and lenders. The emphasis will be on providing financial incentives and greater flexibility to primary servicers of VA-guaranteed loans to prevent foreclosures, which will in turn improve the FATS ratio.

Data Source

This information is presented in the key measures data table.

Data Verification

This information is presented in the key measures data table.

Goal Validation

This information is presented in the key measures data table.

Crosscutting Activities

There are no crosscutting activities that will affect this goal.

External Factors

The levels of defaults, foreclosures, and property acquisitions are also related to interest rates and the economy, and are particularly sensitive to regional downturns. Any significant downturn in the national or local economies will increase the number of defaults and foreclosures of VA-guaranteed loans, thereby increasing the program's workload. Any increase in workload above and beyond

the capacity of the current FTE level could have a proportional negative effect on quality of work products and therefore on the FATS measure.

Performance Goal 2: In 2008, maintain the accuracy of Loan Guaranty activities (measured by the Statistical Quality Index) at 98 percent.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
2) Statistical quality index %	98	98	98	99	98	98	98

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

The objective is to provide an accurate evaluation of the quality of services performed by field stations. This needs to be a comprehensive analysis that includes all business processes in connection with delivery of services to veterans, as well as the prudent management of government assets.

Means and Strategies

The quality review process requires an examination of a sample of loan files by supervisors at the Regional Loan Centers and a second review of those same files by staff in Loan Guaranty Service. Staffing changes, training, policy reviews, and other management actions are directed toward processes and performance that need improvement.

Data Source

Quality review findings are recorded with comments on separate documents with the appropriate loan file number. The aggregate of review findings is summarized on an electronic spreadsheet, which is the source for reporting performance.

Data Verification

The second level reviews by Central Office serve as the validation of the quality findings made at the Regional Loan Centers.

Goal Validation

The Statistical Quality Index measures how well VA is meeting or exceeding the industry standard for benefits delivery and foreclosure avoidance as veterans transition to civilian occupations.

Crosscutting Activities

There are no crosscutting activities that will affect this goal.

External Factors

Loan Guaranty workload can fluctuate significantly. New loan guaranties are closely related to changes in interest rates and the state of the overall economy. The levels of defaults, foreclosures, and property acquisitions are also related to the economy, and are particularly sensitive to regional downturns. Changes and fluctuations in these factors will result in concomitant increases in workload. Any increase above and beyond the capacity of the current FTE level could have a proportional negative effect on quality of work products and therefore on this Statistical Quality Index measure.

Performance Goal 3: In 2008, achieve a veterans' satisfaction level of 95 percent.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
3) Veterans' satisfaction level % ^{2/}	95	N/A	N/A	Avail. 2007	95	95	97

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

^{2/}No Housing survey was completed in 2004 and 2005.

The objective is to provide veterans with courteous, responsive, and timely service in obtaining a VA-guaranteed loan. This will be measured in the form of a Veteran Satisfaction Score.

Means and Strategies

VA relies heavily on the lending industry to deliver the home loan benefit. Ultimately, the level of veteran satisfaction is directly dependent on how well VA can meet the expectations of lenders, builders, real estate brokers, and appraisers. This means adapting the delivery of our services to industry best practices and making timely changes as technology generates improvements in the loan origination process.

For example, VA has recently implemented several applications that support electronic submission of appraisals and electronic data interchange-based default status updates and has expanded the use of electronic applications for guaranty. The Automated Certificate of Eligibility application permits lenders to request a certificate of eligibility online in a matter of seconds.

The current version of the Funding Fee Payment System calculates fee amounts for lenders, thereby reducing errors. The system also supports automated refunds of overpayments. The Web-based Loan Summary application allows lenders to request and receive loan guaranties electronically in seconds. The speed and ease of use make the VA Home Loan program a cost effective product for lenders by eliminating paper and mail delays.

Data Source

The source of data is the Veteran Customer Service Satisfaction Survey. A professional contractor administers the survey with oversight by VBA program and survey specialists.

Data Verification

Contractor and VBA program oversight ensures appropriate survey content, sample size, and interpretation of results.

Goal Validation

The survey provides feedback on how well VA assisted veterans directly or indirectly in obtaining a VA-guaranteed home loan.

Crosscutting Activities

There are no crosscutting activities that will affect this goal.

External Factors

Loan Guaranty workload can fluctuate significantly. New loan guaranties are closely related to changes in interest rates and the state of the overall economy. The levels of defaults, foreclosures, and property acquisitions are also related to the economy, and are particularly sensitive to regional downturns. Changes and fluctuations in these factors will result in concomitant increases in workload. Any increase above and beyond the capacity of the current FTE level could have a proportional negative effect on quality of work products, which will ultimately be reflected in the service provided to veterans.

Performance Goal 4: In 2008, increase the rate of homeownership for veterans compared to that of the general population to 104 percent.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
4) Rate of homeownership for veterans compared to that of the general population % ^{2/}	N/A	N/A	N/A	N/A	N/A	104	105

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

^{2/}New measure added to 2008 budget and strategic plan. For 2005, the homeownership rate for the general population was 69%.

An independent contractor completed an evaluation of the Loan Guaranty Program in 2004. Data and recommendations from that evaluation were reviewed, and other research on performance measures was conducted. Based on this analysis, and also in response to Program Assessment Rating Tool (PART) review findings and recommendations, the Loan Guaranty Program developed this new outcome measure for fiscal year 2008. As veterans are adversely affected by military service in establishing the credit needed to secure a conventional home loan, a key component of the program’s mission is to encourage and facilitate the extension of favorable credit terms by private lenders to eligible veterans. Achievement of this mission will be measured in terms of the veteran homeownership rate compared to that of the general population.

Means and Strategies

VA relies heavily on the participation of lenders, builders, real estate brokers, and appraisers in the VA Loan Guaranty Program. This participation is critical to VA’s ability to deliver the home loan guaranty benefit to veterans. Without their participation, veterans’ ability to use their earned loan guaranty benefit would be limited and many veterans would be precluded from purchasing homes. To provide the greatest number of veterans optimal access to the mortgage and housing markets, VA will work to maintain and foster relationships with mortgage and housing industry program participants.

This will be done by adapting the delivery of the program to industry best practices and making timely changes as technology and the marketplace generate improvements in the loan origination process. For example, VA has recently implemented several applications that support electronic submission of appraisals and electronic data interchange-based default status updates, and has expanded the use of electronic applications for guaranty. The Automated Certificate of Eligibility application permits lenders to request a certificate of eligibility online in a matter of seconds. The current version of the Funding Fee payment system calculates fee amounts for lenders, thereby reducing errors, and

the system also supports automated refunds of overpayments. The Web-based Loan Summary application allows lenders to request and receive loan guaranties electronically in seconds. The speed and ease of use make the VA Home Loan program a cost effective product for lenders by eliminating paper and mail delays.

VA will also continue to make veterans aware of the Loan Guaranty benefit through various outreach efforts. Examples include maintaining a robust Web site and Internet portal that allow all veterans and active duty personnel to obtain information on the VA home loan program; providing input for Veterans Service Center personnel who conduct Transition and Disability Transition Assistance briefings to active duty personnel ready to be released; attending industry and government housing seminars to provide attendees with current, accurate information about the program; and continuing grassroots community involvement at the Regional Loan Centers.

Data Source

The source of data will be the United States Census Bureau population and housing data. The source of data on the homeownership rate for the general population will also be the Census Bureau's tabulation of the national homeownership rate, which is released to the general public on a quarterly basis.

Data Verification

Analysis of raw data will be conducted in accordance with generally accepted standards for statistical data analysis, producing the rate of veteran homeownership for the fiscal year.

Goal Validation

This measure provides a gauge of how well VA is able to facilitate and encourage favorable credit terms by private lenders to veterans. A veteran homeownership rate on par (or better) than that of the general population illustrates that the key purpose of the program has been met, in that veterans, for their service in the Armed Forces, are not harmed in terms of establishing the credit standing necessary for home purchase.

Crosscutting Activities

There are no crosscutting activities that will affect this goal.

External Factors

Homeownership rates will fluctuate with changes in interest rates and the state of the overall economy. The scope and success of other Federal, state, and local government policies and programs targeted at increasing homeownership also contribute to the fluctuation of homeownership rates in the United States. Veteran homeownership rates will also be directly affected by changes in the size and demographics of the veteran population. Economic downturn and increases in interest rates will adversely affect the overall homeownership rate.

Program Assessment Rating Tool (PART)

As part of the formulation of the 2006 budget, the Administration evaluated the Housing program using the PART. The PART is an analytical tool used to assess programs in a systematic, consistent, and transparent manner using a standardized questionnaire. With the aim of evaluating the Federal Government's effectiveness in designing and managing programs, PART results can be used to help improve program management and budget decision-making.

The Housing program received a rating of "Results Not Demonstrated." It was recommended that the Housing program develop improved performance measures that focus more on program outcomes and on the efficiency of program operations. In response to this finding, the Housing program continues to develop improved program outcome and efficiency measures. The program has worked closely with OMB and the VA budget office to develop an improvement plan, which contains three follow-up actions as shown below.

Program Name	Housing	Rating	Results Not Demonstrated
Follow-up Action #1			
Develop long-term performance measures focused on outcomes that meaningfully reflect the purpose of the program.			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
VA developed three new measures: one efficiency measure and two outcome measures. They are included in this budget. In addition, an existing outcome measure is being reported for the first time in this budget. Results reporting will begin October 1, 2007. <i>(Completed)</i>	No	New measures will be used in managing the program and to promote program results and accountability. Program outcome measures are linked to the program's long-term goals of veteran homeownership, home retention in periods of financial difficulty, and veteran satisfaction.	
Follow-up Action #2			
Develop analyses of how results information from new measures is used and how this information impacts program performance.			
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
Analysis of these new measures is in process to determine if/how they will impact program performance. <i>(Action taken, but not completed)</i>	No	Baseline data from new measures are being collected and strategic targets established. Program performance will be assessed against these baselines, and where appropriate, modifications to the program will be made to maintain or increase program performance.	

Follow-up Action #3		
Develop the capability to begin reporting on the new long-term performance measures focused on outcomes that meaningfully reflect the purpose of the program.		
Priority: Minor		
Actions Completed or In Progress		
Response (Status)	X-Agency	Response's Impact on Program Performance
<i>VA has begun work on the customer satisfaction survey project, which will yield data for the new specially adapted housing measure and the existing lender satisfaction measures. Data will be available in the spring of 2007. (Action taken, but not completed)</i>	No	<i>Measures data will be collected annually, evaluated, and, where appropriate, used in making program modifications in order to maintain or increase program performance.</i>

Initiatives

The following chart outlines resources requested in support of Housing initiatives:

Initiatives (dollars in thousands)								
	2007 Estimate				2008 Estimate			
	Payroll	Non-pay	Total	FTE	Payroll	Non-pay	Total	FTE
Appraisal Management System	0	0	0	0	0	1,400	1,400	0
Real Estate On-Line Continuing Education Course	0	0	0	0	0	300	300	0
VBA-Wide	0	0	0	0	69	111	180	1
Housing Total	\$0	\$0	\$0	0	\$69	\$1,811	\$1,880	1

Initiative: Appraisal Management System

Housing Resource Requirements in 2008: \$1,400,000

This initiative was designed to implement a commercial appraisal management system. VA has mandated electronic transmission of appraisals since August of 2000. Appraisals are transmitted as PDF attachments to e-mail. However, this process only allows transmission and subsequent reading of the appraisal. Current technology exists which would allow considerably enhanced data analysis of the appraisals via automated system checks.

**Initiative: Real Estate On-Line Continuing Education Course
Housing Resource Requirements in 2008: \$300,000**

This initiative funds the design and production of an online course for real estate professionals to provide a comprehensive overview of the VA Home Loan Guaranty Program. The contract would provide for approval of continuing education credit via the Association of Real Estate License Law Officials, national regulatory commissions, and state credentialing boards. The contract would also provide for the delivery of the course via an established network supporting major national online real estate schools.

VBA-Wide Initiatives

Specific crosscutting initiatives that can be linked to a specific business line have been integrated into the respective business line plan. However, some initiatives affect some or all business lines and the specific impact on an individual business line cannot be readily identified. These initiatives may be independent of specific business objectives, but are required activities to achieve the overall VBA mission and goals. Following are descriptions of VBA-Wide initiatives that impact the Housing program:

Finance Consolidation Initiative

Total 2008 Initiative Cost: \$2,386,000

Housing Portion: \$180,000

To meet the Secretary's directive to centralize finance functions across VA, this initiative builds upon past success VBA has achieved in the consolidation of administrative accounting functions such as mortgage loan accounting, electronic funds transfer processing for veterans benefits payments, check tracer, State Approved Agency payments, clothing allowance, work study payments, and permanent change of station travel. This initiative will begin the final phase to consolidate and centralize voucher audit, agent cashier, purchase card, and payroll financial operations currently being performed by 57 regional offices. We expect to complete the consolidation by 2009. In 2007, we will begin consolidation of the voucher audit activities.

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Discretionary Vocational Rehabilitation and Employment

Mission

The purpose of the Vocational Rehabilitation and Employment (VR&E) Program is to provide all services and assistance necessary to enable veterans with service-connected disabilities to become employable and obtain and maintain suitable employment, and to the maximum extent feasible, achieve independence in daily living.

Stakeholders

Stakeholders and customers of the Vocational Rehabilitation and Employment Program include veterans, servicemembers, reservists, dependents of certain veterans, Veterans Health Administration, Department of Labor, Small Business Administration, Office of Personnel Management, Department of Defense, education, training and rehabilitation facilities, Congress, and Veterans Service Organizations.

**Vocational Rehabilitation and Employment
Summary of Discretionary Appropriation Highlights
(dollars in thousands)**

Discretionary	2006	2007		2008 ^{1/} Estimate
		Budget Estimate	Continuing Resolution	
FTE				
Direct	948	1,063	1,063	1,102
Information Technology ^{2/}	44	44	44	14
Management Direction and Support	119	148	148	144
Total FTE	1,110	1,255	1,255	1,260
Obligations^{2/}				
Personal Services	\$95,666	\$116,171	\$114,019	\$119,661
Travel	1,809	1,737	1,794	1,851
Interagency Motor Pool	245	290	290	260
Transportation of Things	159	356	356	1,367
Rent, Communications & Utilities	11,988	12,751	12,751	13,691
Printing	327	321	321	327
Other Services	13,943	15,116	17,212	19,609
Supplies and Materials	1,957	1,476	1,476	1,574
Equipment	1,549	1,114	1,114	1,136
Insurance Claims	35	10	10	6
Total Administrative Obligations	\$127,677	\$149,342	\$149,342	\$159,482
Reimbursements	-\$305	-\$305	-\$305	-\$311
Unobligated balance SOY	\$0	\$0	\$0	\$0
Unobligated balance EOY	\$0	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$0	\$0	\$0	\$0
Total Appropriation	\$127,372	\$149,037	\$149,037	\$159,171
Transfers from VHA	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$127,372	\$149,037	\$149,037	\$159,171
Outlays (net)	\$130,761	\$143,852	\$142,752	\$156,431

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

^{1/}The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{2/}2008 reflects the reassignment of 30 IT FTE and associated payroll, travel, and training dollars to the VA IT Appropriation.

Summary of Budget Request

Budget authority of \$159.2 million is needed to fund the discretionary portion of the Vocational Rehabilitation and Employment program in 2008. The funding will support 1,260 FTE, the January 1, 2008, 3.0 percent pay raise, the associated level of fringe benefits and health costs, and inflationary expenses. Additionally, this request will provide funding for VR&E's program initiatives: Process Consolidation; Coming Home to Work; Counseling, Evaluation, Rehabilitation (CER) Folder Retirement; Disabled Transition Assistance Program (DTAP); and VR&E Training Package discussed later in this chapter.

Vocational Rehabilitation and Employment Average Salary Analysis	
2006 Average Salary (260 days)	\$65,426
Annualization of 3.1% 2006 raise (+.78%)	507
Annualization of 2.2% 2007 raise (+1.7%)	1,080
Change in staff composition	1,225
Regular benefits percentage	24.1%
2006 Average Cost	86,177
2007 Average Salary (260 days)	\$68,237
Annualization of 2.2% 2007 raise (+.55%)	375
Annualization of 3.0% 2008 raise (+2.3%)	1,535
Change in staff composition	199
Two day adjustment	541
Regular benefits percentage	24.9%
2007 Average Cost	90,852
2008 Average Salary (262 days)	\$70,889
Regular benefits percentage	25.4%
2008 Average Cost	94,969

Workload and Resource Needs

The table below provides a summary of VBA workload and FTE projections, which are discussed in more detail in the following sections.

VR&E	2005	2006	2007 Estimate	2008 Estimate
Direct Labor FTE	945	948	1,063	1,102
Increase in Workload (over previous year)		-3.15%	2.75%	2.50%
Total Workload	92,650	89,728	92,196	94,500
Rehabilitation Rate	63%	73%	73%	75%

The VR&E workload is expected to increase above 2006 by 2.8 percent in 2007 to 92,196, and by another 2.5 percent in 2008 to 94,500. The increased workload can be attributed to the following factors:

- The VBA-wide effort to increase outreach activities to separating servicemembers and veterans. As part of this effort, VR&E is working to improve the quality and increase the consistency and regularity of its Disabled Transition Assistance Program (DTAP). The goal of DTAP is to encourage and assist potential eligible servicemembers in making an informed decision about the Vocational Rehabilitation & Employment program. Additionally, with greater participation by members of the Guard and Reserve forces in our recent conflicts, VA has to continually adjust its resources to ensure that this important audience receives this vital benefit information.
- VR&E anticipates that the effects of Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) will result in more seriously injured veterans who will likely qualify for the VR&E program.
- As a result of an increased focus on employment and VR&E's new Five-Track Employment Model, more veterans are expected to enter into Job Ready Services, the status when a veteran has acquired the skills necessary to obtain employment.

VR&E is poised to meet the additional demands of an increasing workload through implementing the VR&E Task Force recommendations as outlined in its report, *"The Vocational Rehabilitation and Employment Program for the 21st Century Veteran."* VR&E has already implemented over seventy of the Task Force recommendations, and we plan to continue to implement the remaining recommendations based on receiving the requested levels of funding and FTE. VR&E will require additional FTE to continue to implement Task Force recommendations, particularly the Contracting/Purchasing staff, Central Office staff, and professional staff for the field stations.

FTE Needs in 2008

The projected increase in FTE will be used for additional contracting specialists required to monitor contracts. This will allow the program to realign functions to the appropriate staff and eliminate the contracting oversight from the case manager's responsibilities, allowing the case manager to concentrate on working directly with veterans. The oversight of contractors is an inherently governmental task and must be accomplished by a government employee who has the appropriate level of skills and knowledge regarding the rules and regulations of contracting.

Also, additional FTE are required for two major initiatives: Coming Home to Work and the Process Consolidation. The Coming Home to Work initiative, which was recently transferred to VR&E Service from VA's Office of Human Resources, will require additional VR&E resources, including FTE to meet the needs of servicemembers at the Walter Reed Army Medical Center (pilot site) and expand the initiative to other Military Treatment Facilities (MTFs). The Coming Home to Work initiative will require an early identification of suitable job sites and implementation of a rapid access to employment process for participants at the MTFs. To accomplish the goals of the rapid access to employment, VR&E will need additional FTE that are trained to provide a seamless delivery of employment services from MTFs to civilian employment, including the Federal Non-Paid Work Experience (NPWE) program. The Process Consolidation initiative will result in the consolidation and centralization of various VR&E functions as determined and prioritized by an assessment of feasibility. Possible functions subject to consolidation and centralization include General Eligibility Determination (GED) processing, subsistence allowance award processing, GOE and Chapter 36 contract administration, purchase card processing, administrative training program monitoring, and management oversight.

Program Highlights

VR&E has successfully deployed nationally the Job Resource Labs and Five-Track Employment Delivery Model. These Job Resource Labs aid veterans and staff in the job search process through the use of a comprehensive on-line employment preparation and job-seeking tool. Areas that are addressed include: developing job search plans, preparing for interviews, developing resumes, and conducting thorough job searches.

VR&E has continued to grow in the area of increasing partnerships with agencies/organizations such as the Federal Sector, State/Local Government Sector, Private Sector, Unions Sector, and Faith Based/Non-Profit/Community initiatives. Partners provide a variety of important services in combination with the VA Vocational Rehabilitation program that facilitate adjustment to the workplace, enhance self-awareness, and connect people to employers. A few of the organizations VR&E has developed partnerships with include: Department of Defense, Department of Labor's Veterans Employment and Training Service, Helmets to Hardhats, U. S. Army Materiel Command, Always A Soldier, and Home Depot.

VR&E continues to expand and further develop the Coming Home to Work initiative, which is a collaborative partnership between VR&E and other federal agencies to provide civilian work experiences to interested servicemembers who are in a medical hold capacity at MTFs and who meet Chapter 31 eligibility

requirements. The Coming Home to Work initiative provides all necessary rehabilitation and employment services to veterans with disabilities so they may access job opportunities -- especially servicemembers returning from OIF and OEF, and those who are medically discharged from the military.

Performance Measures. The following chart provides performance measurements and expectations based on receiving the funding requested:

Performance Summary Table: Vocational Rehabilitation and Employment							
Measure Description (Key Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1) Rehabilitation rate %	59	62	63	73	73	75	80
2) Speed of entitlement decisions in average days ^{2/} (2006 has been corrected)	63	57	62	54	53	53	40
3) Accuracy of decisions (Services) %	82	86	87	82	85	87	96
4) Customer Satisfaction (Survey) % ^{3/}	N/A	79	N/A	N/A	82	84	92
5) Accuracy of Vocational Rehabilitation Program completion decisions %	81	94	97	95	97	98	99
6) Serious Employment Handicap (SEH) Rehab Rate	58	N/A	N/A	73	74	76	80
Common Measures ^{4/}							
7) Percent of participants employed first quarter after program exit	N/A	N/A	N/A	TBD	70	72	80
8) Percent of participants still employed three quarters after program exit	N/A	N/A	N/A	TBD	70	72	85
9) Average cost of placing participant in employment	N/A	N/A	N/A	TBD	\$8,000	\$8,000	\$6,500
10) Percent change in earnings from pre-application to post program employment	N/A	N/A	N/A	TBD	TBD	TBD	TBD

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate

^{2/}VR&E anticipates fluctuations in performance measures while in the process of implementing Task Force recommendations.

^{3/}VR&E did not have a customer satisfaction survey completed in 2003, 2005 or 2006.

^{4/}These are "common" measures that are used by other agencies that manage vocational rehabilitation programs. They support the President's Management Agenda. Targets shown above are estimates and may change.

VR&E Performance

Departmental Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.

Objective 1.3: Provide eligible service-connected disabled veterans with the opportunity to become employable, and obtain and maintain employment, while delivering special support to veterans with serious employment handicaps.

Performance Goals 1, 6, 7, 8, and 9: In 2008, maintain a rehabilitation rate of at least 75 percent. Achieve a serious employment handicap rehabilitation rate of at least 76 percent of all veteran participants. Achieve 72 percent of participants employed in the first quarter after program exit. Achieve 72 percent of those participants still employed three quarters after program exit. The average cost of placing a participant in employment will be approximately \$8,000.

Measure Description (Key Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1) Rehabilitation rate %	59	62	63	73	73	75	80
6) Serious Employment Handicap (SEH) Rehab Rate %	58	N/A	N/A	73	74	76	80
7) Percent of participants employed first quarter after program exit ^{1/}	N/A	N/A	N/A	TBD	70	72	80
8) Percent of participants still employed three quarters after program exit ^{1/}	N/A	N/A	N/A	TBD	70	72	85
9) Average cost of placing participant in employment ^{1/}	N/A	N/A	N/A	TBD	\$8,000	\$8,000	\$6,500

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate

Means and Strategies

For many disabled veterans, the vocational rehabilitation program is the best opportunity they have to establish themselves in suitable employment, or to achieve the maximum level of functioning in daily living activities. The VR&E program is committed to helping veterans complete their programs successfully. Five performance measures exist for this objective: the percentage of veterans who exit the program through successful rehabilitation; the percentage of veterans who have a serious employment handicap who exit the program

through successful rehabilitation, percentage of participants employed first quarter after program exit; percentage of participants employed third quarter after program exit, and average cost of placing participant in employment.

The implementation of the Job Resource Labs and the new Five-Track Employment Delivery Model increased the number of VR&E personnel working with employers and conducting marketing initiatives. The Job Resource Labs aid veterans in the job search process through the use of a comprehensive on-line employment preparation and job-seeking tool. Our staff will continue to be provided employment services training in recruitment and placement (marketing skills), job development, and reasonable accommodations to ensure suitable employment is obtained and maintained. We will ensure that our staff has the type and level of skills needed to provide excellent service to accomplish our legislative mandate.

Data Source

Corporate WINRS is the data source.

Data Verification

Accuracy of these data is validated by semi-annual case reviews.

Goal Validation

The rehabilitation rate is the key indicator of the program's success in meeting this goal, as it illustrates the percentage of veterans successfully reentering the workforce following completion of their VR&E program. This information is presented in the key measures data table.

Crosscutting Activities

VR&E signed several Memorandums of Understanding (MOUs) with organizations such as Department of Labor's Veterans Employment and Training Service, Council of State Administrators of Vocational Rehabilitation programs, U. S. Army Materiel Command, Helmets to Hardhats, and Home Depot. These MOUs focus on joint efforts to provide career opportunities to veterans.

External Factors

VR&E is anticipating an increase of program participants as a result of OIF and OEF. We expect this increase as long as the United States is engaged in military conflicts overseas.

Performance Goal 2: In 2008, the average time to complete an entitlement determination will be 53 days or less.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
2) Speed of entitlement decisions in average days (2006 has been corrected)	63	57	62	54	53	53	40

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate

Means and Strategies

Improving the veteran's access to VR&E staff and information will help the program to achieve and maintain timeliness goals to make entitlement determinations. We will continue to expand our use of Internet resources to allow veterans to access program services and resources electronically. Increasing the staffing level will lower the number of cases handled by each case manager and allow the staff to improve the quality and speed of services provided to each of their cases. Case managers will have more time in the application processing phase, which includes several face-to-face counseling sessions required to collect and evaluate information to determine the veteran's need for rehabilitation services. Also, as we move forward toward consolidating administrative functions in a centralized location; the case manager will be able to concentrate on providing more direct services.

Data Source

Corporate WINRS is the data source.

Data Verification

Accuracy of these data is validated by semi-annual case reviews.

Goal Validation

This performance measure is used to monitor the time required to complete an entitlement determination. It directly affects the timely services provided to the veteran, in that a rehabilitation plan and progress to obtain employment cannot be accomplished until this determination has been completed.

Crosscutting Activities

There are no crosscutting activities that will affect this goal.

External Factors

The timely receipt of supporting medical documentation to determine eligibility for the VR&E program and proceed with the preliminary processes to participate in the vocational rehabilitation program affects performance in this measure.

Performance Goals 3 and 5: In 2008, maintain the accuracy of decisions (services) made in evaluation, planning, and rehabilitation services at 87 percent. Maintain the accuracy of vocational rehabilitation program completion decisions at 98 percent.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
3) Accuracy of decisions (Services) %	82	86	87	82	85	87	96
5) Accuracy of Vocational Rehabilitation Program completion decisions %	81	94	97	95	97	98	99

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate

Means and Strategies

For those veterans who establish entitlement and pursue rehabilitation planning, it is critical that the evaluation of their unique circumstances, as well as the plans for specific rehabilitation services, be accurate. This process is critical to the selection of the proper goal for the veteran. The above two performance measures exist for this objective: the accuracy of decisions made in the evaluation and planning process and the accuracy of program outcomes.

The accuracy of decisions will be improved by the increase in the staffing level and by providing the necessary key skills training to the field staff. The staff must be trained in the most up-to-date processes and procedures in order to provide the veterans with the best services to meet each individualized rehabilitation requirement.

In addition to field surveys, our ongoing quality assurance program provides reviews of field casework and qualitative feedback. The case reviews and field surveys will also serve to validate our data and program integrity.

Data Source

Corporate WINRS is the data source.

Data Verification

Accuracy of these data is validated by semi-annual case reviews.

Goal Validation

This goal reflects the accuracy of the primary goal of the VR&E program to assist

service-disabled veterans in becoming employable. VR&E's Quality Assurance reviews validate that the correct rehabilitation plan and final outcome are accurate.

Crosscutting Activities

There are no crosscutting activities that will affect these goals.

External Factors

There are no external factors that would affect this goal. All processes relating to this goal are internal to the VR&E program.

Program Assessment Rating Tool (PART)

The PART review of the Vocational Rehabilitation and Employment program was conducted in 2006. OMB rated the program as "Adequate." VR&E worked closely with OMB and the VA budget office to develop an improvement plan.

Program Name	Vocational Rehab. and Employment	Rating	Adequate
Follow-up Action #1			
Collect data on both established and newly developed measures to evaluate performance and use these results to improve program performance.			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
<i>(No action taken)</i>	No		
Follow-up Action #2			
Cooperate with Government Accountability Office (GAO) on an evaluation of the program to assess the effectiveness of recent program changes, including the implementation of the Five Tracks to Employment model.			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
<i>(No action taken)</i>	No		
Follow-up Action #3			
Work with the Department of Labor and Department of Defense to assess results of collaboration and use these results to enhance future efforts to coordinate services for veterans with disabilities.			

Program Name	Vocational Rehab. and Employment	Rating	Adequate
Priority: Minor			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
(No action taken)	No		

Regional Office Enhancements

In an effort to optimize service delivery and improve the working environment of employees, VBA makes routine changes to regional office space. Collocation, relocation or renovation of VBA processing centers is done to improve veterans' access and operational efficiency, reduce rent costs where possible, and improve the physical security of VA records and staff. VBA plans to pursue collocation, relocation, and renovation of the following offices:

- **Columbia Regional Office:** Relocate this facility out of GSA space and into a Direct VA Lease. Funds are requested for furniture, equipment, building maintenance and utilities, moving the computer room as well as the cost of shipping staff and files to the new location.
- **Las Vegas Veterans Assistance Office:** Collocate this facility into the VA Medical Center. Funds are requested for furniture, equipment, moving and security.
- **Albuquerque Regional Office:** The goal of this project is to provide the RO with a more efficient and functional interior design that will enable the realigned facility to provide optimal customer service in the form of improved business processes. This realignment will seek to optimize space reduction. Funds requested are for moving existing furnishings within the building.
- **Ft. Bragg Benefits Delivery at Discharge:** Relocate this facility to an existing building on the military base. This project will build out approximately 7,000 square feet of space. This facility will be an established outbased office under the jurisdiction of the Winston-Salem Regional Office. Funds requested are for moving.

Initiatives

The following chart outlines resources requested in support of VR&E initiatives:

Vocational Rehabilitation and Employment Initiatives (dollars in thousands)								
	2007 Estimate				2008 Estimate			
	Payroll	Non-pay	Total	FTE	Payroll	Non-pay	Total	FTE
Process Consolidation	0	0	0	0	220	300	520	4
Coming Home to Work	0	0	0	0	758	183	941	8
CER Folder retirement	0	0	0	0	0	1,500	1,500	0
Disabled Transition Assistance Program (DTAP)	0	0	0	0	0	4,260	4,260	0
VR&E Training Package	0	0	0	0	0	375	375	0
VR&E Task Force Recommendations	0	682	682	0	0	0	0	0
VBA-Wide	0	562	562	0	85	138	223	2
VR&E Total	\$0	\$1,244	\$1,244	0	\$1,063	\$6,756	\$7,819	14

Initiative: Process Consolidation

VR&E Resource Requirements in 2008: \$520,000

The initiative will result in the consolidation and centralization of various VR&E functions as determined and prioritized by a feasibility assessment. Possible functions subject to consolidation and centralization include: General Eligibility Determination processing; subsistence allowance award processing; GOE and Chapter 36 contract administration, purchase card processing; administrative training program monitoring; and management oversight.

Initiative: Coming Home to Work

VR&E Resource Requirements in 2008: \$941,000

The Coming Home to Work initiative has two components: The Servicemember Volunteer/Work Experience Program component and the private sector recruitment component. The program focuses on attracting veterans to VA and other federal employment opportunities, especially servicemembers returning from OIF and OEF, and those who are medically on hold from active duty and eligible for VA's Vocational Rehabilitation Program (Chapter 31). The goal is for veterans to obtain and retain suitable employment consistent with their interests, aptitudes, and abilities. The goal of many of the participants in this program is to secure long-term career employment and many of the volunteers/work experience trainees will qualify for direct hire jobs. This initiative's primary products are career work experience opportunities and the necessary employment or rehabilitation services to assist the veteran in obtaining and

maintaining suitable employment. The full implementation of the Coming Home to Work Initiative in all 57 Regional Office jurisdictions should be completed by September 30, 2008.

**Initiative: Counseling, Evaluation, Rehabilitation (CER) Folder Retirement
VR&E Resource Requirements in 2008: \$1,500,000**

The CER Folder Retirement Project addresses the growing number of inactive CER folders that are currently being stored throughout regional offices across the nation. Under Records Control Schedule, VB-1, part I, item No. 13-044.100, records must be retired on a scheduled basis. Additionally, since the last folder retirement for the VR&E Service occurred in 1994, urgent space problems exist in many VR&E divisions. Folders are ready for retirement after three years of inactivity. The goal of this project is to successfully retire over 650,000 folders. This will be an on-going biennial project.

**Initiative: Disabled Transition Assistance Program (DTAP)
VR&E Resource Requirements in 2008: \$4,260,000**

Title 38 USC, Subparagraph 3697A(e), requires that VA provide outreach services to acquaint servicemembers with the availability and advantages of educational and vocational counseling. This is accomplished primarily through the VA DTAP briefings. We believe it is important that VR&E-trained staff deliver information and guidance on opportunities for employment of disabled persons, and vocational rehabilitation and re-training of qualified contractors. Funding this initiative would permit VBA to enhance its current delivery of information to disabled servicemembers by ensuring the briefings are conducted by experts in the field of vocational rehabilitation, including contracting for those services in those locales where VA professional staff are not available. The contractors would be trained by VA to ensure consistent, quality information is provided.

**Initiative: VR&E Training Package
VR&E Resource Requirements in 2008: \$375,000**

This initiative combines Electronic Performance Support System (EPSS) (\$200,000), DTAP - Train the Trainers (\$125,000), Stakeholder Training (\$25,000) and Contractor Training (\$25,000).

The EPSS will be utilized as a job aid to provide standardized training, references and resources to VR&E counselors in the evaluation, decision-making, and case management of providing rehabilitation services to eligible veterans. The EPSS will utilize existing VBA information technology systems and thereby be available to all counselors whether they work in a Regional Office or out-based location. Following implementation of EPSS, VR&E will develop computer-based training modules through fiscal year 2010 and beyond. Future plans include EPSS job aids for other positions, including the VR&E Officer, Assistant VR&E

Officer, Employment Coordinator, and Program Specialist positions. An EPSS would enhance the capability of VR&E Service to provide training to regional office staff members and improve the capability of VR&E Officers to supervise the growth and development of new VR&E employees.

The train the trainer initiative provides training and materials for use by DTAP presenters to assist servicemembers in making informed decisions about applying for the VA Vocational Rehabilitation and Employment programs. Training course and material development would be completed by the end of 2008 with refresher maintenance required for the out years. VR&E intends to develop material and distribute information to train/educate/inform stakeholders on accurate information on VR&E program services.

Stakeholder training entails the development and improvement of training material that convey accurate information about VR&E benefits and services to various parties, including VHA/VA Medical Center staff, Disabled Veterans Outreach Program personnel at Department of Labor, Veterans Service Officers, rehabilitation providers in local communities and in professional organizations, other social service and community service organizations, State Veterans Organizations, Veterans Service Center (VSC) managers and employees, and Regional Office Directors.

The contractor training initiative will develop a comprehensive training program for VR&E contractors on topics such as VA benefits and services, assessment, evaluation, case management, and the five-track employment process. A comprehensive contractor training program would ensure that VR&E contractors are well versed in the new direction for the program, the process, and desired outcomes.

VBA-Wide Initiatives

Specific crosscutting initiatives that can be linked to a specific business line have been integrated into the respective business line plan. However, some initiatives affect some or all business lines and the specific impact on an individual business line cannot be readily identified. These initiatives may be independent of specific business objectives, but are required activities to achieve the overall VBA mission and goals. Following are descriptions of VBA-wide initiatives that impact the VR&E program:

Finance Consolidation Initiative

Total 2008 Initiative Cost: \$2,386,000

VR&E Portion: \$223,000

To meet the Secretary's directive to centralize finance functions across VA, this initiative builds upon past success VBA has achieved in the consolidation of

administrative accounting functions such as mortgage loan accounting, electronic funds transfer processing for veterans benefits payments, check tracer, State Approved Agency payments, clothing allowance, work study payments, and permanent change of station travel. This initiative will begin the final phase to consolidate and centralize voucher audit, agent cashier, purchase card, and payroll financial operations currently being performed by 57 regional offices. We expect to complete the consolidation by 2009. In 2007, we will begin consolidation of the voucher audit activities.

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Discretionary Insurance

Mission

To provide universally available life insurance benefits to servicemembers and their families, as well as providing traumatic injury protection insurance for servicemembers. To also provide a conversion privilege to either a permanent plan or a renewable term insurance policy after a service member's separation from service. In addition, to provide veterans with life insurance benefits that may not be available from the commercial insurance industry due to lost or impaired insurability resulting from military service. All benefits and services will be provided in an accurate, timely and courteous manner and at the lowest achievable administrative cost. Insurance coverage will be provided in reasonable amounts at competitive premium rates. A competitive, secure rate of return will be ensured on investments held on behalf of the insured.

Stakeholders

Stakeholders include veterans who maintain VA life insurance policies, their beneficiaries, individuals insured under the Servicemembers' Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI) programs and their beneficiaries, taxpayers, veterans service organizations, the Department of Defense (DoD), the individual service branches, Congress, the SGLI Advisory Council, Prudential Financial (the parent company of the Office of Servicemembers' Group Life Insurance (OSGLI)), the 49 insurance companies that serve as converters and/or re-insurers for the SGLI program, and employees of the Insurance Program and its supporting elements.

Insurance				
Summary of Discretionary Appropriation Highlights				
(dollars in thousands)				
Discretionary	2006	2007		2008 ^{1/} Estimate
		Budget Estimate	Continuing Resolution	
FTE				
Direct	397	422	422	408
Information Technology ^{2/}	30	30	30	0
Management Direction and Support	55	51	51	51
Total FTE	482	503	503	459
Obligations:^{2/}				
Personal Services	\$32,566	\$36,317	\$36,317	\$33,528
Travel	161	169	169	158
Interagency Motor Pool	10	11	11	11
Transportation of Things	0	1	1	1
Rent, Communications & Utilities	5,467	5,675	5,675	5,262
Printing	57	30	30	31
Other Services	1,031	1,255	1,255	1,074
Supplies and Materials	307	360	360	329
Equipment	136	400	400	311
Insurance Claims	1	0	0	0
Total Administrative Obligations	\$39,735	\$44,218	\$44,218	\$40,705
Reimbursements	-\$35,451	-\$39,863	-\$39,863	-\$36,085
Unobligated balance SOY	\$0	\$0	\$0	\$0
Unobligated balance EOY	\$0	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0
Other adjustments	\$0	\$0	\$0	\$0
Total Appropriation	\$4,284	\$4,355	\$4,355	\$4,620
Transfers from VHA	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$4,284	\$4,355	\$4,355	\$4,620
Outlays (net)	\$4,621	\$4,128	\$4,128	\$4,352

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

^{1/}The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

^{2/}2008 reflects the reassignment of 30 IT FTE (27 reimbursable; 3 BA) and associated payroll, travel, and training dollars to the VA IT Appropriation.

Summary of Budget Request

Budget Authority of \$4.6 million is requested to fund the discretionary portion of the Insurance Program. Combined budget authority and offsetting collections of \$36.1 million will fund total obligations of \$40.7 million. The combined request will provide sufficient funding for the administrative expenses of 459 FTE, the January 1, 2008, 3.0 percent pay raise, associated level of fringe benefits, and inflationary expenses.

In 2008, the Insurance Program will continue to maintain our already high level of performance and customer satisfaction, and meet the anticipated rise in our customers' expectations. Paperless electronic workflow will continue to be phased in to all areas of insurance processing. This will help us maintain our average processing days for disbursements at a level below the insurance industry average. We will continue to provide world-class service through our toll-free telephone service and offer alternative means for veterans and their representatives to reach us, including e-mail, the Interactive Voice Response system, and the Insurance self-service web site.

Insurance Average Salary Analysis	
2006 Average Salary (260 days)	\$53,127
Annualization of 3.1% 2006 raise (+.78%)	412
Annualization of 2.2% 2007 raise (+1.7%)	877
Change in staff composition	2,065
Regular benefits percentage	21.4%
2006 Average Cost	67,565
2007 Average Salary (260 days)	\$56,480
Annualization of 2.2% 2007 raise (+.55%)	311
Annualization of 3.0% 2008 raise (+2.3%)	1,271
Change in staff composition	-1,513
Two day adjustment	435
Regular benefits percentage	21.8%
2007 Average Cost	72,200
2008 Average Salary (262 days)	\$56,984
Regular benefits percentage	22.0%
2008 Average Cost	73,046

Performance Measures. The following chart provides performance measurements and expectations based on receiving the funding requested:

Performance Summary Table: Insurance Program							
Measure Description (Key Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
Performance Measures							
1)Average number of days to process TSGLI disbursements	N/A	N/A	N/A	3.8	5	5	5
2)Rate of high veterans' satisfaction ratings on services delivered (%)	95	96	96	96	95	95	95
3)Number of disbursements (death claims, loans, and cash surrenders) per FTE	N/A	N/A	1,692	1,697	1,702	1,725	1,750
Outcome Measures							
1)Percent of servicemembers covered by SGLI (%)	N/A	N/A	98	99	98	98	98
2)Conversion rate of disabled SGLI members to VGLI (%)	N/A	N/A	35	41	45	50	50
3)Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted servicemember	N/A	N/A	1.9	1.8	1.7	1.6	1.0
4)Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer	N/A	N/A	1.0	0.9	0.9	0.8	1.0
5)Ratio of premium rates charged by other organizations per \$1,000 compared to the SGLI premium rates charged per \$1,000 for similar coverage	N/A	N/A	1.4	1.3	1.0	1.0	1.0
6)Ratio of premium rates charged by other organizations per \$1,000 compared to the VGLI premium rates charged per \$1,000 for similar coverage	N/A	N/A	0.9	0.9	1.0	1.0	1.0

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Insurance Performance

Departmental Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Objective 3.3: Maintain a high level of service to insurance policyholders and their beneficiaries to enhance the financial security of veterans' families.

Performance Goal 1: In 2008, the average number of days to process Traumatic Injury Protection (TSGLI) program disbursements will be five days.

The Traumatic Injury Protection (TSGLI) is a disability rider to the SGLI program that became effective December 1, 2005, and provides automatic traumatic injury coverage to all servicemembers covered under the SGLI program who suffer losses due to traumatic injuries. TSGLI payments range from \$25,000 to a maximum of \$100,000 depending on the type and severity of injury. The purpose of the program is to provide rapid financial assistance to traumatically injured servicemembers so their families can be with them during an often-extensive recovery and rehabilitation process.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1)Average number of days to process TSGLI disbursements	N/A	N/A	N/A	3.8	5	5	5

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies

The Department of Defense branches of service receive and certify TSGLI claims. The branches forward the certified claims to OSGLI for payment. The Insurance Service provides written guidance for TSGLI claim processing and performs oversight through daily contacts and weekly conference calls. Reports are regularly provided to VA from OSGLI on the number of awards processed, claim amounts paid out, and average processing time. The Insurance Service also has access to TSGLI claim data through a web reporting application. VA Insurance personnel monitor this report to ensure that OSGLI is meeting the goal of five days to process TSGLI disbursements.

Benchmarking data

There is no benchmarking data at this time.

Data Source

Data on processing times are collected and stored through the OSGLI Life Claims Management System (LCMS). Processing time begins when the completed veteran's claim is received by OSGLI, and ends when the OSGLI internal controls staff approves the disbursement.

Data Verification

This information is presented by OSGLI and reviewed by the Insurance Service.

Goal Validation

In keeping with Objective 3.3, maintain a high level of service to insurance policyholders and their beneficiaries to enhance the financial security of veterans' families, this goal helps to measure the overall efficiency of the program.

Crosscutting Activities

There are no crosscutting activities that will affect this goal.

External Factors

There are no external factors that will affect this goal.

Performance Goal 2: In 2008, the Insurance Program will receive high veterans' satisfaction ratings on at least 95 percent of services delivered.

The Insurance Program's performance goal is to maintain the high percentage of veterans who are satisfied with our services and to meet the anticipated rise in our customers' expectations. Insurance utilizes a veterans' satisfaction survey instrument for the purpose of measuring satisfaction. Veterans are asked to evaluate different aspects of service delivery on a five-point scale and the results are compiled for analysis. The measure for this objective is the percentage of veterans' responses falling into the top two categories.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
2)Rate of high veterans' satisfaction ratings on services delivered (%)	95	96	96	96	95	95	95

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies

The Insurance Program is undertaking several actions to maintain a high level of veterans' satisfaction. The most important of these actions is the Paperless Electronic Workflow System. The Electronic Workflow System has been installed in our death claims section and was expanded in 2006 to include policy loan and cash surrender processing. The system provides employees with online access to policyholder information, allowing them to perform their work in a more efficient and timely manner. This initiative has reduced the time required to process many vital insurance services, thus improving customer satisfaction. In addition, the survey instruments themselves are used as a basis for improving satisfaction. Staff consistently review responses received from our customers in order to improve our work processes in instances where our customers point out deficiencies. We have also made adjustments to work processes based on responses to a survey question that asks, "What could we do better?" Although there is a projected reduction of 14 direct FTE, Insurance will be able to maintain its high level of customer satisfaction due to efficiencies resulting from our

paperless electronic workflow combined with reductions in overall insurance workload.

Benchmarking data

No benchmarking data are available for this measure. However, the Insurance Service has contracted with the American Customer Satisfaction Index (ACSI), which is produced by a partnership between the University of Michigan Business School, the American Society for Quality, and the Claes Fornell International (CFI) Group. The ACSI tracks trends in customer satisfaction and provides valuable benchmarking insights for companies, industry trade associations, and government agencies. The Insurance Program earned a score of 90 (on a scale of 100) for customer satisfaction related to our insurance awards processing. Our scores exceeded the private life insurance sector's score of 75 and the federal government-wide score of 68.6. ACSI's report stated, *"The index of 90 for VBA is much higher than the national average for private and public sector companies/agencies providing goods and services. While further significant improvements to the score would be difficult, any decline in the score would have significant consequences upon perceptions of perceived quality. Therefore, the best advice for VBA is to maintain the present level of satisfaction."*

ACSI also examined the level of customer satisfaction with our toll-free telephone service. The Insurance Program earned an overall score of 80 out of a possible 100, the highest score of government agencies performing similar functions.

In 2004 the ACSI's report stated, *"The VBA should be very pleased with the results from this first study of its VA Insurance Center's toll-free telephone service. All areas of the model score well, with Customer Service leading the way. Courteous and professional representatives should be considered a best practice for other agencies to follow. The information provided by representatives also rates very high in terms of its clarity and accuracy. Finally, follow-up, when needed, scores well. Although promptness of returning calls when needed could be improved substantially, the impact of follow-up on quality and therefore on satisfaction is very small. VBA should work to maintain the high levels of results contained in this report in order to keep and strengthen the level of loyal customers it already enjoys."*

Data Source

The insurance customer survey was developed by the Insurance Service and approved by a VBA survey research specialist. We survey 40 randomly selected veterans and beneficiaries per month for each of 11 insurance end products. The percentage of high and low ratings is determined from the responses received (57 percent response rate) and yield a 95 percent confidence rate with a one percent error rate. The final high and low ratings for returned responses are a weighted calculation based on the number of responses and end products in each category of service sampled.

Data Verification

The Insurance Service reviews and tabulates the survey responses. We also independently validate the results of the tabulated responses by re-entering randomly selected monthly responses in order to determine if similar results are calculated.

Goal Validation

In keeping with Objective 3.3, maintain a high level of service to insurance policyholders and their beneficiaries to enhance the financial security of veterans' families, this goal measures the overall satisfaction of veterans and their beneficiaries.

Crosscutting Activities

There are no crosscutting activities that will affect this goal.

External Factors

There are no external factors that will affect this goal.

Performance Goal 3: In 2008, the Insurance Program will process 1,725 disbursements per FTE.

Disbursements, which are loans, cash surrenders, and death claim awards, are considered the most important service provided by the Insurance Program to veterans and their beneficiaries. Disbursements per FTE are the total number of disbursements processed, divided by the FTE that process these disbursements.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
3)Number of disbursements (death claims, loans, and cash surrenders) per FTE	N/A	N/A	1,692	1,697	1,702	1,725	1,750

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies

The most significant factor impacting this performance goal is the Paperless Electronic Workflow System as mentioned in Performance Goal 2. The FTE dedicated to processing disbursements will remain constant relative to workload fluctuations. We will increase the number of disbursements per FTE by improving efficiency.

Benchmarking data

There is no benchmarking data for the number of disbursements per FTE.

Data Source

Data on the number of disbursements and FTE are collected and stored in the Distribution of Operational Resources (DOOR) system. Dividing the total number of disbursements by the FTE required to process those disbursements derives the number of disbursements per FTE.

Data Verification

The FTE per disbursement measure is calculated by the Insurance Service and is subject to periodic reviews.

Goal Validation

In keeping with Objective 3.3, maintain a high level of service to insurance policyholders and their beneficiaries to enhance the financial security of veterans' families, this goal helps measure the overall efficiency and cost effectiveness of the program.

Crosscutting Activities

There are no crosscutting activities that will affect this goal.

External Factors

There are no external factors that will affect this goal.

Outcome Goals 1, 3, 4, and 5: In 2008, 98 percent of servicemembers will be covered by SGLI. In 2008, SGLI coverage available to the average enlisted servicemember will be 1.6 times greater than the amount of group life insurance provided in the private sector, while the amount of SGLI coverage available to the average officer will be 80 percent of the amount of coverage provided in the private sector. In 2008, the ratio of premium rates charged by other organizations that offer similar coverage to SGLI premium rates will be 1.0.

Measure Description (Outcome Measures)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1)Percent of servicemembers covered by SGLI (%)	N/A	N/A	98	99	98	98	98
3)Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted servicemember	N/A	N/A	1.9	1.8	1.7	1.6	1.0
4)Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer	N/A	N/A	1.0	0.9	0.9	0.8	1.0
5)Ratio of premium rates charged by other organizations per \$1,000 compared to the SGLI premium rates charged per \$1,000 for similar coverage	N/A	N/A	1.4	1.3	1.0	1.0	1.0

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies

We will keep the participation rate of the SGLI program at 98 percent by providing adequate amounts of life insurance coverage at competitive premium rates. We believe that if the SGLI program offers an amount of life insurance that is equal to or greater than the amount of insurance offered by the private sector and the premium is competitive with premium rates charged by other organizations that offer similar coverage, then the SGLI participation rate will remain high.

Benchmarking Data

SGLI Coverage

A 2001 study entitled, "Program Evaluation of Benefits for Survivors," indicated that most large-scale employers offer employees the opportunity to obtain life insurance coverage in the amount of four to six times their annual salary. Annual salary for this measure includes salary plus military housing and subsistence allowances. For these measures we take the average salary of the group that we are measuring, multiply it by six, and compare it to the maximum SGLI coverage of \$400,000.

Data Source

SGLI Participation

The individual service branches provide us with the total number of active duty servicemembers as well as the number of those who have SGLI coverage.

SGLI Coverage Compared to Coverage Offered by the Private Sector

The pay data for these measures are derived from the 2006 Monthly Military Basic Pay Table, including allowances for housing and subsistence. The number of officers and enlisted servicemembers by pay grade and years of service is provided by Defense Manpower Data Center.

SGLI Premiums Compared to Similar Insurers

We obtain SGLI premium data from OSGLI. We obtain premium data from the web sites of other organizations that offer similar coverage to servicemembers. These include Army and Air Force Mutual Aid Association, Navy Mutual Aid Association, Armed Forces Benefit Association, Uniformed Services Benefit Association, and the Armed Services Military Benefit Association.

Data Verification

SGLI Participation

We will verify the number of active duty servicemembers that have SGLI coverage by comparing it to the service branches monthly premium reports.

SGLI Coverage Compared to Coverage Offered by the Private Sector

Each year we will verify the ratio of SGLI coverage to coverage offered by the private sector by analyzing the Military Basic Pay Table and the allowances for housing and subsistence to determine if the available coverage is six times the average salary for officers and enlisted servicemembers.

SGLI Premiums Compared to Similar Insurers

We will verify the ratio of SGLI premiums to the premiums of similar insurers each year by analyzing premium charts available from web sites of other organizations that offer similar coverage and comparing them to SGLI premium data from OSGLI.

Goal Validation

These goals support the program purpose to provide universally available life insurance benefits at competitive rates to servicemembers that may not be available from the commercial industry due to the hazards of war and/or lost or impaired insurability resulting from military service.

Crosscutting Activities

There are no crosscutting activities that will affect these goals.

External Factors

Increases in coverage amounts or decreases in premium rates in private industry would have a negative impact on these goals.

Outcome Goals 2 and 6: In 2008, 50 percent of SGLI members with a DoD disability rating of 50 percent or greater will convert to VGLI. In 2008, the ratio of premium rates charged by other organizations that offer similar coverage to VGLI premium rates will be 1.0.

Measure Description (Outcome Measures)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
2) Conversion rate of disabled SGLI members to VGLI (%)	N/A	N/A	35	41	45	50	50
6) Ratio of premium rates charged by other organizations per \$1,000 compared to the VGLI premium rates charged per \$1,000 for similar coverage	N/A	N/A	0.9	0.9	1.0	1.0	1.0

^{1/}Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies

Competitive premiums make conversion to VGLI an attractive option. We continue to monitor the premium rates of other organizations that offer insurance coverage similar to VGLI to ensure that our rates remain competitive. We will also continue efforts to inform veterans of their insurance options with a special emphasis on severely disabled veterans. Insurance personnel contact recently separated servicemembers who were granted a DoD disability rating of 50 percent or greater to inform them of their insurance options, including a possible free extension of SGLI coverage they held while in service. They are also informed of their conversion privilege to VGLI without needing to meet health requirements. The personal contact with these disabled veterans regarding their insurance needs has contributed to an increase in the VGLI conversion rate for these servicemembers. Other strategies for the future include conducting a survey of “nontaker” disabled veterans to determine why they do not convert to VGLI.

Benchmarking data

There are no data available to benchmark against for the conversion rate of SGLI members with a disability rating of 50 percent or greater to VGLI. However, it is well known in the industry, as exemplified in the book entitled *Group Benefits: Basic Concepts and Alternatives* by B. Beam, Jr., that the conversion rate for group life insurance is usually very low. It is estimated that only one to two percent of employees eligible actually take advantage of the conversion privilege.

Regarding premium costs, VGLI premiums will be benchmarked against the premiums charged by other organizations that offer similar coverage.

Data Source

Conversion of Disabled SGLI Members to VGLI

Defense Finance and Accounting Service (DFAS) provides to OSGLI the total number of servicemembers discharged with a military disability rating of 50 percent or higher.

VGLI Premiums Compared to Similar Insurers

We obtain VGLI premium data from OSGLI. We obtain premium data from the web sites of other organizations that offer similar coverage to servicemembers. These include Army and Air Force Mutual Aid Association, Navy Mutual Aid Association, Armed Forces Benefit Association, Uniformed Services Benefit Association, and the Armed Services Military Benefit Association.

Data Verification

Conversion of Disabled SGLI Members to VGLI

OSGLI provides the number of servicemembers that convert to VGLI who were discharged from the military with a DoD disability rating of 50 percent or higher.

VGLI Premiums Compared to Similar Insurers

We will verify the ratio of VGLI premiums to the premiums of similar insurers each year by analyzing premium charts available from web sites of other organizations that offer similar coverage and comparing them to VGLI premium data from OSGLI.

Goal Validation

These goals support the program purpose to provide universally available life insurance benefits at competitive rates to veterans that may not be available from the commercial industry due to the hazards of war and/or lost or impaired insurability resulting from military service.

Crosscutting Activities

There are no crosscutting activities that will affect these goals.

External Factors

Decreases in premium rates by companies offering similar coverage in private industry would impact these goals.

Program Assessment Rating Tool (PART)

During the development of the 2007 budget, the Performance Assessment Rating Tool (PART) was used to assess VA's Insurance Program as part of the President's initiative to better integrate budget and performance. Insurance received a "Moderately Effective" rating.

The PART review found that the program provides high levels of service to veterans and beneficiaries in an efficient manner and has surpassed many of its strategic targets. The program has won numerous awards for efficiency and has been recognized as a leader in the insurance industry, which regularly meets many of its long-term and annual performance goals.

The Insurance Service worked closely with OMB and the VA budget office to develop an improvement plan, which contains three follow-up actions as shown below.

Program Name	Insurance	Rating	Moderately Effective
Follow-up Action #1			
Define performance measures for the new traumatic injury protection program.			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
VA established a measure for the new traumatic injury protection program. This measure is included in this budget submission. It measures the average number of days to process a TSGLI disbursement. The strategic target is 5 days. <i>(Completed)</i>	No	The purpose of the TSGLI program is to provide rapid financial assistance to traumatically injured servicemembers. The performance measure ensures that OSGLI processes TSGLI claims in a timely manner, which helps ensure the purpose of the program is met. The actual for 2006 was 3.8 days.	
Follow-up Action #2			

Program Name	Insurance	Rating	Moderately Effective
Develop new strategic targets for those that may be too low.			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
Each year as part of the budget formulation process, program management reviews strategic targets with an aim to develop targets that will help focus the organization's efforts on reaching intended beneficiaries. Adjustments to strategic targets reflect the desire to balance the need for prudent resource management and desired optimum performance. <i>(Completed)</i>	No	Strategic targets will continue to be reviewed annually and adjusted as necessary to maintain proper balance between prudent resource management and desired optimum performance. For example, the recent downward adjustment of the Strategic Target for the VGLI conversion rate from 65% to 50% has served to focus organizational efforts on reaching the intended class of veterans with the benefit thereby resulting in cost avoidance.	

Program Name	Insurance	Rating	Moderately Effective
Follow-up Action #3			
Develop first steps in aligning budget requests to performance			
Priority: Major			
Actions Completed or In Progress			
Response (Status)	X-Agency	Response's Impact on Program Performance	
VA has developed a methodology for estimating the marginal costs of changing performance targets. This will be included in VA's FY 2009 budget submission. <i>(Action taken, but not completed)</i>	Yes	As indicated by the "yes" in the "X-Agency" column, VA's response to this action item will have Department wide impact. When fully implemented, the marginal cost methodology will provide an accurate estimate of how a large or incremental change in budgetary resources (inputs) affects performance (outputs or outcomes) for each of VA's key measures. As a result, marginal cost information provided during the budget formulation process will give VA leadership an additional tool in their efforts to determine where resources should be directed in order to make the biggest positive and cost-effective impact in program performance.	

Initiatives. There are no initiatives planned for 2008.

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General Administration

Program Description

The General Administration account provides funding for the Office of the Secretary, six Assistant Secretaries, and two VA-level staff offices.

The Office of the Secretary and the offices of the six Assistant Secretaries provide Department-level policy guidance. Three GOE staff offices, as well as the Assistant Secretaries, report directly to the Secretary and Deputy Secretary.

The two VA-level staff offices include the following: The Board of Veterans' Appeals, which conducts a VA-wide appellate program for persons not satisfied with the original decisions on their benefits applications; and the General Counsel, which serves as the Department's legal advisor.

The Assistant Secretary for Management is the Chief Financial Officer and Senior Procurement Executive and directs the management of the agency's budgetary, financial, and acquisition operations. Offices that report to the Assistant Secretary include: the Office of Acquisition and Materiel Management (Supply Fund), the Office of Asset Enterprise Management (OAEM), the Office of Budget, the Office of Finance, the Office of Business Oversight, and the Financial and Logistics Integrated Technology Enterprise (FLITE) office.

The Assistant Secretary for Human Resources & Administration (HR&A) formulates and executes Department-level policies and programs concerning human resources management and labor relations, equal employment opportunity (including the timely and correct processing of EEO complaints of discrimination), and security and law enforcement. Finally, HR&A is responsible for VA Central Office support services (including building management and audiovisual requirements).

The Assistant Secretary for Congressional and Legislative Affairs executes the Department's congressional affairs program by maintaining a positive working relationship between the VA and the U.S. Congress, and has overall responsibility

for the plans, policies, goals, and direction of the Office of Congressional and Legislative Affairs.

The Assistant Secretary for Policy and Planning (OPP) coordinates the Department's strategic planning and management process and implements portions of the Government Performance & Results Act; supports the development, analysis, and review of issues affecting veterans' programs; provides quantitative and actuarial analysis in support of major policy deliberations; serves as the Department's focal point for access to and availability of official data; coordinates the independent evaluation of program performance focusing on program outcomes, service quality, customer satisfaction, and management efficiencies; coordinates the Department's Competitive Sourcing activities and fosters management improvement initiatives throughout VA; and coordinates the activities of the VA and DoD Joint Executive Council.

The Assistant Secretary for Security and Preparedness (OSP) will play a key role in the continuity of operations in the event of an emergency (whether natural disaster or terrorist assault) with minimal disruption to ongoing services to veterans and their families. OSP will also lead the department's efforts in ensuring enforcement of the law and overseeing the protection of VA's infrastructure; and evaluating preparedness programs and developing training programs and exercises that enhance VA's readiness.

The Assistant Secretary for Public and Intergovernmental Affairs provides news media services and public affairs policy guidance to create awareness of VA programs and services. The office is also responsible for managing and directing intergovernmental and consumer affairs.

General Administration Highlights	2006		2007		2007		2008	
	2006		2007 Budget		2007 Cont.		2008	
	Enacted	FTE	Estimate	FTE	Resolution	FTE	Request	FTE
Office of the Secretary	7,378	79	7,554	79	7,549	79	7,747	79
Board of Contract Appeals ^{1/}	1,683	7	1,820	12	235	0	0	0
Board of Veterans' Appeals	52,918	452	55,309	444	55,309	444	58,545	468
Office of the General Counsel	60,898	669	64,784	656	64,784	656	65,185	645
Office of Management	38,788	265	40,592	317	46,407	312	38,184	285
Office of Information and Technology ^{2/}	32,637	390	35,841	496	36,278	496	0	0
Office of Human Resources & Administratio	60,159	508	64,179	535	64,179	535	62,437	527
Office of Policy and Planning	25,126	108	27,615	119	15,950	70	14,775	68
Office of Security and Preparedness ^{3/}	0	0	0	0	12,062	70	11,911	69
Office of Public & Intergovernmental Affairs	10,509	75	10,775	83	10,666	83	10,425	83
Office of Congressional & Legislative Affairs	4,335	37	4,436	40	4,436	40	4,334	40
Total Budget Authority	\$294,431	2,589	\$312,905	2,781	\$317,855	2,785	\$273,543	2,264

^{1/} Effective January 7, 2007, VA transferred all BCA funding to GSA to reflect a federal government consolidation of contract appeals within GSA. Funds in 2007 reflect the balance funding to cover VA's BCA obligations from Oct 1 through January 6, 2007.

^{2/} Reflects the transfer of all OI&T funding to the IT Systems account beginning 2008 associated with the IT reorganization.

^{3/} A new Office of Operations, Security and Preparedness was approved in FY 2006. This budget reflects funding for the new office beginning fiscal year 2007. Funds were shifted in 2007 from the Office of Policy and Planning where most of the security and preparedness function previously resided.

Summary of Budget Request

A total of \$273.5 million in budget authority (BA) and 2,264 FTE are requested to support the General Administration account in FY 2008. This amount does not reflect IT costs for FTE, which have previously come from GOE funds. Those costs will be funded from the IT Systems account beginning in 2008. Highlights of the 2008 request are provided below.

The Board of Veterans' Appeals is requesting \$58.5 million in budget authority to support 468 FTE in FY 2008. The increases for 2008 include \$2.5 million to support 31 new FTE. The remaining increase provides for inflation, pay raises, and regular benefits increases.

Office of the General Counsel (OGC) is requesting \$76.3 million in total obligational authority and 645 FTE to support its operations in Fiscal Year 2008. The OGC request includes \$65.2 million in GOE budget authority, \$5 million in credit administrative reimbursements, and approximately \$6.1 million in other reimbursements. Included in this increase is \$2.8 million in budget authority that will fund the 2008 3% pay raise and increased non-payroll requirements. Due to OGC's increased workload of more than 30% in three out of five Product Lines

between 2006 and 2008, we require an additional 15 full-time employees, a mix of attorneys, paralegals, and support staff, to meet and maintain our full range of legal services.

The Office of Management (OM) is requesting \$38.2 million in budget authority and 285 FTE to support its operations in FY 2008 in order to provide budget, finance, capital asset and acquisition support to VA's administration and staff offices. OM will provide department level oversight on the development of FLITE, which is VA's new Financial and Logistics Integrated Technology Enterprise project.

The Office of Human Resources and Administration (HR&A) is requesting \$62.4 million in budget authority and 527 FTE in 2008. Included in this request are \$250,000 and 2 FTE for staff in the Office of Human Resources Management to oversee and implement the Department's conversion of paper personnel files to a digital format. The cost of \$22 million to convert these files is budgeted for in the IT appropriation. Digital files will afford VA greater physical and logical security of sensitive employee information and enable VA to quickly and accurately access needed management information.

Office of Policy and Planning (OP&P) is requesting \$14.8 million in budget authority and 68 FTE in FY 2008. This request will support the continuing strategic planning and information needs of the Department and the requirements of OP&P.

Office of Operations, Security and Preparedness (OSP) is requesting \$11.9 million in budget authority and 69 FTE in FY 2008. This request will support the continuity of essential services and the safety and security of veterans, volunteers, employees, and visitors at VA facilities while integrating, improving and increasing VA's operational readiness and ability to execute law enforcement, emergency management, Department of Defense contingency support, and Department of Homeland Security support missions under the National Response Plan.

The Office of Public and Intergovernmental Affairs (PIA) is requesting \$10.4 million in budget authority and 83 FTE in 2008. This request funds the activities of the Office of the Assistant Secretary; the Office of Public Affairs and its seven regional offices in Atlanta, Chicago, Dallas, Denver, Los Angeles, New York, and Washington, DC; the Offices of Intergovernmental Affairs; the Office of National Programs and Special Events; the Advisory Committee Management Office, and the Center for Faith-Based and Community Initiatives.



Office of the Secretary

Mission

The mission of the Office of the Secretary is to support the Secretary and Deputy Secretary as they run the Department. This includes managing and monitoring all correspondence directed to the Secretary and Deputy Secretary and providing support for daily administrative functions. The mission of the Centers for Minority and Women Veterans is to monitor established programs and to promote and propose new programs, benefits, and services for minority and women veterans. The mission of the Office of Small and Disadvantaged Business Utilization (OSDBU) is to advocate for the maximum practicable participation of small, small disadvantaged, service-disabled veteran-owned, veteran-owned, women-owned, and Historically Underutilized Business Zone (HUBZone) concerns in contracts awarded by VA, and in subcontracts which are awarded by VA's prime contractors. The mission of the Office of Employment Discrimination Complaint Adjudication (OEDCA) is to issue the Department's final decisions and orders on employment discrimination complaints filed by employees and applicants for employment. The mission of the Office of Regulation Policy and Management (ORPM) is to perform a comprehensive review, reorganization, and rewrite of existing VA regulations to improve clarity and logical consistency, and to provide centralized management and control for the formulation and coordination of all future regulations.

Stakeholders

The principal stakeholders include the Secretary, Deputy Secretary, Chief of Staff, Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), Inspector General (IG), General Counsel (GC), staff offices, VA managers and executives, and employees. External stakeholders include veterans, veterans service organizations (VSOs), the White House, Congress, the Office of Management and Budget (OMB), and the general public.

Performance Summary Table: Office of the Secretary							
Measure Description (Departmental Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
Office of Executive Secretary							
Percent of correspondence answered timely	85%	90%	95%	97%	100%	98%	100%
Minority Veterans							
The percentage of annual targets articulated in the MVPCP Strategic Plan that have been achieved	30%	30%	30%	30%	50%	75%	100%
Women Veterans							
Number of Transition Assistance Program (TAP) presentation briefing materials assessed for quality of or focus on women veterans-specific content	3	4	4	4	4	4	4
OSDBU							
1) Attainment of statutory minimum goals for <u>small business concerns</u> expressed as a percent of total procurement (Corrected *) (To Be Updated**)	31.8%	28.5%	27.8%*	23.0%**	23.0%	23.0%	25.0%
2) Attainment of statutory minimum goals for <u>small disadvantaged businesses</u> expressed as a percent of total procurement (Corrected *) (To Be Updated**)	8.5%	9.2%	9.5%*	5.0%**	5.0%	5.0%	4.0%
3) Attainment of statutory minimum goals for <u>women-owned businesses</u> expressed as a percent of	3.8%	4.5%	5.3%*	5.0%**	5.0%	5.0%	5.0%

Performance Summary Table: Office of the Secretary							
Measure Description (Departmental Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
total procurement (Corrected *) (To Be Updated**)							
4) Attainment of statutory minimum goals for Historically-Underutilized Business Zone (Corrected *) (To Be Updated**)	3.0%	3.1%	3.6%*	3.0%**	3.0%	3.0%	3.0%
5) Attainment of statutory minimum goals for service-disabled veteran-owned small businesses expressed as a percent of total procurement (Corrected *) (To Be Updated**)	.49%	1.25%	2.15%*	3.68**	3.00%	3.00%	3.00%
OEDCA							
1) Average processing time for adjudication (in days)	75	65	60	55	55	55	55
2) Percent of OEDCA's final decisions affirmed on appeal by EEOC	75%	80%	85%	85%	85%	85%	85%
Regulation Policy and Management							
1) Average processing time for VA regulations (months)	N/A	34.5	24.5	10.5	17	17	17

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Function/Activity

A major function of the Office of the Executive Secretary is to oversee, manage, and monitor all correspondence directed to the Secretary and Deputy Secretary as well as oversee the administrative operations of the Office of the Secretary. High interest communications from the White House, Congress, OMB, veterans service organizations, and items addressing politically sensitive issues are controlled for signature by the Secretary, Deputy Secretary, and other executives within the Office of the Secretary. The Office of the Executive Secretary provides oversight

and guidance to Under Secretaries, Assistant Secretaries, Key Leaders and Staff Office Heads to ensure replies are timely, accurate, responsive, and consistent with current policy. The Executive Secretariat also manages the budget for the Office of the Secretary, as well as supplies, information technology needs, and human resources, and provides administrative support and telephone coverage to the Secretary and immediate staff.

Public Law 103-446 specifies the functions of the Center for Minority Veterans and the Center for Women Veterans. These include serving as the principal advisor to the Secretary on the adoption and implementation of policies and programs affecting minority and women veterans, analyzing and evaluating internal and external programs and services, and tracking complaints made by or on behalf of minority or women veterans on the adequacy and timeliness of services provided to them. The Centers disseminate information and serve as resource centers for the exchange of information regarding innovative and successful program implementation to improve VA responsiveness to the unique needs of minority and women veterans. Their missions also include assuring equality is afforded minority and women veterans, and that VA service providers treat all veterans with respect and dignity.

OSDBU is responsible for the development of Department-wide policies, programs, and practices relating to small business concerns and veteran entrepreneurship. This includes educating and training VA staff, negotiating prime and subcontracting goals with contracting activities, monitoring achievements, and managing information system reports to VA executives. This staff advises contracting officials on procurement strategies to ensure equitable opportunities for small business concerns, conducts market research to identify small business sources for competitive actions, and reviews and approves procurements to assist concerns in the Small Business Administration's (SBA) special business development programs. The office is organizationally aligned with the Office of the Secretary in compliance with Public Law 95-507; however, it is funded from the Supply Fund, which is managed by the Office of the Assistant Secretary for Management.

OEDCA is responsible for issuing final Department decisions and orders on the substantive merits of employment discrimination complaints, including final decisions and orders regarding remedial relief such as attorney fees and compensatory damages. OEDCA also has authority, in certain cases, to issue procedural dismissal decisions on individual and class claims and final decisions in breach of settlement claims.

ORPM is responsible for the centralized management, control, and coordination of all VA regulations. ORPM supervises the VA's Regulation Rewrite Project, a

comprehensive effort to review, reorganize, and rewrite VA regulations lacking clarity, consistency, or logical organization. ORPM also is responsible for devising and implementing procedures to centralize control and improve Secretarial oversight, management, drafting efficiency, policy resolution, impact analysis, and coordination of diverse VA regulations.

Assumptions, Opportunities, and Constraints

Because of the size and complexity of the Department's acquisition programs, VA OSDBU is recognized as a leader throughout the Federal Government. As such VA personnel receive numerous invitations to educate both the vendor and Government employee communities about small business programs. The Federal Acquisition Reform Act and the Federal Acquisition Streamlining Act dramatically changed both business philosophy and procedures, creating a continuous learning environment.

The Centers for Minority and Women Veterans must ensure that statutory requirements are met in determining the specific needs of each unique group of veterans. Using statistical studies, reports, and projections, the Centers will determine the needs and services required by women and minority veterans, as VA continues to be a provider of health care and benefits to these veteran populations.

OEDCA must ensure that employees receive timely final Department decisions on their discrimination complaints, and that the decisions are fair, objective, and consistent with EEO law, regulations, and procedures. Since commencing operation, OEDCA has delivered on its promise in this regard. Ensuring timeliness in decision-making will become even more challenging in the future, due to ever-increasing complexity of EEO laws and regulations.

ORPM must ensure that the VA has an efficient, timely, and transparent rulemaking process. In addressing both Congressional and judicial concerns and the findings of internal VA self-evaluations, ORPM is serving two purposes: (1) improving the clarity and consistency of existing VA regulations; and, (2) providing a coordinated approach to drafting future regulations

Program Goals, Objectives, and Performance Measures

Office of Executive Secretary

The Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.

Objective E-2: Improve communication with veterans, employees, and stakeholders about VA's mission, goals, and current performance, as well as benefits and services that the Department provides.

Performance Goal: Maintain 98% percent rate of correspondence answered timely in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
Percent of correspondence answered timely	85%	90%	95%	97%	100%	98%	100%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: The Office of the Executive Secretary manages and monitors all correspondence prepared for the signature of the Secretary and Deputy Secretary to ensure communications are responsive, timely, and meet quality control standards. The Office of the Executive Secretary receives more than 20,000 inquiries annually, directed to the attention of the Secretary or Deputy Secretary as well as oversees the administrative operations for the Office of the Secretary. The Office has undertaken numerous initiatives to ensure quality and timely responses to incoming correspondence. The office continues to provide overdue reports to program offices. The Executive Secretariat also established a Website to provide guidance on preparing correspondence, initiated a major revision to the VA Correspondence Manual, held a 'customer appreciation' day where printed guidance materials were provided, issued guidance on the use of the electronic document management system, and participated in the planning of a Central Office-wide writing course that was launched in early 2003. Meetings with correspondence representatives are held every two to three weeks to help improve timeliness and quality. The Executive Secretary is currently reviewing other measures to be undertaken to improve the overall quality and timeliness of VA's correspondence.

Data Source: Data compiled directly from VA's Electronic Document Management System (EDMS).

Center for Minority Veterans

Program Highlights:

The Center for Minority Veterans was established under Public Law 103-446. The Center is responsible for promoting the use of VA benefits, programs and services by minority veterans and assessing the needs of minority group members. Under the law, the Center's work focuses on the unique and special needs of five distinct groups of veterans: African Americans, Hispanics, Asian Americans, Pacific Islanders, and Native Americans, including American Indians, Native Hawaiians, and Alaska Natives. The Center also oversees the administrative functions of VA's Federal Advisory Committee on Minority Veterans.

In 2007, the Center will continue its efforts to improve communications with minority veterans, minority community-based organizations, minority veterans program coordinators and other interested stakeholders. Since its inception the Center has participated in an excess of one hundred town hall meetings, conferences and veterans information forums to inform and educate minority veterans, as well as to learn first-hand about the concerns and unique challenges facing minority veterans. Such efforts will continue in 2007 to increase VA's commitment to better serve all veterans. Information on the Center is accessible thru its website <http://www1.va.gov/centerforminorityveterans/>

2007 Initiatives:

- Establish collaborative partnerships with key individuals and program managers in VBA/VHA/NCA and VACO.
- Increase frequency of the Minority Veterans Program Coordinators (MVPC) Annual Activities Report to quarterly and automate the submission process to better track and measure effectiveness, identify best practices and opportunities for improvement.
- Identify strategic partners that can expand VA's telemedicine/telehealth delivery to service disabled minority veterans living in remote/rural areas.
- Participate in special events, programs, community activities and other external forums that impact disabled minority veteran participation in VA services and programs.
- Promote education within VA on diversity and cultural sensitivity.
- Collaborate with Seamless Transition program personnel, VHA, VBA and NCA to ensure minority veterans are provided timely information and support.
- Gather data to determine minority veteran challenges and obstacles to access quality care.

- Ensure representation on key inter and intra agency task forces, councils, and other VA policy-making bodies.
- Consult with other stakeholders about ways to improve education and communication focused on service-disabled minority veterans.
- Participate in special events that are focused on service-disabled minority veterans.
- Use the Minority Veterans Program Coordinators (MVPC) to increase awareness outreach, inform and educate the minority veterans' community on benefits and services.
- Use the Advisory Committee on Minority Veterans (ACMV) to identify barriers, address minority veterans concerns and provide recommendations and solutions on the utilization of services and benefits to minority veterans.

Ongoing Activities:

- Increase the Department's awareness and/or help identify solutions to removing obstacles service-disabled minority veterans face in accessing benefits and healthcare services. Activities will include Center's participation in Veteran serving programs, forums and inter/intra agency committees.
- Monitor and coordinate the implementation of recommendations made by the ACMV. These recommendations will enhance the delivery of benefits, programs, and services to minority veterans.
- Continue the monthly telephone conference program for MVPCs to provide updates on the Center's activities, to share information on program execution and identify best practices.
- Increase Departmental awareness and identify obstacles minority veterans face in accessing benefits and healthcare services when transitioning from military service to civilian life. Activities include Center for Minority Veteran's proactive participation in conferences and other special events that target minority veterans.
- Partner with Veterans Health Administration to: promote health care disparity forums; to increase minority veteran participation in medical research and to co-sponsor a conference on effective treatment modalities for minority veterans diagnosed with PTSD.
- Coordinate with VA Learning University to develop cultural competency and cultural sensitivity training videos for VA healthcare providers, Veterans Benefit and Memorial Affairs personnel.
- Continue to explore opportunities to integrate other federal organizations in the planning and execution of programs that serve minority veterans.

- Continue to identify disparities in delivery of service and benefits to minority veterans residing in rural areas and to work with VA to amend and improve policies to address these disparities.

The Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.

Objective E-2: Improve communication with veterans, employees, and stakeholders about VA’s mission, goals, and current performance, as well as benefits and services that the Department provides.

Performance Goal: Attain 75% of the performance targets shown in the 2003 – 2007 Minority Veterans Program Coordinators’ Program Strategic Plan.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
The percentage of annual targets articulated in the MVPCP Strategic Plan that have been achieved	30%	30%	30%	30%	50%	75%	100%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: To attain 75% of the targets articulated in the plan, the Center will need to pursue the following:

*Collaborate with VA administrations and staff offices, other Federal agencies, state veterans’ affairs offices, minority community based organizations, and VSOs to discuss minority veterans’ issues and concerns, and to ensure they are addressed by individual program offices and appropriate Department officials.

*Ensure minority veterans are knowledgeable of and have access to the benefits, programs, and services to which they are entitled, the Center for Minority Veterans (CMV) will continue to put increased emphasis on reengineering the Minority Veterans’ Program Coordinators (MVPC) efforts.

*Monitor the MVPC Strategic Plans and resulting outreach activities to measure effectiveness, identify best practices, and identify opportunities for improvement. Additionally, increased coordination with VISN, MISN, and Regional Directors

regarding their minority veteran outreach programs will further strengthen the Center's efforts. The CMV will conduct the biannual MVPC training conferences.

*Conduct town hall meetings, site visits, and community-based forums to discuss VA programs and benefits for minority veterans at different locations across the country and work with field personnel to ensure that outreach activities are incorporated into the MVPC Strategic Plans.

*Continue to assist the Advisory Committee on Minority Veterans with the formulation of measurable recommendations that are presented to the Secretary, and will enhance the services that the Department provides to minority veterans. The Advisory Committee on Minority Veterans will conduct site visits to pre-identified regions with large minority veteran populations or those regions where minority veterans have particular challenges preventing their access to benefits and services.

Center for Women Veterans

Program Highlights:

Open forums, town hall meetings, and community-based meetings are held with representatives of veterans service organizations, veterans' advocacy groups, and women veterans throughout the country. The women veterans' community discusses concerns regarding VA services for women with Center staff and VA's Advisory Committee on Women Veterans, and identifies problems they encounter when accessing VA benefit programs and health care services.

Site Visits

Site visits are made to VA healthcare facilities, women veterans' comprehensive healthcare centers, regional offices, national cemeteries, veterans' readjustment counseling centers, and local community programs. Site visits provide Center staff and the Advisory Committee on Women Veterans, an opportunity to discuss women veterans' issues with Department officials, and to identify potential gender-based barriers to the provision of and access to VA care and services by women.

Educational Presentations

Center staff incorporates educational programs on women veterans' issues into most site visits. Other educational initiatives include: fostering VA's participation in educational activities on women's issues; providing consultation on program development and content; and serving as faculty and attending conferences and training sponsored by federal, state, and local governments, community agencies, and veterans' organizations.

Research

The Center promotes health and social science research focusing on women veterans' issues and consults with many groups and organizations (both internal and external) involved in women's health research. The Center Director serves on the Health Services Research and Development (HSR&D) Conference Workgroup. The Center actively monitors HSR&D's plan for developing a comprehensive VA women's health research agenda. The goal of the research agenda is to establish a framework by which VA research contributes to the development, evaluation, and improvement of health care services and programs that meet the needs of our increasing number of women veterans and positions VA as a national leader in women's health research.

Collaborative Activities Intra-VA:

Women Veterans Who are Homeless

The Associate Director is a member of the Secretary's Working Group on Homelessness and the Faith Based and Community Initiatives Workgroup.

Veterans Health Administration (VHA)

Center staff collaborates with representatives from the Office of the Under Secretary of Health and the Women Veterans Health Program to identify health care issues that present unique challenges to VA in developing and enhancing its services to women veterans. The Center Director is a member of VHA's Mammography Standards Committee, Ambulatory Care Expert Panel, Healthier US Veterans Communications Workgroup, and National Center for Health Promotion and Disease Prevention Preventive Nursing Technical Advisory Group. The Director is also a consultant to the Women Veterans Health National Strategic Work Group. A VHA employee serves as an ex-officio member on the Advisory Committee for Women Veterans.

Veterans Benefits Administration (VBA)

Center staff collaborates with the Under Secretary for Benefits and other VBA representatives to ensure that women veterans are afforded equal access to the non-health care benefits administered by VBA. The Associate Director serves on the Benefits and Services Working Group of the Benefits Executive Council. The Center promotes the importance of quality outreach initiatives, and regularly consults with VBA on all benefit issues affecting women veterans. A VBA employee serves as an ex-officio member on the Advisory Committee for Women Veterans

National Cemetery Administration (NCA)

The Center provides consultation services and works collaboratively with NCA. An NCA employee serves as an advisor to the Advisory Committee on Women Veterans.

National Summit on Women Veterans Issues

In 1996 and 2000, and most recently in June 2004, VA's [Center for Women Veterans](#) in conjunction with AMVETS (American Veterans), [Disabled American Veterans \(DAV\)](#), and [Veterans of Foreign Wars of the U.S. \(VFW\)](#) co-sponsored National Summits on Women Veterans Issues. Over 300 individuals attended the Summit held in 2004, including Federal agency representatives, VA women veterans coordinators, community partners, state departments of veterans affairs coordinators, and women veterans from across the country. Summit proceedings were published by the Center for Women Veterans and distributed to the House and Senate Veterans Affairs Committees, veterans service organizations, directors of state departments of veterans affairs, Federal, State and community-based agencies, and all VA health care facilities and administrations. Planning is underway for the next quadrennial National Summit on Women Veterans Issues scheduled for the summer of 2008.

Veteran Inquiries and Complaints

The Center receives and responds to an enormous amount of written, telephonic, and electronic inquiries, requests for assistance, and complaints from veterans. Inquiry topics range from requests for general VA benefit and health care information to requests for specific assistance in acquiring both VA and non-VA benefits and health care services.

Center for Women Veterans Web Site

Information about VA services, benefits, and special initiatives for women veterans is available on VA's Web site at <http://www.va.gov/womenvet>. The Center's Web site contains a number of links to other sites for accessing information on related veterans' issues. Veterans accessing this Web site may correspond with the Center via e-mail.

Interagency Collaboration

The Center for Women Veterans identifies inter-agency collaboration as a priority initiative. The Center staff works with the following agencies:

- White House Office of Public Liaison
- Department of Health and Human Services
 - Office of Women's Health
 - Indian Health Service

- Office of Disabilities
- Centers for Disease Control and Prevention
- Office of Women's Health
- Department of Defense
 - Defense Advisory Committee on Women in the Services
 - Sexual Assault Prevention and Response Office
- Department of Labor
 - Veterans' Employment and Training Service
 - Women's Bureau
- States' Departments of Veterans Affairs
- States' Women Veteran Coordinators
- State, local, and private organizations

Secretary's Advisory Committee on Women Veterans

The Secretary's Advisory Committee on Women Veterans is a statutory committee that meets three times a year. The Committee is made up of a diverse group of individuals, who represent all branches of the armed services, enlisted and officer ranks, various eras of service, veterans service organizations, and the women veterans' community. The Director of the Center for Women Veterans is the Designated Federal Official for this Committee. The Center's budget allocation includes resources to support Committee members' travel and related administrative and operational costs.

The Committee advises the Secretary on issues related to the administration of VA benefits for women veterans with respect to health care, rehabilitation, compensation, outreach, and other relevant programs. The Committee is briefed annually by VA top administrations regarding initiatives for women veterans; Committee members openly discuss their concerns with VA representatives. In this way, the Committee monitors changes from both the Department and consumer perspectives. Each even-numbered year, the Committee submits to the Secretary a report which identifies areas of progress and concerns,. The report also includes specific recommendations that address unresolved issues and problems. The Center for Women Veterans staff tracks and follows-up on unresolved recommendations.

Center for Women Veterans Initiatives:

- Improve access to information for women veterans via the Internet and media publications.
- Increase emphasis on outreach to elderly, rural and minority women veterans.
- Review TAP briefing materials to ensure they meet the needs of separating service women.

- Enhance partnership with DoD. Collaborate with the Defense Advisory Committee on Women in the Services, and other DoD components involved with women’s issues
- Review VA programs, policies, and legislation to ensure that the needs of women veterans are met

The Enabling Goal: Deliver world-class service to veterans and their families through effective communications and management of people, technology, business processes, and financial resources.

Objective E.2: Improve communication with veterans, employees, and stakeholders about VA’s mission, goals, and current performance, as well as and the benefits and services the Department provides.

Performance Goal: In 2008, the Center will review a minimum of four TAP presentation briefing materials from different locations across the country.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
Number of Transition Assistance Program (TAP) presentation briefing materials assessed for quality of or focus on women veterans-specific content	3	4	4	4	4	4	4

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies:

The Center will review materials used by Transition Assistance Program (TAP) representatives in briefings sponsored jointly by the Departments of Veterans Affairs, Defense, and Labor, to ensure the inclusion of gender-specific information and assistance for separating women servicemembers. The Center will review the quality of information provided to women and emphasize the importance that TAP briefings include relevant VA health care and benefit program information, as well as assistance for women departing military service.

Data Source: The Center will monitor the number TAP presentation briefing materials assessed by using an internal log.

Office of Small and Disadvantaged Business Utilization

Program Highlights:

OSDBU small business initiatives are described below:

Historically Underutilized Business Zone (HUBZone) Program: This statutory program took effect in 1999 and applied to only 10 Federal departments and agencies, which included VA. The program provides economic incentives to select communities across the nation through set-asides, sole source awards and pricing evaluation preferences in full and open competition acquisitions. This program requires significant vendor outreach and employee education. In October 2000, the HUBZone program was expanded to apply to all Federal agencies that employ contracting officers.

8(a) Business Development Program: “8(a)” refers to Section 8(a) of the Small Business Act. This statutory program permits non-competitive and competitive awards to eligible vendors. In 1999, SBA relaxed vendor eligibility requirements, greatly expanding the number of businesses that potentially qualify for the program. Teaming, joint venturing and mentor-protégé arrangements are now permitted, making determinations of vendor responsibility very complex. At the same time, SBA shifted most contracting responsibilities to participating agencies. In December 2000, VA entered into a partnership agreement with the Small Business Administration to streamline set-aside and contracting procedures under this program that allows direct contracting between VA and the SBA 8(a) subcontractor. These procedural changes resulted in a major education initiative for VA staff and intensive vendor counseling about current operating guidelines and procedures. The partnership agreement was extended in 2003 by mutual agreement until 2007.

Small Disadvantaged Business Participation Program (SDB): This regulatory program authorized by the Federal Streamlining Act of 1994, established price evaluation adjustments for businesses in some industry groups. Statutory authority for civilian agencies and departments to apply the SDB price evaluation adjustment expired December 9, 2004. Although the authority for the price evaluation adjustment expired, the statutory goal of 5 percent of total acquisition dollars be spent with SDBs continues and requires continuing and extensive education of VA and vendor personnel about this program.

Small Business Competitiveness Demonstration Program and Emerging Small Business Set-Asides: This statutory program requires “Emerging Small Business Set-asides” in targeted industries and prohibits small business set-asides in industries where benchmark data show small businesses are gaining sufficient awards absent a preferential procurement program. This program, like the Small

Disadvantaged Business Program, is heavily dependent upon the quality of data reported by contracting activities. Acquisitions in the designated industry groups must continue to be considered for placement under the 8(a) Program, HUBZone Program and the Service-Disabled Veteran-Owned Small Business Contracting Program.

Small Business Set-Asides: This statutory program is the “father” of small business programs. Recently the trends in standardization, consolidation of requirements previously performed at facility-level has created a new emphasis on all aspects of small business set-asides, which include: total small business set-asides; partial small business set-asides; class set-asides; and cascading set-asides. In 1997, out of concern about the erosion of support for small business concerns, Congress deemed it necessary to legislate procedures to be followed by contracting offices when consolidating, also referred to as “bundling” requirements. This legislation, and the resulting rules on bundling have far-reaching implications in the conduct of Government acquisitions. In October 2002, the Office of Management and Budget published a report containing a 9-point action plan to mitigate the effects of contract bundling on small businesses as part of the President’s Small Business Agenda. Final rules to facilitate implementation of the 9-point action plan were published in October 2003.

Subcontracting Program: Public Law 95-507 requires formal written subcontracting plans from large business prime contractors who receive awards exceeding \$550,000 (\$1 million for construction). Changes to the Small Disadvantaged Business Program have added to this program. Consolidating requirements expands subcontracting program plans requiring negotiation, administration and reporting. VA has one of the largest subcontracting programs in the Federal Government. This program has been, and will continue to be, the subject of extensive education and training of VA’s prime contractors and staff. The program’s continued growth is expected to continue in future years, as vendor past performance on subcontracting plans becomes a rating element in gaining new contract awards. Subcontracting is identified as one of the 9-point Action Plan issued in October 2002 by the Office of Management and Budget as part of the President’s Small Business Agenda.

Women’s Entrepreneurship and Veterans Entrepreneurship: In December 2000, legislation was adopted to permit set-aside mechanisms in certain industries that have been traditionally underrepresented by women-owned small business concerns. Public law prescribes goals for women-owned small business concerns. Federal departments and agencies are awaiting promulgation of implementing regulations by the U.S. Small Business Administration so that contracting personnel may use this much-needed mechanism. In addition, Executive Orders issued in 2000 reiterate the Government’s commitment to expanding business

opportunities for women-owned small business concerns, and set forth steps to enhance accomplishments in these important areas.

Federal Procurement Data System—Next Generation (FPDS-NG): Every agency is required to report its acquisition expenditures to the Federal Procurement Data Center at the General Services Administration. VA is second only to the Department of Defense in total procurement transactions. FPDS-NG is used for this purpose by the White House, the Congress, and the Small Business Administration to measure agency, small business program accomplishments and compliance with statute and track Federal acquisition trends using this data. Data reported to the center is critical, as 70 percent of all requests for this data come from non-Government sources. FPDS-NG went live October 1, 2003, and VA's legacy FPDS was retired. VA's OSDBU prepares the Department's socioeconomic accomplishment reports monthly and administers the Secretary's Socioeconomic Achievement Awards Program.

Business Opportunities Information: Public law 100-656 requires each Federal agency to annually publish a Forecast of Contracting Opportunities (FCO). VA exceeds this legal requirement through the use of an interactive Web site whereby contracting activities continually update their forecast data as new requirements are identified or as forecasted requirements change. OSDBU publishes information on its Web site, <http://www.va.gov/osdbu>, to further assist small businesses, and maintains a Web portal for the Center for Veterans Enterprise at <http://www.vetbiz.gov>. VA also maintains Vetbiz Vendor Information Pages (VIP) at <http://www.vip.vetbiz.gov>.

VIP is a database of veteran-owned and service-disabled veteran-owned small businesses that provides these firms with exposure to potential Federal customers and prime vendors looking for veteran-owned and service-disabled veteran-owned small businesses to fulfill their socioeconomic subcontracting requirements. The Office of Federal Procurement Policy has advised all Federal agencies and departments that Vetbiz VIP should be the first source for finding veterans in business. The Vetbiz VIP is a service provided at no cost to users..

Results

OSDBU has responded to myriad changes in public laws affecting small business programs with minimal increases in staffing and budget. Through reorganization, business process re-engineering, exploitation of information technology resources, and electronic commerce, OSDBU continues to provide high quality support to the small business community ensuring equitable opportunities. In 2005, over \$2.7 billion, nearly 28 percent of VA's total acquisition dollars, were spent with small business. A disturbing trend that shows a decline in small business program accomplishments has developed during the last several years. This trend is attributed, in part, to consolidation of

requirements (unnecessary and unjustified contract bundling) increased use of VA's Prime Vendor Program, standardization initiatives, and the introduction of other procurement efficiencies that are detrimental to small business programs. The statutory 3 percent procurement goal for service-disabled veteran-owned business concerns continues to be a concern. On December 16, 2003, the President signed Public Law 108-183 that provides authority to set-aside acquisitions for competition exclusively among service-disabled veteran-owned small businesses, and under certain circumstances to award contracts to these firms on a sole-source basis. OSDBU and the CVE continue their outreach initiatives in this important area to inform VA acquisition professionals and service-disabled veteran-owned small businesses.

Service Improvements

OSDBU continually strives to identify ways to improve customer service to the small business community and the contracting activities it supports. To enhance this support, OSDBU deploys its resources in a manner that facilitates its operations in the areas of acquisition, outreach, policy and data analysis, subcontracting and veterans' entrepreneurship. OSDBU's outreach efforts have expanded without commensurate increases in outreach funding. The OSDBU Director works with the Federal OSDBU Directors' Interagency Council to coordinate outreach efforts supporting trade shows and business conferences. OSDBU coordinates numerous outreach efforts with local VA facilities and acquisition professionals to more efficiently provide VA representation at reduced costs. Each of the many invitations VA receives annually is carefully considered to ensure maximum return on VA's investment in participating. OSDBU also provides all information at trade shows and business conferences in electronic medium to further reduce operating expenses and as a convenience to show participants. VA receives many compliments on the monthly Vendor Day sessions sponsored by OSDBU. An important part of OSDBU's outreach efforts, Vendor Day was restructured to provide more "face time" between prospective contractors and program officials.

The Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.

Strategic Goal 4: Contribute to the public health, emergency management, socio-economic well-being, and history of the Nation.

Objective 4-4: Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veterans benefits; assistance programs

for small, disadvantaged, and veteran-owned businesses; and other community initiatives.

Program Objective: Enhance support for small business programs through education, advocacy, outreach, and procurement accomplishments.

Performance Goal 1: In 2008, continue to meet the 23 percent statutory minimum goal for small business concerns.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Attainment of statutory minimum goals for <u>small business concerns</u> expressed as a percent of total procurement (*Corrected) (**To Be Updated)	31.8%	28.5%	*27.8%	**23.0%	23.0%	23.0%	25.0%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Performance Goal 2: In 2008, continue to meet the five percent statutory minimum goal for small disadvantaged business concerns.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
2) Attainment of statutory minimum goals for <u>small disadvantaged businesses</u> expressed as a percent of total procurement (*Corrected) (**To Be Updated)	8.5%	9.2%	*9.5%	**5.0%	5.0%	5.0%	4.0%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Performance Goal 3: In 2008, ensure VA meets the five percent statutory minimum goal for women-owned small business concerns.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
3) Attainment of statutory minimum goals for <u>women-owned businesses</u> expressed as a percent of total procurement (*Corrected) (**To Be Updated)	3.8%	4.5%	*5.3%	**5.0%	5.0%	5.0%	5.0%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Performance Goal 4: In 2008, ensure VA meets the three percent statutory minimum goals for Historically Underutilized Business Zone (HUBZone) concerns.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
4) Attainment of statutory minimum goals for Historically-Underutilized Business Zone (*Corrected) (**To Be Updated)	3.0%	3.1%	*3.6%	**3.0%	3.0%	3.0%	3.0%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Performance Goal 5: In 2008, ensure VA meets the three percent statutory minimum goal for service-disabled veteran-owned businesses.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
5) Attainment of statutory minimum goals for <u>service-disabled veteran-owned small businesses</u> expressed as a percent of total procurement (*Corrected) (**To Be Updated)	.49%	1.25%	*2.15%	**3.68%	3.00%	3.00%	3.00%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Although performance goals 1 through 5, above, are statutory minimums, the Secretary annually establishes internal “stretch” goals in some categories that exceed the statutory minimum goals.

Means and Strategies for Goals 1 through 5: To attain the FY 2008 targets, OSDBU will provide goal accomplishment reports, educational assistance, and outreach information to VA program officials, acquisition professionals, and the vendor community. OSDBU will also continue to conduct Small Business Program and contract bundling reviews for specific acquisitions provided by contracting activities to ensure maximum practicable opportunities for all small businesses. Small business subcontracting plans will continue to be reviewed to ensure consistency with requirements of the Federal Acquisition Regulation and VA’s subcontracting goals. A Center for Veterans Enterprise (CVE) was established within OSDBU on February 14, 2001, as part of VA’s implementation of Public Law 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999. The CVE provides support to veterans, including service-disabled veterans, who are considering business ownership as a career option. The Center also helps veterans who are expanding their businesses.

Data Source: The Federal Procurement Data Center (FPDC) is the official repository of information to track awards in support of small business program goals, and is used by the White House, the Congress, the Small Business Administration, and the private sector to measure agency small business program accomplishments and acquisition trends. OSDBU will use these data for monitoring progress in goal accomplishments.

Office of Employment Discrimination Complaint Adjudication

Program Highlights:

The Office of Employment Discrimination Complaint Adjudication (OEDCA) was established in February 1998, by Public Law 105-114 as part of an overall reorganization of VA's EEO complaint process. As an independent and neutral adjudicatory body, its mission is to issue the Department's final decisions and orders on complaints of employment discrimination filed by employees and applicants for employment.

OEDCA continues to provide timely and high quality service. To date, OEDCA's average processing time for substantive (*i.e.*, merits) decisions is 55 days and its overall processing time for all actions is only 40 days.. Its affirmance rate in appellate cases decided by the EEOC is 85% (with only a 3.5% reversal rate -- the remaining 11.5% of the appeals are dismissed by the EEOC for various procedural reasons.)

OEDCA continues to work closely with the Office of Resolution Management (ORM) to ensure that its investigators produce quality reports. OEDCA provides annual training to ORM's investigators and intake specialists, and periodically updates the investigation manual developed in OEDCA. OEDCA also provides instruction at training sessions for EEO liaisons sponsored by ORM field offices. Moreover, OEDCA continues to communicate information about VA's new EEO complaint resolution system to VA's managers, supervisors, and employees by means of the *OEDCA Digest*. This widely-distributed quarterly publication includes summaries of significant OEDCA decisions, EEOC decisions and guidance, court decisions, and other information that enables supervisors and employees to understand their rights and responsibilities under Title VII of the *Civil Rights Act of 1964* and other applicable civil rights laws and regulations. The *OEDCA Digest* is available on the web at <http://www.va.gov/orm/oedca.asp>.

The Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes and financial resources.

Objective E-1: Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.

Performance Goal 1: By 2008, maintain the average processing time for adjudication or other appropriate disposition at 55 days from date of receipt in OEDCA.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Average processing time for adjudication (in days)	75	65	60	55	55	55	55

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Performance Goal 2: By 2008, maintain an 85 percent affirmance rate on appeal by the EEOC.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
2) Percent of OEDCA's final decisions affirmed on appeal by EEOC	75%	80%	85%	85%	85%	85%	85%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

(Note: (1) An 85% affirmance rate does not indicate a 15% reversal rate. Historically, only about 3.5% of OEDCA's decisions have been reversed on appeal by the EEOC. The remaining 11.5% of the appeals have been dismissed procedurally for various reasons unrelated to the merits (e.g., appeal withdrawn by complainant, complaint settled, civil action filed by complainant, complainant filed untimely appeal, etc. (2) EEOC currently has a two to three-year backlog in deciding appeals from final agency decisions. Accordingly, EEOC is not expected to review and decide all decisions and orders issued by OEDCA in 2008 until approximately 2010 or 2011. Hence, complete appellate data for cases decided by OEDCA through 2008 may not be available until 2011.)

Means and Strategies: Employment discrimination adversely impacts the ability of the Department to develop a diverse workforce that is competent and committed to providing high-quality service to veterans. If the Department fails to timely and fairly adjudicate employment discrimination complaints, employees lose faith in the EEO complaint system; and that, in turn, adversely affects their ability or willingness to provide quality service to veterans. To this end, OEDCA will continue to closely monitor the inventory of cases pending adjudication to ensure timeliness in the adjudication process and, on a monthly basis, will review workloads and reassign cases based on the workload and difficulty of the cases. OEDCA will continue to contract out, on an as-needed basis, for certain types of technical analyses required in the adjudication process to prevent increases in its pending case inventory that could significantly impact processing times or the ability to produce high quality decisions. To ensure

quality and fairness in the adjudication process, the office will track and study the Equal Employment Opportunity Commission's (EEOC) appellate findings relating to OEDCA's decisions to ensure that those decisions are both accurate and fair. Adjustments will be made, if necessary, based on that review process to ensure OEDCA's approach is consistent with that of the EEOC. OEDCA has an arrangement with the Office of the General Counsel, which is responsible for handling EEO appeals, to obtain copies of all EEOC appellate decisions relating to OEDCA-decided cases. Also with respect to quality, the Director will arrange for attorneys to receive appropriate formal and informal training and mentoring in EEO law, as available or needed; ensure that each attorney receives individual copies of weekly, bi-weekly, or monthly updates from EEO law reporting services; ensure that office law library resources are sufficient and up-to-date; and make sure the supervisory review process results in decisions that contain the appropriate factual and legal analysis. Finally, to ensure overall quality in the Department's EEO complaints processing program, OEDCA has initiated a new program to provide in-depth training to the Office of Resolution Management's (ORM) intake specialists regarding complaint acceptability determinations.

Data Source: OEDCA has a comprehensive database that tracks cases processed within the office. This database is used by the Director to provide quarterly reports to the Secretary showing OEDCA's performance during the preceding quarter in terms of production, inventory/backlog reduction, average processing time, and the amount of time cases have been pending in OEDCA. It also tracks EEOC appellate dispositions relating to OEDCA's decisions and orders.

Office of Regulation Policy and Management

Program Highlights:

For more than twenty years, there has been a recognized need to perform a comprehensive review of VA regulations. The current regulations represent a patchwork of provisions that are difficult for veterans and their families to understand. These confusing regulations lead to delays in processing veterans' claims and sometimes inconsistent adjudication of similar claims. Creation of new regulations often requires years of development before final implementation.

The Office of Regulation Policy and Management (ORPM) was established in 2003 to provide centralized management, control, and coordination for all VA regulations. ORPM also was assigned responsibility for supervising and coordinating VA's Regulation Rewrite Project, a comprehensive effort by detailed employees to review, reorganize, and rewrite VA regulations lacking clarity, consistency, or logical organization. The office is succeeding in accomplishing both missions.

To better manage the regulation development process, ORPM established “workplans” as prerequisites to regulatory drafting. Workplans require sponsoring offices to clearly articulate the policy reasons for their proposed regulations, identify the expected results, analyze the associated costs and benefits, determine the proposal’s relationship to other VA regulations, and state the known views of stakeholders inside and outside the VA. Workplans streamline the regulatory process by clarifying and resolving significant policy issues incorporated in proposed regulations early in the process. They eliminate major causes of delay during the drafting process and provide the VA senior leadership with better understanding and control over the VA’s rulemaking process. Workplans set milestones for regulation completion and publication so that all parties are working toward an established and mutually understood goal. Properly executed workplans improve VA’s interaction and coordination with both OMB and the public.

The Secretary formed a Regulatory Policy Council (RPC) for the purpose of providing senior level oversight and policy perspectives to VA’s rulemaking process. The Council is responsible for overall policy integration across the VA. It assists in the development of the coherent rulemaking bridge between our statutory authority and the ultimate delivery of benefits to the veterans. ORPM serves as the Executive Secretariat for the RPC.

During 2003 and 2004, ORPM’s detailed regulation analysis and drafting teams, consisting of employees from the Board of Veterans Appeals, the Veterans Benefits Administration, and the Office of General Counsel, completely reorganized and redrafted over 276 Compensation and Pension Service (C&P) adjudication regulations contained in Part 3 of 38 Code of Federal Regulations (CFR). The Project’s work was coordinated informally with interested Veterans Service Organizations, and significant portions of their comments and ideas were incorporated into the project to produce more user-friendly regulations for veterans. By October 2006, 10 of the Project’s 20 proposed rule packages had been published in the Federal Register for public comment.

ORPM also has efficiently managed and standardized the rulemaking process in VA and improved the Secretary’s ability to articulate and implement his priorities, policies, and goals. ORPM instituted regulatory work plans, aided early policy articulation, and set goals for regulatory development and publication against which progress could be measured. In 2006, ORPM met its average processing time strategic goal for developing and publishing VA regulations in 17 months or less (which represents over a 50% reduction in the time it historically has taken VA to publish its regulations). ORPM’s cumulative processing time average from October 1, 2003 to September 30, 2006, was 10.5 months. However, this artificially low cumulative average is expected to rise in

2007 as more multi-year regulations are published. The number of “stale” regulations in VA’s active 2006 inventory also has been reduced from 64 to 13 (80%) since ORPM began managing the regulatory process. ORPM also exceeded its 2006 performance objective for customer satisfaction by achieving satisfactory ratings on 100% of its customer satisfaction surveys.

The Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.

Objective E-4: Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting, and performance.

Performance Goal 1: By October, 2008, reduce and maintain the average overall processing time for VA regulations to 17 months or less.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
Average processing time for VA regulations (number of months)	N/A	34.5	24.5	10.5	≤17	≤17	≤17

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: ORPM manages a standardized process that serves as a key tool in helping set goals for regulatory development and publication. In addition, ORPM manages an improved regulatory tracking system that is easily accessed, understandable, and useful to VA leaders and managers. Together, both the standardized process and the tracking system are necessary tools that will enable VA to publish regulations in an average of 17 months in FY 2008.

Data Source: ORPM collects and analyzes data to monitor milestone completion during the development of each regulation.

Goal Validation: Timely issuance of regulations is an important facet of VA’s service to veterans. As new legislation is passed and/or new priorities are established by the Secretary, those VA professionals who are delivering services and implementing various programs and initiatives must have the most current

regulations for reference to properly implement VA's programs and deliver services.

Summary of Budget Request

Total Office of the Secretary

An average employment of 79 FTE and obligational authority of \$10,770,000 are requested in 2008 to support the operations of the Office of the Secretary to include the Center for Minority Veterans, the Center for Women Veterans, ORPM, and OEDCA. This request is comprised of \$7,747,000 in budget authority and \$3,023,000 in reimbursable authority (and, net of \$125,000 in expenditure adjustments). OEDCA serves as the Department's final decision authority for substantive merits of employment discrimination complaints. Workload costs to adjudicate these complaints are distributed across VHA, NCA, and VBA and are recovered by OEDCA via reimbursements or expenditure adjustments, as appropriate. The Office of Small and Disadvantaged Business Utilization is organizationally aligned with the Office of the Secretary; however, it is funded via the Supply Fund, which is managed by the Office of Acquisition and Materiel Management.

Office of the Secretary - Ongoing activities

An average employment of 55 FTE, budget authority of \$7,747,000 is requested to support the operations of the Office of the Secretary, which includes the Centers for Minority Veterans and Women's Veterans and the Office of Regulation Policy and Management. As shown in the Center's Summary of Employment and Obligations table, resources for the Centers include funding of the Secretary's Advisory Committees on Women and Minority Veterans. The Advisory Committees are mandated to meet at least twice each year in order to assess VA's administration of health care and benefit programs provided to women and minorities. The Center's budgets include funds to pay for the Advisory Committee travel associated with these meetings, as well as, a stipend for each member.

Office of Employment Discrimination Complaint Adjudication (OEDCA)

For 2008, VA is proposing that funding for this office be provided on a reimbursable basis except for an adjustment to expenditure for VBA's portion of their operations and for staff offices within the General Administration activity of the GOE appropriation (where ORM and OEDCA are housed).

In 2008 24 FTE, total recoveries of \$3,148,000, and budget authority of \$52,000 are requested to support the operations of OEDCA. Recoveries are comprised of

\$3,023,000 in reimbursements from VHA and NCA, and \$125,000 in expenditure adjustments from VBA. Since expenditure adjustments are an intra-appropriation transaction they are not scored as a true obligation at the account level. The budget authority represents the transfer of the staff office share of the operational costs related to OEDCA.

<i>Changes from Original 2007 Budget Estimates</i>		
<i>(dollars in thousands)</i>		
	2007	
	Budget Estimate	Continuing Resolution
Average Employment	79	79
Budget Authority	\$7,549	\$7,549
Reimbursement	\$2,894	\$2,883
Adjustment to Expenditure (non add)	\$198	\$137
Carryover	\$0	\$0
Total Obligations	\$10,443	\$10,432

<i>Office of the Secretary</i>				
<i>Summary of Employment and Obligations</i>				
<i>(dollars in thousands)</i>				
	2006	2007		2008
		Budget Estimate	Continuing Resolution	
	Actual	Estimate	Estimate	Estimate
Average employment (VACO)				
Immediate Office of the Secretary	32	32	32	32
Center for Minority Veterans	7	7	7	7
Center for Women Veterans	5	5	5	5
ORPM	11	11	11	11
OEDCA:				
Appropriated	1	1	1	1
Reimbursable	23	23	23	23
Subtotal	24	24	24	24
Total	79	79	79	79

Office of the Secretary
Summary of Employment and Obligations
(dollars in thousands)

	2006 Actual	2007		2008 Estimate
		Budget Estimate	Continuing Resolution	
Obligations:				
Personal services	\$9,232	\$9,112	\$9,262	\$9,465
<i>OEDCA (non-add)</i>	\$2,542	\$2,626	\$2,656	\$2,784
Travel	\$390	\$377	\$369	\$376
<i>OEDCA (non-add)</i>	\$15	\$15	\$16	\$16
Transportation of things	\$0	\$0	\$0	\$0
<i>OEDCA (non-add)</i>	\$0	\$0	\$0	\$0
Rents, communications, and utilities	\$75	\$67	\$70	\$80
<i>OEDCA (non-add)</i>	\$2	\$0	\$0	\$0
Printing and reproduction	\$41	\$79	\$42	\$60
<i>OEDCA (non-add)</i>	\$2	\$2	\$2	\$2
Other services	\$573	\$626	\$586	\$663
<i>OEDCA (non-add)</i>	\$255	\$259	\$264	\$264
Supplies and materials	\$146	\$224	\$164	\$173
<i>OEDCA (non-add)</i>	\$89	\$91	\$94	\$94
Equipment	\$57	\$156	\$76	\$78
<i>OEDCA (non-add)</i>	\$37	\$136	\$40	\$40
<i>Adjustment to Expenditure</i>	-\$125	-\$198	-\$137	-\$125
Total obligations	\$10,389	\$10,443	\$10,432	\$10,770
<i>OEDCA (non-add)</i>	\$2,817	\$2,931	\$2,935	\$3,075
Reimbursements (OEDCA)	-\$2,764	-\$2,889	-\$2,883	-\$3,023
SOY Carry over (-)	-\$247	\$0	\$0	\$0
EOY Carry over (+)	\$0	\$0	\$0	\$0
Total budget authority	\$7,378	\$7,554	\$7,549	\$7,747

Center for Women Veterans
Summary of Employment and Obligations
(dollars in thousands)

	2006 Actual	2007		2008 Estimate
		Budget Estimate	Continuing Resolution	
FTE	4	5	4	5
Obligations:				
Personal services	\$576	\$575	\$588	\$586
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Travel	\$100	\$67	\$67	\$68
<i>Advisory Committee (non-add)</i>	\$54	\$41	\$41	\$42
Rents, communications, and utilities	\$4	\$5	\$5	\$5
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Printing and reproduction	\$10	\$15	\$12	\$15
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Other services	\$50	\$54	\$52	\$55
<i>Advisory Committee (non-add)</i>	\$27	\$29	\$29	\$30
Supplies and materials	\$7	\$20	\$12	\$20
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Equipment	\$3	\$1	\$1	\$2
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Total obligations	\$750	\$737	\$737	\$751
<i>Advisory Committee (non-add)</i>	\$70	\$70	\$70	\$72
SOY Carry over (-)	-\$23	\$0	\$0	\$0
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
EOY Carry over (+)	\$0	\$0	\$0	\$0
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Total budget authority	\$727	\$737	\$737	\$751
<i>Advisory Committee (non-add)</i>	\$70	\$70	\$70	\$72

Center for Minority Veterans
Summary of Employment and Obligations
(dollars in thousands)

	2006 Actual	2007		2008 Estimate
		Budget Estimate	Continuing Resolution	
FTE	6	7	7	7
Obligations:				
Personal services	\$844	\$838	\$838	\$857
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	
Travel	\$100	\$140	\$140	\$154
<i>Advisory Committee (non-add)</i>	\$25	\$25	\$25	\$0
Transportation of things	\$0	\$0	\$0	\$0
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Rents, communications, and utilities	\$17	\$6	\$6	\$11
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Printing and reproduction	\$1	\$6	\$6	\$10
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Other services	\$73	\$66	\$66	\$53
<i>Advisory Committee (non-add)</i>	\$60	\$60	\$60	\$0
Supplies and materials	\$4	\$16	\$16	\$11
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Equipment	\$0	\$7	\$7	\$5
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Total obligations	\$1,039	\$1,079	\$1,079	\$1,101
<i>Advisory Committee (non-add)</i>	\$85	\$85	\$85	\$0
Carry over (+)	\$0	\$0	\$0	\$0
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Carry over (-)	\$0	\$0	\$0	\$0
<i>Advisory Committee (non-add)</i>	\$0	\$0	\$0	\$0
Total budget authority	\$1,039	\$1,079	\$1,079	\$1,101
<i>Advisory Committee (non-add)</i>	\$85	\$85	\$85	\$0

*Office of Regulation, Policy, and Management
Summary of Employment and Obligations
(dollars in thousands)*

	2006 Actual	2007		2008 Estimate
		Budget Estimate	Continuing Resolution	
Obligations:				
Personal services	\$1,147	\$1,219	\$1,219	\$1,237
Travel	\$19	\$21	\$21	\$27
Transportation of things	\$0	\$0	\$0	\$0
Rents, communications, and utilities	\$5	\$4	\$4	\$4
Printing and reproduction	\$0	\$4	\$4	\$4
Other services	\$31	\$52	\$52	\$40
Supplies and materials	\$41	\$14	\$14	\$27
Equipment	\$16	\$2	\$2	\$4
Total obligations	\$1,259	\$1,316	\$1,316	\$1,343
Carry over (+)	\$0	\$0	\$0	\$0
Carry over (-)	\$0	\$0	\$0	\$0
Total budget authority	\$1,259	\$1,316	\$1,316	\$1,345

2007 Average Salary Methodology

2006 Average Salary (260 days)	\$98,499
Annualization of 2006 3.1 percent pay raise (.775 percent)	763
Impact of 2007 2.2 percent pay raise (1.65 percent)	1,625
Adjustment--Changes in Staff Composition	-4,008
2007 Average Salary (260 Days)	\$96,879
Regular Benefits Percentage	22%
2007 Average Salary with Benefits	\$118,192

2008 Average Salary Methodology

2007 Average Salary (260 Days)	\$96,879
Annualization of 2007 2.2 percent pay raise (.55 percent)	533
Impact of 2008 3.0 percent pay raise (.225 percent)	2,180
Two Day Adjustment (.769 percent)	745
Adjustment--Changes in Staff Composition	-790
2008 Average Salary (262 Days)	\$99,547
Regular Benefits Percentage	22%
2008 Average Salary with Benefits	\$121,447

**Detail of Budget Estimates
(dollars in thousands)**

	2006	2007 Continuing Resolution	2008 Estimate
Personal services	\$9,232	\$9,262	\$9,465
OEDCA (non-add)	2,542	2,656	2,784

Personal service funds are required to support 79 FTE in 2008. The 2008 request includes the annualized impact of the 2.2 percent pay raise in 2007 and 3.0 percent pay raise in 2008. Personal services costs also include overtime, awards and the government's cost for regular benefits such as the transit benefit, retirement, health insurance, life insurance, and Medicare.

Travel	\$390	\$369	\$376
OEDCA (non-add)	15	16	16

Travel funding is being requested for employees in the Office of the Secretary, CMV, CWV, ORPM and OEDCA for transportation related to training, conferences, etc.

<i>Detail of Budget Estimates</i>			
<i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Transportation of things	\$0	\$0	\$0

Funds are not being requested for this object class in 2008.

Rents, communications, and utilities	\$75	\$70	\$80
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The primary use of funds in this category is for the rental of office equipment, such as copiers and fax machines, and communications (local and long distance telephone services, record/data transmission services, facsimile, etc.).

Printing and reproduction	\$41	\$42	\$62
<i>OEDCA (non-add)</i>	2	2	2

This funding is for the printing of letterhead, invitations, envelopes, and reproduction of necessary items used in the efficient operation of the Office of the Secretary. Printing funds are also included for information distributed by the Center for Minority Veterans and the Center for Women Veterans.

Other services	\$573	\$586	\$663
<i>OEDCA (non-add)</i>	255	264	264

Other services funds are requested for technical analysis to assist in OEDCA caseload adjudication. The request also includes funding for Westlaw services used in the preparation of OEDCA case work, Advisory Committee consultant fees, seminars, conferences and training, as well as furniture and equipment maintenance and repairs.

Supplies and materials	\$146	\$164	\$173	+
<i>OEDCA (non-add)</i>	\$89	94	94	

This funding request is for normal recurring requirements for office supplies, furniture, computer software and miscellaneous operating supplies used for staff meetings, briefings, and top management programs.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Equipment	\$57	\$76	\$78
<i>OEDCA (non-add)</i>	37	40	40

These funds are for normal replacement and upgrades of equipment and furnishings that meet the Department's standard for replacement.

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Board of Veterans' Appeals

Mission Statement

The Board of Veterans' Appeals (BVA or Board) is the component of the Department of Veterans Affairs (VA) responsible for making a final Departmental decision on behalf of the Secretary for the thousands of claims for veterans' benefits that are presented for appellate review. Despite the dynamic environment in which BVA has operated since the advent of judicial review, the mission has remained relatively unchanged. The Board's mission is:

“ . . . to conduct hearings and consider and dispose of appeals properly before the Board in a timely manner.” 38 U.S.C. § 7101(a). “All questions in a matter which . . . is subject to decision by the Secretary shall be subject to one review on appeal to the Secretary. Final decisions on such appeals shall be made by the Board.” 38 U.S.C. § 7104(a).

Stakeholders

The Board provides primary services to appellants – veterans and veterans' family members who have filed appeals on VA benefit claims. These appellants represent a relatively small subset of those who file claims for VA benefits, which, in turn, is a subset of the potential customer base for VA – all veterans and their families. In addition to appellants, numerous organizations and individuals are stakeholders in VA's appellate process.

A chief stakeholder and primary business partner of the Board is the Veterans Benefits Administration (VBA). The vast majority of BVA actions derive from claims initiated at VA regional offices. The preliminary steps of the appellate process occur at the field level, and field action may be required at later points in the process if the appeal involves a remand.

In addition to VBA, other VA stakeholders include: (1) the Veterans Health Administration (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; and (2) the General Counsel, who provides legal opinions to the Board on questions of law and represents the Department on appeals filed with the U. S. Court of Appeals for Veterans Claims (Court).

Veterans service organizations are major stakeholders in the appellate program. Most appellants (89 percent) are represented before BVA, and veterans service organizations represent 98 percent of those appellants. Other stakeholders include the Court, Members of Congress and, of course, U. S. taxpayers.

Performance Summary Table: BVA							
Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ⁽¹⁾	2008 (Initial)	
1) Deficiency-free Decision Rate	89.0%	93.0%	89.0%	93.0%	92.0%	92.0%	92.0%
2) Appeals Resolution Time (Days) ⁽²⁾	633	529	622	657	685	700	675
3) BVA Cycle Time (Days) ⁽³⁾	135	98	104	148	105	104	104
4) Appeals Decided Per Veterans Law Judge	604	691	621	698	630	752	752
5) Cost Per Case (BVA time only)	\$1,493	\$1,302	\$1,453	\$1,381	\$1,580	\$1,627	\$1,627

⁽¹⁾ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

⁽²⁾ Joint VBA and BVA measure that includes the time from receipt of a Notice of Disagreement (NOD) in VBA to the rendering of a *final* decision (not a remand) by either VBA or BVA.

⁽³⁾ BVA time from receipt of an appeal until dispatch of a Board decision excluding time the case was with the appellant's service organization representative.

Functions and Activities

The Board issues final VA decisions on all appeals for entitlement to veterans' benefits, including claims for: service connection, increased disability ratings, total disability ratings, pensions, insurance benefits, educational benefits, home loan guaranties, vocational rehabilitation, waivers of indebtedness, fee basis medical care, dependency and indemnity compensation, and many more. Despite this broad range of subject matter, about 96 percent of the Board's appellate workload concerns appeals for disability compensation or pension. It is for this reason that the Board and its appellate program have been positioned within the Compensation and Pension business lines for Departmental strategic planning under the aegis of the Government Performance and Results Act (GPRA).

Judicial review brought some ancillary functions to the Board's mission. These include Departmental responsibilities to decide appeals concerning attorney fee

agreement issues and a requirement to provide a “certified list” of evidence for cases appealed to the Court. In addition, Public Law 105-111, enacted on November 21, 1997, provides VA benefit claimants and appellants the right to request a revision of a prior BVA decision based on an allegation of clear and unmistakable error. This legislation created an additional decision-making function to the Board’s mission, since clear and unmistakable error claims are matters of original jurisdiction for BVA, rather than appeals of determinations made elsewhere within the Department.

The Veterans’ Claims Assistance Act of 2000 (VCAA) has had a tremendous and ongoing impact on the Board’s caseload, resulting in the need for a significantly increased number of remands for additional evidentiary development and due process actions. This large additional remand caseload, along with increases in development time for pending cases, has imposed a great burden on the entire appellate system.

Since the fall of 2004, the Board has been working jointly with VBA and the General Counsel’s Office to identify the root causes of remands and to provide appropriate training in order to reduce the number of “avoidable remands.” Remands impose substantial additional workload requirements on both the Board and the regional offices. More importantly, remands can add significantly to the amount of time it takes for a veteran to receive a final decision on his or her claim for benefits. Effective training is critical here and the Board participates with VBA and the General Counsel’s Office to address key issues with regional office staff to ensure, to the extent possible, files are complete when they reach the Board. The Board has been closely searching each file for the evidence and other documentation that enables a final decision to be rendered without the need for a remand, including consideration of the doctrine of harmless error. Harmless error is a procedural deficiency that does not adversely impact the substantive rights of an appellant. Each case the Board can properly decide rather than remand to the regional offices is a service to our deserving veterans. These joint efforts have already resulted in a significant decrease in the Board’s remand rate.

Assumptions, Opportunities, and Constraints

The Board is VA’s final decision-maker on all appeals for entitlement to veterans’ benefits. Historically, the VA appellate program has been a high volume activity. From 45,000 to 50,000 new appeals are added to the appellate docket annually. Until the early 1990s, the Board’s annual decision production closely matched new appellate receipts. The process of adjusting to the changes brought about by judicial review in the early 1990s slowed the Board’s decision production and created an appellate backlog. BVA began to reverse the decision production declines in 1995 through a series of targeted productivity improvement initiatives and, by 1997, returned decision production to pre-decline levels.

It became apparent that increased cycle time was a corollary to backlog growth as the appellate backlog grew during the early 1990s. The Board will focus on eliminating the backlog, within existing resources, by concentrating on: eliminating avoidable remands; strengthening our intra-agency partnerships; writing clear, concise, coherent, and correct decisions; utilizing employee incentives, mentoring, and training programs; using overtime; increasing our use of paralegals; and providing improved on-line legal research tools and analytical frameworks.

Even more disturbing than the growing backlog of new appeals has been the number of appeals since the advent of judicial review that have to repeat the appellate cycle because of the remand process, i.e., when the Board determines that additional evidence is needed to decide an appeal, or if important procedural steps have not been completed, regulations require that the case be returned--"remanded"--to the regional office to perform the necessary task. When the regional office completes its work, it re-adjudicates the case. Unless that decision is a grant of all benefits sought, the case must be returned to the Board. About 75 percent of remanded cases are returned to the Board.

During 2006, 14,389 cases were returned to the Board for re-adjudication following the completion of development actions directed by BVA remands. At the end of 2006, 21,229 cases were in remand status, compared to 25,656 cases at the end of 2005 and 31,645 at the end of 2004. Remands represent a significant workload issue for both VBA and the Board, and they delay final decisions for veterans. Remand rate reduction is a major focus area to improve appellate service. The ongoing reduction in remands will help reduce backlog growth. Additional efforts to eliminate avoidable remands should reduce the number of Board remands in the field even further.

Program Goals, Objectives, and Performance Measures

To fulfill its mission, the Board must achieve three basic goals: (1) deliver quality services; (2) deliver timely services; and (3) deliver those services in the most efficient manner utilizing available resources to their maximum. It is incumbent on the Board to achieve continuous improvement in the quality and timeliness of its decisions through effective and efficient decision-making processes and methods. Continuous improvement will be achieved only by continuous refinement of our processes to ensure optimal performance.

Since the inception of judicial review in 1988, the Board has been the Department's link between VA's administrative benefit claims adjudication system and the U. S. Court of Appeals for Veterans Claims. The Board is the filter through which the Court's jurisprudence reaches VA and is assimilated into the VA system. BVA has worked hard to comply with requirements imposed by

precedential Court decisions. The Board realizes it must effectively respond to Court mandates and incorporate the Court's guidance in Board decisions. This can be accomplished through a concerted effort to qualitatively improve BVA's own decisions. However, we envision the practical results of such qualitative improvements to have a much broader influence throughout the Department's adjudication system. The Board will more effectively disseminate information conveyed in Court decisions throughout VA by way of high-level cooperative and close relationships with leaders in VBA, VHA, and the General Counsel's Office. This cross-organizational approach conforms to recommendations made by the Court, as well as by the numerous commissions and extradepartmental reviewing bodies that have examined VA's adjudication system over the years.

Department Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.

Department Strategic Objective 1.2: Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.

Program Objective 1.2.1: Achieve incremental improvements in the quality of decisions made by the Board.

Performance Goal: Maintain the long-term, deficiency-free decision rate at 92 percent in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ⁽¹⁾	2008 (Initial)	
1) Deficiency-free Decision Rate	89.0%	93.0%	89.0%	93.0%	92.0%	92.0%	92.0%

⁽¹⁾ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: BVA has a formal quality review program to review the quality of decisional products and to identify areas in which professional training is needed. In this quality review process, an on-going, statistically valid sample of BVA decisions is reviewed and components deemed essential to a quality appellate decision are assessed on a pass/fail basis according to established standards. The five areas examined and scored are: (a) identification of issues; (b) findings of fact; (c) conclusions of law; (d) reasons and bases/rationale for preliminary orders such as remands; and (e) due process. A quantified baseline for decision quality was established for the first time at the outset of 1999. This provided the Board a foundation for establishing quantified decision quality goals and pursuing continuous improvement in the quality of decisions through repeated measurements. In accordance with a GAO recommendation, we

consider only substantive deficiencies in our quality assessment. However, while the primary focus is on identifying, quantifying, and correcting substantive errors, we still address minor deficiencies and seek to improve all aspects of our decisions. Areas of deficiency highlighted through this process are used to determine BVA training needs.

Data Source(s) and Verification: The Board’s primary source of workload data for all performance measures is its main business and operating system, Veterans Appeals Control & Locator System (VACOLS). Where feasible, edits have been built into the system to prevent data entry errors. There are checks and balances throughout the system to detect errors, and procedures are in place for correcting these errors. Data from this system are reliable, accurate, and the best available for use in monitoring the Board’s performance. We rely on VA’s central payroll/financial systems for all financial and personnel data. These sources and verification methods apply to all BVA measures.

Goal Validation: BVA chose its performance measures from processes that closely reflect our mission to “conduct hearings and dispose of appeals properly before the Board in a timely manner.”

Program Objective 1.2.2: Reduce the time a case spends at the Board to facilitate reduction of the appeals resolution time.

Performance Goal: Appeals resolution time will not exceed 700 days in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ⁽¹⁾	2008 (Initial)	
2) Appeals Resolution Time (Days)	633	529	622	657	685	700	675

⁽¹⁾ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: Appeals resolution time is the average length of time it takes VA to process an appeal from the date a claimant files a Notice of Disagreement (NOD) until a case is resolved, including resolution at a regional office or by a final decision by the Board. This measure was adopted at the beginning of 1999 as a principal measure of performance relied upon by both BVA and VBA. It is widely used in our Department strategic plans, budgets, and performance plans. It has been constructed from the veteran’s viewpoint, making no distinction between VBA and BVA but, rather, looking at the adjudication process as the action of “VA.”

Remand rate reduction is a central component of our strategy to reduce appeals resolution time. Remands represent a rework within the appellate cycle. Remands delay not only the individually affected cases, but, because by law we must process the oldest cases first, processing of newer appeals is delayed when remanded appeals are returned to the Board for re-adjudication. The 2008 target represents a slight decline in expected performance. This is the result of increased workload and complexity of the cases. To mitigate the decline, BVA is aggressively pursuing a remand rate reduction strategy to train and share information between BVA and regional offices during Travel Board trips and to respond to numerous e-mail and telephone inquiries from regional office staff. BVA is also developing improved bases of information that can be used to better analyze trends concerning what types of cases have been remanded and why. This focuses efforts on avoiding future remands. The Board's annual remand rate decreased from 56.8 percent in 2004 to 32.0 percent in 2006. We expect further improvement once the Board begins reaching cases on its docket that have been subject to VBA's efforts to reduce avoidable remands --- appeals after December 2004.

Appeals Resolved in 2006	Number of Cases	Percentage of Total Appeals Resolved
Prior to Receipt of Appeal Form 9	21,507	21%
Failure to Respond to Statement of the Case	42,174	41%
After Form 9 Received	10,759	10%
BVA Decision	25,023	24%
After BVA Remand	3,749	4%
Total	103,212	100%

Program Objective 1.2.3: Contain BVA cycle time to within reasonable limits.

Performance Goal: BVA cycle time will not exceed 104 days in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ⁽¹⁾	2008 (Initial)	
3) BVA Cycle Time (Days)	135	98	104	148	105	104	104

⁽¹⁾ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: BVA cycle time measures the time a case spends at the Board, other than the time the case file is in the possession of a veterans service organization. The Board strives to enter final, legally accurate decisions in the shortest time possible.

Program Objective 1.2.4. Maintain organizational productivity, as measured by appeals decided per Veterans Law Judge, at the level necessary to meet timeliness objectives.

Performance Goal: Decide 752 appeals per Veterans Law Judge in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ⁽¹⁾	2008 (Initial)	
4) Appeals Decided Per Veterans Law Judge	604	691	621	698	630	752	752

⁽¹⁾ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: The number of appeals decided per Veterans Law Judge is a matter of record in VACOLS and is dependent on the number of decisions produced. These numbers have increased significantly due to an aggressive training program within BVA to write concise, coherent, and correct decisions and a successful mentoring program that pairs up high-producing attorneys with new hires. The Board's strategy is to maintain a critical balance between timeliness and quality. Producing a large number of decisions has little meaning without the context of quality. Appellants do not care about the number of decisions made by BVA in the aggregate over the course of a year – they are only interested in receiving timely decisions on *their* appeals.

Program Objective 1.2.5: Maintain reasonable and relatively constant annual cost per case.

Performance Goal: BVA's annual cost per case will not exceed \$1,627 in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ⁽¹⁾	2008 (Initial)	
5) Cost Per Case (BVA time only)	\$1,493	\$1,302	\$1,453	\$1,381	\$1,580	\$1,627	\$1,627

⁽¹⁾ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: Cost per case is the corollary to BVA's productivity measure, appeals decided per Veterans Law Judge. As productivity rises or falls, cost per case will typically follow in an inverse relationship. The main reason for this is that about 93 percent of the Board's dollar resources are devoted to personal services. Our strategy in this area is to continue to employ management tools to seek out and take advantage of opportunities for economies in our operations.

Summary of Budget Request

The Board of Veterans' Appeals requests an average employment level of 468 full time employee equivalents (FTE) and \$58,545,000 to support its operations in 2008.

<i>Summary of Employment and Obligations by Object (dollars in thousands)</i>				
	2006 Actual	2007		2008 Estimate
		Budget Estimate	Continuing Resolution	
Average employment:				
Executive, Management and Administrative Support	141	141	141	137
Decision Teams (Board Members and Counsel)	311	303	303	331
	452	444	444	468
Total				
Obligations:				
Personal services	\$50,575	\$52,798	\$53,301	\$54,762
Travel	551	453	550	607
Transportation of things	35	40	40	40
Rents, communications and utilities	396	419	419	488
Printing and reproduction	74	114	114	117
Other services	1,195	1,204	1,204	1,892
Supplies and materials	572	229	229	391
Equipment	571	52	52	248
	\$53,969	\$55,309	\$55,909	\$58,545
Total obligations				
Carryover	(\$1,051)	0	(\$600)	0
	\$52,918	\$55,309	\$55,309	\$58,545
Budget Authority				

The increases for 2008 include \$2,500,000 to support 31 new FTE. The remaining increase provides for inflation, pay raises, and regular benefits increases.

<i>Changes from Original 2007 Budget Estimates (dollars in thousands)</i>		
	2007	
	Budget Estimate	Continuing Resolution
Average employment	444	444
Funding:		
Personal services	\$52,798	\$53,301
Travel	453	550
Transportation of things	40	40
Rents, communications, and utilities	419	419
Printing and reproduction	114	114
Other services	1,204	1,204
Supplies and materials	229	229
Equipment	52	52
Total obligations	\$55,309	\$55,909
Carryover	0	(\$600)
Budget Authority	\$55,309	\$55,309

<i>2007 Average Salary Methodology</i>	
2006 Average Salary (260 days)	\$85,361
Annualization of 2006 3.1 percent pay raise (.775 percent)	662
Impact of 2007 2.2 percent pay raise (1.65 percent)	1,408
Adjustment - Changes in Staff Composition	4,839
2007 Average Salary (260 days)	\$92,270
Regular Benefits Percentage	24.23%
2007 Average Salary with Benefits	\$114,627

<i>2008 Average Salary Methodology</i>	
2007 Average Salary (260 days)	\$92,270
Annualization of 2007 2.2 percent pay raise (.55 percent)	507
Impact of 2008 3.0 percent pay raise (2.25 percent)	2,076
Two Day Adjustment (.769 percent)	710
Adjustment - Changes in Staff Composition	-1,902
2008 Average Salary (262 days)	\$93,661
Regular Benefits Percentage	24.23%
2008 Average Salary with Benefits	\$116,355

For the first time in many years, the Board's average salary decreased over and above the normal increases for pay raises and other personal services costs. This is due to hiring a large group of new attorneys in 2006 at the lower levels of a GS-

09 to GS-14 career ladder. As they work their way to the journeyman GS-14 level, the average salary will steadily increase.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Personal services	\$50,575	\$55,301	\$54,762

Personal services include base pay, cash awards, SES bonuses, overtime, terminal leave, and the government's cost for regular benefits such as retirement, health benefits, life insurance, Medicare, travel subsidy, and child care subsidy. The requested increase will fund the anticipated 2008 pay raise as well as 31 new FTE. These additional employees will provide legal expertise and associated administrative support to work the expected 43,000 new cases.

Executive, Management, and Administrative Support consists of all personnel in the Office of the Chairman, the Appellate Group, and the Management and Administration Division. General responsibilities include executive direction, development and implementation of Board policy, planning, direction of operations, and coordination of resources of the Board of Veterans' Appeals to ensure accomplishment of its mission. Included in this group are personnel responsible for quality review program operations, attorney fee program matters, and the Board's Research Center operations. Also included are personnel to maintain the docket; schedule hearings; and provide correspondence, mail and record management activities, information systems support, secretarial services, transcription, and other administrative support.

Decision Teams are comprised of Veterans Law Judges and Counsel. Veterans Law Judges consider all appeals properly before them, conduct hearings, evaluate evidence of record, and enter written decisions on issues presented on appeal. Board counsel conduct research and prepare decisions for review and approval and perform records designation responsibilities relative to appeals filed with the Court. On cases requiring development, Board counsel are also responsible for preparing a remand decision setting out evidence to be obtained prior to entry of a decision.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007	2008
		Continuing	

	Actual	Resolution	Estimate
Travel	\$551	\$550	\$607

These funds are used primarily for visits of traveling Veterans Law Judges to field stations to conduct formal hearings. During the past few years, the Board has been conducting record numbers of Travel Board hearings in response to growing demand, while at the same time conducting record numbers of videoconference hearings. Other travel expenses include trips of the Chairman and other Board staff to participate in initiatives with VA appellate program implications, and to attend conferences and other meetings involving veterans' affairs. These funds are also used for travel in conjunction with executive development and other training. The requested funds will also provide for Board attorneys to accompany Veterans Law Judges on Travel Board trips to VA regional offices to assist in conducting the hearings and to provide training and other assistance to regional office adjudication personnel. Current practice is to send one attorney on Travel Boards except for trips to St. Petersburg and Waco, where two attorneys are sent. St. Petersburg and Waco are the regional offices with the highest number of pending Travel Board requests. The attorneys are of particular assistance to these regional offices by providing training to their personnel and ensuring that pending hearing cases are properly prepared for BVA consideration.

<i>Detail of Budget Estimates</i> (dollars in thousands)			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Transportation of things	\$35	\$40	\$40

These funds will cover shipping costs of recordings to the Board's transcription unit in Wilkes-Barre, Pennsylvania, and will pay for shipping claims folders and miscellaneous appeals documentation to and from VA regional offices, medical schools, VA medical centers, and other sources utilized to obtain outside medical opinions and other shipments relative to pending appeals.

<i>Detail of Budget Estimates</i> (dollars in thousands)			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Rents, communications, and utilities	\$396	\$419	\$488

These funds will be used to cover rental costs for telephone lines, copiers, and miscellaneous office equipment.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Printing and reproduction	\$74	\$114	\$117

These funds will be used to cover the cost of printing the Annual Report, forms, pamphlets, manuals, and other information necessary to accomplish the Board's mission.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Other services	\$1,195	\$1,204	\$1,892

The Board uses contractual support for the BVA Research Center, and tuition costs for executive development, legal, medical, professional, and other training. Additional FTE will permanently increase the need for these services. The office move to a new location will require funds for unanticipated one-time costs.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Supplies and materials	\$572	\$229	\$391

This budget object classification includes funds for general office supplies, operating supplies, office automation supplies, books, professional periodicals, and other reference materials for case-related research. Additional FTE dedicated to working cases will increase the requirement for supplies and materials.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
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	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Equipment	\$571	\$52	\$248

Requested funds will be used toward the acquisition and/or replacement of equipment, photocopiers, dictating equipment, transcription devices, and other office equipment in accordance with equipment acquisition and replacement schedules. Additional equipment will be required to set up workstations for new FTE.

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General Counsel

Mission

The mission of the Office of General Counsel (OGC) is to identify and meet the legal needs of the Department of Veterans Affairs (VA). Its primary objective is to 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.

Stakeholders

Our primary stakeholders receive the legal services of OGC. These include the Secretary of Veterans Affairs, the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), the National Cemetery Administration (NCA), and other components of the Department. Secondary stakeholders include the Congress, the Court of Appeals for Veterans Claims, other Federal agencies, and veterans service organizations.

Performance Summary Table

Measure (Departmental Measure is in bold)	Description Management	Results				Targets		Strategic Target
		2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1) Percentage of tort claims decided accurately at the administrative stage.^{2/}		86.0%	89.0%	88.4%	92.2%	90.0%	90.0%	90.0%
2) Revenue collected in Medical Care Collection Fund (MCCF) claims through the efforts of the Regional Counsel ^{3/}		\$30.0M	\$20.9M	\$28.2M	\$27.0M	\$25.1M	\$25.7M	\$25.7M ^{4/}

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

^{2/} The description of this measure has changed from 2007, but the measure is unchanged.

^{3/} Collections increased in 2003 and 2005 due to settlement of large cases in each year. We do not expect similar settlements in 2007 and 2008.

^{4/} The Office of General Counsel raised the Strategic Goal to reflect our recent success with this performance measure.

Functions/Activity

The OGC provides essential, high-quality legal and legislative 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.

The OGC delivers legal services to the Department both at Central Office and in the field. Twenty-two Regional Counsel Offices located throughout the country support VA's field operations. The Central Office legal staff is made up of six professional staff groups (PSGs) performing substantive legal work. Another staff group provides management and operational support to all components of the OGC.

The 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 Specialized Legal Services. Within each of these five product lines are a number of legal-specific areas or "product categories."

Product Lines (product categories are in order of service delivery priority):

Employment Law: Within this product line, the OGC provides legal services involving the following:

1. Employee disciplinary actions appealed to the Merit Systems Protection Board;
2. Employee complaints of discrimination or harassment taken to the Equal Employment Opportunity Commission (EEOC);
3. Title 38 employee disciplinary actions 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 relations arbitration matters;
10. General labor-management relations;
11. Employee pay and benefit matters;
12. State licensing board matters;
13. National Practitioner Data Bank; and
14. Military Personnel/Civilian Employee Claims.

Health Law: Within this product line, the OGC provides legal services involving the following:

1. Administrative tort claims filed against the Department for injuries alleged to have resulted from VA-provided health care;
2. Administrative tort claims filed against the Department for damages alleged to have resulted from actions involving VA property/employees not related to health care;
3. Issues relating to the administration and management of a health care system;
4. Patient safety;
5. Bioethics;
6. Educational/training programs for health care professionals;
7. Commitment of mentally disturbed/impaired veterans to VA health care facilities;
8. Medical Research;
9. Eligibility for health care services;
10. Canteen Service operations;
11. Final agency decisions on patent and copyright matters;
12. Administration of the General Post Fund; and
13. Acceptance of gifts to VA.

Benefits Law: Within this product line, the OGC provides legal services involving the following:

1. Burial benefits;
2. Loan Guaranty (including management of properties acquired by VA in loan default actions);
3. Appointment and removal of fiduciaries;
4. Compensation and Pensions;
5. Vocational Rehabilitation and Education;
6. Attorney fees for claimant representation;
7. Accreditation of veterans service organization representatives; and
8. National Service Life Insurance, United States Government Life Insurance, and Servicemember's Group Life Insurance.

Business Law: Within this product line, the OGC provides legal services involving the following:

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, *supra*);
5. Enhanced-use leases of real property;
6. Compliance with environmental and occupational safety laws; and
7. Non-profit research corporations (issues related to incorporation and management of these corporations).

Specialized Legal Services: Within this product line, the OGC provides legal services involving the following:

1. Disclosure of information (e.g., *Touhey*, FOIA, Privacy Act, etc.);
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; and
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).

Assumptions, Opportunities and Constraints

The following assumptions were used in developing the 2008 plan:

1. The demand for legal services will continue to increase, as demonstrated by workload increases from FY 2004 to FY 2006 (Other Specialized Legal Services - 86%; Health Law - 81%; and, Employment Law - 65%);
2. The caseload at the U.S. Court of Appeals for Veterans Claims (CAVC) increased 99% from FY 2004 to FY 2006. It is assumed that appeals to that court will continue to increase at the same rate, and that there will be a proportionate increase in appeals from that court to the U.S. Court of Appeals for the Federal Circuit;
3. There will be no major economic disruptions that would result in consequences significantly affecting the workload of the OGC.

Program Goals, Objectives, and Performance Measures

The Enabling Goal: **Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.**

Objective E-4: Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting and performance.

Program Objective E.4.1: Effectively evaluate tort claims to defend health care providers and the Department against claims that lack merit or are otherwise legally insufficient, and to fairly compensate veterans who have been injured by substandard medical treatment. Administrative settlement of meritorious claims and vigorous defense of dubious claims will reduce the cost of handling tort claims against the Government.

Performance Goal: In FY 2008, OGC will maintain the percentage of claims decided accurately at the administrative stage at the FY 2007 level of 90 percent. We aim to effectively evaluate all claims and attempt to settle or otherwise dispose of claims administratively, thereby fairly compensating injured veterans and their dependents, protecting health care providers from claims that lack merit, and reducing the cost of malpractice claims to the Government. OGC's proficiency in evaluating these cases can be measured by comparing the results of litigated cases to those closed administratively. This can be expressed as a proficiency factor, calculated via the following formula:

$$\frac{\text{\# of claims closed administratively} - \text{\# of claims paid in litigation}}{\text{\# of claims closed administratively}}$$

A higher resulting percentage generally indicates that cases were properly evaluated and, when appropriate, settled before a lawsuit was filed, although too high a factor may be indicative of excessive or inappropriate settlements. To avoid settling cases for an inappropriate amount, some must be litigated. Such litigation deters both frivolous claims and excessively high demands for damages and provides an indication of whether the claim was properly evaluated at the administrative stage, even though some are inevitably paid in litigation, and these payments reduce the proficiency factor. To account for this scenario, the strategic goal for the factor has been set at no more than 90 percent.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
1) Percentage of tort claims decided accurately at the administrative stage. ^{2/}	86.0%	89.0%	88.4%	92.2%	90.0%	90.0%	90.0%

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

^{2/} The description of this measure has changed from 2007, but the measure is unchanged.

Means and Strategies: OGC's ability to effectively evaluate medical malpractice claims significantly impacts veterans and their dependents who have been injured by substandard medical care. During the administrative phase of the tort claim process, VA delivers fair compensation for injuries sustained by veterans and their dependents more quickly and with less expense and stress for the injured party than during protracted litigation. At the same time, OGC's proper evaluation of claims protects providers from claims that lack merit. Claims paid may result in adverse publicity and may expose providers to National Practitioner Data Bank reporting, which could adversely affect their careers and reputations. Extended litigation can result in stressful working conditions and can strain resources better utilized to provide medical care to our Nation's veterans.

The total number of claims presented to the Department has significantly increased over the past 10 years. This is consistent with trends in the private sector and can be expected to continue for the indefinite future. The average dollar amount of litigation payments in these cases has also risen, more than doubling in the last 10 years. During the same period, the number of claims filed has increased by 40 percent. The settlement of a case at the administrative level - before the claimant files suit in court - reduces the cost of settlement by over 60 percent, not including the costs of deposition, discovery, and other litigation costs.

OGC has conducted training for attorneys who adjudicate and litigate medical malpractice claims filed against VA. The instructors have emphasized the importance of effectively and accurately evaluating these claims, and have provided suggestions and legal tools to accomplish this objective. Regional Counsel and the attorneys in the Torts, Hospital Collections, Real Estate Finance, and Education/Vocational Rehabilitation Group monitor the effectiveness of the training through routine analysis of the settlements negotiated.

Data Sources: The Office of General Counsel maintains a computerized Tort Claims Information System (TCIS) into which data on tort claims and litigation are entered throughout the pendency of a case.

Data Verification: Using monthly reports of closed cases involving payment, the Office of General Counsel will review the data for accuracy on a monthly basis and again at the close of the fiscal year.

Goal Validation: This goal promotes VA's increased emphasis towards settling meritorious tort claims administratively in order to compensate deserving veterans and their families for medical error as rapidly as possible. Administrative settlement may often serve to avoid undue stress for the veteran, while at the same time avoiding unnecessary expense to the government.

Program Objective E.4.2: Evaluate and pursue legally sufficient collection cases arising out of VA medical treatment to ensure timely collection from responsible third parties (e.g., insurance companies, workers compensation carriers, and third-party tortfeasors).

Performance Goal: Increase the revenue collected in Medical Care Collection Fund claims through the efforts of the Regional Counsel to \$25.7 million in 2008. We aim to effectively evaluate all referred medical treatment claims for which a third party may be responsible for reimbursing the Department for medical care provided to the veterans. OGC's proficiency in evaluating these cases can be measured by reviewing the results in cases identified as having a legally sufficient basis for the Department to pursue. Additionally, the amount collected by RCs will be reflective of the Department's medical centers' proficiency in identifying and referring cases that have initially been identified as having legal merit.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ^{1/}	2008 (Initial)	
2) Revenue collected in Medical Care Collection Fund (MCCF) claims through the efforts of the Regional Counsel ^{2/}	\$30.0M	\$20.9M	\$28.2M	\$27.0M	\$25.1M	\$25.7M	\$25.7M

^{1/} Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

^{2/} Collections increased in 2003 and 2005 due to settlement of large cases in each year. We do not expect similar settlements in 2007 and 2008.

Means and Strategies: OGC's ability to effectively evaluate debt claims for assertion against third parties can have a significant impact on the Department's ability to deliver health care to the nation's veterans. The Department's 22 Regional Counsel (RC) Offices receive, review, and pursue legally sufficient medical care collection claims in accordance with guidance established by the General Counsel. The RC offices will continue to increase the amount of training and assistance to the Department's medical centers nationwide to assist in the initial identification and evaluation of third parties who may be legally responsible for the costs of treatment. In addition, the RC Offices provide necessary training to personnel in the Department's medical centers to identify possible legal issues that arise from potential claims against health insurance companies that may be responsible for reimbursing the Department for routine health care provided to veterans. This training allows for the identification of more responsible parties and enhances the ability of the RC Offices to pursue the recovery of the costs of medical care for which a third party may be responsible.

The total number of claims asserted by the Department has remained somewhat constant over the past 5 years. The dollar amount recovered by OGC in medical collection cases increased significantly in 2003 when we negotiated a substantial settlement of health insurance claims. We expect that the level of collections will increase slightly in 2008, and note that the collections spiked in 2003 and 2005 due to the settlement of cases involving multiple parties. We do not expect similar large settlements in 2007 and 2008.

Data Sources: The Office of General Counsel maintains a computerized collection database into which data on cases and collections are compiled on a monthly basis for each fiscal year.

Data Verification: Using monthly reports of closed cases in which the Department has recovered payment from the responsible third party, the Office of General Counsel will review the data for accuracy on a monthly basis and again at the close of the fiscal year.

Goal Validation: The actual collections generated by the efforts of OGC's headquarters and field personnel provide the best measurements of success as they demonstrate the priority and level of effort our managers and their employees have invested in collection work. In addition, the dollar values of our collections are clear, objective measurements visible to OGC and to our Veterans Health Administration clients.

Resource Requirements

In FY 2008, the Office of General Counsel will require resources as follows:

Product Line:	
Benefits Law	\$15,452,319
Business Law	30,118,260
Employment Law	15,022,649
Health Law	10,369,063
Other Specialized Legal Services	5,288,709
Total Resource Requirements	\$76,251,000

Funding:	
Appropriated	\$65,185,000
Reimbursable:	
Credit Reform	5,009,000
MCCF	4,653,000
Supply	937,000
All Other	467,000
Total Resource Requirements	\$76,251,000

Our FY 2007 resources requirements are as follows:

Changes from 2007 President's Budget Request (Dollars in thousands) 2007		
	Budget Estimate	Continuing Resolution
Average employment:	656	656
Obligations:		
Personal services	\$71,516	\$71,516
Travel	961	961
Transportation of things	38	38
Rents, communications and utilities	728	728
Printing and reproduction	23	23
Other services	653	653
Supplies and materials	1,032	1,032
Equipment	590	590
Insurance claims	25	25
Total Obligations	\$75,566	\$75,566

Summary of Budget Request

The Office of General Counsel requests \$76,251,000 in total spending authority and an average employment level of 645 for FY 2008. This is an increase in obligations of \$685 thousand above the 2007 continuing resolution figure. Included in this increase is \$401 thousand in budget authority. We will transfer 26 employees' payroll expenses and \$925K in non-payroll expenses to the new IT appropriation in FY 2008; however due to OGC's increased workload of more than 30% in three out of five Product Lines between 2006 and 2008, we will add an additional 15 full-time employees, a mix of attorneys, paralegals, and support staff, to meet and maintain our full range of legal services.

<i>Summary of Employment and Obligations</i> (dollars in thousands)				
	2006 Actual	2007		2008 Estimate
		Budget Estimate	Continuing Resolution	
Average employment:				
Field	411	400	400	400
Central Office <u>1/</u>	258	256	256	245
	669	656	656	645
Total				
Obligations:				
Personal services	\$69,624	\$71,516	\$71,516	\$70,959
Travel	976	961	961	962
Transportation of things	0	38	38	329
Rents, communications and utilities	538	728	728	397
Printing and reproduction	59	23	23	1,686
Other services	324	653	653	529
Supplies and materials	502	1,032	1,032	984
Equipment	160	590	590	387
Insurance claims	9	25	25	18
Total Obligations	\$72,192	\$75,566	\$75,566	\$76,251
Reimbursements				
Medical Care Collection Fund	\$-4,455	\$-4,566	\$-4,566	\$-4,653
Credit Reform	-4,796	-4,905	-4,905	-5,009
Other Reimbursements	-1,299	-1,311	-1,311	-1,404
Carryover	-1,128	0	0	0
Current Year Carryover <u>2/</u>	384			
Total Budget Authority	\$60,898	\$64,784	\$64,784	\$65,185

1/ Currently 17 FTE assigned to VACO are physically located in the field.

2/ Once apportioned by OMB this funding will be carried over to FY 2007.

Summary of Workload Indicators

Cases and Unit ^{1/}

	2006	2007	2008
	Actual	Current Estimate	Estimate
Benefits Law	31,629	32,894	34,209
Business Law	61,648	64,114	66,678
Employment Law	31,967	32,606	33,258
Health Law	22,064	22,506	22,956
Other Specialized Legal Services	10,825	11,258	11,709
Dollars collected (in thousands) ^{1/}	\$31,217	\$31,842	\$32,478

^{1/} These include collections for MCCF, Debt Collection, Bankruptcy, escheat/general post fund, probate, VA property damage, and other recoveries.

2007 Average Salary Methodology

2006 Average salary (260 days)	\$82,046
Annualization of the 2.2 percent 2006 pay raise (0.55 percent)	451
Impact of the 2.2 percent 2007 pay raise (1.65 percent)	1,361
Changes in composition of staff	1,709
2007 Average salary (260 days)	\$85,567
Regular benefits percent	25%
2007 Average salary with benefits	\$106,959

2008 Average Salary Methodology

2007 Average salary (260 days)	\$85,567
Annualization of the 2.2 percent 2007 pay raise (0.55 percent)	471
Impact of the 3.0 percent pay raise in 2008 (2.25 percent)	1,936
Two day Adjustment (+0.776 percent)	682
Changes in composition of staff	(2,794)
2008 Average salary (262 days)	\$85,862
Regular benefits percent	25%
2008 Average salary with benefits	\$107,328

<i>Detail of Budget Estimates</i>			
<i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Personal services	\$69,624	\$71,516	\$70,959

Payroll requirements include base pay as well as special pay, locality pay, normal pay increases, cash awards, overtime, SES bonuses, terminal leave, transit benefits, severance pay, benefits associated with translocation costs, and the Government's cost for regular benefits such as retirement, health insurance, life insurance, and Medicare.

Travel			
Employee travel	\$923	\$900	\$900
GSA car rental	52	61	62
Total	\$976	\$961	\$962

These funds provide for temporary duty travel necessary to provide legal services to VA medical centers, domiciliaries, outpatient clinics and nursing home care installations, VA regional offices, national cemeteries, readjustment counseling centers, and other facilities.

Transportation of things	\$0	\$38	\$329
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These funds provide for necessary expenses involved in the movement of household goods that arise from the official transfer of employees to new duty stations.

Rents, communications, and utilities	538	\$728	\$397
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These expenditures are for rent and the rental of non-ADP office equipment.

<i>Detail of Budget Estimates</i> (dollars in thousands)			
	2006 Actual	2007 Continuing Resolution	2008 Estimate
Printing and reproduction	\$59	\$23	\$1,686

These funds are for the printing of Regional Counsel correspondence materials, General Counsel Circulars and Bulletins, and other internal publications. External publications, such as the Congressional Record, Comptroller General Decisions, Congressional and Executive Office publications, materials, reports, and various directories, are also included.

Other Services	\$324	\$653	\$529
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Funds are included for training, repair of equipment and furniture, court and legal fees, depositions, court reporters' fees, and notary public fees.

Supplies and materials	\$502	\$1,032	\$984
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Funds are included for the purchases of legal reference materials for the law libraries in Central Office and in Regional Counsel Offices. Also included are non-ADP office and operating supplies.

Equipment	\$160	\$590	\$387
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The funds will also be used to continue on an OGC-wide basis, the replacement of aging photocopying equipment and other obsolete and/or non-serviceable equipment such as typewriters, faxes, and tape recorders. Replacement furniture is also funded from this account.

Insurance claims	\$9	\$25	\$18
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OGC will continue to pay for Federal Torts Claims Act (FTCA) claims filed against various VACO components (e.g., Inspector General, National Cemetery Administration, and OGC). This is a non-discretionary expenditure.



Assistant Secretary for Management

Mission

The Office of Management has two distinct missions. Our first mission is to support the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), Board of Veterans' Appeals (BVA), and staff offices as VA provides benefits and services to our Nation's veterans. We do this by providing strategic and operational leadership for budget, financial management, acquisition and materiel management, and corporate management of capital assets. Our second mission is to promote public confidence through stewardship and oversight of VA business activities ensuring their consistency with national policy, law, and regulation.

Stakeholders

External stakeholders include veterans and their families, private sector vendors, Department of the Treasury, Government Accountability Office (GAO), General Services Administration (GSA), Office of Personnel Management (OPM), Office of Management and Budget (OMB), Congress, Department of Defense (DoD), Federal Accounting Standards Advisory Board (FASAB), CFO Council, Federal Real Property Council (FRPC), Veterans Service Organizations (VSOs), and other government agencies.

Internal stakeholders include VHA, VBA, NCA, BVA, and staff offices.

Performance Summary Table

Performance Summary Table: Office of Management							
Measure Description (Departmental Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements	0	0	0	0	0	0	0
2) Number of material weaknesses identified during the annual independent financial statement audit or separately identified by management	5	4	4	3	3	3	0
3) Percent of space utilization as compared to overall space (owned and direct-leased)	N/A	80% Baseline	98%	100%	95%	95%	95%
4) Percent Condition Index (owned buildings)	N/A	N/A	82% Baseline	79%	84%	85%	87%
5) Ratio of non-mission dependent assets to total assets	N/A	N/A	22% Baseline	15%	16%	13%	10%
6) Ratio of operating costs per gross square foot (GSF)*	N/A	\$4.52 (Baseline)	\$4.85	\$5.59	\$4.52	\$4.52	\$4.52
7) Cumulative percentage decrease in facility traditional energy consumption per GSF from the 2003 baseline	Baseline	N/A	N/A	2%	4%	6%	20%

*Operating costs have been adjusted to reflect Federal Real Property Council Tier 1 definitions.

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Function/Activity

The Office of Management (OM) is a multifunctional organization responsible for directing the Department of Veterans Affairs' budgetary, financial, acquisition, and capital asset management functions. The Assistant Secretary for Management is the Chief Financial Officer (CFO), Chief Acquisition Officer (CAO), Chief Budget Officer (CBO), Senior Real Property Officer (SRPO), and the Environmental Executive for the Department of Veterans Affairs. The Office is comprised of six organizational elements: the Offices of Asset Enterprise Management, Budget, Finance, Business Oversight, Financial & Logistics Integrated Technology Enterprise (FLITE), and Acquisition and Materiel Management (Supply Fund).

OM has two fundamental roles. First, we have an operational role to provide budget, finance, capital asset management, and materiel management and acquisition support to the Department's Administrations and staff offices so they can accomplish their missions. Approximately 80 percent of staff engages in these direct support activities. And second, we have oversight responsibility on behalf of the Secretary to ensure VA complies with laws, policies, and directions from external organizations such as OMB, Treasury, GSA, GAO, and Congress. Approximately 20 percent of staff engages in these stewardship activities.

The Office of Management provides direct, operational support to the Department's Administrations and staff offices in the areas of:

(1) *Financial operations and systems services* - directs and manages the Department's financial operations and systems, and many of the legacy stovepipe systems which interface with them. In addition, the Office of Finance is responsible for the following activities:

- directs and manages the Department's financial operations through the Financial Services Center (FSC) and VA Central Office Financial Operations staff;
- directs and manages the Department's debt management activities through the Debt Management Center (DMC);
- oversees the maintenance and modification of VA's corporate financial accounting systems, the Financial Management System (FMS), and the Personnel Accounting Integrated Data (PAID)/payroll system and related self-service applications;
- provides stewardship and maintenance support for peripheral financial systems that interface to FMS;

- develops and implements long-range financial systems initiatives, in concert with applicable VA offices such as OIT;
- ensures all corporate financial management systems, including FMS and PAID/payroll system and related self-service applications, are in compliance with financial systems policy and automated financial data exchange requirements;
- ensures systems passing financial information to FMS comply with Government-wide accounting principles and standards;
- oversees financial aspects of enhanced-use leasing and trust accounts applicable to VA;
- provides financial management guidance and oversight of the VA's Enterprise Centers which operate through VA's Franchise Fund (FF) as well as providing administrative support to the FF Board of Directors;
- processes nationwide payroll, employee travel and relocation, and vendor payments;
- expands electronic commerce and electronic data interchange capabilities;
- provides financial management training to users of the Department's financial management systems;
- provides Help Desk financial support for other VA offices and commercial vendors;
- maintains the VA FMS vendor file consisting of approximately 500,000 active vendor records; and
- Department level oversight of the development of the Financial & Logistics Integrated Technology Enterprise (FLITE) project.

(2) *Financial policy* - provides VA-wide policy, guidance, and advice. The Office of Finance is responsible for developing, coordinating, issuing, evaluating, and reviewing VA's financial policies, systems, and procedures for compliance with all laws and regulations. It serves the Department's CFO as the liaison with OMB, GAO, Treasury, GSA, FASAB, and the government-wide CFO Council for all financial policy. It also prepares comprehensive financial reports and assists VA's Budget Office in preparing the Annual Performance and Accountability Report. This office also provides Department-wide customer support through:

- financial integrity and cost accounting guidance;
- financial statement development;
- appropriations law guidance;
- preparation of VA's financial reports;
- analysis of expenditures and collection of funds;
- payroll, cash, travel, and debt management oversight; and
- asset property and inventory management oversight.

(3) *Acquisitions* - procures goods and services for VA. This office awards and administers cost-effective national contracts to meet supply and equipment needs of VA facilities around the country and of many other Government agencies (OGAs). These contracts include medical-related Federal Supply Schedules (authority delegated by the General Services Administration); blanket purchase agreements; direct delivery (for high-tech medical equipment and systems); centralized purchases; and national distribution contracts. VA facilities and OGAs use national contracts to purchase pharmaceuticals; medical, surgical, and dental equipment and supplies; information technology equipment and services; nonperishable food items; consulting services; and other health-care items needed to operate the largest health-care system in the Nation. This office develops Department-wide acquisition policy, manages VA's mandatory acquisition training program, and offers continuing education programs for VA procurement staff around the country. The Office of Acquisitions also manages VA's Contracting Officer Certification Program and is responsible for warranting all VA contracting officers. To ensure the integrity of VA's acquisition program, this office conducts acquisition reviews of major contract actions. Another responsibility is providing leadership for VA's procurement working group, an intradepartmental body that seeks to reduce vulnerability to procurement fraud.

(4) *Capital asset planning and management* - provides VA-wide capital asset policy, investment, and management strategies. The Office of Asset Enterprise Management (OAEM) is the principal policy office and business advisor to the Assistant Secretary for Management and the Secretary regarding investment selection and execution; portfolio management; and disposal of all VA capital assets as well as providing guidance, standards, and technical expertise with respect to the implementation of such activities. OAEM provides oversight in the capital asset arena to ensure a consistent and cohesive Department approach to capital asset management, including development of the VA 5-Year Capital Plan, Asset Management Plan, and leveraging assets in support of VA's portfolio goals. This approach helps VA align asset decisions closely with its strategic goals, elevate awareness of its assets, and employ performance management techniques to monitor asset performance on a regular basis through the entire lifecycle of an asset. At the core of VA's capital asset business strategy is value management - striving to return value to VA's business and managing existing value for greater return. VA monitors its entire capital asset portfolio, examining all assets at all lifecycle stages, in concert with VA's portfolio goals and VA's strategic goals. VA's innovative portfolio analysis and decision support tool, Capital Asset Management System (CAMS), enables VA to more efficiently and effectively manage its vast array of capital assets. Only through this corporate portfolio perspective can VA begin to achieve its overall capital asset business strategy of value management.

In line with the supplement to OMB Circular Number A-11, *Capital Programming Guide*, VA's Strategic Management Council (SMC) performs a high-level strategic review of major capital proposals to ensure investment decisions are based on sound business principles and support Departmental strategic goals. VA's 5-year Capital Plan enhances stewardship of capital assets toward the goal of maximum efficiency and benefit to both veterans and taxpayers.

VA's asset management activities also include innovative strategies such as enhanced-use leasing and energy conservation initiatives. VA's enhanced-use leasing authority puts low-performing assets to better use by allowing VA to obtain needed facilities, space, services, and/or money in return for granting long-term leases of underutilized VA property. VA has been able to leverage its underutilized assets to acquire needed assets such as office buildings, long-term care/skilled nursing home services, transitional housing, energy facilities, garages, hospice care, research and medical facilities, and adult and child care centers. VA is actively engaged in approximately 35 current enhanced-use lease projects and has executed 48 leases to date. VA's energy conservation program is being revamped and promotes energy efficiency in building design and operations, energy consumption, water conservation, energy management, and use of new advances in energy conservation technologies.

The Department has demonstrated excellent progress in implementing both the principles and practices of performance-based management. In creating its capital investment process in 1997, VA was the first civilian agency to develop an agency-wide capital planning process that allows for investment trade-offs, both among and between, categories of assets (e.g., medical and non-medical equipment, infrastructure, and leases). VA's capital investment process is evaluated annually for opportunities for improvement and refinement. In 2004, VA completed implementation of its Capital Asset Management System (CAMS) and created a Web-based OMB exhibit 300, permitting on-line business case applications for significant capital assets. CAMS is a tool that VA uses to track and monitor key investment project cost and schedule, as well as to manage ongoing capital assets, monitoring performance against VA portfolio goals and measures. In addition, CAMS has been augmented to address Federal Real Property inventory reporting requirements and Tier 1 performance metrics approved by the Federal Real Property Council. The capital asset management methodology employed by VA ensures all assets are managed across their lifecycle from formulation to execution to steady state and finally to disposal.

(5) *Budget formulation* – is a multi-phase process of budget development, justification, and decision making that culminates with the enactment of an appropriation bill. The ultimate objective of budget formulation is to ensure the timely, accurate, and informed submission of VA's budget request to OMB and

the President's budget request to Congress. To achieve these objectives, VA's Budget Office must meet a series of deadlines during the year while navigating a complex institutional and political environment. This office is uniquely positioned as the focal point in all phases of the formulation process - serving multiple roles as coordinator, examiner, mediator, advisor, broker, and advocate.

During the formulation process, VA's Budget Office acts as an impartial agent in translating policy decisions into resource decisions. In a time of fiscal constraints, the office analyzes and negotiates resource levels among competing interests and makes recommendations to senior management. This office maintains communications with program officials to ensure budget requests are technically accurate and performance-based, reflective of Secretarial priorities, and consistent with statutory requirements and other budget-related guidance. In addition, this office consults routinely with the Office of General Counsel concerning proposed legislation and reviews VA's legislative package for accurate cost/savings calculations.

VA's Budget Office also serves as the primary liaison with OMB and relevant congressional committees during the formulation process, defending and promoting VA's program plans and budget estimates before examiners and committee staff.

Budget formulation products are tangible and time-sensitive. Examples include: production and distribution of the OMB and Congressional budget submissions; briefing packages for OMB hearings and general briefing packages for Congressional staff, press, and the public; meetings/briefings with committee staff; preparation/update of briefing books for pre-hearing sessions; coordination of responses to pre and post-hearing appropriations questions; review of hearing transcripts; status reports on committee report language directives; and reviewing committee templates for appropriation language accuracy.

(6) *Budget execution* - involves the continuous review and control of the allocation of funds to insure consistency with the Department's operating plans while maintaining a fiduciary responsibility to the American taxpayer. VA's Budget Office takes the lead role in the execution process ensuring funds are spent in compliance with law, guidance, and directives from OMB and Congress, as well as Departmental policies and plans. Examples of production items include: operating plans; apportionments and allotments for control of financial resources; reprogramming actions and other funding adjustments; and detailed reports and responses to VA officials, Members of Congress, and OMB.

(7) *Performance planning and reporting* - responsibilities include developing and publishing the Annual Performance and Accountability Report, promoting

greater integration of performance and budget information for the Department's budget submission in accordance with GPRA¹ as well as the President's Management Agenda Budget and Performance Integration initiative, coordinating the Program Assessment Rating Tool (PART) reviews, compiling and submitting the Quarterly Status Report to Congress, and coordinating the Deputy Secretary's monthly performance reviews. Guidance and oversight on all aspects of performance measurement is provided by educating VA management and staff on performance measurement techniques and approaches. Monthly Performance Reviews (MPR) were established during fiscal year 2002 and are the means through which all Administrations and Staff Offices update the Deputy Secretary on the status of the financial, FTE, workload, and program performance data.

(8) *Office of Program Management and Operations* - provides a full range of logistics services to VA and other Government agency (OGA) customers. This office distributes such items as hearing aids, prosthetic devices, interment flags, and intravenous immunoglobulin solutions to VA facilities nationwide. Services such as hearing aid repair and inspections of x-ray and laundry equipment are provided to VA and OGAs. This office also designs, prints, and distributes VA forms and publications. Program management responsibility for VA's metric system, value engineering, and environmental program initiatives such as recycling and affirmative procurement rests within this organization. Also, this office is responsible for establishing policy and policy oversight of materiel management and warehousing at VA medical centers. Other services provided by this office include program coordination to acquire and distribute clothing for veterans served by VA's Health Care for Homeless Veterans Program, sale of precious metals, and materiel management training.

(9) *Office of Business Oversight (OBO)* - supports the Office of Management mission to promote public confidence through oversight of VA business activities ensuring their consistency with national policy, law, and regulation. This office reports directly to the Assistant Secretary for Management. The OBO provides quality assurance oversight for financial systems, financial operations, capital asset management, acquisition, and logistics that once existed across the Department. Beginning in 2007, OBO also manages the OMB A-123 Appendix A program for the VA, assessing the effectiveness of internal controls over financial reporting and compliance with financial-related laws and regulations. By consolidating all these activities into one office, VA ensures standardization of testing processes, review processes, and business activities in the field. The

¹ Government Performance and Results Act of 1993.

consolidation also creates efficiencies across organizational lines; ensures consistent application of policy, procedures, and regulations; and increases independence of oversight activities. OBO ensures standards identified for financial systems, financial operations, capital asset management, acquisition, and logistics activities are being met in VA.

Good government requires oversight of operations to insure public policies are faithfully executed. Through good stewardship, we promote public confidence in our ability to conduct public business in a responsible way. Each of OM's five component offices provides its VA customers an extensive range of policy and procedural guidance and program-specific information and oversight. The offices prepare mandated Departmental budget, financial management, and acquisition reports for external customers. They also promote the quality and integrity of the Department's capital asset planning, budget, financial management, and acquisition programs through program reviews and specialized studies, in partnership with program officials. The list below is the major legislative and regulatory drivers of the stewardship activities for the component offices in OM.

- Anti-Deficiency Act
- Budget and Accounting Act of 1921, as amended
- Congressional Budget Act of 1974
- Balanced Budget and Emergency Deficit Control Act of 1985
- Budget Enforcement Act of 1990
- Chief Financial Officers Act (CFO) of 1990
- Government Performance and Results Act (GPRA) of 1993
- Paperwork Reduction Act of 1995
- Federal Acquisition Streamlining Act (FASA) of 1994
- Government Management Reform Act (GMRA) of 1994
- Debt Collection Improvement Act (DCIA) of 1996
- Federal Managers' Financial Integrity Act (FMFIA) of 1982
- Improper Payments Information Act of 2002
- Government Paperwork Elimination Act of 1996
- Federal Financial Management Improvement Act (FFMIA) of 1996
- Federal Property and Administrative Services Act of 1949, as amended
- Office of Federal Policy Act of 1974, as amended
- Code of Federal Regulations (CFR)
- United States Code (USC)
- OMB Circular A-11
- OMB Capital Programming Guide - (Supplement to A-11)
- OMB Circular A-123 Management's Responsibility for Internal Control
- OMB Circular A-127 Financial Management Systems
- OMB Circular A-130 Management of Federal Information Resources

- Federal Acquisition Regulation (FAR)
- Federal Travel Regulations (FTR)
- Federal Property Management Regulations
- Federal Accounting Standards Advisory Board (FASAB) Accounting Standards
- Medical Care Cost Recovery Fund – Title 38, Chapter 17, Section 1729 - Recovery by U.S. of the Cost of Certain Care and Services
- Resource Conservation and Recovery Act (RCRA) of 1976

Assumptions, Opportunities, and Constraints

Externally, the CFO Act, GPRA, DCIA, PPA, FMFIA, FFMIA, GMRA, and OMB guidelines for Federal financial management systems established standards for VA financial systems and operations. Compliance with these Government-wide standards and financial management improvement initiatives are driving change in our financial systems. Internally, there are major changes occurring which affect office goals. VA organizational changes, such as establishing VHA's Veterans Integrated Service Networks (VISNs) and collocating or integrating field stations and activities, are driving change in financial systems. Modifications and enhancements of VA's financial systems are needed to support policy and programmatic changes in a cost-effective way and to meet overall performance objectives.

VA received Congressional approval to begin operating a Franchise Fund (VA Enterprise Centers) in 1996. P.L. 104-204, as amended by VA's 2006 Appropriation Act, P.L. 109-114, gives the Franchise Fund permanent authority. The entrepreneurial organizations operating in the Department's Franchise Fund are: the Financial Services Center (FSC), the Austin Automation Center (AAC), the VA Records Center and Vault (VA RC&V), the VA Law Enforcement Training Center (LETC), the Security and Investigations Center (S&IC), and the Debt Management Center (DMC). In addition, the Enterprise Fund Office (EFO) performs overall business activities for the VA Enterprise Centers (ECs). VA's products and services are marketed actively to other Federal agencies to provide greater economies of scale and help VA further control costs.

Over the past few years, the Office of Finance's (OF) versatility and ingenuity have led to the implementation of several major initiatives resulting in improved operational efficiencies and substantial savings. Examples include: expanded use of a Government Purchase Card for the procurement of micro purchases under \$2,500; establishment of the Prime Vendor Payment Program to create a streamlined, electronic payment process for large dollar contract purchases; online certification of payments to reduce interest penalty payments; use of electronic commerce to create a paperless business cycle process; centralization of

certified payments and Permanent Change of Station (PCS) moves; and implementation of an interactive voice response system which allows customers to query the status of payments via a touch tone phone. Savings resulting from these types of initiatives can be redirected to provide better quality service to veterans and their family members and support the Department's goal to be a *One VA*, customer-focused organization.

Managing the Department's performance measurement programs and providing stewardship over limited resources requires a strong capital planning process to provide world-class service to our customers. New and changing legislative requirements make it absolutely necessary for all levels of the Department to plan collaboratively as *One VA* to achieve the best mix of business solutions for the Department. Pursuing budgetary obstacles and constraints as Departmental challenges and not individual organizational barriers will enable VA to demonstrate a sound capital planning and investment policy, and provide the business case for increased funding and flexibility.

Finally, we will continue to reach across Department boundaries for opportunities and innovative ways in which we can work collaboratively with other Federal departments to realize efficiencies and economies. The Office of Finance is closely involved with the e-Payroll and e-Travel projects under the Administration's e-Gov initiative to improve government-wide payroll and travel processing. By engaging in a cooperative effort with the Department of Defense, VA took advantage of Treasury's On-line Payment and Collection System to accept payments for VA's insurance, education, and research sharing accounts. As we develop and refine marketing and customer service strategies, we will continue to form partnerships. The VA Enterprise Centers provide common administrative services on a fee-for-service basis to other Federal agencies, continuing to lower unit costs while improving service delivery. The FSC provides financial solutions and the DMC provides debt collection services, and both centers have positioned themselves to provide services to other Federal departments. The Office of Acquisition and Materiel Management's primary marketing goal is to provide to other Federal departments a Center of Excellence for acquisition, contracting, and materiel management logistics and systems capabilities, as well as a portfolio of products and services.

Program Goals, Objectives, and Performance Measures

The Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business process, and financial resources.

Objective E.4. Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting and performance.

Program Objective E.4.2. Maintain an *unqualified (“clean”)* audit opinion on VA’s Annual Consolidated Financial Statements.

Performance Goal: The number of audit qualifications will remain zero in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Number of audit qualifications identified in the auditor’s opinion on VA’s Consolidated Financial Statements	0	0	0	0	0	0	0

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: VA has achieved a clean audit opinion on its Consolidated Financial Statements since 1999. To maintain this opinion, VA will continue to enhance and improve financial systems and processes, as well as develop and retain qualified staff.

Data Source(s): IG audit of VA’s Consolidated Financial Statements.

Data Verification: IG audit and audits by independent certified public accounting (CPA) firms of VA’s Financial Statements.

Goal Validation: A clean audit opinion with no qualifications is considered an important component of effective financial stewardship. Goal is supported by requirements for meeting “Green” standards within the President’s Management Agenda scorecard for Improved Financial Performance.

Program Objective E.4.3. To correct material weaknesses identified during the annual financial statement audit or identified by VA management.

Performance Goal: In 2008, the number of material weaknesses identified during the annual financial statement audit or identified by VA management will be 3.

Financial Statement Audit Material Weaknesses

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
2a) Number of material weaknesses identified during the annual independent financial statement audit.	2	2	3	3	3	3	0

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

FMFIA Material Weaknesses

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
2b) Number of FMFIA material weaknesses identified by Management	3	2	1	0	0	0	0

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and strategies: On a monthly basis, track and monitor progress in resolving financial statement audit-related and FMFIA/FFMIA identified material weaknesses. Reassess internal control standards to strengthen and improve the effectiveness and efficiency of the internal control program. Revise internal controls program to reflect the seamless integration of management controls into the daily operation of the VA workforce; improve reporting systems or mechanisms used to monitor and track corrective action plans and accomplishments on line via Intranet; streamline the process for obtaining written assurance statements to meet new accelerated deadlines; schedule quarterly organizational meetings; and facilitate as needed to minimize audit surprises.

Data Source(s): Internal IG reports; Audits of VA’s Consolidated Financial Statements.

Data Verification: Audits by independent certified public accounting firms of VA’s Consolidated Financial Statements.

Goal Validation: Lack of material weaknesses or resolutions of existing weaknesses are considered important components of effective financial stewardship. Goal is supported by requirements for meeting “Green” standards

within the President's Management Agenda scorecard for Improved Financial Performance.

Program Objective E.4.5. VA will be examining underutilized space to achieve optimal use of its capital asset portfolio.

Performance Goal: In 2008, the percent of space utilization as compared to overall space (owned and direct-leased) will be 95 percent or higher.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
3) Percent of space utilization as compared to overall space (owned and direct-leased)	N/A	80% Baseline	98%	100%	95%	95%	95%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: In accordance with the Federal Real Property Council's requirements, usage designations will be accomplished for all VA owned and direct-leased buildings. Building performance will be evaluated based on predominant use in five categories (e.g., offices, warehouses, hospitals, laboratories, or housing).

Data Source(s): Capital Asset Management System (CAMS) based on Administration source databases.

Data Verification: Data will be reviewed by Administrations and Office of Management staff.

Goal Validation: Higher levels of utilized space as compared to overall space indicates the optimal use of capital assets.

Crosscutting Activities: VA continues to reduce underutilized space through outleasing (including enhanced-use leasing) and disposal to other federal agencies, state and local governments, and to private entities.

Program Objective E.4.6. To assist in restoring assets to a condition equivalent to the originally intended and designed capacity, efficiency, or capability.

Performance Goal: In 2008, increase the Percent Condition Index (owned buildings) to 85 percent.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
4) Percent Condition Index (owned Buildings)	N/A	N/A	82% Baseline	79%	84%	85%	87%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: VA will calculate condition index annually as the ratio of repair needs to plant replacement value. The higher the Condition Index the better the condition of the constructed asset. Condition Index will be used to identify assets most in need of repair and plan for upgrades or disposition.

Data Source(s): Capital Asset Management System (CAMS) based on Administration source databases.

Data Verification: Data will be reviewed by Administrations and Office of Management staff.

Goal Validation: Constructed assets that are in better condition (those with a higher Condition Index) are more efficient and have lower operating and maintenance costs.

Crosscutting Activities: Not applicable.

External Factors: Repairs and upgrades to improve asset condition are dependent on the availability of resources..

Program Objective E.4.7. VA seeks to decrease non-mission dependent assets.

Performance Goal: In 2008, decrease the ratio of non-mission dependent assets to total assets to 13 percent.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
5) Ratio of non-mission dependent assets to total assets	N/A	N/A	22% Baseline	15%	16%	13%	10%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: VA will identify mission critical, mission dependent/not critical, or not mission dependent assets as required by the Federal Real Property Council and OMB.

Data Source(s): Capital Asset Management System (CAMS) based on Administration source databases.

Data Verification: Data will be reviewed by Administrations and Office of Management staff.

Goal Validation: The reduction of capital assets that are not critical to or dependent on the Department’s mission reduces VA’s capital portfolio costs.

Crosscutting Activities: VA continues to reduce non-mission dependent assets through outleasing (including enhanced-use leasing) and disposal to other federal agencies, state and local governments, and to private entities.

External Factors: Politics and historic issues often constrain VA’s ability to dispose of assets in a timely and efficient manner.

Program Objective E.4.8. VA seeks to minimize maintenance and operation costs through increasing the efficient use of space, decreasing the number of assets that have exceeded their useful life, and by lowering costs to commercial benchmarks for operating and maintenance.

Performance Goal: In 2008, the ratio of operating costs per gross square foot (GSF) will be \$4.52.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
6) Ratio of operating costs per gross square foot (GSF)*	N/A	4.52 Baseline	4.85	\$5.59	\$4.52	\$4.52	\$4.52

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: VA will calculate annual operating and maintenance costs on all constructed assets using an OMB-approved allocation model.

Data Source(s): Capital Asset Management System (CAMS) based on Administration source databases.

Data Verification: Data will be reviewed by Administrations and Office of Management staff.

Goal Validation: Minimizing operating and maintenance costs enables VA to reinvest much needed funds in improving services to our nation’s veterans.

Crosscutting Activities: VA continues to reduce its inventory of underutilized and non-mission dependent assets through outleasing (including enhanced-use leasing) and disposal to other federal agencies, state and local governments, and to private entities. Disposition reduces VA’s responsibility for operating and maintaining these assets.

Program Objective E.4.9. VA seeks to achieve a 20 percent energy consumption reduction in its facilities as called for in the Energy Policy Act of 2005 by 2015 at a 2 percent per year consumption reduction rate starting in 2006. The baseline to measure the consumption reduction is the 2003 energy consumption.

Performance Goal: In 2008, achieve a cumulative 6 percent decrease in facility traditional energy consumption per GSF from the 2003 baseline.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
7) Cumulative percentage decrease in facility traditional energy consumption per GSF from the 2003 baseline	Baseline	N/A	N/A	2%	4%	6%	20%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: Through life-cycle cost-effective measures, VA will reduce energy consumption per gross square foot of its facilities.

Data Source(s): Capital Asset Management System (CAMS) based on Administration source databases.

Data Verification: Data will be reviewed by Administrations and Office of Management staff.

Goal Validation: Reducing the energy consumption in VA facilities conserves energy resources, reduces energy costs to the Department, and should result in savings that could be used for improved services to veterans.

Crosscutting Activities: VA is partnering with a national laboratory to identify and analyze opportunities to site renewable energy projects, and to procure renewable energy credits to help meet the annual federal agency requirement. VA is also working with the Department of Energy to ensure availability and support of appropriate energy efficiency investment financing vehicles that enhance federal agencies’ ability to implement energy projects.

Resource Requirements¹

Program Level Activities: (\$ in 000)	2007	FTE	2008	FTE
Financial Policy, Systems and Operations	21,227	129	14,072	103
Budget Formulation/Execution, Performance Planning/Reporting	4,479	28	3,613	27
Capital Planning/Asset Enterprise Management	4,672	32	4,285	31
Business Oversight	16,167	107	13,521	108
Integrated Financial & Logistics Development ^{2/}	1,075	7	1,045	7
All Other ^{3/}	18,009	9	6,426	9
Total Obligations	\$65,629	312	\$42,962	285

1/For all financial tables, the 2008 estimate assumes 2007 enacted funding close to that passed by the House and Senate.

2/ Funds for corporate level management of the Financial and Logistics Integrated Technology Enterprise (FLITE) project. Project funding for FLITE is requested in the IT Systems account.

3/ All other represents total obligations for department-wide initiatives and department level management and oversight by the Office of Management.

Summary of Budget Request

In 2008, the Office of Management reflects total obligations of \$42.9 million. This consists of a request of direct budget authority of \$38.1 million and 245 FTE to support its operations (excluding oversight of the Supply Fund and Franchise Fund) and \$4.8 million and 40 FTE in reimbursable authority for the Office of Business Oversight. Refer to the Supply Fund and the Franchise Fund Enterprise Centers chapters for detailed analysis of their budgets including resource requirements, program goals, objectives, and performance measures.

On-going Programs and Initiatives:

All IT initiatives are funded from the Department's central IT appropriation. A description of several key IT programs managed by the Office of Management is provided below:

- The Office of Management will provide management oversight, administrative support and policy direction for the Department's new Financial and Logistics Integrated Technology Enterprise (FLITE) project. FLITE will effectively integrate and standardize financial and logistical data and processes across all VA offices. The modernized environment will provide management with access to timely, accurate information on VA-wide operations related to financial, logistics, budget, capital asset and

other critical data. Work will continue on review of financial functional requirements, standardization of major financial and logistics processes that are critical to project success as well as other requirements. Once implemented, this new system will provide data transparency and standardization and lead to seamless data integration. The result will be more timely and accurate data supporting the goal of improved stewardship of VA's resources.

- The Office of Finance will support the migration of VA's payroll system to the Defense Finance and Accounting Service (DFAS), as required by the Administration's e-Payroll initiative. VA will complete migration to DFAS by an agreed-upon phased in migration schedule with the final group of VA employees being migrated in April 2008. The Department IT 2008 budget request includes \$8.07 million required to complete the migration. Future requests will be based on the resource requirements to this phased migration. Funds are also requested in the IT Systems account to continue maintaining VA's current Payroll/HR system (PAID) by implementing mandatory requirements until migration to DFAS is complete.
- Funds are also included in the Department's IT account to continue maintaining VA's current accounting system, FMS, as VA conducts the necessary assessment/analysis of a replacement system under the FLITE program. Funds are necessary to sustain FMS contract support to: maintain basic accounting functions in FMS and its interfacing systems, to keep software current and under warranty, to provide technical support to VA users, and to accomplish any mandatory modifications required by statute.

The 2008 budget request includes resources necessary to continue the current level of operations and sustain critical efforts underway:

- Continuing progress on improving financial systems, operations, policy and management issues related to retaining a clean audit opinion, reducing material weaknesses, and issuing quarterly financial statements.
- Expanding and improving VA financial systems and the VA Government Purchase Card program. Expanded system capabilities will remediate financial deficiencies and improve VA financial statement preparation processes and reporting. Expanded use of the purchase card will increase related rebates/refunds and operational efficiencies.

Enhancement of Department-wide Asset Enterprise Management Function

The need for a comprehensive corporate-level capital asset management function in the Department of Veterans Affairs has been known for some time and has been validated by VA's own internal experiences, as well as external bodies such as OMB, GAO, and independent consultants. Most major corporations have a corporate asset management function. They recognize the vital role asset management plays and consider their capital as financial assets.

OMB, in collaboration with VA and other major agencies and departments, developed the *Capital Programming Guide* (Supplement to Part 3 of OMB Circular A-11). The *Capital Programming Guide* was intended to assist federal agencies in planning, budgeting, procuring, and managing capital assets and integrated the requirements of GPRA, the Clinger-Cohen Act, FASA, and other Federal initiatives, providing a comprehensive reference that agencies should use in all phases of capital investment decision-making. The *Capital Programming Guide* expedited VA's pursuit of a comprehensive asset plan and investment policy. In June 1997, VA issued policy that created a comprehensive system-wide integrated capital investment planning process based upon best practices found in private industry and in other government areas. VA's new capital investment process was operationalized in the Capital Investment Methodology Guide, dated May 1998.

In November 1999, VA contracted with a well-known consultant to assess and make recommendations to VA's existing processes and efforts to date, identify best practices, and create standardized electronic templates for cost-effectiveness, alternatives, risk, and earned value analyses. In a December 1999 OMB report, "Annual Report to Congress on Implementing the Federal Acquisition Streamlining Act," OMB reported, "The Veterans Affairs Department made the most progress implementing both the principles and practices of performance-based acquisition management."

In order to build upon these efforts, the Secretary established the Office of Asset Enterprise Management (OAEM), which became operational on July 1, 2001, and has allowed VA to substantially improve the management of its capital assets by:

- Recommending and promulgating Departmental capital asset policies;
- Establishing and coordinating the Department's 5-Year Capital Plan and Asset Management Plan;

- Establishing a major capital asset inventory of current assets by type, utilization, cost, market value, size, location, historical status, environmental issues, physical assessment, liabilities, etc., and managing this inventory by establishing appropriate performance measures;
- Establishing and overseeing the Capital Asset Management System (CAMS) to track and monitor key milestones such as cost, schedule, and performance of newly acquired assets and manage VA's portfolio performance;
- Developing new and innovative strategies for investment and enterprise activities;
- Providing the analytical tools, resources, and expertise necessary to ensure VA maximizes its limited capital resources; and
- Providing technical tools and assistance to the Administrations to assist in developing capital investment proposals.

Since OAEM's creation, the size, scope, and complexity of responsibilities have grown significantly. Activity level has grown at a continuous rate for the enhanced-use leasing program, capital asset management system, and newly revamped energy conservation program, which is now under the auspices of OAEM.

OAEM continues to assist the Administrations and staff offices with the simple and routine enhanced-use lease projects but now manages the larger, more complex, and third-party financed Departmental enhanced-use lease priorities. Of note, a huge increase in demand for these services is anticipated as a result of the CARES program and national CARES plan. Through experience to date, VA has gained a better understanding and appreciation for the depth and breadth of work required in establishing and implementing its Department-wide portfolio and associated performance management system, CAMS, for both existing and new capital assets. CAMS was fully deployed in September 2004 and is an invaluable tool in analyzing and monitoring VA's capital asset performance. VA centralized its energy efforts under OAEM in order to develop a more cohesive and comprehensive Departmental approach. The newly revamped energy conservation and savings program establishes a cohesive Department-wide energy program providing policy, guidance, and oversight for accomplishing VA energy investments and initiatives. The energy investments, including Energy Savings Performance Contracts (ESPCs), co-generation, cool storage, and demand side management, equate to over a billion dollars of investments/cost avoidance.

<i>Summary of Employment and Obligations</i> (Dollars in thousands)				
	2006 Actual	2007		2008 Estimate
		Budget Estimate	Continuing Resolution	
Average Employment	265	317	312	285
Obligations:				
Personal Services	\$30,529	\$38,794	\$37,855	\$35,824
Travel	828	1,145	1,245	1,141
Transportation of Things	0	15	28	16
Rents, Communications & Utilities	221	130	296	268
Printing & Reproduction	148	233	204	99
Other Services	7,909	5,950	25,364	5,091
Supplies & Materials	238	212	306	246
Equipment	87	105	331	277
Insurance & Indemnities	0	0	0	0
Total Obligations	\$39,960	\$46,583	\$65,629	\$42,962
Reimbursements	-4,983	-5,991	-4,679	-4,778
SOY Unobligated Balance (-)	-10,732	0	-14,543	0
EOY Unobligated Balance (+)	+14,543 ¹	0	0	0
Budget Authority	\$38,788	\$40,592	\$46,407	\$38,184

¹ Consistent with VA's 2006 appropriation language, the EOY unobligated balance includes \$1.7 million which will become available in 2007 once apportioned by OMB.

<i>Detail of Budget Estimates</i> (Dollars in thousands)			
	2006 Actual	2007	
		Continuing Resolution	2008 Estimate
Personal Services	\$30,529	\$37,855	\$35,824

Funding to cover personnel compensation which includes pay, pay raises and locality pay along with benefits which includes retirement, health benefits, life insurance and Medicare.

Travel	\$828	\$1,245	\$1,141
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Funds are required in support of the enhanced-use lease program to conduct site visits, town hall meetings, negotiations with developers, and public hearings; to

conduct training sessions; for field site visits to ensure standards identified for financial operations, financial systems, acquisition, logistics, and capital asset management activities are being met; and for conference attendance and staff training.

<i>Detail of Budget Estimates</i>			
<i>(Dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Transportation of Things	\$0	\$28	\$16

Funding to cover permanent change of station moves and delivery or shipping charges related to office supplies and equipment.

Rents, Communications & Utilities	\$221	\$296	\$268
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Funding to cover possession and use of land, structures, or equipment owned by others, and communication and utility services. Includes standard level user charges assessed by GSA.

Printing & Reproduction	\$148	\$204	\$99
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Funding to cover the printing and production of the congressional justification budget volumes, VA Performance and Accountability Report, and Congressional and finance related forms, reports, and manuals.

Other Services	\$7,909	\$25,364	\$5,091
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Funding to cover maintenance and repair services, tuition and registration fees in connection with training and attendance at conferences or meetings, and contracts and agreements.

<i>Detail of Budget Estimates</i>			
<i>(Dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Supplies & Materials	\$238	\$306	\$246

Funding to cover the purchase of recurring operating supplies.

Equipment	\$87	\$331	\$277
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Funding to cover the purchase of office equipment and furnishings.

<i>2007 Average Salary Methodology</i>	
2006 Average salary (260 days)	\$83,691
Annualization of 3.1 percent 2006 pay raise (.775 percent)	649
Impact of 2.2 percent 2007 pay raise (1.65 percent)	1,381
Adjustment - changes in staff composition	+3,344
2007 Average salary (260 days)	\$89,065
Regular benefits percent	19.3%
2007 Average salary with benefits	\$106,255
<i>2008 Average Salary Methodology</i>	
2007 Average salary (260 days)	\$89,065
Two-day adjustment (.763 percent)	680
Annualization of 2.2 percent 2007 pay raise (.55 percent)	490
Impact of 3.0 percent 2008 pay raise (2.25 percent)	2,004
Adjustment - changes in staff composition	-138
2008 Average salary (262 days)	\$92,101
Regular benefits percent	19.3%
2008 Average salary with benefits	\$109,876



Human Resources & Administration

HR&A General Administration Activities

Mission

The mission of the Office of Human Resources and Administration (HR&A) is to provide leadership and support to the Department in its human resources, diversity management, equal employment opportunity, labor-management relations, and provide administrative services to the VA Central Office (VACO) community.

Because HR&A's mission is so varied, each of its component organizations has established individual missions. These are:

Office of Human Resources Management (OHRM) - Leading the Department in developing HR policy and in promoting best practices and programs which will enable VA to attract, educate, train, and retain people who provide quality services to veterans and their families and providing human resource services to the VACO community.

Office of Labor-Management Relations (LMR) - Promoting labor-management cooperation throughout the Department to enable VA's unions and management officials to work together in improving the delivery of services to veterans and their families and in creating a positive work environment for employees.

Office of Diversity Management & Equal Employment Opportunity (ODM&EEO) - Creating and sustaining an environment free of discrimination through policy development, oversight, prevention education, and outreach programs that enable VA employees to achieve their full potential.

Office of Administration - Providing quality services to VACO and other nationwide customers in occupational safety and health, transit benefits, protocol support and other administrative areas, and to manage special projects in support of the VACO community.

Office of Resolution Management (ORM) - Providing timely and high quality EEO complaint processing while fostering a discrimination-free work

environment through the use of prevention methods, easy resolution techniques, education, and training.

Stakeholders

HR&A's stakeholders are as varied as its mission.

OHRM - VA senior leaders, managers, supervisors, and employees; applicants for employment; and human resources management officers and their staffs; VA managers, supervisors, and employees.

LMR - VA managers, supervisors, and employees; and labor union officials.

ODM&EEO - VA managers, supervisors, and employees; applicants for employment; veterans; and community stakeholders such as the Hispanic Association of Colleges and Universities, Historically Black Colleges and Universities, and the American Indian Higher Education Consortium.

Office of Administration - Primary stakeholders are the Office of the Secretary and other employees of VACO. In addition, this office provides transit benefit policy, and safety and occupational health guidance for the entire Department.

ORM - Stakeholders are VA employees, former employees, and applicants for employment, the Equal Employment Opportunity Commission (EEOC), the Department of Justice, and VA labor unions.

Performance Summary Table

Measure Description (Departmental Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Percentage of VA HR Offices and Delegated Examining Units that accept job applications on-line.	N/A	10%	20%	25%	30%	45%	100%
2) Percentage of VA employees who are veterans	24%	26%	28%	30%	32%	33%	33%
Percentage of VA employees trained in basic ADR goals and/or techniques	85%	90%	95%	95%	95%	95%	98%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Program Goals, Objectives, and Performance Measures

Office of Human Resources Management (USA Staffing):

Enabling Goal: Deliver world-class service to veterans and their through effective communication and management of people, technology, business processes, and financial resources.

Objective E-1: Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.

Program Objective E.1.1: Educate and train the VA workforce in methods that will enable all employees to actively encourage and support a workplace free of discrimination, sexual harassment, unfairness, and inequity.

Performance Goal 1: Increase the percentage of VA job announcements for which applications can be accepted on-line to 45% in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 ²	2008	
Percentage of VA HR Offices and Delegated Examining Units that accept job applications on-line	N/A	10%	20%	25%	30%	45%	100%

Means and Strategies: VA will implement in phases, USA Staffing, an automated staffing solution that automatically generates vacancy announcements that applicants can access via USAJOBS and Monster.com. Applicants will be able to apply for jobs on-line.

Using USA Staffing, HR specialists and managers will automatically generate vacancy announcements that will be downloaded to USAJOBS and Monster.com for access by prospective candidates seeking employment in VA. Prospective candidates will be able to complete applications using on-line technology that can be uploaded to USA Staffing for review and processing by HR Specialists.

Data Source(s): USA Staffing Management Reports.

² Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Data Verification: Accuracy of base data and reports reviewed by VA WIST; VSSC reports and Paid Coin reports.

Measure/Goal Validation: The on-line application process will bring the benefits of standardization and automation to the hiring process which will greatly reduce the amount of time to fill critical positions and recruit hard to fill positions.

External Factors: OPM management of the software program including revisions and new releases.

Office of Human Resources Management (Veterans Employment Initiative):

Strategic Goal: Deliver world-class service to veterans and their through effective communication and management of people, technology, business processes, and financial resources.

Objective E-1.2: Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.

Performance Goal 2: Increase the percentage of VA employees who are veterans to 33% by 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 ³	2008	
Percentage of VA employees who are veterans	24%	26%	28%	30%	32%	33%	33%

Means and Strategies: OHRM has implemented a veterans' employment initiative to enhance and improve VA's outreach to veterans seeking employment in the Federal government. In addition, the VA Office of Marketing and Recruitment will develop recruitment packets and brochures to market VA to veterans. HR managers and recruiters will participate in career conferences and job fairs in an effort to attract veteran candidates to VA. VA's job opportunity website will be linked to military transition centers to provide separating service members with access to VA job opportunities. Information on veteran's preference, law and regulations will be disseminated to HR Specialist/managers

³ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

in the field. VA recruiters will be identified and trained on “best strategies for marketing VA” to prospective candidates.

Data Source(s): VSSC and Paid Coin Reports

Data Verification: Accuracy of base data and reports reviewed by VA WIST.

Measure/Goal Validation: Through targeted recruitment the VA workforce will reflect the customers we serve.

External Factors: Retirement decisions of veterans in the existing VA workforce; DoD retention rates of service members.

Office of Resolution Management (Alternative Dispute Resolution):

Strategic Goal: Deliver world-class service to veterans and their through effective communication and management of people, technology, business processes, and financial resources.

Objective E.1.3: Educate and train the VA workforce in methods that will enable all employees to actively encourage and support a workplace free of discrimination, sexual harassment, unfairness, and inequity.

Performance Goal 3: Percentage of VA employees who will be trained in basic ADR goals and/or techniques will, at a minimum, be held at 95 percent or higher in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 ⁴	2008	
Percentage of VA employees trained in basic ADR goals and/or techniques	85%	90%	95%	95%	95%	95%	98%

Means and Strategies 3: ORM has an ongoing, active education program designed to head off and equitably resolve complaints by employees before they reach the stage of a formal complaint. This program ranges from formal

⁴ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Alternative Dispute Resolution (ADR) for VA managers to basic mediation skills for VA employees to multimedia education packages making employees aware of what opportunities they have outside the formal complaint process.

Data Source(s): ORM training records and periodic surveys.

Data Verification: Periodic audits of ORM training records and survey results validation.

Measure/Goal Validation: It is important to track the percentage of VA employees trained in basic ADR goals and/or techniques because an observable decrease in the number of formal complaints filed for adjudication can be statistically verified as being the result of increased use of ADR.

External Factors: Legislative action, employee union agreement.

Summary of Budget Request - Total HR&A

The 2008 HR&A request is \$94,105,000 in obligations and average employment of 527 FTE. This level consists of \$62.4 million in budget authority, nearly \$31.6 million in reimbursements, and is net of \$2.8 million in expected adjustment to expenditures.

Request Highlights:

Included in this request are \$250,000 and 2 FTE for staff in the Office of Human Resources Management to oversee and implement the Department's conversion of paper personnel files to a digital format. The cost of \$22 million to convert these files will be borne by the IT appropriation. Digital files will afford VA greater physical and logical security of sensitive employee information and enable VA to quickly and accurately access needed management information.

Office of Human Resources and Administration
Summary of Obligations
(dollars in thousands)

		2007			2008 Estimate
		2006 Actual	Budget Estimate	Continuing Resolution	
Average Employment		508	535	535	527
	<i>ORM (non-add)</i>	229	247	247	249
Obligations:					
Personal services		\$52,391	\$55,053	\$55,053	\$56,834
	<i>ORM (non-add)</i>	\$20,732	\$22,751	\$22,751	\$24,342
Travel		\$1,338	\$1,354	\$1,354	\$1,300
	<i>ORM (non-add)</i>	\$1,005	\$854	\$854	\$1,040
Transportation of things		\$107	\$34	\$34	\$5
	<i>ORM (non-add)</i>	\$18	\$6	\$6	\$5
Rents, communications & utilities		\$25,633	\$27,405	\$27,405	\$25,000
	<i>ORM (non-add)</i>	\$184	\$1,527	\$1,527	\$1,161
Printing and reproduction		\$176	\$129	\$129	\$50
	<i>ORM (non-add)</i>	\$31	\$39	\$39	\$40
Other services		\$9,418	\$15,091	\$15,091	\$12,500
	<i>ORM (non-add)</i>	\$2,605	\$5,875	\$5,875	\$1,588
Supplies and materials		\$977	\$1,001	\$1,001	\$1,000
	<i>ORM (non-add)</i>	\$277	\$524	\$524	\$679
Equipment		\$3,104	\$300	\$300	\$300
	<i>ORM (non-add)</i>	\$111	...	...	\$10
Insurance & Indemnities		\$15	...	...	...
	<i>ORM (non-add)</i>	\$15	...	...	...
Adjustment to Expenditure		-\$1,364	-\$2,668	-\$2,668	-\$2,884
	<i>ORM (non-add)</i>	-\$822	-\$1,689	-\$1,689	-\$2,002
Total obligations		\$91,795	\$97,698	\$97,698	\$94,105
	<i>ORM (non-add)</i>	\$24,156	\$29,887	\$29,887	\$28,363
Reimbursements		-\$30,026	-\$33,519	-\$33,519	\$31,668
	<i>ORM (non-add)</i>	-23,833	-\$29,557	-\$29,557	\$26,527
SOY Unobligated Balance (-)		-\$2,704	...	...	...
	<i>ORM (non-add)</i>	...	...	...	...
EOY Unobligated Balance (+)		\$1,094	...	...	...
	<i>ORM (non-add)</i>	...	...	...	...
Budget authority		\$60,159	\$64,179	\$64,179	\$62,437
	<i>ORM (non-add)</i>	\$323	\$330	\$330	\$336

<i>2007 Average Salary Methodology</i>	
2006 Average salary (260 days)	\$73,931
Annualization of 3.1 percent 2006 pay raise (.775 percent)	\$554
Impact of 2.2 percent 2007 pay raise (1.65 percent)	\$1,220
Adjustment - change in staff composition	\$1,243
2007 Average salary (260 days)	\$76,948
Regular benefits percent	24%
2007 Average salary with benefits	\$95,416

<i>2008 Average Salary Methodology</i>	
2007 Average salary (260 days)	\$76,948
Annualization of 2.2 percent 2007 pay raise (.55 percent)	\$385
Impact of 3.0 percent 2008 pay raise (2.25 percent)	\$1,740
2 day adjustment	\$592
Adjustment - change in staff composition	-\$964
2008 Average salary (262 days)	\$78,701
Regular benefits percent	25%
2008 Average salary with benefits	\$98,376

<i>Detail of Budget Estimates</i>			
<i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Personal services	\$52,391	\$55,053	\$56,834

HR&A's personal services estimate reflects salary requirements for 527 FTE for General Administration activities funded through GOE in 2008. The ORM estimate reflects salary requirements for 249 FTE.

All estimates for 2008 include base pay, as well as funding for cash awards, SES bonuses, overtime, terminal leave, translocation, and the government's cost for regular benefits such as retirement, health benefits, life insurance, and Medicare.

Travel	\$1,338	\$1,354	\$1,300
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Travel funds are used to defray lodging and other travel-related expenses incurred by HR&A staff in the course of providing support to the Office of the Secretary, executive training programs, human resources planning, conducting wage surveys, recruitment, and for technical assistance visits to field stations. Travel funds are also required to cover the cost of GSA and commercially rented vehicles.

ORM travel funds are used for travel of EEO investigators, counselors, and management engaged in arbitration or complaint hearings and for environmental assessments and dispute mediation. Funds are also required for travel-related expenses for training of ORM employees.

Transportation of things	\$107	\$34	\$5
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These funds will be used to defray costs for shipping audiovisual exhibits and supplies, and equipment from VACO to other VA installations. Funds are also requested for the rental of two trucks from the GSA motor pool to transport furniture, supplies, and office equipment between buildings housing employees. Funds cover the estimated cost of shipment of household goods and personal effects of field station employees transferring to HR&A.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Rents, communications, and utilities	\$25,633	\$27,405	\$25,000

Funding is required for ongoing rents and other services required to operate VA headquarters. This includes payment to GSA for space rental as required by the Amendments to the Public Buildings Act (40 U.S.C.). The estimate for 2006 provides for rental of space in nine buildings occupied by VA and its employees. Office space rental estimates are based on 100 percent of the amount prescribed by GSA in accordance with established fair annual rental (FAR) appraisals and are in accordance with GSA's current projections for 2006 SLUC bills. Funds are also required for commercial and other telephone costs; telecommunications needed to ensure continuity of Departmental operations during periods of national emergency; reimbursement to GSA for FTS service; regular mail reimbursement to the Postal Service for mailing costs incurred by VACO activities; and rental of postage meter machines.

ORM funding is required for ongoing telecommunications services to enhance its complaint tracking system, for video teleconferencing, for FTS 2002 and for local recurring commercial and other telephone costs. In addition, funds are needed for postage and for express mail.

Printing and reproduction	\$176	\$129	\$50
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These funds are used for the printing, reproduction, and distribution of VA manuals, circulars and interim issues, forms and form letters, the VA "Employee Handbook," the VACO "Telephone Directory," the VA "Recruitment Bulletin," the VA "Organizational Briefing Book", the Office of Administration's "Guide to Services," and territorial and address bulletins.

ORM funds will be used for printing and reproduction of training manuals, circulars, EEO updates, forms, and form letters.

<i>Detail of Budget Estimates</i>			
<i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Other services	\$9,418	\$15,091	\$12,500

Other services funds are used by HR&A to offset the cost of a wide range of services. These include: health services to VACO employees, recruitment advertising, training materials and other resources for HR&A-sponsored training programs attended by individuals throughout the Department; maintenance and repair of furniture and equipment; various service contracts for VA headquarters (e. g., CO guard service, mail and messenger service); and training of HR&A employees

ORM funding will be used to train employees for continuous improvement of the EEO process, to contract for assistance in EEO investigations, to acquire services needed for transcription of affidavits, and to pay for services provided by the Austin Finance and Automation Center.

Supplies and materials	\$977	\$1,001	\$1,000
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This funding provides for the purchase of office furnishings, supplies and parts for VACO building maintenance and repair, wrapping paper, tape, mailing tubes, etc. Funds are also requested for special supplies, such as years-of-service pins, subscriptions to professional journals, and engraving of plaques and medals authorized by the Secretary of Veterans Affairs. .

Funds requested for ORM will provide for the purchase of office furnishings and expendable supplies.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Equipment	\$3,104	\$300	\$300

Funds are for the routine purchase of standard office equipment (Non IT) throughout HR&A.

Insurance Claims and Indemnities	\$15	\$0	\$0
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This funding is for settlement of EEO complaints.

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Policy and Planning

Mission

The Office of Policy and Planning (OPP) provides comprehensive advice, counsel, plans and reports for the Secretary and other VA senior leaders in the areas of corporate policy, strategic planning and management to support VA's endeavors to provide benefits and services to our Nation's veterans in an effective and efficient manner. The Office provides expert guidance and support to all VA organizational entities with a focus on ensuring alignment of operational activities with the policies and strategic direction of the Secretary and the Administration.

Stakeholders

Veterans and their families, the Secretary, Department managers, Congress, other Federal agencies, veterans service organizations, state and county officials, VA employees, administrations and staff offices, patients, visitors at VA facilities, other interested groups and individuals, and the American people.

Performance Summary Table

Performance Measure	2003	2004	2005	2006	2007	2008	Strategic Target
Percent of VA employees who indicate they understand VA's Strategic Plan and how their work contributes to the achievement of VA's overall mission and goals	69.5	N/A	N/A	N/A	75	80	90
Annual surveys of specific population cohorts	N/A	1	1	0	2	1	2
Program evaluations initiated (per annum)	2	2	2	2	2	2	3
Cumulative percent of FTEs (compared to total planned) included in Management Analysis/Business Process Reengineering studies initiated.	N/A	N/A	0	0	33	54	100

Functions/Activity

The Office of Policy and Planning oversees, on behalf of the Secretary, certain management activities and processes that require coordination across the Department or which call for the application of broad perspective.

The Office of Policy coordinates, facilitates, and leads the Department's development, analysis, and review of policy issues affecting veterans programs. Analysts support the Office of the Secretary by reviewing and analyzing internal and external policy issues and legislative initiatives; participating in the development of the Department's legislative proposals and associated cost estimates; and facilitating cooperative and collaborative improvement across the Department. The Office provides support to a wide range of internal and intergovernmental efforts, including advisory committees and task forces. The Office of Policy also manages and directs survey research including national surveys. The Office acts as a central clearinghouse for the collection, analysis, and dissemination of information and data about veterans and veterans' programs and services. Actuarial estimates and projections are also provided by this Office. Official veteran population estimates and projections are developed and validated by this Office.

The Office of Planning and Evaluation manages VA's strategic planning process including development of the Department's integrated Strategic Plan. Functions for this office also include the management of the Department's Governance Process in which policy and management issues are discussed and decisions made. Staff oversee the conduct of program evaluations required under the Government Performance and Results Act (GPRA) wherein the effectiveness and efficiency of Federal programs are measured against outcome goals and objectives. The Office serves as the Department's internal coordinator and external liaison for strategic planning, development of the FAIR Act Inventory, Management Analysis/Business Process Reengineering and competitive sourcing, and other management improvement initiatives including the Secretary's Robert W. Carey Performance Excellence Awards, quality awards, benchmarking, and best practices. As part of the planning and governance process, staff also coordinate the activities of the VA/DoD Joint Executive Council and are responsible for developing and tracking the joint VA/DoD Strategic Plan.

Assumptions, Opportunities and Constraints

- The Department is committed to being the Administration's principal advocate on policies affecting veterans and to being a leader in the implementation of the Government Performance and Results Act (GPRA).
- The Department is committed to developing an integrated *VA Strategic Plan* that will clearly define VA's future direction over the next five years and beyond. The plan will clearly articulate VA's strategic goals, objectives, and performance targets.
- The Department is committed to a data-centric policy development process to support tactical and strategic decision making processes. In fulfilling this commitment, the Department performs a range of analyses and modeling activities to make future estimates and projections of near and long term trends in the veteran population to include demographics and cohort characteristics, disability levels, and benefits and services utilization rates. The Department also uses these analytical capabilities to support cost benefit, life cycle cost, and operational workload analyses.
- The Department is committed to fostering the use of quality management tools and techniques in all of its programs to ensure that VA continues to focus on improving operational effectiveness and efficiency, as well as the satisfaction of those who use VA's services. The Department promotes and assists facilities in the use of these tools and techniques through the Secretary's Baldrige-criteria based Carey award program, benchmarking, and best practices sharing activities.
- The Department will pursue a Management Analysis/Business Process Reengineering initiative and integrate it with workforce planning as a means to achieve enhanced services at lower costs.

Program Goals, Objectives, and Performance Measures

Enabling Goal: Deliver world-class service to veterans and their families by applying sound business principles that result in effective management of people, communications, technology, and governance.

Objective E.2: Improve communications with veterans, employees, and stakeholders about the Department’s mission, goals, and current performance as well as benefits and services VA provides.

Program Objective E.2.1: Increase internal and external understanding of VA’s strategic direction and priorities by leading VA strategic planning efforts to develop a series of VA strategic planning documents for multiple audiences, including a VA Strategic Plan for FY 2006-2011 and a VA Strategic Plan for Employees. This also includes the development of a VA/DoD Joint Strategic Plan for FY 2007-2009 and Annual Report for FY 2006.

Means and Strategies: OPP will work with VA Administrations and staff offices to develop a series of strategic planning documents (Department Strategic Plan and VA Strategic Plan for Employees) that communicate clearly and concisely the Department’s vision, mission, goals, objectives, strategies, and performance targets. The Office will coordinate all development, distribution, communication, and education activities associated with these documents.

Performance Goal 1: Due to wide distribution of the VA Strategic Plan for Employees and other communication activities, employees will understand the Department’s strategic goals. VA will also increase efforts to communicate the VA/DoD Joint Strategic Plan for 2007-2009, as well as the results and best practices from VA/DoD collaboration contained in the Annual Report for FY 2006.

	Fiscal Year						Strategic Target
	2003	2004	2005	2006	2007	2008	
Percent of VA employees who indicate they understand VA’s Strategic Plan and how their work contributes to the achievement of VA’s overall mission and goals	69.5	N/A	N/A	N/A	75	80	90

Data Source(s) and Verification:

- **Source:** OPP will conduct an electronic survey of a representative sample of VA employees using only a few questions that focus on employees' understanding of VA's strategic goals and their understanding of where their activities fit in the overall VA mission.
- **Verification:** Prior to conducting the survey with a representative sample of VA employees, OPP will develop test questions in order to develop the most effective instrument for the actual survey. OPP will also develop probing questions that will be used to verify the results of the more general question about employees' understanding of the strategic goals. In addition, small focus groups will be used to verify and supplement the results from the survey.

Goal Validation: The data for this measure will be validated by conducting similar subsequent surveys on an annual basis, and conducting a few employee focus groups that will probe employee understanding of the plan, and verify and validate the results of the annual survey.

Program Objective E.2.2: Provide critical statistical information on current and future veteran demographics, employment, socioeconomic factors, demand for benefits and services and the associated VA workload to facilitate VA's corporate decision making processes and a range of strategic and operational planning activities.

Means and Strategies: An effective veteran statistical and research function includes a variety of on-going methods, data collection and analyses to develop a body of data and information that characterizes the various cohorts of the veteran population and its demands on VA for benefits and services. This data and information is required to predict benefit eligibility, veteran utilization, and the operational workload and associated resources for processing and delivering veterans' benefits and services including compensation, pension, medical treatment, burial benefits, and memorial services. This research function will be accomplished through four principal strategies.

The first strategy includes improving VA capabilities to reliably estimate the size, composition, and location of the veteran population particularly at the state and county level. While some progress has been made to improve the veteran population estimating process, there are significant challenges involved in dealing with the uncertainties associated with making these estimates such as the dynamics of the veteran population, and specialized issues such as veteran migration and mortality. The scope of this estimating process must also be

expanded to include significant mining of data on veterans that exists in data bases of other Federal agencies and states that can be used to increase the confidence in population estimates and the detailing of demographic and other characteristics of the veteran population. The estimates of the veteran population are published on a periodic basis for public use as determined by the significance of the changes in the estimate. In 2004 the Office of Policy conducted an independent verification and validation of the veteran population estimation process. The information from this process is being used in conjunction with refinements and analyses methods and in collaboration with the Bureau of Census American Community Survey to improve data quality and accuracy of population estimate.

A second major strategy is the development of an analytical architecture consisting of models and simulations that can be used to translate DoD force mix, manpower projections, and health care utilization into projected veteran demands and utilization of benefits and services. This analytical architecture will be tailored to the characteristics and operations of the VA and constructed so as to provide explicit, transparent, and auditable processes, assumptions, methods, factors, and results. This architecture will provide VA the capability for developing scenario based estimates of demands and workload that can be translated into life cycle resource estimates.

The third principal strategy includes the administration of the National Survey of Veterans Programs (NSVP). This strategy was created in 2005 as a means to improve the Department's integration of on-going veteran survey research and to modernize the current Office of Policy and Planning survey research program. The NSVP includes a programmatic and technical architecture. The NSVP programmatic architecture creates an umbrella approach for guiding, coordinating, and integrating all surveys with a veteran identifier; creates a multi-agency work group for coordination, and consolidates coordination and integration of VA policies and procedures. The NSVP technical architecture creates the terms of reference for the Life Cycle of the Veteran, identifies the data elements and their definitions in a data dictionary that characterizes this life cycle, and establishes the Veteran Survey Clearinghouse. This strategy will be guided by a research agenda to achieve a systematic approach to data collection on the veteran population and its cohorts. The NSVP will be capable of conducting quick reaction, contemporary surveys to collect data and provide analysis to address emerging issues that merit time sensitive decisions. A comprehensive national survey of veterans, service members, survivors, and family members will be conducted in FY 2008. This survey will also fulfill the requirements of P.L. 108-454 by collecting valuable information about veteran demographics, benefits use, and awareness of benefits. The National Survey of Veterans and the additional

elements in satisfaction of P.L. 108-454 form the major requirements for the \$5.8M in increased budget authority.

The fourth strategy is the creation of the National Center for Veteran Statistics (NCVS). The NCVS was established in 2005 with the long term goal of the NCVS becoming a VA Federal Statistical Agency. This overall approach will strengthen relationships with DoD, State Directors of Veterans Affairs, Social Security Administration, Bureau of the Census, Department of Labor, Center for Medicare and Medicaid Services and other agency statistical centers to leverage on-going and planned statistical research of veterans and provide more effective data exchanges. This function will continue to focus on specific veteran issues such as employment, service utilization, the guard and reserve population, military retirees, veteran migration, low income, homeless, and other relevant topics to meet unique programmatic needs. These strategies and functions will be implemented through a combination of in-house and contract resources.

Performance Goal: Provide the Department with annual survey data.

Fiscal Year							
	2003	2004	2005	2006	2007	2008	Strategic Target
Annual surveys of specific population cohorts	N/A	1	1	0	2	1	2

Data Source(s) and Verification:

- **Source:** National Survey of Veterans Program.
- **Verification:** Appropriate testing (such as cognitive testing, pre-tests, pilot studies) of survey instruments will be conducted prior to administering the surveys in full samples.

Goal Validation: The dynamic changes in the veteran population and customer needs drive the requirement for recurring updates, usually annually. There are also needs for estimates of special cohorts to support specialized studies. Survey data can be used as one source for refinements in this process. Surveys can also help identify emerging issues, develop planning strategies, and identify outreach opportunities.

Program Objective E.2.3: Conduct comprehensive program evaluations to determine if VA programs meet legislated purposes and are prepared to meet future veterans’ needs.

Means and Strategies: VA will continue to conduct formal evaluations of major VA programs to ensure intended program outcomes are being achieved and that programs comply with applicable laws and regulations. VA will periodically reassess the schedule, scope, and nature of evaluations to determine how many can be accomplished each year, the number of program groups that can be evaluated in each evaluation, and the appropriate unique programs. In addition, VA will periodically adjust the listing of programs, the various modalities of care that should be addressed, and how program evaluations can best support strategic planning. Evaluations will primarily be conducted under contracts, managed by the Office with full participation of program officials, and include input and advice from stakeholders.

Performance Goal: By 2008, cumulative program evaluations initiated will total 15.

Fiscal Year							
	2003	2004	2005	2006	2007	2008	Strategic Target
Program evaluations initiated (per annum)	2	2	2	2	2	2	3

Data Source(s) and Verification:

- **Source:** This figure (initiating 2 program evaluations each fiscal year) is based on historical experience in OPP since 1998. It reflects (1) the availability of trained professional program evaluators who can serve as project managers and (2) the willingness of Administration officials to assign program staff to liaison with evaluation team members and contractors. (Note: Major program evaluations require that program officials assign a minimum of two subject matter experts on an intermittent basis throughout the study which takes from 18 to 36 months to complete.)
- **Verification:** Since 1998 with a professional staff of 5 trained program evaluators, OPP has published the results of 13 studies, which represent evaluations of 22 programs.

Goal Validation: The goal of initiating 2 program evaluations is predicated on the number of trained professional analysts on staff who can serve as project managers coupled with the reality that at any given time, an analyst can be fully engaged serving as the lead analyst on one evaluation and as a back-up on a second project. Each major evaluation runs from 18 to 36 months. Currently there are 5 analysts in the unit.

Data Source: Award of contract.

Data Validation: Office of Acquisition and Materiel Management.

Program Objective E.2.4: Ensure the various cost estimates developed by independent specialists and used in VA's consolidated financial statements are reasonable and supportable.

Means and Strategies: The Office of the Actuary (OACT) has implemented a regular review process of the calculation of cost estimates used in the VA consolidated financial statements. This review includes an assessment of the underlying methods and assumptions supporting the estimate. The methods used by the contractor for estimating the Compensation and Pension liability is constantly being enhanced and the estimate is updated each quarter, thus the process needs to be reviewed, in conjunction with VA's independent auditor, throughout the year. The Medical Malpractice and Tort liability calculation is subject to annual review and testing. To ensure the integrity of these liabilities OACT has instituted a regular process of annual reviews for these estimates.

Performance Goal: To minimize the risk of an internal control material weakness in the area of independent specialist calculations.

	2003	2004	2005	2006	2007	2008	Strategic Target
# Material Weaknesses of an actuarial nature*	0	0	0	0	0	0	0

* As determined by annual review of the calculation of Compensation and Pension liability estimate and the Medical Malpractice and Tort liability calculation.

Data Source(s) and Verification:

- **Source:** External Auditor/OIG Report
- **Verification:** Source data used by the contractor as well as all assumptions are reviewed by the Office of the Actuary. This includes reviews of source data and contractors methods of analyses.

Goal Validation: This regular review process is essential for the integrity of VA's consolidated financial statements. The Office of the Actuary review provides the management review of these outside estimates that is required by VA's auditor.

Objective E.4: Improve the overall governance and performance of VA by applying sound business principles, ensuring accountability, and enhancing our management of resources through improved capital asset management;

acquisition and competitive sourcing; and linking strategic planning, budgeting, and performance planning.

Program Objective E.4.1: Implement a comprehensive Management Analysis/Business Process Reengineering (MA/BPR) across non-core, commercial competitive (NCCC) functions, and integrate the results into VA’s workforce planning efforts.

Means and Strategies: OPP will work with each VA organization to develop a detailed plan for conducting MA/BPR studies for the year. This will include planned studies, the number of FTEs to be studied, the scheduled completion date, and target cost savings. Each VA organization will track its MA/BPR activities electronically and report on the cumulative number of FTE included in MA/BPR studies that have occurred, and on the cumulative number of FTE included in MA/BPR studies that are expected to occur in the balance of the fiscal year. The purpose of this reporting requirement is to capture data that outline quality improvements made, and cost savings projected and/or realized through the implementation of recommendations that enhance the effectiveness and efficiency of the functions studied.

Performance Goal: By 2012, studies will be completed on 100 percent of the 36,000 NCCC FTEs as presented in VA’s MA/BPR Plan.

	Fiscal Year						Strategic Target
	2003	2004	2005	2006	2007	2008	
Cumulative % of FTEs (compared to total planned) included in Management Analysis/Business Process Reengineering studies initiated.	N/A	N/A	0%	0%	33%	54%	100%

Data Source(s) and Verification:

- **Source:** Business Improvement Tracking System (BITS).
- **Verification:** MA/BPR Study Team Leaders are responsible for providing full validation of study data, including FTEs examined, using data collection templates to be developed in conjunction with the MA/BPR piloting process.

Goal Validation: This measure was chosen because it is the most meaningful way of expressing progress toward the goal of study completion. The MA/BPR study plan is based on a particular number of FTE to be examined. Simply reporting the number of studies completed may distort the true picture of

progress, since the scope of each study may vary widely in the number of FTE. The best measure of progress is the cumulative number of FTE examined expressed as a percentage of the total FTE in the study plan.

Summary of Budget Request

This request will support the continuing strategic planning and information needs of the Department and the requirements of the Office of Policy and Planning. An average employment of 68 and \$14,775,000 are requested to fulfill the mission of the Office of Policy and Planning in 2008.

<i>Summary of Employment and Obligations (dollars in thousands)</i>				
	2006	2007		2008
	Actual	Budget Estimate	*Continuin g Resolution	Estimat e
Average employment	108	119	70	68
Obligations:				
Personal services	\$12,632	\$14,645	\$8,580	\$8,529
Travel	634	547	135	135
Transportation of Things	0	15	0	0
Rent	41	20	0	0
Printing and reproduction	17	123	110	110
Other services	13,417	11,990	8,537	5,851
Supplies and materials	300	275	130	130
Equipment	148	0	20	20
Total obligations	\$27,189	27,615	17,512	14,775
Reimbursements	0	0	0	0
EOY Carryover (+)	2,494	0	0	0
SOY Carryover (-)	-4,557	0	-1,562	0
Total budget authority	\$25,126	\$27,615	\$15,950	\$14,775
*Note: The reduction in the 2007 Continuing Resolution column reflects the shift of funds for the creation of a new Office of Operations, Security and Preparedness in 2007. 2007 Continuing Resolution represent the estimate of an annual CR.				
Note: The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.				

<i>2007 Average Salary Methodology</i>	
2006 Average salary (260 days)	\$88,231
Annualization of 3.1 percent 2006 pay raise (.775 percent)	684
Impact of 2.2 percent 2007 pay raise (1.65 percent)	1,456
Changes in composition of staff	5,088
2007 Average salary (260 days)	\$95,459
Regular benefits percent	23.0%
2007 Average salary with benefits	\$117,415

<i>2008 Average Salary Methodology</i>	
2007 Average salary (260days)	\$95,459
Two day adjustment (.763 percent)	728
Annualization of 2.2 percent 2007 pay raise (.55 percent)	525
Impact of 3.0 percent 2008 pay raise (2.25 percent)	2,148
Changes in composition of staff	-1,186
2008 Average salary (262 days)	\$97,674
Regular benefits percent	23.0%
2008 Average salary with benefits	\$120,139

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007 Continuing Resolution	2008 Estimate
Personal services	\$12,632	\$8,580	\$8,529

The 2008 request will support 68 FTE. This request includes the impact of the 2007 and 2008 January pay raises. Personal services also include terminal leave payments, transit benefit costs, awards, and the government's cost for regular benefits such as retirement, health insurance, life insurance, and Medicare and support for the department's continuity of government role.

Travel	\$634	\$135	\$135
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Funding is requested for travel to VA facilities associated with actuarial and other analysis activities, data development, quality improvement, and strategic planning. Field visits by staff of VA operations facilities will expand and insure currency of knowledge and information used to support the range of Policy and Planning activities. Also included are visits to the Defense Manpower Data Center and other sources of statistical data applicable to the veteran population and transportation related to training, conferences, and presentation of papers at meetings of professional societies.

Printing and reproduction	\$17	\$110	\$110
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Requirements include the VA strategic planning documents, program evaluations, various reports, Vet Pop CDs, security instructions and analytical documents.

Other services	\$13,417	\$8,537	\$5,851
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These funds provide for program evaluations, actuarial and other statistical research studies, acquisition of data, security guard service contracts, emergency preparedness exercises and evaluations, development and creation of CD-ROMs, maintenance and repair of equipment, employee training, ADP timesharing services, contractual services required for the department's continuity of government role and other administrative services furnished by VA Franchise Fund activities. The reduction in 2007 is due to the fact that Office of

Preparedness and Security and Law Enforcement was branched off into their own Assistant Secretary office.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007 Continuing Resolution	2008 Estimate
Supplies and materials	\$300	\$130	\$130

These funds are used to purchase all operating supplies, software, repair parts for office automation equipment, copiers, faxes, etc.

Equipment	\$148	\$20	\$20
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The 2006 and 2007 obligations contain money to cover costs associated with furniture and repairs. Beginning in 2006 all of VA's non-personal IT services funding were budgeted within a separate IT account. Details can be found in the Department IT chapter

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Operations, Security & Preparedness

Mission

The Office of Operations, Security, and Preparedness' (OSP) mission is, in coordination with VA's Administrations and Staff Offices, to ensure the continuity of essential services and the safety and security of veterans, volunteers, employees, and visitors at VA facilities while integrating, improving and increasing VA's operational readiness and ability to execute law enforcement, emergency management, Department of Defense contingency support, and Department of Homeland Security support missions under the National Response Plan.

Stakeholders

Veterans and their families, employees, volunteers, other Federal agencies, and state and county officials as well as the American public in general.

Performance Summary Table

Measure Description (Departmental Management Measures in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final)	2008 (Initial)	
1) Percent of confirmed Successors to the Secretary who attend orientation and/or the annual update	N/A	N/A	N/A	N/A	N/A	95	100
2) Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams "ready to deploy" to their COOP site	N/A	N/A	N/A	85	100	100	100
3) Percent of field police units that are determined to be operating at a satisfactory level	90	80	85	86	87	88	90

Functions/Activity

The Office of Operations, Security, and Preparedness oversees, on behalf of the Secretary, certain management activities and processes that require coordination across the Department or which call for the application of broad perspective.

The Office of Emergency Management ensures that VA has effective emergency management programs and policies in place across the department and oversees the development of effective Continuity of Operations (COOP) and Continuity of Government (COG) plans for VA. Functions include development and coordination of policy and guidance to ensure that emergency management plans, COOP and COG plans and operational requirements are consistent, integrated, and in place in the event of a disaster or a national security emergency. The Office acts as the principal VA liaison on preparedness with other Federal agencies and represents VA at the White House Homeland Security Council, the Department of Homeland Security (DHS), Department of Health and Human Services (HHS), and the Department of Defense (DOD), as appropriate. The Office develops, implements, and evaluates preparedness training and exercises. It also assesses the interaction between VA's preparedness plans and those of other Federal preparedness organizations. In addition, the Office manages, directs, and ensures readiness and staffing of VA's Operations Centers; coordinates VA's staffing at other agencies' operations centers; and supports VA's Crisis Response Team (CRT). The Office also manages the transmission, storage, and handling of classified materials in VACO and coordinates top secret clearance management in cooperation with the Office of Security and Law Enforcement.

The Office of Security and Law Enforcement (OS&LE) ensures that VA has effective security and law enforcement programs and policies in place across the department. This ensures the protection and safety of veterans, staff, volunteers, and visitors on Department properties by developing and overseeing VA-wide police and physical security programs. OS&LE determines qualification standards for and trains all newly hired VA police officers; monitors and disseminates threat intelligence information to field activities; and participates in interagency security policy and planning organizations. In addition, OS&LE coordinates the protection of multiple Federal agencies in VA Central Office campus buildings. OS&LE staff provides personal security for the Secretary and Deputy Secretary of Veterans Affairs commensurate with the threat level, to include motor vehicle support. OS&LE also awards national security and high risk clearances based on background investigations. OS&LE also works with the

Office of Emergency Management to determine access eligibility to classified information.

Assumptions, Opportunities and Constraints

- The Department is prepared for any emergency situation to ensure it is able to continue its primary mission of service to veterans and their families.
- The Department will serve as a support agency for disaster response and mitigation under the emergency support functions of the National Response Plan and execute the Department's "fourth mission" to provide contingency medical support to DOD in time of war.
- The Department will oversee enforcement of law and order on VA facilities and protect veterans, volunteers, and employees using VA facilities.
- The Department will protect critical infrastructure and key resources under VA control with physical security practices commensurate with known threats, helping to ensure those resources are available to the Nation in an emergency.

Program Goals, Objectives, and Performance Measures

Department Strategic Goal 4: Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.

Objective 4.1: Improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to veterans, as well as to support national, state, and local emergency management and homeland security efforts.

Program Objective 4.1.1: VA has a viable strategy for emergency preparedness and continuity of operations.

Performance Goal: In 2008, 95 percent of the Secretary's confirmed successors will have attended orientation and/or the annual update.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007	2008	
Percent of confirmed VA successors to the Secretary who attend orientation and/or the annual update	n/a	n/a	n/a	n/a	n/a	95	100

Means and Strategies: In order to ensure that the Department meets its target, the Office of Emergency Management will communicate Line of Succession requirements to the leadership and continually monitor the status of the Department's Line of Succession. As changes occur, training for newly confirmed Successors will be scheduled. Annual updates will be scheduled for every confirmed successor. Records of training will be maintained in the VACO Readiness Operations Center.

Data Source(s) and Verification:

Training records

Data Verification:

Review of training records

Goal Validation: Goal ensures that senior personnel in line to succeed the Secretary in case of his death or inability to manage the Department are trained to assume those duties.

Crosscutting Activities: The Office of Emergency Management coordinates Line of Succession for the Department and as such has regular contact with the White House other agencies involved in emergency response.

External Factors: Accomplishment of these goals depends upon cooperation of other VA entities.

Initiatives: The office continually works with leadership of the Administrations and Staff Offices to provide training to successors.

Performance Goal: In 2008, 100% percent of key officials certify that their teams are “ready to deploy” their COOP site.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007	2008	
Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams “read to deploy” to their COOP site	N/A	N/A	N/A	85	100	100	100

Means and Strategies: In order to ensure that officials are aware of their requirements the Office of Emergency Management will communicate through monthly Emergency Planners meetings and weekly Crisis Response Team meetings. Newly designated Emergency Planners will receive orientation on their responsibilities to maintain and update COOP plans for leadership review and certification. The COOP Program Manager will ensure execution through a regular review of existing COOP plans to determine if they require revision.

Data Source(s) and Verification:

- **Source:** COOP Program Manager Written Records.
- **Verification:** Certifications by officials of valid COOP plans are maintained in O&R. Re-certification is required annually.

Goal Validation: Goals ensure senior leadership is involved since they have to certify and requires that emergency planners responsible for their organizations preparedness are trained and aware of requirements.

Crosscutting Activities: The Office of Operations and Readiness has daily contact with other agencies involved in emergency preparedness. This contact includes routine business and coordination of, and participation in, interagency planning, training, exercises, and evaluations.

External Factors: None.

Initiatives: The Office continually evaluates its training and exercise schedules to ensure that exercises and training are current and reflect the ongoing needs of the Department and the emergency preparedness community.

Performance Goal: In 2008, 88% percent of field police units operate at a satisfactory level.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007	2008	
Percent of field police units that are determined to be operating at a satisfactory level	90	80	85	86	87	88	90

Means and Strategies: To ensure a safe work environment, all newly hired VA police officers will complete compulsory training. Training curricula will change to meet changing needs. Pre-employment background checks will be conducted to ensure that appropriate police personnel are hired. Cyclical inspections of police units at VA facilities, including increased focus on facilities whose quality of operations need significant improvement, will be conducted with remedial follow-up and oversight. Policy and guidance will be developed and implemented in accordance with VA needs and external factors. Cooperative relations will be maintained with other Federal law enforcement agencies. Classified materials and employee clearances will be managed in accordance with applicable laws, regulations, and Executive Orders.

Data Source(s) and Verification:

- **Source:** Data derived from records of inspections conducted by OS&LE. Five program areas, which incorporate 11 critical areas, are reviewed. Data derived from field vulnerability assessments provided to OS&LE by VHA facilities.
- **Verification:** Biennial Inspections are scheduled for police units previously determined to be operating at a satisfactory level. Units determined to be unsatisfactory are revisited within 12 months of the rating.

Goal Validation: The inspection process was selected to measure achievement because it assesses the comprehensive program. It evaluates VHA's implementation of Department Policy. The review process was selected to

measure achievement and facility vulnerability on a broad range of security and law enforcement criteria. This initiative evaluates how well VA organizations are implementing Department Policy.

Crosscutting Activities: The Office of Security and Law Enforcement has daily contact with local law enforcement agencies, as well as the Federal Bureau of Investigation, Drug Enforcement Agency, and the Asst. US Attorney. These contacts include routine business, coordination, and participation in interagency planning, training, exercises

External Factors: No factors external to the Department impact the ability to accomplish these measures, however police chiefs report to VHA facility directors rather than Security and Law Enforcement so S&LE doesn't have day to day oversight of the chiefs.

Initiatives: The Office of Security and Law Enforcement is developing a Quick Response Team to respond to more serious incidents when local VA police resources are overwhelmed. Additionally the Law Enforcement Training Center is adding additional hours of training to the basic police training course and is developing additional specialized training courses.

Summary of Budget Request

This request will support the Department's emergency preparedness and law enforcement needs and the requirements of the Office of Operations, Security and Preparedness. An average employment of 69 and \$11,911,000 are requested to fulfill the mission of the Office of Operations, Security and Preparedness in 2008.

<i>Summary of Employment and Obligations (dollars in thousands)</i>			
	2006	2007 Continuin g Resolution	2008 Estimate
Average employment	0	70	69
Obligations:			
Personal services	\$0	\$6,368	\$6550
Travel	0	583	585
Transportation of Things	0	0	0
Rent, Communications, Utilities	0	127	75
Printing and reproduction	0	12	12
Other services	0	4,682	4,475
Supplies and materials	0	168	150
Equipment	0	122	64
Total obligations	\$0	\$12,062	\$11,911
Reimbursements	0	0	0
EOY Carryover (+)	0	0	0
SOY Carryover (-)	0	0	0
Total budget authority	\$0	\$12,062	\$11,911

Note: Office established October 1, 2006

<i>2007 Average Salary Methodology</i>	
2006 Average salary (260 days)	\$65,252
Annualization of 3.1 percent 2006 pay raise (.775 percent)	506
Impact of 2.2 percent 2007 pay raise (1.725 percent)	1,077
Changes in composition of staff	523
2007 Average salary (260 days)	\$67,358
Regular benefits percent	23%
2007 Average salary with benefits	\$82,850
<i>2008 Average Salary Methodology</i>	
2007 Average salary (262 days)	\$67,358
Annualization of 2.2 percent 2006 pay raise (.775 percent)	370
Impact of 2.2 percent 2007 pay raise (1.725 percent)	1,111
Add 2 days adjustment	518
Changes in composition of staff	2,105
2008 Average salary (262 days)	\$71,462
Regular benefits percent	23%
2008 Average salary with benefits	\$87,898

<i>Detail of Budget Estimates (dollars in thousands)</i>			
	2006	2007 Continuing Resolution	2008 Estimate
Personal services	\$0	\$6,367	\$6,550

The 2008 request will support 69 FTE, a decrease of one position in OEM from the FY07 budget. Personal services also include pay raises, terminal leave payments, transit benefit costs, awards, and the government's cost for regular benefits such as retirement, health insurance, life insurance, and Medicare and support for the department's continuity of government role. Additionally, personnel services funding of \$486,000 is included to cover increased costs for executive protection and staffing requirements related to hurricane contingency response for OS&LE, OEM, and the Office of Operations, Security, and Preparedness .

Travel	\$0	\$583	\$585
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Funding is requested for travel to VA facilities, training sites, and disaster sites associated with oversight and analysis activities, exercise, emergency response, quality improvement, and planning. Field visits by staff of VA operations facilities will expand and ensure staff development, management oversight, participation in program exercises, and interagency coordination to support the range of OSP activities. Security & Law Enforcement plans extensive travel to provide protection for VA leadership and to continue annual inspections of VA field police forces. OEM travel will enable VA participation in a variety of COOP and emergency preparedness training exercises, interagency coordination, and staff development.

<i>Detail of Budget Estimates (dollars in thousands)</i>			
	2006	2007 Continuing Resolution	2008 Estimate
Rent, Communications, Utilities	\$0	\$127	\$75

Requirements include non-IT support of OSP communications related to emergency response, law enforcement, and security functions. Funds are included to support motor vehicle drivers and funding to ensure VA sites are qualified to receive and transmit secure communications required to fulfill responsibilities under the National Response Plan.

Printing and reproduction	\$0	\$12	\$12
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Requirements include the OSP strategic planning documents, program evaluations, various reports, security and law enforcement and preparedness instructions and analytical documents.

Other Services	\$0	\$4,682	\$4,475
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These funds provide for program evaluations, research studies, security guard service contracts, emergency preparedness exercises and evaluations, maintenance and repair of equipment, employee training, ADP timesharing services, contractual services required for the department's continuity of government role and other administrative services furnished by VA Franchise Fund activities.

Supplies and Materials	\$0	\$168	\$150
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These funds are used to purchase all operating supplies, repair parts for office automation equipment, copiers, faxes, etc. Supplies for responding to natural and terrorism events are required for both preparedness and law enforcement activities. These include MRE's, water, field clothing, ammunition, and other supplies.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007 Continuing Resolution	2008 Estimate
Equipment	\$0	\$122	\$64

These funds are used to purchase non-IT related equipment in support of preparedness, law enforcement and security functions; including firearms and associated law enforcement and training equipment, office equipment to fit-out VA mirror sites, mobile electrical generation units for field deployment, etc. This account is also established to support short term, multi-regional or unplanned VA needs which are not funded through specific allocations. FY 2008 examples include: supporting field employee decontamination stations, respiratory protection and fit testing equipment, and other specialized response equipment.



Public & Intergovernmental Affairs

Mission

To provide the Department with a modern, comprehensive, and integrated communications capability that supports and reflects Department objectives and initiatives and provides veterans the information they need to access VA benefits and services.

Stakeholders

Current and future veterans, their dependents, veterans with special needs (i.e., women, minorities, homeless, Gulf War veterans, Vietnam veterans and Operation Enduring and Iraqi Freedom veterans), veterans service organizations, VA employees, the news media, and the general public require information on the Department's services, benefits, and actions on behalf of our Nation's veterans, as well as Federal, State, and local government organizations.

Performance Summary Table

Measure	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007⁵	2008	
1) Number of homeless veterans receiving housing/services from VA	26,000	30,000	32,000	34,000	38,000	40,000	45,000
2) Number of informational programs for homeless service providers in which VA participates	13	15	17	19	20	20	20
3) Number of pilot and demonstration programs implemented by VA in	N/A	N/A	4	6	8	9	10

⁵ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

	Results				Targets		Strategic Target
Measure	2003	2004	2005	2006	2007 ⁵	2008	
which faith-based and community organizations participate							

	Fiscal Year Results Data				FY Target Data		Strategic Target
Measure	2003	2004	2005	2006	2007 ⁶	2008	
4) Number of opportunities developed for VA senior officials to address national, state, and municipal traditional and non-traditional intergovernmental organizations	N/A	N/A	N/A	3	5	8	20
5) Number of department-wide coordinated outreach initiatives	N/A	N/A	N/A	3	4	4	4

Functions/Activity

The function of the Office of the Assistant Secretary is to provide executive management of the offices of public and intergovernmental affairs. Such management comprises coordination of the information VA communicates to its various audiences, especially to the general public through the news media, and the provision of policy guidance in public affairs. The Assistant Secretary is also responsible for managing and directing intergovernmental, international, homeless, and consumer affairs programs and faith-based community initiatives supporting veterans and special issue groups. The Assistant Secretary also oversees the conduct of four National Rehabilitation Special Events for veterans

⁶ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

and coordinates other program activities. The organization works to meet the needs of several audiences--first and foremost, veterans.

The Deputy Assistant Secretary for Public Affairs heads a staff component of the Office of Public and Intergovernmental Affairs and is responsible for providing external and internal communications services and public affairs policy guidance to other Administration and staff operating elements to create awareness of VA programs, services, and responsibilities.

The primary mission of this Office is to provide the Nation's veterans, and their eligible dependents and survivors, information through news media channels about Department benefits and programs. Through the preparation and dissemination of communications vehicles and materials, the Office provides essential information on eligibility and accessibility to a variety of public entities. It maintains close liaison with media representatives and monitors print and broadcast news activities. It provides responses to inquiries concerning data and information about Department operations and policy. The Office provides assessments of public affairs issues to the Secretary and his staff, and assists VA field facilities in the formulation and execution of community public affairs programs. The Office conducts public affairs training to enhance the ability of staff and VA Administration Public Affairs personnel to communicate through the news media. It also communicates information on Administration policy and priorities through a variety of means, including articles, speeches, internal communications and media interviews with agency officials. The Office provides timely advice, information, and counsel to public affairs officers based in field facilities maintained by the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), and the National Cemetery Administration (NCA). The total program is designed to provide the Department with the means by which program objectives can be enhanced through supportive communication activities.

The Office supports publicity surrounding numerous national special events, publishes an annual compilation of Federal benefits information in English and Spanish, and produces the Department's print and electronic employee media. The Office maintains Internet access to the benefits booklet (in English and Spanish), news releases, fact sheets, and other informational materials.

With personnel in Central Office and in seven field offices, the Office provides an array of public information and professional communications media services. These include news and feature releases, fact sheets, statistical summaries, radio and television materials, magazine articles, speeches, and official statements. The Office also provides advice to the Secretary, Under Secretaries, and staff office heads concerning public interest in, and reaction to, VA policies and programs.

The Office produces a number of media specifically aimed at VA's internal audiences - employees, volunteers, veteran patients and other stakeholders. *Vanguard* is VA's premier employee magazine published six times a year and distributed nationally to all VA facilities. *VA News* is a weekly video newscast of events, activities, issues and achievements affecting VA employees. It is broadcast via satellite to all major VA facilities. The office sends via e-mail a daily message for all employees to inform them of VA achievements, initiatives and policy decisions and to recognize VA employees for their achievements. All of these products are posted on the Office of Public Affairs Web site, as well. The Office also uses the employee leave and earnings statement to send messages communicating management priorities and program initiatives.

The Office of the Deputy Assistant Secretary for Intergovernmental Affairs is another staff component of Office of Public and Intergovernmental Affairs activities.

The Intergovernmental Affairs Service acts as the Department's liaison in all intergovernmental affairs matters and serves as the primary contact with Federal, State, and local government officials. The service coordinates VA's participation in intergovernmental affairs initiatives, including White House-sponsored activities. Intergovernmental Affairs Service is responsible for the assessment of issues and concerns of State and local officials and the impact of VA's action in their areas of jurisdiction. The service also facilitates continuous and bilateral communications between the States and VA Central Office to provide early knowledge of State actions and concerns, issues, and supporting programs. Intergovernmental Affairs is also the Department's liaison in the National Rural Development Partnership (NRDP), an initiative that brings together Federal, State, local, and tribal governments, as well as members of the private and non-profit sectors, to work together for community and economic development in rural America.

Consumer Affairs Service, created by Executive Order 12160 in 1980, is the Department's liaison with other Cabinet department consumer affairs offices and acts as the Department-level consumer complaint response office. The Department's "consumers" are primarily veterans and their dependents and survivors, although we include businesses, veterans service organizations, and other groups who have veteran-related interests. In addition to directly responding to veterans and other individuals through the VA Web site, Consumer Affairs Service acts as a consultant and coordinator for other VA offices and field stations in establishing and maintaining their Internet-based customer response activities, as well as their ongoing customer service programs.

Consumer Affairs responds to inquiries from State and local government elected officials regarding individual veterans concerns.

International Affairs Service is responsible for developing, managing, and coordinating the Department's international programs. The staff coordinates with the National Security Council (NSC), Department of Defense and the State Department in developing state visit programs and subject matter exchanges for representatives of foreign governments concerning veterans' benefits. These programs provide a venue for the exchange of information on how best to serve veterans, assist countries in developing programs to better serve their veterans, and help to foster our bilateral relations with participating countries. The service is also responsible for coordinating with foreign governments all international commemorative events such as the anniversary of foreign wars, battles, and official recognition by foreign governments of our veterans. A major responsibility of the International Affairs Service is to interface with the diplomatic community on all international matters concerning our veterans and all foreign official travel.

The Office of Homeless Veterans Programs coordinates Department-wide efforts to assist our Nation's homeless veterans. The staff is tasked with developing partnerships with other Federal agencies, State and local governments, national and local homeless service providers, veterans service organizations, and Native American tribal governments to improve internal and external systems of assisting homeless veterans. This office oversees all VA programs and serves as the Department's coordinating office with the Interagency Council on Homelessness (ICH). In addition, this office coordinates the Department's Working Group on Homelessness and provides logistical support to the 15-member Advisory Committee on Homeless Veterans. This office is a key internal partner to Loan Guarantee for Multifamily Transitional Housing for Homeless Veterans' initiative. The Office coordinates VA involvement in the planning and participation in joint conferences with federal Departments that assist homeless veterans; oversees VA participation with the Department of Labor's pilot to assist incarcerated veterans; and participates as a key component of the Secretary's Task Force on Access and Availability of Mental Health and Substance Abuse Services.

The Office of National Outreach Programs, established in July 2005, works with VA's administrations and staff offices to coordinate and monitor major Departmental outreach efforts to ensure veterans and their families have timely access to information regarding VA benefits and services. The Office is also responsible for developing and implementing administrative and operational policies related to outreach. The office coordinates with VA's senior leaders and the communications offices in VHA, VBA, and NCA to develop national, regional, and local outreach plans to inform specific veteran populations, their

families, and service providers of VA benefits and services and also serves as a liaison with the White House, Congress, and other Federal, State, and local officials on the development of coordinated outreach efforts.

The Center for Faith-Based and Community Initiatives (CFBCI), created by Executive Order 13342 on June 1, 2004, coordinates Department-wide efforts to eliminate regulatory, contracting, and other programmatic obstacles to the participation of faith-based and other community organizations in the provision of social and community services to veterans. The Center serves as the liaison and point of contact with the White House Office of Faith-Based and Community Initiatives with unique operational and White House liaison responsibilities and reporting requirements.

The Office of National Programs and Special Events coordinates VA activities related to veterans national programs, memorial and commemorative participation, and the four national rehabilitative special events for veterans. Such activities include Veterans Day, Memorial Day, National Disabled Veterans Winter Sports Clinic, National Veterans Wheelchair Games, National Veterans Golden Age Games, National Veterans Creative Arts Festival and nationally recognized historical events. This office also directs the activities of the National Rehabilitation Special Events Management Group currently chaired by the Deputy Secretary and vice-chaired by the Assistant Secretary for Public & Intergovernmental Affairs.

The Office of White House Liaison advises the Secretary, Deputy Secretary, and the Assistant Secretary for Public and Intergovernmental Affairs on the placement of top-level non-career appointments in the Department of Veterans Affairs.

The Advisory Committee Management Office serves as the Department's liaison for VA's 26 advisory committees and is responsible for providing clear goals, standards, and uniform procedures with respect to the creation and operations of the advisory committees.

In coordination with the Office of Information Technology the Office of Public and Intergovernmental Affairs develops and/or participates in the development, communication, implementation and evaluation of policies, plans, guidance and initiatives which directly affect effective and efficient utilization of the organization's information resources.

Assumptions, Opportunities and Constraints

VA has often been described as unique among Cabinet departments in that its mission is totally oriented to the direct delivery of services to segments of the public as defined by law. That being the case, there is the logical expectation that the Department has the ability to communicate what it offers and the means by which to provide delivery of such services to those entitled to VA benefits and programs.

Public and Intergovernmental Affairs activities encompass the broad realm of information-delivery functions within large and complex organizations. Target audiences are focused both within and outside VA based upon the philosophy that the public is better served by employees who are themselves well-informed not only about their specific duties, but also about the Department's responsibilities. VA relies largely on its ability to attract attention from media organizations, all of which are privately operated and which reach both specialized and broadly diverse populations. Maintaining a staff of skilled and versatile specialists with crosscutting experience and talent is crucial to being able to provide communications support for the Department's mission.

Further reinforcing the need for strength in this area of staff support is the historical reality of unforeseen situations that arise from operating a nationwide, multi-million patient health care system. No amount of planning or foresight can obviate the intense demand for response and attention during crises. The lack of a strong public affairs entity subjects organizations to often severe criticism from which recovery is difficult if not impossible.

Expectations must also be tempered by constraints inherent in the Federal mass communications environment, which does not have the latitude found in the private sector. For example, VA cannot engage in institutional advertising and paid public relations efforts, often very important components of total communications strategies.

Program Goals, Objectives, and Performance Measures

Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.

Objective 1: Maximize the physical, mental, and social functioning of veterans with disabilities and be a leader in providing specialized health care services.

Performance Goal 1: In 2008, increase the number of homeless veterans receiving housing/services from VA to 40,000.

<i>Measure Description</i>	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 ⁷	2008	
Number of homeless veterans receiving housing/services from VA	26,000	30,000	32,000	34,000	38,000	40,000	45,000

Means and Strategies: To reach the FY 2008 target, the Homeless Veterans Program Office will work with VHA, VBA, and staff offices to enhance communication, collaboration and coordination of Department-wide programs and activities to address the needs of homeless veterans. This office will also continue to serve as liaison to other Federal agencies, State and local governments, veterans service organizations, and non-profit organizations serving homeless veterans and conduct outreach activities that will promote partnerships to expand the range of services for homeless veterans. Monthly meetings of the Secretary's Working Group on the Homeless will be held to continue expansion of its existing organizational membership by five internal organizations each year. These meetings will enhance communication and coordination efforts and optimize resources targeted at the homeless veteran population. Staff will work to maximize participation in the Community Homelessness Assessment Local Education and Networking Groups (CHALENG) by increasing VA facility participation. The Office will coordinate outreach activities to enhance community participation in local CHALENG planning meetings. The Office will serve as a liaison with State and local governments and faith-based and community service providers to expand housing opportunities with VA's loan guarantee for multi-family transitional housing for homeless veterans.

Data Source(s) and Verification:

- **Source:** Homeless Veterans Grant Program grantee records, VHA clinical reporting systems, VBA benefit reporting systems, Department of Labor, Homeless Veterans Reintegration Program (HVRP) and the Department of Housing and Urban Development are all sources used for performance information.

⁷ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

- **Verification:** The Northeast Program Evaluation Center, West Haven VAMC, conducts routine program evaluation and monitoring activities.

Goal Validation: Addressing the needs of homeless veterans is a Department priority. Tracking the number homeless veterans receiving benefits from VA serves as a valid indicator of how effectively VA’s Homeless Veterans Program is communicating, collaborating and coordinating with of Department-wide programs and activities to address the needs of homeless veterans.

Crosscutting Activities: The Homeless Veterans Program Office coordinates the development of Departmental homeless programs with VHA’s Mental Health and Strategic Health Care Group and VBA’s Loan Guaranty Service, Veterans Services, Vocational Rehabilitation Service, and Education Service.

External Factor: There are no external factors that will affect this goal.

Performance Goal 2: In 2008, increase the number of informational programs for homeless service providers in which VA participates to 20.

<i>Measure Description</i>	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 ⁸	2008	
Number of informational programs for homeless service providers in which VA participates	13	15	17	19	20	20	20

Means and Strategies: The Center for Faith-Based and Community Initiatives in conjunction with the Homeless Veteran Program office will work with VHA, VBA, and staff offices to enhance communication, collaboration and coordination of Department-wide programs and activities to address the needs of homeless and other veterans in need of social services. The Task Force will seek advice from responsible parties within the faith-based and community organizations structure to focus communication and coordination efforts on homeless service providers and thereby optimize resources spent on behalf of the homeless and at-risk veteran population.

Data Source(s) and Verification:

- **Source:** Internal tracking mechanisms will be used to collect data.

⁸ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

- **Verification:** Listings of events with staff contacts and participant information are maintained on file and periodically reviewed for accuracy.

Goal Validation: Participation in informational programs for homeless providers is a key element of VA’s efforts on behalf of homeless veterans because it strengthens VA’s partnerships with faith-based and community organizations – many of which work with homeless veterans, and allows for the testing new strategies through pilot and demonstration programs.

Crosscutting Activities: The Homeless Veterans Program Office continues to develop and enhance collaborative programs with faith-based and community-based non-profits, veterans service organizations, and State and local governments to serve homeless veterans through “Stand-Downs” and establishment of housing and employment services. Collaborative efforts have been established with non-profit organizations and national veterans service organizations to continue a wider outreach effort for better utilization of VA services.

External Factor: There are no external factors that will affect this goal.

Performance Goal 3: In 2008, increase the number of pilots and demonstration programs implemented by VA in which faith-based and community organizations participate to 9.

<i>Measure Description</i>	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 ⁹	2008	
Number of pilot and demonstration programs implemented by VA in which faith-based and community organizations participate	N/A	N/A	4	6	8	9	10

Means and Strategies: The Center for Faith-Based and Community Initiatives (CFBCI) receives guidance from the White House Office of Faith-Based and Community Initiatives (WHOFBCI) and the Office of Management and Budget (OMB) on the appropriate methodology to be used in order to achieve its pilots objectives. Pilot owners submit project plans to the CFBCI that illustrate innovative strategies to address the unmet social and community needs of

⁹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

veterans. CFBCI submits the pilot project plans to the WHOFBCI for guidance and concurrence on which pilots should be selected for grading purposes on the PMA scorecard. The PMA scorecard is used to track the progress and success of the pilot and demonstration programs and provides a quarterly graded score. CFBCI provides pilot owners with guidance on the implementation of pilots and evaluation plans that are required in order to measure their impact. The results of the pilots evaluation plans are submitted to the WHOFBCI. The Center has a steering committee whose members represents the Department's various administrations and staff offices and advises the Center on how to best coordinate agency efforts to support the pilots, test new strategies and provide success stories.

Data Source(s) and Verification:

- **Source:** The CFBCI uses WHOFBCI data collection forms and pilot owner's data collection instruments in order to collect data that is needed for the President's Management Agenda (PMA) scorecard. Pilot project plans that are submitted to CFBCI have an outcome-based evaluation plan component. Evaluation plans are used to measure and validate the impact of pilots and for future expanded use.
- **Verification:** A data-base is used to store faith-based and community organizations contact information and a list-serve is use to communicate applicable information and periodic verification of accuracy.

Goal Validation: The CFBCI in concurrence with the WHOFBCI have identified the pilots that will be used for quarterly grading purposes on the PMA scorecard which in turn is used to track the progress and success of the pilot and demonstration programs.

Crosscutting Activities: The CFBCI is identifying and proposing pilot and demonstration programs within the Department of Veterans Affairs and collaborative partnerships with Federal agencies and faith-based and community organizations to address veterans social and community service needs. CFBCI is strengthening VA's partnerships by facilitating the participation of faith-based and community organizations in Federal as well as State and local initiatives and through increased outreach activities.

External Factor: There are no external factors that will affect this goal.

The Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.

Objective E-2: Improve communications with veterans, employees, and stakeholders about VA’s mission, goals, and current performance as well as benefits and services that the Department provides.

Performance Goal 1: In 2008, increase the number of opportunities developed for VA senior officials to address national, state, and municipal traditional and non-traditional intergovernmental organizations to 8.

<i>Measure Description</i>	Actual Results				Targets		Strategic Target
	2003	2004	2005	2006	2007¹⁰	2008	
Number of opportunities developed for VA senior officials to address national, state, and municipal traditional and non-traditional intergovernmental organizations	N/A	N/A	N/A	3	5	8	20

Means and Strategies:

Data Source and Verification:

- **Source:** Internal tracking system is maintained.
- **Verification:** Internal tracking system is periodically reviewed for accuracy.

Goal Validation: VA can influence policy regarding veterans by getting on the conference agendas groups such as the National Governors Association, National Conference of State Legislators, U.S. Conference of Mayors, American Legislative Exchange Council, National Association of Counties, and the National Foundation for Women Legislators and working with elected and appointed officials. Tracking the number of opportunities VA leaders have to address opinion leaders is an indicator of the degree of potential influence VA has on policy formulation at the local, state, and federal levels.

Crosscutting Activities: The Office of Intergovernmental Affairs will work with each Administration and Program Office to develop speaking opportunities for respective senior officials to discuss current veterans issues of interest to state and local governments.

¹⁰ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

External Factor: There are no external factors that will affect this goal.

Performance Goal 2: In 2008, maintain the number of department-wide coordinated outreach initiatives at 4.

<i>Measure Description</i>	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007	2008	
Number of department-wide coordinated outreach initiatives	N/A	N/A	N/A	3	4	4	4

Means and Strategies: The Office of National Outreach Programs coordinates with VA’s senior leaders and the communications offices in VHA, VBA, and NCA to develop national, regional, and local outreach plans to inform specific veteran populations, their families, and service providers of VA benefits and services. The Office will also develop a Departmental Strategic Plan for Outreach. The plan will provide an inventory of current outreach efforts and articulate strategies for improvement and additional outreach efforts where gaps currently exist.

Data Source(s) and Verification:

- **Source:** Under development. The Strategic Plan for Outreach will serve as the primary data source for the Department’s national outreach efforts.
- **Verification:** Internal tracking system will be maintained and periodically reviewed for accuracy.

Goal Validation: The Office serves as a liaison with the White House, Congress, and other federal, state, and local officials on the development of coordinated outreach efforts. Tracking the number of outreach initiatives is a good indicator of the degree to which VA’s message is reaching the veterans and their families.

Crosscutting Activities: The Office of National Outreach Programs established in July 2005, works with VA’s administrations and staff offices to coordinate and monitor major Departmental outreach efforts to ensure veterans and their families have timely access to information regarding VA benefits and services. The Office is also responsible for developing and implementing administrative and operational policies related to outreach.

External Factor: There are no external factors that will affect this goal.

Summary of Budget Request

The request for 2008 covers activities of the Office of the Assistant Secretary; the Office of Public Affairs and its seven regional offices in Atlanta, Chicago, Dallas, Denver, Los Angeles, New York, and Washington, DC; the Offices of Intergovernmental Affairs; the Office of National Programs and Special Events; the Advisory Committee Management Office, and the Center for Faith-Based and Community Initiatives. The budget provides for employment of 83 FTE and funding of \$10,425,000.

Summary of Employment and Obligations					
<i>(dollars in thousands)</i>					
	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Average employment:					
Central Office	47	54	54	54	0
Field	29	29	29	29	0
Total	75	83	83	83	0
Obligations:					
Personal services	\$8,307	\$9,158	\$8,954	\$8,699	-255
Travel	387	400	390	375	-15
Transportation of things	0	0	0	0	0
Rents, communications, and utilities	345	89	370	400	+30
Printing and reproduction	477	400	400	400	0
Other services	290	524	301	310	+9
Supplies and materials	211	168	215	205	-10
Equipment	10	36	36	36	0
Total obligations	\$10,027	\$10,775	\$10,666	\$10,425	-241
Reimbursements	0	0	0	0	0
Carry over (+)	+482	0	0	0	0
Carry over (-)	0	0	0	0	0
Total budget authority	\$10,509	\$10,775	\$10,666	\$10,425	-241

<i>2007 Average Salary Methodology</i>	
2006 Average Salary (260 days)	\$94,053
Annualization of 3.1 percent 2006 pay raise (0.775 percent)	729
Impact of 2.2 percent 2007 pay raise (1.65 percent)	1,564
Adjustment - Changes in Staff Composition	<u>-7,069</u>
2007 Average Salary (260 days)	\$89,277
Regular benefits percent	22%
2007 Average Salary with Benefits	\$108,918
<i>2008 Average Salary Methodology</i>	
2007 Average Salary (260 days)	\$89,277
Annualization of 2.2 percent 2007 pay raise (0.55 percent)	491
Impact of 2.2 percent 2008 pay raise (1.65 percent)	1,481
Two Day Adjustment - Changes in Staff Composition	702
Adjustment - Changes in Staff Composition	<u>-1,180</u>
2008 Average Salary (262 days)	\$90,771
Regular benefits percent	22%
2008 Average Salary with Benefits	\$110,741

Detail of Budget Estimates

(dollars in thousands)

	2006 Actual	2007 Current Estimate	2008 Estimate	Increase (+) Decrease (-)
Personal services	\$8,307	\$8,954	\$8,699	\$-255

Personal services funding required to support 83 FTE in 2008. The 2008 request includes the impact of an increase of 2.2 percent for the 2007 pay raise and the 2.2 percent 2008 pay raise beginning in January 2008. Personal services also include the government's cost for regular benefits such as the transit benefit, retirement, health insurance, life insurance, Child Care Subsidy and Medicare.

Travel	\$387	\$390	\$375	\$-15
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These funds provide for visits by staff members to establish and maintain contact with local representatives of news media, veterans service organizations, VA facilities and other agencies; to support the Secretary's travel agenda, and attend national service organization meetings, governors' conferences, professional development and program-related conferences; to support four national rehabilitation special events; and for field activity management and oversight, homeless programs, advisory committee meetings and international activities.

Rents, communications, and utilities	\$345	\$370	\$400	\$+30
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These funds are for information processing equipment to provide an office communication system with applications in public information, media liaison, issues analysis and public and intergovernmental affairs support of the Department's mission, goals, and objectives. These funds also support and maintain data communication, photo copiers and telecommunication requirements for seven regional offices.

Printing and reproduction	\$477	\$400	\$400	\$0
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These funds will reimburse the Supply Fund for all printing and reproduction services. Requirements include letterhead, envelopes, news releases, briefing packages, VAnguard, Federal Benefits to Veterans and Dependents, Veterans Day publications, informational brochures, quarterly newsletter on homeless veterans issues, annual homeless report and other reproduction services. This level of

funding will allow for a publication distribution of the Federal Benefits to Veterans and Dependents handbook, a companion tri-fold brochure that explains basic VA benefits and VA History in Brief. Contract riders will also be available for the three Administrations.

Detail of Budget Estimates				
<i>(dollars in thousands)</i>				
	2006	2007	2008	
	Actual	Current	Estimate	Increase (+)
		Estimate		Decrease (-)
Other Services	\$290	\$301	\$310	\$+9

Funds requested provide for services not available within the Department such as the distribution of public service announcements and the production of video products used for internal and external information dissemination. Nationally distributed radio and television public service announcements and other video products detail specific benefits or outreach subjects. Also included are funds to support collateral duty management and executive-level public affairs workshops. These funds also cover wire service contracts, professional training, annual public affairs training conference, consumer affairs conference, intergovernmental affairs activities with State, county, and local governments and international affairs activities with foreign governments, DoD, and other government agencies. In addition, funds include development of a cable access video program, homeless veterans programs, and employee growth and development programs.

Supplies and materials	\$211	\$215	\$205	\$-10
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These funds are used to purchase all operating supplies, software, and repair parts for office automation equipment, copiers and faxes.

Equipment	\$10	\$36	\$36	\$0
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Funds will be used for the normal replacement and upgrading of equipment and furnishings that meet the Department's standard for replacement.

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Congressional and Legislative Affairs

Mission

The mission of the Office of Congressional and Legislative Affairs (OCLA) is to improve veterans' benefits and services by promoting the Department of Veterans Affairs' (VA) policies, programs, and legislative initiatives through communications, coordination, interaction with and constituent services for Congress.

Stakeholders

External

External Stakeholders include the White House, congressional committees and committee staffs, Members of Congress and their staffs, and the Government Accountability Office (GAO).

Internal

Internal Stakeholders include the Secretary, the Deputy Secretary, and other Department officials representing VA to Members of Congress.

Performance Summary Table

<i>Departmental Measures</i>	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Percentage of title 38 reports that are submitted to Congress within the required timeframe	70% w/i 30 days	54% w/i 15 days	21% by due date	13% by due date	45% by due date	50% by due date	100%
2) Percentage of responses to pre- & post-hearing questions that are submitted to Congress within the required timeframe	N/A	N/A	21%	15%	35%	45%	100%

<i>Departmental Measures</i>	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
3) Percentage of testimony submitted to Congress within the required timeframe	N/A	N/A	N/A	N/A	65%	75%	100%

<i>Other Measures</i>	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
4) Critical milestones met for submission of VA-approved legislative package	N/A	N/A	N/A	25%	50%	75%	100%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Function/Activity

OCLA provides executive leadership, direction, 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 Department officials regarding 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 pro-veteran legislation and advising the Secretary on legislative strategy;
- maintaining healthy communications with Congress through briefings, hearings, correspondence, and constituent services; and
- maintaining productive working relationships with the Government Accountability Office (GAO).

Legislative activities

OCLA serves as the principal advisor to the Secretary, Deputy Secretary, and other Department officials with respect to legislative activity related to veterans; is responsible for coordinating the development of VA's annual legislative program; and monitors the status of pending legislation affecting VA.

OCLA supervises the coordination, unification, and development of VA's annual legislative program. It reviews legislative documents prepared by the administrations and staff offices.

OCLA monitors legislative proposals, bills, and hearings and advises VA officials on legislation pending in Congress and on legislative activity of interest to VA.

OCLA works closely with congressional personal and committee staff and VA managers to provide information so that legislation can be created consistent with VA's mission.

Communications

The office also serves as the Department's primary point of contact for Members of Congress and their staffs on matters regarding policy, oversight, and constituent casework. OCLA maintains relationships and encourages the flow of information between VA and Members of Congress and congressional staff through hearings, briefings, meetings, and correspondence.

Hearings/meetings and briefings

OCLA staff provides guidance to Department officials in their preparation for legislative, oversight, and confirmation hearings. Staff manages congressional hearings, provides background materials and briefs witnesses, and assists in preparing testimony.

The office facilitates ongoing dialog between VA and all Members of Congress by organizing and managing meetings and briefings between Department officials and Members of Congress and their staff.

Correspondence

The office provides a variety of VA-related information to congressional members and staff :

Reports. The office identifies and monitors the preparation of congressionally mandated reports.

Hearing Questions. OCLA manages Department responses to Congress on all pre- and post-hearing questions.

Web Site. OCLA maintains a Web site that provides testimony, general information, and links to assist veterans, congressional staff, and VA officials.

Constituent

Congressional liaison staff assists Members of Congress in responding to their constituent concerns regarding VA. The office manages the resolution of numerous and often sensitive casework matters raised with Congress through veteran

correspondence. The office provides an annual update to congressional staff and an orientation for new congressional Members' staffs on VA programs.

GAO

OCLA serves as the Department's liaison with GAO, manages meeting requests, and prepares and coordinates VA responses to GAO draft reports.

Assumptions, Opportunities and Constraints

OCLA is a small office where the work is complex, specialized, of a sensitive nature, and largely externally driven. OCLA seeks to shape its environment through aggressive outreach to congressional Members. Focused primarily on communicating the Department's mission and its service delivery, this outreach involves frequent briefings by senior VA officials in Washington. In addition, OCLA conducts orientation and refresher briefings on VA benefits and services for newly elected Members of Congress and their staffs. When appropriate, VA ensures top-level involvement in communications to Congress.

OCLA chairs the process of developing VA's annual legislative program. OCLA defines the process internally and encourages timely clearance by the Secretary of Veterans Affairs for submission to OMB for approval. Upon Administration approval, OCLA develops an appropriate strategy for advancement of program items through the Congress.

Program Goals, Objectives, and Performance Measures

The Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.

Objective E-2: Improve communication with veterans, employees, and stakeholders about VA's mission, goals, and current performance, as well as benefits and services that the Department provides.

Program Objective: Ensure that VA's communications with Congress on policy matters are coordinated, and that VA speaks to Congress with "one voice."

Performance Goal 1. In 2008, 50% of title 38 reports will be submitted to Congress within the required timeframe (Departmental Measure).

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Percentage of title 38 reports that are submitted to Congress within the required timeframe	70% w/i 30 days	54% w/i 15 days	21% by due date	13% by due date	45% by due date	50% by due date	100%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: Monitoring congressionally mandated reports has been centralized within OCLA. OCLA maintains a database of title 38 reports, and reports on the status of these reports at the Monthly Performance Review. The office is working to establish a link on OCLA’s Web page to provide status information on the reports. In addition, OCLA works proactively with Congress to change the statutory due dates on reports to reflect attainable deadlines.

Goal Validation: VA has an obligation to provide congressionally mandated reports to Congress by the statutory due date.

Crosscutting Activities: VA shares the responsibility of one report with the Department of Defense and works diligently to ensure that the response is provided by the statutorily mandated date.

Performance Goal 2. In 2008, 45% of responses to pre- and post-hearing questions will be submitted to Congress within the required timeframe (Departmental Measure).

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
2) Percentage of responses to pre- & post-hearing questions that are submitted to Congress within the required timeframe	N/A	N/A	21%	15%	35%	45%	100%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: OCLA is responsible for ensuring that the Department responds to pre- and post-hearing questions in a timely manner. OCLA has created an internal tracking system for use as a management tool to determine the status and timeliness of questions for the record to Congress. The tracking system

identifies responses that are past due, coming due, or completed. OCLA reports on the status of Departmental responses at the Monthly Performance Review.

Goal Validation: VA has an obligation to provide responses to Congress by the date requested. Timely responses to questions for the record are an ongoing priority.

Performance Goal 3. In 2008, 75% of testimony will be submitted to Congress within the required timeframe (Departmental Measure).

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
3) Percentage of testimony submitted to Congress within the required timeframe	N/A	N/A	N/A	N/A	65%	75%	100%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: OCLA provides Departmental coordination for hearing preparation, including the creation and submission of testimony for congressional hearings. Congress establishes strict deadlines for submission of testimony and holds the Department responsible for timely submission. OCLA works proactively with VA's Administrations and Staff Offices to ensure that congressional deadlines for submission of testimony are met.

Goal Validation: VA has a responsibility to meet congressional deadlines for testimony submission and is held accountable for timely submission of congressional testimony.

Performance Goal 4. In 2008, 75% of the critical milestones will be met for submission of the VA-approved legislative package.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
4) Critical milestones met for submission of VA-approved legislative package	N/A	N/A	N/A	25%	50%	75%	100%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies. OCLA assists administrations and staff offices in identifying legislative priorities resulting in the presentation of a coordinated, cohesive legislative package to Congress early in each congressional session. The package includes all legislative proposals--those that have budgetary implications and those

that do not. OCLA has established a timeline with critical milestones identified to ensure that the Department's legislative package progresses within VA so that the final package is ready for submission to OMB in accordance with VA internally established dates. OCLA can influence the timeline of the internal development of VA's legislative program; however, when the legislative program package leaves the Department, there are other factors to consider. The current goal reflects the direct impact OCLA has on the process.

Goal Validation. VA has a responsibility to ensure that the Department's legislative package is ready for submission to OMB in accordance with established dates.

Data Source and Verification and External Factors for Goals 1 through 4:

Data Source and Verification: OCLA uses internal tracking systems to collect the data. The appropriate OCLA Director monitors compliance of the performance goal and verifies the accuracy of data on a monthly basis.

External Factors: Meeting these goals requires the cooperation of the Veterans Health Administration, Veterans Benefits Administration, National Cemetery Administration, and other Staff Offices. Conflicting priorities within each of these Administrations may affect their ability to provide the necessary information within the required timeframes.

Summary of Budget Request

This budget submission covers the activities of the Assistant Secretary for Congressional and Legislative Affairs. Funding of \$4,334,000 and an average employment of 40 FTE are requested for 2008 to support the mission of this office.

<i>Summary of Employment and Obligations</i> (dollars in thousands)				
	2006 Actual	2007		2008 Estimate
		Budget Estimate	Continuing Resolution	
Average employment	37	40	40	40
Obligations:				
Personal services	\$4,163	\$4,104	\$4,644	\$4,160
Travel	89	68	68	73
Rents, communications, and utilities	18	28	28	20
Printing and reproduction	4	7	7	7
Other services	131	189	189	50
Supplies and materials	30	40	40	24
Equipment	0	0	0	0
Total obligations	\$4,435	\$4,436	\$4,976	\$4,334
Reimbursements	0	0	0	
Carry over (-)	-100		-540	
1/ Carry over (+)	0	0	0	
Total budget authority	\$4,335	\$4,436	\$4,436	\$4,334

1/ Carryover funds shown for FY07 current will be shifted to OCLA to meet payroll requirements as necessary.

<i>2007 Average Salary Methodology</i>	
2006 Average salary (260 days)	\$91,437
Annualization of 3.1 percent 2006 pay raise (0.775 percent)	709
Impact of 2.2 percent 2007 pay raise (1.65 percent)	1,509
Adjustment-Changes in Staff Composition	-11,169
2007 Average salary (260 days)	\$82,486
Regular benefits percent	22%
2007 Average salary with benefits	\$100,633

<i>2008 Average Salary Methodology</i>	
2007 Average salary (260 days)	\$82,486
Annualization of 2.2 percent 2007 pay raise (0.55 percent)	454
Impact of 3 percent 2008 pay raise (2.25 percent)	1,361
Two Day Adjustment (.769 percent)	635
Adjustment-Changes in Staff Composition	-653
2008 Average salary (262 days)	\$84,283
Regular benefits percent	22%
2008 Average salary with benefits	\$102,825

<i>Detail of Budget Estimate (dollars in thousands)</i>			
	2006 Actual	2007 Continuing Resolution	2008 Estimate
Personal services	\$4,163	\$4,644	\$4,160

Personal services funds are required to support 40 FTE in 2008. The 2008 request includes the annualized impact of pay raise increases of 3 percent for 2008. Personal services costs also include the government's cost for regular benefits such as the transit benefit, retirement, health insurance, life insurance, and Medicare.

<i>Detail of Budget Estimates (dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
OCLA Travel	\$64	\$43	\$48
Hill Travel	25	25	25
Total Travel	\$89	\$68	\$73

Travel funds are requested for employees in OCLA to make visits to congressional field hearings, and to accompany the Secretary and Deputy Secretary on travel involving meetings with Members of Congress. These funds will also be used for Congressional staff travel expenses.

Rents, communications, and utilities	\$18	\$28	\$20
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The primary use of funds in this category is for the rental of office equipment, such as copiers and fax machines, and communications (local and long distance telephone service, record/data transmission services, facsimile, etc.).

Printing and reproduction	\$4	\$7	\$7
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These funds cover printing costs associated with the normal operation of OCLA - letterhead, circulars, and miscellaneous printing requests.

Other services	\$131	\$189	\$50
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Funds in Other Services cover the cost of furniture and training, as well as contractual services for Franchise Fund activities and other intra-agency reimbursements.

Supplies and materials	\$30	\$40	\$24
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These funds are used to purchase all operating supplies, software, and repair parts for office automation equipment, copiers, faxes, etc. They are also for the purchase of research and informational materials including subscriptions.

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate
Equipment	\$0	\$0	\$0

All funding for the normal replacement and upgrading of IT equipment is now budgeted for in the new Departmentwide IT Fund. Furnishings will be funded within OCLA's budget to meet the Department's standard for replacement.



Inspector General

Appropriation Language

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, \$72,599,000, of which \$3,630,000 shall remain available until September 30, 2009.

Mission

The Inspector General Act of 1978 states that the Inspector General is responsible for conducting and supervising audits and investigations; recommending policies designed to promote economy and efficiency in the administration of, and to prevent and detect criminal activity, waste, abuse, and mismanagement in Department of Veterans Affairs (VA) programs and operations; and keeping the Secretary and Congress fully informed about problems and deficiencies in VA programs and operations and the need for corrective action.

Function/Activity

OIG carries out operations through four Assistant Inspectors General and through legal assistance provided by the Office of Counselor to the Inspector General. The Counselor to the Inspector General provides independent legal advice, counsel, and support to the Inspector General; the Office of Investigations (OI) conducts criminal and administrative investigations of wrongdoing in VA programs and operations in an independent and objective manner; the Office of Audit (OA) contributes to the improvement and management of VA programs and activities by providing customers with timely, balanced, credible, and independent financial, information technology, and performance audits that address the economy, efficiency, and effectiveness of VA operations; the Office of Healthcare Inspections (OHI) conducts oversight, monitoring, and evaluation of Veterans Health Administration (VHA) quality assurance programs and the activities of the VHA Office of Medical Inspector; and the Office of Management and Administration provides management, planning, and support services to OIG employees nationwide.

Assumptions, Opportunities, and Constraints

VA faces many challenges maintaining the excellent quality of care for veterans and their dependents. In 2007, VA expects to treat 5.3 million patients including veterans who served in Operation Enduring Freedom and Operation Iraqi Freedom. VHA's 2007 budget request of \$34.3 billion is an 11.3 percent (\$3.5 billion) increase over the level for 2006. Veterans Benefits Administration's (VBA) budget request rises to nearly 1.2 billion for workload increases in monetary benefit programs. OIG oversight workload remains a challenge due to the size and diversity of VA programs and operations.

Data Source and Validation

Performance measurement data for each investigation, audit, health care inspection, and contract review are maintained in the automated OIG Master Case Index. OIG publishes performance results in its Semiannual Report to Congress, which undergoes a rigorous quality control review and validation before publication.

Crosscutting Activities

OIG interacts regularly with other Inspectors General, Department of Justice (DOJ), Federal Bureau of Investigation (FBI), Secret Service, Bureau of Prisons, and other Federal, state and local law enforcement agencies. They collaborate with VA program offices to discuss data integrity issues, resolve operational issues, and improve the delivery of care and services to our Nation's veterans and their families. OIG senior managers participate, to the extent their independence remains intact, in many VA-wide committees that work on such issues as VA emergency preparedness, the Federal Activities Inventory Reform Act, Information Technology (IT) Security, benefits processing, and procurement. OIG actively participates in the President's Council on Integrity and Efficiency, with a goal to focus attention on the major management challenges facing the Federal government.

Stakeholders

OIG is committed to improving VA policies, programs, and procedures as a means of providing the best possible service to our Nation's veterans. To this end, OIG has implemented a strategic planning process designed to identify and address the essential issues facing VA. It is an ongoing process that assesses performance, key management challenges, and takes into consideration changing priorities of all OIG stakeholders.

Stakeholders recognize that much of what OIG does will not result in a quantifiable monetary benefit or an immediate result. For example, investigating the untimely death of a veteran, arresting a serial killer, removing a drug dealer from one of our hospitals—while directly related to saving lives and making a safer environment—does not easily translate into the traditional measure of better use of funds. Similarly, much of OIG's mandated work, such as the Consolidated Financial Statement (CFS) audit or the Federal Information Security Management Act (FISMA) testing of the security of information systems does not yield direct monetary benefits.

Performance Tables

OIG continually strives to enhance performance by focusing on the systemic issues facing the Department. OIG Performance Goals for 2008 take into account a shift in operations to assist the Department in achieving their strategic goals. Previously, Combined Assessment Program (CAP) reviews consolidated the talents of Audit, Investigation, and Healthcare Inspection staff to perform cyclical reviews of VA medical facilities and regional offices. Since 1999, OIG completed hundreds of reviews and provided valuable recommendations regarding operational and managerial issues. These reviews provided a wealth of information that now lends itself to more detailed, national analyses. As a result, OIG's focus has shifted from Audit's direct participation in CAP reviews to national audits aimed at addressing the most significant systemic issues. Healthcare Inspections and Investigations will continue CAP reviews at VA medical facilities.

Performance Summary Table

Measures	2007 Performance Goals ¹ (final)	2008 Performance Goals	Strategic Target
Arrests, indictments, convictions, administrative sanctions, and pretrial diversions relating to:	1900	1,848	2,204
Health care delivery		668	793
Benefits processing		1,077	1,279
Financial management		17	22
Procurement practices		69	88
Information management		17	22
Percentage of successful prosecutions.	85%	85%	87%
Issue reports that identify opportunities for improvement and provide recommendations for corrective action in:	132	128	164
Health care delivery		46	57
Benefits processing		4	17
Financial management		3	7
Procurement practices		69	75
Information management		6	8
Issue CAP reports that include relevant health care delivery pulse points.	45	45	57
Monetary (\$ in millions) benefits from review of ² :	\$600	\$504	\$1,033
Health care delivery	\$145	\$125	\$310
Benefits processing	\$155	\$130	\$145
Financial management	\$11	\$9	\$10
Procurement practices	\$285	\$240	\$568
Conduct international and domestic benefit reviews to determine the appropriateness of monetary benefits processing for claimants.	1	1	3
Maintain unqualified audit opinion of financial statements containing no material weaknesses or reportable conditions.	Yes	Yes	Yes
Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA.	80%	80%	90%
Preaward recommendations sustained during contract negotiations.	61%	61%	65%
Achieve adoption of recommendations relative to IT systems in compliance with FISMA, regulations, and policies within 1 year from issuance of a report.	90%	90%	100%
Achieve a professional, competent, and credible reputation as a result of work performed (based on a scale of 0 to 5, where 5 is high):	5.0	5.0	5.0
Investigations	4.8	4.8	5.0
Audit	4.6	4.6	5.0
Healthcare Inspections	4.7	4.7	5.0
CAP Reviews			

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

² Benefits related to IT are associated with the appropriate VA program area.

Strategic Goals

OIG developed and implemented a strategic planning process aimed at improving overall performance and helping VA achieve its strategic goals. Annual OIG performance goals aim to provide quality products in a timely fashion, to maximize the number of projects completed, to have the greatest possible impact, to enhance the cost-effectiveness of operations, and to improve customer service.

The OIG Strategic Plan for 2005–2010 features five goals related to oversight and improvement of VA health care delivery, benefits processing, financial management, procurement practices, and IT. These goals focus on the core VA programs, incorporate major management challenges, address VA strategic plan goals, and support the President’s Management Agenda. The OIG Strategic Plan includes output and outcome measures that demonstrate results and impact.

OIG Strategic Goal #1 – Health Care Delivery: Improve veterans’ access to 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.

Objectives: OIG will assess the quality of care at Community Based Outpatient Clinics, and evaluate the quality of care for veterans of Operation Iraqi Freedom and Operation Enduring Freedom. OIG oversight will focus on how well the Veterans Integrated Service Networks support the health care delivery services at VA medical facilities, inclusive of resource allocation decisions and efforts to enhance revenue generation. OIG will continue to investigate instances of patient abuse, health care fraud, drug diversion, and other criminal activities.

Performance Goals:

- Improve the quality of health care provided to veterans.
- Ensure that veterans who require life-sustaining care receive their care in the most appropriate setting.
- Ensure that VHA health care funds are appropriately and efficiently utilized.
- Minimize the impact of fraud, waste, and abuse upon the delivery of quality health care to veterans.

Health Care Delivery-Performance Table

Measures	2008 Performance Goals	Strategic Target
Issue reports that identify opportunities for improvement and provide recommendations.	46	57
Monetary benefits from review of VA health care facilities (\$ in millions).	\$125	\$310
Arrests, indictments, convictions, administrative sanctions, and pretrial diversions relating to VA health care delivery.	668	793
Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA.	80%	90%

Means and Strategies:

Office of Healthcare Inspections: OHI will address program and veteran specific issues that affect the delivery of quality medical care. Evaluations of national programs and medical facilities will focus on measurable patient care outcomes. If these outcomes suggest that a facility or program is using a “best practice,” OHI will highlight it; if the outcome suggests that there is a need for improvement, OHI will provide recommendations for corrective action. Other OHI measures incorporated during medical center inspections include environment of care reviews, quality management program reviews, surgical mortality, employee and patient surveys, cardiac catheterization lab review, and additional focused clinical reviews. Examples of areas for review include:

- Prevention of Venous Thromboembolism.
- Abdominal Aortic Aneurism Management.
- Cerebral Vascular Accident.

Office of Audit: OA plans to focus on reviewing the allocation of resources for clinical care to identify opportunities to improve health care responsiveness and to address shifting veteran demographics, the transition to outpatient services, and the growth of health care services. OA will focus on systemic issues through national audits and will cover areas such as:

- Clinical Efficiencies.
- Non-VA Emergency Care.
- Controlled Substances Procurement Practices and Accountability in Research.

- Priority Appointments for Specialty Care.
- Prime Vendor Purchase Verification.
- Facility Activations.

Office of Investigations: Most investigations of fraud, waste, and abuse in VA programs are brought to the attention of OIG through referrals of allegations from various sources including veterans and employees. Examples of proactive efforts include:

- Patient Care and Health Care Fraud.
- VA Employee Drug Diversion.
- Drug Distribution.
- Identity Theft in VHA.

Outcomes: OIG work in health care will continue to enhance and reinforce VA's mission to ensure that our Nation's veterans receive quality health care and benefits that result in positive change in facility processes, policies, and practices. OIG efforts will help ensure proper procedures for controlled substances, improve patient care, and deter crime.

OIG 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; and reduce criminal activity in the delivery of benefits through proactive audit and investigative efforts.

Objectives: OIG, principally through selected audits and investigations, will identify actions that VBA can take to improve the timeliness and quality of claims processed, minimize its exposure to fraud, and reduce the amount of improper payments. OIG investigators will maximize the number of arrests, indictments, administrative sanctions, pretrial diversions, and monetary benefits from its work in VBA.

Performance Goals:

- Ensure timely and accurate delivery of benefits to eligible recipients.
- Reduce improper and fraudulent payments and ensure compliance with all applicable laws and regulations.
- Protect the system from identity theft, misuse, fraud, and inefficiency.
- Ensure data validity of the benefits delivery system.

Benefits Processing – Performance Table

Measures	2008 Performance Goals	Strategic Target
Issue reports that identify opportunities for improvement and provide recommendations for corrective action in VA benefits processing.	4	17
Conduct international/domestic benefit reviews to determine the appropriateness of benefits processing for claimants.	1	3
Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA.	80%	90%
Monetary benefits from review of VA benefits processing activities (\$ in millions).	\$130	\$ 145
Arrests, indictments, convictions, administrative sanctions, and pretrial diversions relating to VA benefits processing.	1,077	1,279

Means and Strategies:

Office of Audit: OIG will expand national audit coverage including key internal controls and security vulnerabilities inherent in VA operations, respond to the needs of stakeholders by completing requested evaluations of high-priority issues, conduct audits of mandated functions and activities, review VA Regional Office operations, conduct proactive fraud detection projects, and review complaints received through the OIG Hotline. Examples of areas for review include:

- Compensation & Pension Examinations.
- Temporary 100 Percent Compensation Evaluations.
- Compliance Survey Program.
- VBA Productivity and Timeliness Goals.
- Entitlement to Special Monthly Compensation at the “K” Rate.

Office of Investigations: OI initiates proactive investigations in support of VA major mission areas to test for susceptibility to criminal activity. OI will continue to focus its investigative resources in areas that provide a major impact on service delivery to veterans and protect scarce VA resources. These areas include benefits fraud, equity skimming, bribery, procurement and contract fraud, and

theft of government resources. In addition to handling a growing reactive workload, they plan to conduct proactive efforts such as:

- Fugitive Felon Program.
- International/Domestic Verification.
- Defense Manpower Data Center Match.
- Veterans Benefits Administration Death Match.
- Prescription Death Match.

Outcomes: OIG work in the benefits processing area will help assure the proper use of resources and taxpayers' dollars through reviews and investigations that result in process, policy, and practice improvements to reduce erroneous payments, security vulnerabilities, and fraud. OIG arrests and convictions will serve as a deterrent for others contemplating crimes against VA or our Nation's veterans.

OIG Strategic Goal #3—Financial Management: OIG oversight will assist VA in achieving its financial management mission of providing VA program managers with accurate, reliable, and timely information for sound oversight and decision making; and identify opportunities to improve the quality, management, and efficiency of VA's financial management systems.

Objectives: OIG will evaluate the effectiveness and efficiency of VA financial organizational structure and the potential for improving services and better controlling costs through streamlining, restructuring, and integrating systems.

Performance Goals:

- Maintain unqualified ("clean") audit opinion on financial statements.
- Eliminate material weaknesses.
- Ensure data validity in financial management systems.
- Strengthen internal controls over transaction processing systems.
- Reduce financial fraud.

Financial Management-Performance Table

Measures	2008 Performance Goals	Strategic Target
Maintain unqualified audit opinion of financial statements containing no material weaknesses or reportable conditions.	Yes	Yes
Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA.	80%	90%
Issue reports that identify opportunities for improvement and provide recommendations for corrective action in VA financial management.	3	7
Arrests, indictments, convictions, administrative sanctions, and pretrial diversions relating to VA financial management.	17	22
Monetary benefits from review of VA financial management (\$ in millions).	\$9	\$10

Means and Strategies:

Office of Healthcare Inspections: OHI will assist in OIG evaluation of new financial systems, particularly the degree to which they influence the quality and value of health care services through decisions about sharing agreements, fee-basis care, and staffing strategies.

Office of Audit: Under the Chief Financial Officers' Act, OIG will oversee the independent audit of VA financial statements. OIG oversight will determine whether the independent public accountant complied with Government Auditing Standards. The independent public accountant will determine whether VA's consolidated financial statements fairly represent VA's financial position and results of operations, and report on the adequacy of internal controls and compliance with applicable laws and regulations. Examples of additional planned audits in Financial Management include:

- VHA's Consolidated Patient Account Center Initiative.
- VHA Charge Capture Process.
- General Post Fund.

Office of Investigations: OI will assist in the assessment of new financial systems, particularly the degree to which they influence the likelihood of VA suffering financial crimes and will aggressively pursue financial crimes committed against VA programs.

Outcomes: OIG work will help assure the integrity and efficiency of resources by assisting the Department in refining its financial systems through timely, meaningful, and practical recommendations that result in process, policy, and practice improvements.

OIG Strategic Goal #4—Procurement Practices: Ensure that VA's acquisition programs support our Nation's veterans, other Government entities, and taxpayers by providing its customers with quality products, services, and expertise delivered in a timely fashion, for a reasonable price, and to the right place.

Objectives: OIG work will help evaluate VA contracts to assure VA acquires supplies and services needed for efficient operations, at fair prices and terms. OIG will continue the aggressive program of contract and proposal reviews to reduce contract costs, increase dollar recoveries, and improve customer satisfaction scores.

Performance Goals:

- Ensure that VA contract solicitations, awards and administration, and purchasing actions comply with statutory and regulatory provisions and internal VA policies; demonstrate adequate procurement planning; meet the needs of the customer; and protect the interests of the Government.
- Ensure a focus on the identification and prevention of fraud, theft, bribery, antitrust, and other civil or criminal violations that may be associated with the procurement processes and functions.
- Ensure that VA identifies and implements business practices that will result in cost savings, improve the quality of VA's procurement programs, and ensure customer satisfaction.

Procurement Practices–Performance Table

Measures	2008 Performance Goals	Strategic Target
Issue reports that identify opportunities for improvement and provide recommendations.	69	75
Preaward recommendations sustained during contract negotiations.	61%	65%
Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA.	80%	90%
Arrests, indictments, convictions, administrative sanctions, and pretrial diversions in criminal investigations involving procurement practices.	69	88
Monetary benefits from review of VA procurement practices (\$ in millions).	\$240	\$568

Means and Strategies:

Office of Healthcare Inspections: OHI will assist in quality of care reviews related to programs such as prime vendor agreements, formularies, sole-source contracts, fee-basis services, and similar approaches to providing medical care services.

Office of Audit: OIG will continue its efforts to review procurement practices for goods, services, construction, and leasing. They plan to examine a number of areas to determine ways VA can secure the best value for its \$6 billion program of acquisitions. Examples of their reviews and audits include:

- Review of Consulting Services.
- Enhanced-Use Leasing.
- Audit of Sensitive Information Technology Equipment Accountability Controls.
- Disposition of Underutilized Real Property.
- Medical/Surgical Prime Vendor Program.
- Management of VA Franchise Fund Acquisitions.

Office of Contract Review: This division, working in collaboration with VA’s Office of Acquisition and Materiel Management and Office of General Counsel, will conduct preaward and postaward reviews of individual Federal Supply Schedule proposals and contracts, perform pricing reviews of drug contracts awarded under the provisions of the *Veterans Health Care Act of 1992*, Public Law

102-585, and review sole-source proposals for services provided by affiliated medical schools.

Office of Investigations: OI will increase their efforts in reviewing purchase card activity data. Currently OI receives data from VA's credit card vendor; reviews the data; and stratifies it by merchant category code, and identifies unusual purchase activity such as transactions processed at pawnshops, art galleries, and other unexpected places. OIG will concentrate on reviewing more purchase card transactions in areas where itemized detailed data is incorporated.

Outcomes: OIG operations will help assure that VA acquisitions are cost-effective and in compliance with Federal law, regulations, and VA policies. Their reviews and recommendations will result in process, policy, and practice improvements. In instances where OIG finds problems, they will provide VA with advice and recommendations that will materially improve processes.

OIG Strategic Goal #5 – Information Management: Assess information systems within VA to determine that they are adequately managed and protected to ensure information availability, integrity, authentication, and confidentiality; used in a lawful and ethical manner; are cost effective; and meet the needs of the user/customer. Investigate fraud and other computer-related crimes against VA.

Objectives: OIG work will help assess VA efforts to address information security control weaknesses and to establish a comprehensive integrated security management program.

Performance Goals:

- Assist VA to comply with the FISMA requirements.
- Evaluate data validity in VA IT systems.
- Examine new IT systems for necessary security controls.
- Determine if mission critical IT applications effectively meet VA user needs.
- Reduce inappropriate use of data and information management resources (for example, identity theft), and eliminate unlawful access and use of Department information systems.

Information Management – Performance Table

Measures	2008 Performance Goals	Strategic Target
Issue audit reports that identify opportunities for improvement and provide recommendations for corrective action, including the annual FISMA evaluation.	6	8
Achieve adoption of recommendations relative to IT systems in compliance with FISMA, regulations, and policies within 1 year from issuance of a report.	90%	100%
Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA.	80%	90%
Arrests, indictments, convictions, administrative sanctions, and pretrial diversions in criminal investigations involving procurement practices.	17	22

Means and Strategies:

Office of Healthcare Inspections: OHI will assist in the assessment of VA IT on the quality, access, risk, safety, and value of health care services to veterans; providing their expertise in areas such as telemedicine initiatives and Health Insurance Portability and Accountability Act issues.

Office of Audit: Since VA information systems are critical to controlling costs, improving the performance of VA programs, and protecting patient data and privacy, OA will conduct a series of reviews aimed at evaluating the effectiveness, security, and efficiency of VA information systems. Examples of these reviews include:

- FISMA.
- E-Government Initiatives.
- Disposal of Protected Documents.
- Accuracy of Patient Eligibility Data.
- Patient Financial Services System.

Office of Investigations: OIG will identify fraudulent and other criminal activities associated with the acquisition and maintenance of IT supplies and services; theft of VA IT resources; and unlawful access and use of information systems, data, and IT resources – and ensure referral to DOJ or other appropriate authority for prosecution or administrative action. OIG will use its Computer Crimes and Forensics Laboratory to provide proactive support to OIG investigators and to provide courtroom testimony.

Outcomes: OIG work will help assure validity, integrity, and security of VA data and data systems; and that VA is in compliance with Federal law, regulations, and policies by assisting the Department in improving its data systems through recommendations that result in effective changes in VA program operations.

Combined Assessment Program Reviews

Objective: To combine the skills and abilities of OIG Healthcare Inspectors and Criminal Investigators to provide independent, objective, and collaborative assessments of VA medical center operations on a cyclical basis.

CAP Reviews-Performance Table

Measures	2008 Performance Goals	Strategic Target
Issue CAP reports that include relevant health care delivery pulse points.	44	57
Issue CAP summary reports.	1	2

Means and Strategies: OHI will conduct proactive reviews that incorporate the use of standardized survey instruments. The reviews evaluate care provided in VA health care facilities and assess procedures for ensuring the appropriateness and safety of patient care. Criminal Investigators will conduct fraud and integrity awareness briefings. These briefings provide key staff at major VA facilities with insight into the types of fraudulent activities that can occur in VA programs. OIG will incorporate the following measures into CAP reviews to establish baselines and track progress in the quality of health care:

- Breast Cancer Screening.
- Resident Supervision.
- Radiographic and Laboratory Management.
- Colorectal Cancer Management.

Outcomes: OIG work based upon CAP reviews will continue to enhance and reinforce VA’s mission to ensure that our Nation’s veterans receive quality health care and offer recommendations that result in positive change in facility processes, policies, and practices.

Appropriation Highlights³

<i>Appropriation Highlights</i> <i>(dollars in thousands)</i>			
	2006 Actual	2007 Continuing Resolution	2008 Estimate
Funding:			
Appropriation	\$69,074	\$69,499	\$72,599
Rescission	0	0	0
BA expiring	-\$2	0	0
Reimbursements	\$3,186	\$3,420	\$3,409
Net Change in Carryover Obligations	\$3,325 \$75,583	\$18 \$72,937	0 \$76,008
Average employment	480	474	470

Summary of Budget Request

The 2008 budget request for OIG is \$72,599,000 from appropriations and \$3,409,000 in reimbursable authority. This budget request provides resources to support a staffing level of 470 FTE, 445 from appropriations and 25 through reimbursement.

³ For all financial tables, the 2008 estimate assumes 2007 enacted funding close to that passed by the House and Senate.

<i>Changes from Original 2007 Budget Estimates (dollars in thousands)</i>		
	2007 Budget Estimate	2007 Continuing Resolution
Average employment	483	474
Funding:		
Personal services	\$58,238	\$58,660
Travel	2,911	3,227
Transportation of things	40	308
Rents, communications, and utilities	4,673	3,503
Printing and reproduction	37	27
Other services	6,352	6,863
Supplies and materials	569	271
Equipment	99	78
Net Change in Carryover	0	18
Insurance	0	0
Total obligations	\$72,919	\$72,937

<i>Analysis of Increases and Decreases (dollars in thousands)</i>		
	2007 Continuing Resolution	2008 Estimate
Prior year obligations	\$75,583	\$72,937
Personal services	+874	+1,648
Other services	-912	+607
Supplies and materials	-1,025	+90
Equipment	-1,113	+252
Other changes	-470	+474
Total obligations	\$72,937	\$76,008

<i>2007 Average Salary Methodology</i>	
2006 Average salary (260 days)	\$85,490
Annualization of 3.1 percent 2006 pay raise (.775 percent)	+663
Impact of 2.2 percent 2007 pay raise (1.65 percent)	+1,411
Adjustment - changes in composition of OIG staff	+823
2007 Average salary (260 days)	\$88,387
Regular benefits percent	30%
2007 Average salary with benefits	\$114,903

<i>2008 Average Salary Methodology</i>	
2007 Average salary (260 days)	\$88,387
Two-day adjustment (.769 percent)	+680
Annualization of 2.2 percent 2007 pay raise (.55 percent)	+486
Impact of 3.0 percent 2008 pay raise (2.25 percent)	+1,989
Adjustment - changes in composition of OIG staff	-422
2008 Average salary (262 days)	\$91,120
Regular benefits percent	30%
2008 Average salary with benefits	\$118,456

<i>Summary of Employment and Obligations (dollars in thousands)</i>				
	2006 Actual	2007		2008 Estimate
		Budget Estimate	Continuing Resolution	
Average employment				
Headquarters functions	67	67	67	67
Operational functions	413	416	407	403
Total Employment	480	483	474	470
Obligations:				
Personal services	\$57,786	\$58,238	\$58,660	\$60,308
Travel	3,562	2,911	3,227	3,913
Transportation of things	239	40	308	56
Rents, communications, Printing and reproduction	3,703	4,673	3,503	3,543
Other services	7,775	6,352	6,863	7,470
Supplies and materials	1,296	569	271	361
Equipment	1,191	99	78	330
Insurance	0	0	0	0
Total obligations	\$75,583	\$72,919	\$72,937	\$76,008
Reimbursements	-3,186	-3,420	-3,420	-3,409
Rescission	0	0	0	0
Balance unavailable for new obligations	2	0	0	0
Net Change in Carryover	-3,325	0	-18	0
Appropriations	\$69,074	\$69,499	\$69,499	\$72,599

<i>Detail of Budget Estimates</i> <i>(dollars in thousands)</i>			
	2006 Actual	2007 Continuing Resolution	2008 Estimate
Personal services	\$57,786	\$58,660	\$60,308

Funding under personal services will support a staffing level 470 FTE, 445 from appropriations and 25 through reimbursement. This funding recognizes the pay raise, locality pay, and availability pay; and employee benefits such as retirement, health benefits, life insurance, and Medicare.

Employee travel	\$3,562	\$3,227	\$3,913
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Travel funding addresses the costs of temporary duty travel for OIG employees conducting oversight work at VA facilities and General Services Administration cars to meet criminal investigative needs.

Transportation of things	\$239	\$308	\$56
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These costs represent shipment of personal property when moving from one location to another on permanent assignment for the convenience of the Government.

Rents, communications, and utilities	\$3,703	\$3,503	\$3,543
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This provides funding for required GSA space, Federal Technology Service telecommunications operations, telephones, and equipment rentals.

Printing and reproduction	\$31	\$27	\$27
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Other services	\$7,775	\$6,863	\$7,470
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This provides funding for Franchise funds, contractual services such as the CFS and FISMA audits, tuition, Department of Homeland Security fees, and repair of furniture.

Supplies and materials	\$1,296	\$271	\$361
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Equipment	\$1,191	\$78	\$330
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Minor construction funding for OIG facilities is no longer included in the narrative presentation. An amount of \$805,000 in minor construction funds for OIG is included with the Department's minor construction appropriation.

Highlights of OIG Program Outcomes

During fiscal year 2006, OIG identified over \$900 million in actual and potential monetary benefits; and achieved 712 arrests, 344 indictments, 214 criminal complaints, 316 convictions, 833 administrative sanctions, and 36 pretrial diversions. During this period, OIG operations provided a return-on-investment of \$12 to \$1. Specific noteworthy reports and accomplishments include:

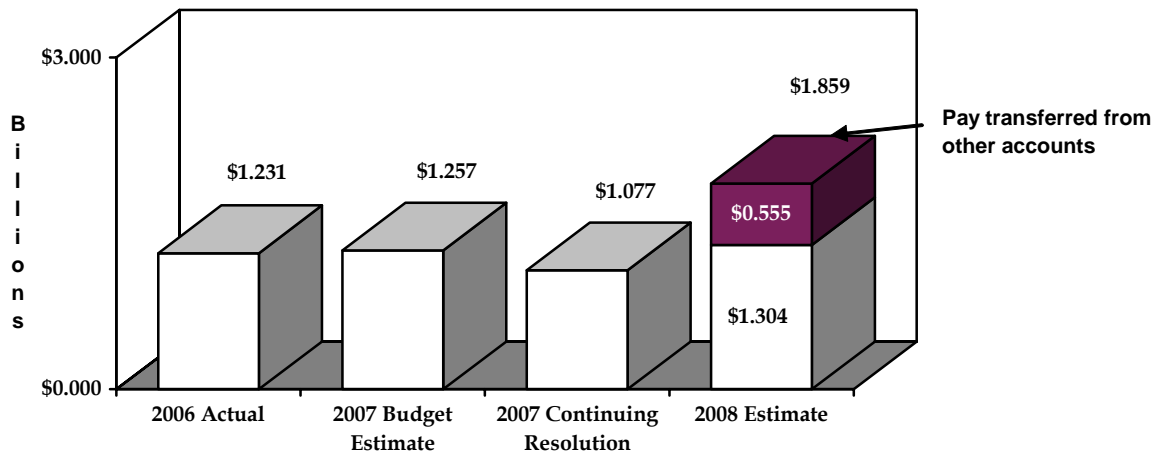
- Audit of Veterans Benefits Administration Fiduciary Program Operations.
- Audit of Congressional Concerns over Veterans Health Administration Budget Execution.
- Audit of Alleged Mismanagement of VA's Permanent Change of Station Travel Program.
- Review of Access to Care in the Veterans Health Administration.
- Audit of the Veterans Health Administration's Acquisition of Medical Transcription Services.
- Overseeing the contract with the independent public accounting firm Deloitte & Touche LLP, to perform the audit of VA's fiscal year 2005 CFS.
- Performing, through the Office of Contract Review, 50 preaward and 34 postaward reviews of VA contracts.
- OIG Office of Investigations, working in concert with detectives from Montgomery County, MD, and FBI Special Agents, recovered data containing the personal identifiers of millions of veterans and active duty military personnel stolen during the burglary of the residence of a VA employee.
- OIG Office of Investigations fraud investigations resulted in the conviction of top corporate executives on multiple felony counts of conspiracy and fraud that caused severe eye injuries in at least six VA patients.
- OIG bribery investigations resulted in the incarceration of a former director of a consolidated mail out pharmacy for extorting money from a vendor.
- OIG investigations included a former VA conservator and her lawyer, indicted for mismanaging more than \$1 million in monetary benefits as the fiduciary payee for more than 60 veterans.
- Healthcare Inspection Health Status of and Services for Operation Enduring Freedom/Operation Iraqi Freedom Veterans after Traumatic Brain Injury Rehabilitation.

- Joint report with State Department, which made significant suggestions regarding State Department medical programs.



Information and Technology

Information and Techonology Appropriation



The 2008 estimate assumes 2007 enacted funding is close to that passed by the House and Senate. The 2008 funding reflects a realignment of \$555 million to support 5,529 FTE for operations and main-tenance activities that were included in other accounts throughout the Department in the 2007 budget.

Appropriation Language

For necessary expenses for information technology (IT) systems and telecommunications support, including developmental information systems and operational information systems, including pay and associated costs for maintenance and operations associated staff; for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including contractual costs associated with operations authorized by chapter 3109 of title 5, United States Code, \$1,859,217,000, to remain available until September 30, 2009: Provided, that none of these funds may be obligated until the Department of Veterans Affairs submits to the Committees on Appropriations of both Houses of Congress a plan for expenditure that (1) meets the capital planning and investment control review requirements established by the Office of Management and Budget; (2) complies with the Department of Veterans Affairs enterprise architecture; (3) conforms with an established

enterprise life cycle methodology; and (4) complies with the acquisition rules, requirements, guidelines, and systems acquisition management practices of the Federal Government: Provided further, that within 60 days of enactment of this Act, the Secretary of Veterans Affairs shall submit to the Committees on Appropriations of both Houses of Congress a reprogramming base letter which provides, by project, the costs included in this appropriation.

Executive Overview

The Department of Veterans Affairs (VA) is undergoing a significant change in its centralized approach to the management, development, operation, and control of information technology (IT). As VA consolidates all IT staffing and budgetary resources under VA's Chief Information Officer (CIO), VA is in a much better position to require rigorous project management, establish uniform standards, and ensure compliance with those standards, and coordinate and leverage VA's IT investments. The long-term benefits will lead to a more secure, efficient and effective information and technology environment at all VA health care facilities, benefit offices, and national cemeteries.

In FY 2006, Congress created the centralized IT Systems Appropriation. In FY 2006, VA detailed 5,010 staff from the VA administrations and staff offices to the VA CIO.^{1/} This change allowed VA to place IT-related maintenance and operations projects, contracts and procurement, including telephone systems, under the control of the VA CIO. The FY 2008 budget reflects the permanent assignment of staff under the VA CIO. VA plans to ultimately transfer all development staff to the VA CIO, which will provide complete control of all VA IT staffing and budgetary resources.

The decision to include development staff occurred late during the FY 2008 budget formulation cycle. Therefore, this FY 2008 budget submission reflects only staff transfers for maintenance and operations. It does not include costs for development employees. Those costs are reflected under the appropriate administrations. VA's IT-related budget for FY 2008 (excluding development staff) is \$1.9 billion and will support a staffing level of 5,529 FTE, including the 5,010 originally detailed and 519 already under the CIO. Of this amount, \$1,303,841,000 is non pay and \$555,000,000 is pay.

VA has a number of information system challenges and opportunities in the next few years. For veterans health care service, VA is very proud of its success and extensive recognition in the area of health care management, including electronic health records. The underpinning of that system, however, is based upon a legacy coding language that

1/ See page 8-7 for a full discussion and detail of resources related to this realignment.

must be replaced with modern, more secure technology and structures that can be supported and effectively operated in today's world. For veterans benefits delivery, VA must complete the last two modules of the VETSNET system—a thin client based technology. Once VETSNET is fully installed, VA will need to build on this success by ensuring the long-term future of benefits delivery. This can only occur through research of and migration to a Web-based and rules/knowledge-based benefits determination system. This will result in VA's ability to address and reduce claims backlog.

The Regional Data Processing (RDP) initiative, a Department wide solutions-base program, will ultimately replace over 100 field-based data centers with fewer strategically located Regional Data Centers (RDCs). Under the previous structure, many of VA's health care facilities maintained inconsistent operations and maintenance practices for very similar hardware and software platforms. This posed problems for both development and maintenance of mission-critical health care information systems. Under the RDP program these risks will be mitigated by introducing a high level of standardization and fault tolerance into the VA computing environment.

VA will implement RDP as soon as possible, but this organizational and cultural change will take more than one year to accomplish. RDP is dependent upon a reliable, scalable, and standardized IT network infrastructure that VA is working to establish.

These actions also will help improve information security. As a result of the data breach experienced in 2006, VA is aggressively addressing information/data security issues. One of the top priorities of the Secretary of Veterans Affairs is that the Department will set what it has defined as the *Gold Standard for Data Security*. In order to achieve this priority, VA will implement system-wide strategies that promote data security awareness amongst employees and a change in the culture and capability in all facilities and remote locations. The key elements of the *Gold Standard for Data Security* include:

- IT strategic planning
- Promulgation of policies and procedures
- Training and education (for VA and non-VA personnel)
- Security measures and monitoring (including proactive auditing and inspection of compliance)
- Securing of devices
- Data encryption
- Enhanced data security for VA's sensitive information
- Enhanced protection for shared data in interconnected systems
- Incident management and monitoring

Not only is VA culture embracing its commitment to data and information security, but the Department is changing how data is stored, who has access to data, and how information is handled and encrypted. To help manage this challenge, VA is implementing a Personal Identity Verification program and proposing an employee electronic record. VA will improve implementation of general cyber security to prevent hackers from gaining access to veterans' data. An overarching program has been established to provide focus to all of the activity related to data security. The Data Security - Assessment and Strengthening of Controls (DS-ASC) program was established in May 2006. It includes several hundred specific actions all oriented to improving the position of VA in the area of information protection. This budget includes direct funding of \$70.1 million to address cyber security.

Explanation of Change in Appropriation Language

VA is proposing to clarify the language to recognize the cost of staffing related to IT maintenance and operations.

Mission

The missions of the Office of Information and Technology are: to provide vision, leadership, and management of enterprise IT assets in support of the VA mission; to provide effective and appropriate technology solutions to the Department's stakeholders in support of veteran-centered business goals; and to provide a technology environment that enables and supports the achievement of Department, administration, staff office, and individual excellence.

VA is developing a VA-wide Enterprise Architecture (EA) that encompasses a vision of current and emerging technologies to meet the Department's *One VA* service goals and objectives. Actual EA implementation is being staged over three to five years through implementation of projects in the IT portfolio to:

- Improve and enhance VA delivery of services to veterans
- Ensure IT initiatives are driven by and supportive of VA Line of Business (LOB) requirements
- Leverage secure and technologically sound solutions that have been implemented as sharable service components
- Eliminate the development of redundant or duplicate systems across service divisions by adopting the President's Management Agenda (PMA) E-Government (E-Gov) and VA LOB solutions wherever possible and developing new component based systems that re-use sharable data
- Improve IT accountability and cost containment

- Ensure the developing IT asset base is built upon widely accepted industry standards and best practices

Program Description

The Office of Information and Technology (OI&T) supports VA delivery of services to the Nation's veterans and their families. This support reflects industry standards and best business practices for improving VA's performance through a accessible, adaptable, secure and cost-effective infrastructure.

VA IT goals:

- Develop high quality health care and benefit services to the Nation's veterans and their families through effective use of IT.
- Operate a single comprehensive enterprise architecture within a modern IT environment that enables and supports:
 - VA transformation from business centric to veteran centric delivery of services.
 - Seamless transition of veterans from military service by providing high-quality health and benefit IT solutions.
- Implement and adhere to an IT governance model to support strategic decision making, collaboration, and communication.
- Leverage existing IT organizations and processes to support new legislative mandates.
- Manage all IT programs through an integrated program life cycle.
- Strengthen and enhance data security throughout VA to reduce the risk of exposing veteran and employee information.
- Attract, develop, and retain a qualified, diverse IT workforce.

Stakeholders

Stakeholders outside of the Department include veterans and their families, veterans service organizations (VSOs), Congress, Office of Management and Budget (OMB), Department of Defense (DoD), Department of Treasury, Internal Revenue Service (IRS), Social Security Administration (SSA), Office of Personnel Management (OPM), General Services Administration (GSA), Government Accountability Office (GAO), private sector vendors, and other government departments and agencies.

Internal stakeholders include Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), Franchise Fund/Austin Automation Center (AAC), and other staff offices.

Information Technology Summary of Appropriation Highlights (Dollars in Thousands)			
	2006	2007	2008
	Actual	Continuing Resolution	Estimate 1/
IT Activities			
VA IT Infrastructure		\$460,082	\$446,139
Veterans Health Care	\$818,569	\$466,269	\$461,468
Veterans Benefits Delivery	\$91,381	\$31,857	\$65,648
Office of Information and Technology	\$258,742	\$197,031	\$191,034
Office of Management	\$46,834	\$69,234	\$82,572
Human Resources Development	\$7,868	\$26,350	\$34,140
Other Staff Offices	\$8,026	\$5,077	\$22,840
Impact of Continuing Resolution P.L. 109-383		-\$179,318	
Subtotal	\$1,231,420	\$1,076,582	\$1,303,841
Operations and Maintenance Reorganization			
Personnel Related Funding Transferred			
Field Operations 2/			\$512,028
OI&T Operations Costs			\$43,348
Subtotal O&M			\$555,376
Total Appropriation	\$1,231,420	\$1,076,582	\$1,859,217
Reimbursements			
IT Systems Non Pay	\$28,615	\$37,644	\$36,113
IT Payroll			\$14,742
Total New Budgetary Resources	\$1,260,035	\$1,114,226	\$1,910,072
FTE			5,529

1/ The 2008 estimate assumes 2007 enacted funding is close to that passed by the House and Senate.

2/ Includes Payroll, Travel, Training and Leases

Summary of Budget Request

VA is requesting \$1.859 billion to support IT projects, operations, and maintenance expenses for FY 2008. This request consolidates all VA IT under one appropriation, with the exceptions of IT development staffing, non-payroll IT for credit reform programs and non-appropriated insurance benefits programs, both of which must be resourced outside the new appropriation due to credit reform funding rules. In FY 2008, the majority of increases represent program priorities to enhance veterans'

interactions with VA and through inflation driven costs for equipment refresh. VA also is requesting a \$10 million increase in Regional Data Processing to continue with the deployment of that program, \$25 million increase for compensation and pension IT operations, and \$13 million increase for enterprise cyber security to meet VA's highest IT priorities. The details for specific project changes as well as five core IT functions based on the reorganization are highlighted in chapters following this executive overview. The IT appropriation is a two-year fund. In FY 2006, total obligations incurred were \$1.1 billion; funding carried over from FY 2006 will be utilized in FY 2007.

Information Technology Realignment

VA is reorganizing its IT infrastructure and making considerable progress in adopting an IT management system that optimizes all resources as the Department continues to enhance performance effectiveness and increase efficiencies by eliminating duplication. VA began transitioning from a decentralized system toward a more centralized IT model to reflect industry best practices while keeping the VA mission to serve veterans foremost.

The reorganization includes two stages: (1) an IT Federated model that centralizes maintenance and operations only and (2) a single IT leadership authority that subsequently will centralize program development. Under the IT Federated model, the VA CIO became responsible for maintenance and operations, including oversight of and accountability for all IT budgets and projects within VA, and all resources in the IT Systems account.

During the first stage, VA will permanently reassign 5,529 FTE involved in maintenance and operations functions and related budget authority of over \$500 million to support those staff. The IT Systems account is managed and controlled by the Assistant Secretary for Information and Technology, who is the VA CIO. VA has the authority in section 1531 of title 31 to transfer funding between accounts to carry out an approved reorganization.

The second stage will require VA to request approval to permanently transfer all VA personnel dedicated to IT development. The Secretary of Veterans Affairs approved the transition on October 31, 2006, from a multiple IT leadership authority construct to a single IT leadership authority under the VA CIO. However, VA has not reflected the second phase development realignment in this budget submission due to the lateness of the decision in the budget cycle.

In FY 2007, the VA CIO created a Technical Oversight Committee, chaired by his senior advisor and comprised of key leadership from each of the core IT functions. The purpose of this committee is to identify the best IT infrastructure decisions for meeting

the VA mission. In their role to oversee and advise, members will review and recommend changes on IT development initiatives and the current service level of ongoing IT maintenance and operations. By managing information resources effectively, the committee will seek to identify improvements to the VA IT infrastructure from the perspective of life cycle management and based on requirements to better serve veterans.

For background purposes, in December 2004, VA contracted with the Gartner Group to conduct an organizational assessment of VA's IT infrastructure. At the time this assessment was conducted, the IT function was decentralized to the General Administration staff offices and the three administrations -- VHA, VBA, and NCA. The goal of the assessment was to create a baseline on how VA operates, develop organizational models for increasing VA's IT value (in terms of greater efficiencies, economies of scale, and added business value), and chart the path VA IT could follow to deploy a new organizational model. The completed assessment was delivered to the VA CIO in May 2005 and included a recommendation for VA to adopt a centralized model.

In an Executive Decision Memorandum dated October 19, 2005, the Secretary of Veterans Affairs approved the concept of a Federated IT Model. Gartner, working with Technatomy, developed the subsequent framework which separated the IT structure into the (1) maintenance and operations domain and (2) application development domain. Complete transition was anticipated by July 2008.

In June 2006, VA awarded IBM a two-year contract to assist in the transition and implementation of a new IT management system. IBM will assist in the appropriate integration of existing cyber program activities and provide the necessary expertise to coordinate execution of the IT reorganization. In addition, the contract calls for the integration of the VA Security Operation Center (SOC) and Network Operation Center for remediating IT security deficiencies and analyses for proposing application development structures, processes, and governance.

Information Technology Systems Appropriation/Obligations (Dollars in Thousands)				
Description	2006 Actual	2007		2008 Estimate 1/
		Budget Estimate	Continuing Resolution	
IT Systems Appropriation	1,213,820	1,257,000	1,255,900	1,859,217
Transfers In (Avian Flu and Hurricane Katrina) 2/ Impact of Continuing Resolution P.L. 109-383	17,600		-179,318	
Subtotal IT Appropriations	1,231,420	1,257,000	1,076,582	1,859,217
Reimbursements				
IT Systems Appropriation	28,615	25,763	37,644	36,113
IT Reorganization Transfer O&M in 2007/08 (Pay)				14,742
Subtotal Reimbursements	28,615	25,763	37,644	50,855
Budget Resources	1,260,035	1,282,763	1,114,226	1,910,072
Adjustments to obligations				
Unobligated balance (SOY):			139,879	
Unobligated balance (EOY):	-139,879			
Change in Unobligated balance (non-add)	-139,879	0	139,879	0
Recovery prior year obligations				
Subtotal Adjustments to obligations	-139,879	0	139,879	0
Obligations	1,120,156	1,282,763	1,254,105	1,910,072
Obligated Balance (SOY)		496,486	469,405	608,920
Obligated Balance (EOY)	-469,405	-596,986	-608,920	-777,544
Less Collections	-28,615	-25,763	-37,644	-50,855
Outlays, Net	622,136	1,156,500	1,076,946	1,690,593
FTE				
Base Direct Appropriation				398
Reimbursable FTE				138
Reorganization of O&M				4,993
Total FTE				5,529

1/ The 2008 estimate assumes 2007 enacted funding is close to that passed by the House and Senate.

2/ 2006 transfer includes \$9 million for Pandemic Flu, \$7 million for hurricane damage, and \$1.6 million for a correspondence tracking system.

Summary of Employment and Obligations				
(Dollars in Thousands)				
	2007			
	2006 Actual	Budget Estimate	Continuing Resolution	2008 1/ Estimate
Average Employment				
OI&T FTE				394
Reimbursable FTE				138
Reorganization				4,997
Total FTE				5,529
Personal Services				
Travel				\$515,137
Rent, Communications and Utilities	\$170,009	\$73,000	\$188,000	\$195,500
Printing and Reproduction	\$3		\$5	\$50
Other Services	\$588,257	\$683,763	\$670,000	\$802,885
Supplies and Materials	\$10,679		\$12,000	\$25,000
Equipment	\$340,976	\$526,000	\$374,100	\$350,000
Lands and Structures	\$9,422		\$10,000	\$10,000
Other	\$810			
Total Obligations	\$1,120,156	\$1,282,763	\$1,254,105	\$1,910,072
Funding Sources:				
Appropriation	\$1,231,420	\$1,257,000	\$1,076,582	\$1,859,217
Reimbursements	\$28,615	\$25,763	\$37,664	\$50,855
Un-obligated EOY	\$0	\$0	\$139,879	\$0
Un-obligated SOY	-\$139,879	\$0	\$0	\$0
Total	\$1,120,156	\$1,282,763	\$1,254,125	\$1,910,072

1/ The 2008 estimate assumes 2007 enacted funding close to that passed by the House and the Senate.

Performance Summary Table

Performance targets are an important component of VA's integration of IT into the delivery of services for veterans. The performance summary table highlights the major strategic targets used to monitor IT operations.

Program Goals, Objectives, and Performance Measures

The Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.

Objective E.3. Implement a *One VA* IT framework that enables the consolidation of IT solutions and creation of cross-cutting common services to support the integration of information across business lines and provides secure, consistent, reliable, and accurate information to all interested parties.

Program Objective E.3.1: Define an EA that guides the use of IT in supporting VA business operations.

Performance Summary Table: Information Technology							
Measure Description (Departmental Measures are in bold)	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Number of distinct data exchanges between VA and DoD. (*Department Manpower Data Center)	N/A	N/A	N/A	20 from *DMDC to VA; 8 from VA to DMDC	8 from DMDC to VA; 1 from VA to DMDC	1 from DMDC to VA; 1 from VA to DMDC	1 from DMDC to VA; 1 from VA to DMDC
2) VA Enterprise Network (Wide Area Network) availability.	98.9%	98.9%	98.9%	98.9%	98.9%	98.9%	100%
3) Percent of IT systems annually assessed for effective security controls.	N/A	N/A	N/A	N/A	100%	100%	100%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Overview of VA's Approach to Enterprise Architecture

Through analysis of VA's programmatic mission, emerging near-term and long-term business needs as communicated by LOB stakeholders, as well as through consideration of IT capability trends, the VA CIO identified four basic principles that form the cornerstone of how IT systems and infrastructure should support the VA mission. They are:

- Veteran access to VA services must be available via the Web and/or other technology channels, and must facilitate self-service;
- Customer-focused, service orientated systems, applications and data must be shared and accessible to all possible users;
- VA infrastructure must be self-healing, robust, transparent, and always available; and
- VA data must employ a storage-centric strategy that supports enterprise storage methods, in order to facilitate efficient use and sharing of data by business stakeholders and applications across the Department.

These four principles form the underlying philosophy of the Enterprise Architecture that the VA Chief Architect will implement during the FY 2006-2011 timeframe in accordance with Federal laws and Department guidance.

The VA Enterprise Architecture program will provide a number of specific products and services that will assist both business and IT leaders in achieving their missions. The Office of Enterprise Architecture Management (OEAM) will work with administration architects and project managers to provide authoritative data services, modeling capability, standards for development technologies, and the architectural expertise that are essential to achieving IT strategies and initiatives. As this objective is achieved VA will move closer to the target state of how IT supports the VA mission.

Performance Goal 1: Number of distinct data exchanges between VA and DoD with regards to veteran demographic data.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
1) Number of distinct data exchanges between VA and DoD. (*Department Manpower Data Center)	N/A	N/A	N/A	20 from DMDC* to VA; 8 from VA to DMDC	8 from DMDC to VA; 1 from VA to DMDC	1 from DMDC to VA; 1 from VA to DMDC	1 from DMDC to VA; 1 from VA to DMDC

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: VA will achieve this goal by developing a service oriented architecture (SOA) structure that will simplify and streamline the environment for sharing of information to support benefits delivery, registration, outreach, and reporting data. This SOA structure will gradually eliminate the need for separate VA LOBs to obtain data directly from DoD which has led to the multiple data exchanges that currently exist. Once the SOA data services are available, individual VA LOBs will obtain their data from the SOA database, thus allowing VA LOBs to eliminate redundant data exchanges with DoD.

Data Source: Data will be obtained from VA administrations, DoD and the VA Network Administrator.

Data Verification: The results data will continue to be verified by monitoring the number of data exchanges utilizing state-of-the-art VA network monitoring tools, which records data exchanges between DoD and VA. The joint VA/DoD Benefits Executive

Committee and Health Executive Council will verify that data exchanges have occurred and assess the quality and content of the exchanges.

Goal Validation: The degree to which VA and DoD are successful in the consolidation of the many distinct data exchanges is an indication and/or confirmation of the progress being made by VA to shift from legacy applications to a more modern, service-oriented enterprise data architecture.

Crosscutting Activities: Through creation of a Joint Executive Council and sub-councils (Health Executive Council and Benefits Executive Council), VA and DoD are working together to increase coordination and resource sharing. Collectively these two departments produced a strategic plan for FY 2006 through FY 2008, which now serves as the roadmap for advancing performance between VA and DoD.

External Factors: The ability for DoD to work across all Armed Forces services to provide military history and demographic data VA needs to make eligibility determinations.

Performance Goal 2: Maintain VA enterprise network (Wide Area Network) availability 98.9% of the time.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
2) VA Enterprise Network (Wide Area Network) availability.	98.9%	98.9%	98.9%	98.9%	98.9%	98.9%	100%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: VA will achieve this goal by providing best practices in network management techniques jointly with telecommunications carriers, using state-of-the-art network monitoring tools at a centralized 24x7 network management facility, and adhering to strict trouble escalation procedures to ensure the enterprise meets or exceeds the target goal. VA is currently upgrading its Wide Area Network (WAN) backbone to a new protocol (multiprotocol label switching) and moving from a single carrier design to a dual carrier model which will increase network availability. The WAN system is an enabling infrastructure that supports operations of every VA business, management, and administrative function by providing WAN backbone data transport services, WAN capacity management and operations, and many related functions. Supported functionality ranges from email to bedside health care; benefits services, and to continuity of business and community support in times of emergency or disaster to accomplish network availability levels of 98.9% or higher.

Data Source(s): Data will be obtained from network performance management tools.

Data Verification: Network operations performance data will be monitored in compliance with GSA FTS2001 contract specifications and with the Enterprise Architecture Strategy, Governance and Implementation document dated September 2001 (and subsequent updates). Through these mechanisms, VA will verify network data.

Goal Validation: Network availability is a key indicator of network performance. VA's business operations depend on the network to perform their work.

Crosscutting Activities: The WAN backbone is an internal infrastructure with the capability for external access. There are no external entities, other than contract support, that contribute significantly to achieving the annual availability target.

External Factors: VA is taking measures to ensure external factors that could negatively affect WAN availability are mitigated. Examples of factors include loss of telecommunication carrier service as experienced during the 2005 Gulf coast hurricanes, Internet-based attacks on the VA network, and spam email. Mitigation strategies include implementation of the dual telephony carrier capability during FY 2007, implementation of improved network access security measures, and continued upgrading of network management and security tools.

Program Objective E.3.2: Better secure VA IT systems through annually assessing the effectiveness of information security controls.

Performance Goal 3: In 2008, 100 percent of operational IT systems will be assessed for effective security controls.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
3) Percent of IT systems annually assessed for effective security controls.	N/A	N/A	N/A	N/A	100%	100%	100%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: VA will modify its existing Security Management and Reporting Tool (SMART), which is currently used to collect the results of the Department's annual FISMA security self-assessment survey. It will include detailed methodologies to test and evaluate the effectiveness of deployed security controls. If test results identify security controls which are ineffective or not operating as intended, a plan of action and milestones (POA&M) will be developed and managed by IT system business owners to correct any identified deficiencies.

Data Source(s): Data will be obtained from SMART, as input by information security officers for each of VA's major applications and general support systems.

Data Verification: Data will be verified by the OCIS Compliance Validation Division as part of IT system security reviews conducted annually.

Goal Validation: This goal will be validated by the completion of the FY 2007 FISMA report to OMB, wherein VA must assert that 100 percent of its IT systems have been assessed for security control effectiveness. An independent security contractor evaluated the certification and accreditation (C&A) processes. The results of that effort will be shared with the VA Inspector General and implemented throughout fiscal years 2007 and 2008. The POA&M process will be acceptable to independent evaluators as VA continues independent inspections, which began in December 2006, to ensure POA&Ms are accurate.

Crosscutting Activities: This goal is attained in conjunction with the Department's IT system security certification and accreditation effort as well as with the cooperation of the Department's Field Security Operations service.

External Factors: External factors that could affect achievement are any additional requirements or unanticipated changes to the Department's operating environment.

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Infrastructure Information Technology

VA Infrastructure Investment Summary of Projects Appropriation Highlights (Dollars in Thousands)	
	2008 1/ Estimate
Projects	
VA Computing Infrastructure and Operations	\$181,799
VA Telecommunications - Network Infrastructure and Operations	\$31,660
VA Telecommunications - VA Voice Infrastructure and Operations	\$130,750
VA Telecommunications - VA Data and Video Infrastructure and Operations	\$71,930
Regional Data Processing	\$30,000
Total	\$446,139

1/ The 2008 estimate assumes 2007 enacted funding is close to that passed by the House and Senate.

Program Description

To care for, provide benefits to, assist in many life transitions, memorialize veterans and support their families and their rapidly changing needs in this fast-paced world, VA is dependent on a reliable, modern, and sophisticated IT infrastructure. This is apparent with multiple missions and business functions, a multi-billion dollar annual operating budget, over 200,000 employees and internal system users, and millions of veterans and family members who may access VA Internet sites.

From development of the electric telegraph in the early 19th century and the invention of the telephone in 1876, business and government have improved service and capabilities with the use of information technologies that have become recognized as both enabling and critical. Without proper planning, budgeting, operations, and maintenance of the IT infrastructure, the business operations of this or any other modern governmental function would literally halt in days and the health, lives, and well being of veterans would be jeopardized.

VA IT infrastructure supports health care by providing facilities with data capture, transmission, and analysis. Health care professionals maintain and transmit patient data and x-ray, MRI, and other images to serve veterans promptly, accurately, and wherever service is required. Veterans can maintain their own personal health records online through Internet access. Veterans obtain benefits through business processes that are encoded and operated in electronic applications that reside on and communicate through the IT infrastructure. VA IT infrastructure provides national cemeteries with the capability to determine burial eligibility, provide interment scheduling, process applications for government furnished monuments, and conduct nationwide grave locator searches. Basic administrative activities, including the use of telephones and email, function as the foundation of the IT infrastructure. Further, VA is a primary designated health care provider in the case of natural or national emergencies, requiring a flexible and reliable IT infrastructure.

VA IT infrastructure technologies include desktop computing; local and long-distance telephone; infrastructure for major mission-critical application systems; local area networks (LAN) and long distance data transmission wide area network (WAN); data security; voice radio for security and other functions, including Congressionally mandated transition of land mobile radio facilities from wide band to narrow band equipment, frequencies, and operations in the very high and ultra high frequency (VHF and UHF) bands; wireless voice; wireless data transmission; data storage; Internet access; VPN access for VA use; business partner gateways; office automation and desktop computing; email; and others.

VA IT infrastructure serves the entire range of business functions, including primary missions; handling of Congressional and other correspondence; financial operations; interaction with VSOs; interaction with other agencies, including DoD health care systems; data exchange with contractors and other business partners; Continuity of Operations (COOP) and continuity of business; radio frequency spectrum management; and implementation infrastructure for new and enhanced business applications.

VA IT infrastructure programs and activities for FY 2008 include work as a major participant in the GSA FTS program; transition of current long distance voice and data circuits from the FTS2001 contract to the new Networx contract; implementing compliance with the Internet Protocol version 6 (IPv6) mandate by OMB; continuing to strengthen VA *Gold Standard for Data Security*; operation of a multi-carrier backbone WAN; and continued standardization of the infrastructure architecture from desktop to WAN.

Infrastructure increases will assist VA in facing higher costs, especially during transformation to the new IT management system. For example, in FY 2008, \$30 million is requested to consolidate processing requirements into regional data centers. Other infrastructure programs, like telecommunications, require an increase to meet service

projections for tele-radiology and remote medical services, fund the phased replacement of PCs within VA regional offices, and provide greater bandwidth for facilitating communications. Telecommunications funding is essential to protect the VA IT infrastructure and strengthen data security for keeping sensitive veteran and employee data safe, secure, and confidential.

The VA Central Office (VACO) Metropolitan Area Network (MAN) in Washington, DC supports 5,500 users via servers located in the VACO building. To correct a material weakness (servers below street level, under the cafeteria, and in proximity to the White House) identified by the VA Inspector General, servers were moved to VA space in Silver Spring, Maryland as an interim solution. The VACO computing infrastructure supports critical Department functions during normal and emergency operations, including COOP and Continuity of Government (COG). To this end, VACO servers are being moved out of the Washington, DC metropolitan area to a new data center that will be housed in a building eased near Martinsburg, West Virginia. FY 2007 construction funding has been requested for a new building to be constructed on the Martinsburg VA medical center campus. Occupancy is anticipated after completion of construction in May 2009. An Optical Regional Area Network is currently being completed to serve the new location.

Five infrastructure investments were combined into one to form the IT Infrastructure and now will be centrally managed by the VA CIO. As a key element for streamlining IT operations, this change will produce the maximum benefit to VA. The investments include VA Computing Infrastructure and Operations, VA Network Infrastructure and Operations, VA Voice Infrastructure and Operations, VA Data and Video Infrastructure and Operations, and Regional Data Processing.

VA Computing Infrastructure and Operations (\$181.8 million)

Computing infrastructure includes hardware, software, and services, including but not limited to desktops, servers, storage systems, printers, Vista, Vista Imaging and local specialized systems such as security systems.

VA Network Infrastructure and Operations (\$31.7 million)

Data and video network infrastructure includes hardware, software, and services (e.g., switches, routers and related components if they are utilized in the WAN, LAN, MAN and/or WLAN), Internet gateway equipment, network performance and capacity management tools, radio frequency equipment, and all maintenance, management, and support of these items.

VA Voice Infrastructure and Operations (\$130.8 million)

Voice infrastructure includes all hardware, software and services specifically associated with the maintenance, management, and support of traditional analog/digital PBX and VoIP systems.

VA Data and Video Infrastructure and Operations (\$71.9 million)

Voice, data and video include recurring charges, such as, local and long distance circuits, cellular phones, pagers, wireless data, connectivity, portable email devices (like Blackberries), satellite phones, MAN, WAN, telecommunications modernization project (TMP) and Internet gateway connections.

Regional Data Processing (\$30.0 million)

Regional Data Processing (RDP) represents both a technological and cultural change in how VA delivers information. At its core, RDP is the centralization of facility-based information systems by collocation and/or integration of services. RDP will yield the following benefits for critical stakeholders, most importantly the veterans served by VA's vast information resources:

- Increased operational performance and reliability
- Enterprise level standardization
- Rapid adoption of industry best practices
- Agility to respond efficiently and effectively to change
- Economies of scale with operations and maintenance investments
- Hardened cyber and information security posture
- Mature COOP and disaster recovery provisions

The cultural change is immediately palpable as facilities migrate their information systems to Regional Data Centers (RDCs). In place of greater than 150 instances of hardware are not more than a dozen RDCs that will deliver IT services with same or better performance. So much of VA IT can be managed in a virtual environment that it is not just feasible, but rather preferable to regionalize IT systems while virtualizing the support of those systems to teams of experienced IT professionals across the country.

The need for RDP arose from the realization that VA's predominantly decentralized computing environment had reached an unsustainable level, both from a financial and technological perspective. RDP builds upon proven VA collocation successes. Demonstrations in what now comprise VA IT Regions One (VISNs 18 through 22) and Four (VISNs 1 through 5) were seeded in 2005 and have since matured into fully active

operational projects under the RDP umbrella, recently re-chartered by the Deputy Secretary as the basis for what will evolve into the National Data Center Program (NDCP). Ultimately, RDP and NDCP will incorporate the management of all VA critical information systems under one organizational unit.

The costs, risks and benefits of RDP have been analyzed, and projections indicate significant advantages and a very favorable return on the VA's ongoing investment in RDP. This program is on schedule in the deployment phase in IT Regions One and Four. Plans to rollout RDCs across Regions Two (VISNs 12, 15, 16, 17, and 23) and Three (VISNs 6 through 11) are planned for completion during fiscal years 2008 and 2009.

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Office of Information and Technology

Office of Information and Techonology	
Summary of Projects Appropriation Highlights	
(Dollars in Thousands)	
	2008 1/ Estimate
Projects	
E-Gov Projects	\$10,689
Enterprise Cyber Security Program	\$70,059
One VA Business Integration	\$25,785
Enterprise License Expenses	\$63,478
One VA Enterprise Program Management Office	\$4,730
NCA Operations and Management	\$1,293
Other	\$15,000
Subtotal OI&T	\$191,034
Office of Management Activities	\$82,572
HRA Development Activities	\$34,140
Other Staff Offices	\$22,840
Subtotal Staff Office Support	\$139,552

1/ The 2008 estimate assumes 2007 enacted funding is close to that passed by the House and Senate.

Overview

The Office of Information and Technology (OI&T) is responsible for directing all VA IT activities. The office is composed of five major organizational elements based on core IT functions: Office of IT Enterprise Architecture Management; Office of E-Government and Records Management; Office of Cyber and Information Security; and Office of Information and Technology Operations. These offices centralize responsibilities for maintenance, operations, and development. OI&T also includes corporate data centers in Austin, Texas; Hines, Illinois; and Philadelphia, Pennsylvania, as well as the

Franchise Fund Program -- Austin Automation Center (AAC) in Austin, Texas, and VA Records Center and Vault (VA RC&V) in Neosho, Missouri.

OI&T has three major roles. First, the office provides strategic direction and leadership to the Department in the development and implementation of IT policy and plans for functioning as a single, cohesive enterprise. Second, the office provides IT support to the administrations and staff offices so they can accomplish their missions. Third, OI&T has oversight responsibility on behalf of the Secretary of Veterans Affairs to ensure VA compliance with laws, policies and directions from external organizations.

Listed below are the major IT legislative and regulatory drivers:

- Veterans Benefits, Health Care, and Information Technology Act of 2006, Public Law 109-461
- FY 2006 Military Construction and Veterans Affairs and Related Agencies Appropriation Act
- Executive Order: Amendment to Executive Order 13402, Strengthening Federal Efforts to Protect Against Identity Theft , November 3, 2006
- Executive Order: Promoting Quality and Efficient Health Care in Federal Government Administered or Sponsored Health Care Programs; August 22, 2006
- Homeland Security Act of 2002
- Federal Information Security Management Act (FISMA) of 2002
- E-Government (E-Gov) Act of 2002
- Debt Collection Improvement Act (DCIA)
- Prompt Payment Act (PPA)
- Government Paperwork Elimination Act (GPEA) of 1998
- Clinger-Cohen Act of 1996
- Federal Managers' Financial Integrity Act (FMFIA) of 1996
- Health Insurance Portability and Accountability Act (HIPAA) of 1996
- Veteran's Health Care Eligibility Reform Act of 1996, Public Law 104-262
- Paperwork Reduction Act of 1995
- Government Management Reform Act (GMRA) of 1994
- Government Performance and Results Act (GPRA) of 1993
- Chief Financial Officers (CFO) Act of 1990, Public Law 101-576
- Competition in Contracting Act, Public Law 98-369
- Small Business & Federal Procurement Competition Enhancement Act of 1984, Public Law 98-577
- Federal Acquisition Regulation (FAR), 48 CFR, Chapter L
- OMB Circular A-11
- OMB Capital Programming Guide (Supplement to A-11)
- OMB Circular A-130, Management of Federal Information Resources
- OMB Memorandum M-06-16, Protection of Sensitive Agency Information

- Rehabilitation Act, Section 508
- Privacy Act of 1974

CIO Priorities

The focus of the CIO's priorities is to create a streamlined path for veterans and their families to follow in obtaining services and information and for VA employees to help veterans more quickly and effectively. By modifying stovepiped information systems with integrated systems that use common standards, information can be shared securely across VA programs and with external partners, such as DoD.

- Establish a well led, high performing, IT organization that delivers responsive IT support to the three administrations (business lines) and VA Central Office staff sections.
- Standardize IT infrastructure and IT business processes throughout VA.
- Establish programs to make VA IT systems more interoperable and compatible, not only within VA but with the other Federal agencies with which VA interacts.
- Effectively manage the VA IT appropriation to ensure sustainment and modernization of the VA IT infrastructure and more focused application development to meet increasing and changing requirements of VA business units.
- Strengthen data security controls within VA and among VA contractors in order to substantially reduce the risk of unauthorized exposure of veteran or VA employee sensitive information.
- Create an environment of vigilance and awareness to the risks of compromising veteran or employee sensitive personal information within VA by integrating security awareness into daily activities.
- Remedy the Department's longstanding IT material weaknesses relating to a general lack of security controls.

Assumptions, Opportunities and Constraints

External legislative and regulatory requirements cited as well as increased focus on security and privacy compliance establish the standards for VA IT systems and operations. Compliance with these Government-wide standards and information management improvement initiatives is driving change in VA IT systems and the organization itself. New and changing requirements make it imperative for all VA administrations and staff offices to plan IT initiatives collaboratively, under the auspices of a an enterprise IT portfolio, in order to achieve the best mix of business solutions and cost efficiencies for the Department.

The collaboration is reinforced with the implementation of the IT reorganization whereby VA will reach greater fiscal discipline, standardization, compatibility, and interoperability among IT systems. To achieve this, the IT transformation realigns leadership, staff, and funding sources directly involved in IT, allowing more centralized control for planning and spending and enabling faster, more efficient, and seamless service to our Nation's veterans.

Managing the Department's IT portfolio and providing oversight of associated resources, particularly during a reorganization, requires a strong integrated IT management process. A VA-wide set of portfolio and project management policies, processes, tools and training, including earned value management and operational analysis, have been designed to ensure greater consistency and repeatable project results.

VA management of IT resources will continue to evolve and mature. OI&T will bring enterprise-wide discipline and integration of telecommunications capability to increase security, performance, and value to VA and its customers. Command and control capabilities will be established and exercised to support the Department in times of emergency. E-Gov will be expanded and Internet capabilities will be enhanced to improve the delivery of services and the sharing of knowledge for the benefit of veterans. All of these efforts will focus on meeting the President's Management Agenda (PMA) objectives.

IT Oversight

The VA CIO's review and approval process for all IT capital investment performs a critical function. Prior to inclusion in the VA IT portfolio, proposals undergo scrutiny at the following levels: (1) within OI&T and (2) through the Enterprise Information Board (EIB). The Investment Review Working Group (IRWG), a subset of the EIB, is comprised of senior Department program managers with broad knowledge of programs and projects. It provides the EIB with an in-depth review of the VA IT portfolio. Investments that pass scrutiny are, with some exceptions, assembled into the IT portfolio that is presented in its entirety to the Department's Strategic Management Council by the VA CIO. (Exceptions include revisions and upgrades to existing projects and those areas identified by the Deputy Secretary as significant issues.)

During these reviews, investments are evaluated for their conformance to the PMA, including the President's E-Gov initiatives, the Secretary's goals, the Department's Strategic Plan, and the Department's Enterprise Architecture (EA). Proposals must also conform to the performance goals of the Department; reduction in costs associated with performing existing functions; protection of the confidentiality, integrity, and availability of veteran data; and ability to provide new functionality to VA.

VA implemented and uses OMB Exhibit 300 (Capital Asset Plan and business case) as its primary documentation vehicle for evaluating and managing IT investments. This process to track cost, schedule, and performance goals ensures that issues are identified in a timely manner and brought promptly to the attention of the appropriate project manager. Doing so improves the Department's ability to deliver high quality IT within cost and schedule. It also positions VA to make more timely use of benefits that will accrue from the efficient use of technology, allowing the Department to reinvest those savings to further enrich its technological capabilities. VA instituted and conducts regular independent verification and validation (IV&V) of selected IT projects and programs so that problems may be anticipated and rectified before significant cost or schedule changes occur.

Recognizing that standardization of project management guidelines and procedures is critical to the success of EA, VA aggressively implemented a seven-course training program that provides a clear understanding of the processes and knowledge areas common to all projects. Individuals completing the curriculum receive a Master's Certificate in Project Management and VA Project Manager Certification. Through training offered to project team members, this program provides the opportunity to develop a reserve of highly qualified project managers (PMs). VA's training and certification program has been recognized as a model for departments and agencies throughout the Federal Government.

The importance of standardized data across VA lines of business (LOBs) continues as OI&T provides employees with greater access to information and the ability to use technology to meet growing stakeholder expectations. Beginning with two major application systems, the National Patient Care Database and the Decision Support System, AAC has positioned itself as the major consolidation point for business enterprise data. Regional and national databases documenting patient care, outcome measures, resource consumption, and cost data reside, and are accessible, through the AAC. In addition, VA is working toward the collocation of benefit mainframe applications.

Finally, VA will continue reaching across Departmental boundaries for opportunities and innovative ways to work collaboratively with other Federal departments and agencies to realize efficiencies and economies. The primary mechanism for promoting partnerships is the VA Franchise Fund. The VA Franchise Fund enables common administrative services to be provided to other Federal departments and agencies on a fee-for-service basis. As a result, VA continues to lower unit costs while improving service delivery.

The following are Department-level IT programs.

E-Government (\$10.7 million)

E-Government Summary of Subprojects Highlights (Dollars in Thousands)	
	2008 Estimate
Subprojects	
E-Gov: GovBenefits.gov	\$314
E-Gov: E-Rulemaking	\$135
E-Gov: Business Gateway	\$120
E-Gov: Geospatial One-Stop	\$15
E-Gov: Grants.gov	\$134
E-Gov: E-Training	\$2,693
E-Gov: Recruitment One-Stop	\$858
E-Gov: Electronic Human Resource Initiative	\$280
E-Gov: E-Travel	\$2,055
E-Gov: Integrated Acquisitions Environment	\$1,561
E-Gov: E-Authentication	\$65
E-Gov: Financial Management LoB	\$143
E-Gov: Human Resources Management LOB	\$261
E-Gov: Grants Management LOB	\$28
E-Gov: Federal Health Architecture LOB	\$1,861
E-Gov: Budget Formulation and Execution LOB	\$85
E-Gov: IT Infrastructure	\$80
Total	\$10,689

Total does not add due to rounding.

The E-Gov program office focuses exclusively on implementation across VA. As a result, VA has made significant progress in the implementation of Federal E-Gov initiatives, and VA business processes are providing veterans and their families, employees, and stakeholders better access to VA programs.

VA has signed agreements with several Federal agencies, provided funds, and committed to support a range of E-Gov initiatives. These include GovBenefits; Integrated Acquisition Environment; E-Payroll; USA Services; E-Rulemaking; E-Training; E-Travel; E-Grants; E-Records Management; E-Authentication; E-Clearance; Enterprise Human Resource Integration; Recruitment One-Stop; Business Gateway; and the Financial Management, Human Resources, Grants, and Federal Health Architecture Lines of Business. In support of the cross-cutting initiative, E-Authentication, VA is currently working with GSA to implement E-Authentication for a public-facing system.

My HealthVet Prescription Refill #1 was selected as the agency's first application to be E-Authentication enabled.

VA is also implementing E-Rulemaking, E-Travel, and E-Payroll actions. For E-Rulemaking, public comments on VA regulations are being received via the E-Rulemaking initiative, and plans are to implement a Federal Document Management System. For E-Travel, action to migrate to one of GSA's mandated E-Travel services continues. For E-Payroll, VA is continuing activities associated with the Presidential E-Payroll consolidation initiative which will reduce the number of payroll providers from 22 to 4. VA has entered into an agreement with the Defense Finance and Accounting Service to allow for the exchange of VA payroll/human resources data between the two agencies in order to consolidate VA payroll services.

In FY 2008 VA will focus on three human resource E-Gov initiatives: human resources information system, automated position management system, and position management system.

Cyber Security (\$70.1 million)

An overarching program has been established to provide focus to all of the activity related to data security. The Data Security - Assessment and Strengthening of Controls (DS-ASC) program was established in May 2006. It includes several hundred specific actions all oriented to improving the position of VA in the area of information protection.

Through the Enterprise Cyber Security Program (ECSP) VA formulates and oversees the implementation of the Department-wide security program. ECSP provides a continuous cycle of risk assessment; modification of policies and procedures to reflect changes in the risk environment; identification of mitigating security controls; and the testing of those controls. ECSP is comprised of both management and technical components.

Of the management components, the Enterprise Cyber Security Business Assurance Program (ECSBAP) establishes VA IT security policies and procedures; oversees Department-wide risk management, certification and accreditation (C&A), and Federal Information Security Management Act (FISMA) reporting and compliance programs; updates the Department IT security program plan; and provides procurement, budgeting, personnel, and capital planning support for the investment. Field Operations and Information Security Officer Support Service (Field Ops) provides oversight for the facility-based information security officers (ISOs); and sponsors the Department's security awareness training, role-based training for ISOs, and VA's annual information security conference. In FY 2008, as a result of the VA IT reorganization, ESCP will assume the responsibility for ISO staff.

The technical components include the Critical Infrastructure Protection Program (CIPP) which directs the operation of the Security Operations Center (SOC). It is responsible for providing a centralized incident response and recovery mechanism as well as other global security services such as penetration testing; vulnerability scanning; firewall management; intrusion detection monitoring; event correlation; and associated audit log analysis. The Security Configuration Management Service (SCMS) oversees patch management and the anti-virus program. It also deploys host-based intrusion prevention, anti-spyware, and anti-spam solutions.

In accordance with section 902 of Public Law 109-461, the Department's information technology request includes \$231.9 million for information security as defined in chapter 35 of title 44.

Enterprise Privacy Program (\$2.8 million)

Under the Enterprise Privacy Program (EPP) VA provides policies for and protection of confidential information for veterans, veteran beneficiaries and VA employees, to improve VA's data management, and ensure compliance to Federal and VA-specific privacy requirements. Legislation, like the Health Insurance Portability and Accountability Act (HIPAA) and E-Gov Act, guides VA in meeting requirements for the privacy and protection of privacy-protected information. Specifically, EPP provides VA-wide privacy compliance through the following activities:

- Integrates EPP within EA and new VA systems, processes, and products throughout investment life cycle.
- Identifies associations, organizations, conference opportunities, and links outreach programs to market best practices and identifies best of breed agencies in the privacy arena.
- Provides training, assessments, awareness, and outreach that encompass role-based training modules, HIPAA compliance and employee survey tools to all VA employees; develops assessment instruments for assessing the effectiveness of all training modules and updates training.
- Conducts market research; proactively creates business deals with other agencies for privacy sharing arrangements; develops and integrates the privacy Web portal within the cyber and information security portal; produces and distributes privacy communications materials; organizes the annual Privacy Awareness Day to ensure VA-wide regulatory compliance; conducts program privacy impact assessments (PIA), risk assessments, and mitigation strategies; develops office level auditors and tracking tools to assess privacy impacts, organizational and system risks, certification and accreditation.
- Manages the Department's computer matching program and System Manager of Records programs required under the Privacy Act.

- Serves as the Department's central point for administering the programs of Freedom of Information Act (FOIA) and the Release of Names and Addresses (RONA).
- Provides oversight for all activities outlined in the section of OMB Circular A-130 concerning Federal agency responsibilities for maintaining records about individuals.

One VA Enterprise Data Program Management Office **(\$1.9 million)**

VA will establish the *One VA* Data Program Management Office (DPMO) to serve as the steward for core enterprise data, that is, data common to all VA LOBs. The primary services that DMPO will provide include the identification and maintenance of data requirements pertaining to core enterprise data in cooperation with LOBs; the architecting of data infrastructure segments supporting the availability and sharing of core enterprise data; the acquisition, configuration, and management of core enterprise data resources; and the implementation of any architectural changes required to enhance data sharing across LOBs. The data architecture will provide at a minimum a logical/physical data model, data standards, data mapping, and data access methods/services that will be used for access to data by LOB systems. DPMO will also address the need for policies, processes, and infrastructure to manage the creation, maintenance, and use of digital, unique person identities within the VA environment.

VA/DoD Data Sharing

VA and DoD continue to work together to reduce redundant applications and enhance ease of access. VA is currently developing an interoperable IT framework and architecture to enable the efficient, effective, and secure interchange of records and information supporting the delivery of benefits and services. To improve delivery of services, VA has established initiatives that directly support the VA/DoD Joint Strategic Plan to share timely, consistent, demographic and personnel-related data. Also supported are the VA/DoD joint initiatives on the seamless transition of service personnel returning from Iraq and Afghanistan. VA has begun consolidating multiple VA/DoD data sources into one repository. In addition, internally, VA has established an Executive Oversight Committee, comprised of executives from each VA administration and O&IT.

One VA Eligibility and Registration (\$5.5 million)

The *One VA* Eligibility and Registration investment seeks to develop a single authoritative source for veteran identification data. Once completely implemented, veterans will no longer need to register in more than one place or with more than one

LOB. Also, all LOBs will rely on identical values of the same data, eliminating the considerable costs incurred in reconciling data differences. The actual determination of eligibility remains with the respective subject matter specialists in each LOB.

In addition, following the design specification phase that began in January 2006, VA continued to work toward simplifying and consolidating the various data feeds with DoD by implementing a service oriented architecture (SOA) structure. Sharing information across Federal departments will directly affect veterans through enhanced benefits delivery, registration, outreach, and reporting data. In using this SOA structure, individual LOBs will obtain data directly from the SOA database rather than DoD to eliminate the multiple data exchanges that currently exist.

VA will develop other features such as services for data synchronization and identity correlation. Under data synchronization services, VA will provide a facility where systems and applications exchange and synchronize shared data elements in near real-time. This means when an update is performed on a fellow subscriber system or application, all systems and applications subscribed to the service will receive those changes that correspond to common data elements. The result is that synchronization will centralize data and coordinate changes for all subscribers. To enable VA to identify and aggregate veteran information from multiple sources, unique VA identifiers will be generated for each veteran.

One VA Contact Management (\$6.1 million)

One VA Contact Management (CM) will create multiple access channels across the enterprise for stakeholders to contact VA. CM encourages constituent self-service by ensuring employees have the following tools needed to provide high-level service for simultaneously meeting customer expectations and organizational needs:

- Benefit self-service and enhanced access. Provide self-service opportunities that allow 24/7 interaction with VA. Enhance the ability of veterans, beneficiaries, or any business partners to access information, apply for benefits, and conduct self-service activities across the benefit life cycle through the *One VA* portal.
- Contact centers. Optimize telephony and e-mail interaction capability and improve customer service by reducing call blockage and drop rates, maximizing first time contact resolution, and offering self-service options.
- Knowledge management system. Improve the accuracy, consistency, and timeliness of answers provided to veterans and other stakeholders through shared data and knowledge management. This will enable employees access to up-to-date information for all LOBs in order to provide consistent answers and allow resolution of inquiries correctly the first time. The anticipated result is increased efficiency, productivity, and customer satisfaction.

- *One VA portal.* Provide a *One VA* delivery vehicle for self service solutions, centralize stakeholder access to VA online services and content. Improve online services and content by leveraging the functionality available through Web portal technology. Provide a single, consistent, seamless information delivery channel for veterans, beneficiaries, employees, and business partners.

Enterprise Architecture (\$7.3 million)

VA recently developed and published EA Version 4.1. At this maturity level, OMB considers VA to have a viable and actionable enterprise architecture program in place. Improved and new components within EA V4.1 include:

- A performance reference model which provides a line-of-sight from the FEA-PRM taxonomy to VA strategic objectives, impacted VA business functions, VA business processes, and IT portfolio projects. As these projects move into production, this model will track actual performance improvement and return on investment.
- A data reference model based upon OMB FEA-DRM guidance.
- Significant improvements to the VA target (to be) architecture (including a new target strategy, target transition plan, and portfolio alignment section) that combine to create an actionable and measurable approach for meeting target architecture objectives over a seven-year planning interval.
- A future architecture vision which identifies trends and changes in VA's client population and service expectations, and identifies emerging technologies that can meet these needs over a fifteen-year interval.
- A highly-rated assessment of VA's IPV6 migration planning strategy.
- Completed migration of EA into a formal configuration management and change control environment.

VA is currently developing an EA V4.2 for delivery to OMB in February 2007. This new EA will implement OMB's Federal transition framework, providing significantly enhanced project architecture representations and substantial improvements in security architecture representation. EA V4.2 will be used to facilitate the budget year 2009 IT portfolio development just as EA V4.1 is being used for FY 2008 budget preparations.

Data architecture includes the documenting of both "as is" and "to be" descriptions and assisting customer organizations with data architecture related issues. The data architecture repository maintenance activities include a toolset to support all other data architecture functions Department-wide.

Capital Asset Management System (\$1.9 million)

The VA Capital Asset Management System (CAMS) supports portfolio management processes and facilitates strategic reasoning for making investments. VA also uses project management software, Primavera's IT Project Office, to track IT project planning and performance. Project management software facilitates portfolio management; improves and supports standardization and consistent implementation of project management-related processes across the Department; and improves resource allocation.

Document and Correspondence Management System (\$338,000)

The Document and Correspondence Management System (DCMS) project will replace the existing Electronic Document Management System (EDMS), VA's current document and correspondence management system. DCMS, a Web-based and scalable commercial off-the-shelf solution, will provide the essential functionality to manage executive level correspondence and controlled documents. It provides effective search and management reporting capabilities, e-mail notification capabilities, and access/security restrictions for a variety of sensitive actions and documents.

DCMS will enable VA to:

- Manage informed, timely, accurate, and consistent correspondence responses to veterans, their families, Congress, and the White House.
- Improve efficient processing of correspondence responses and document management through automated workflow within VA Central Office (VACO) and between VACO and VA field offices.
- Provide efficient online access to all appropriate employees in VACO, VA facilities, and telecommuters by implementing a security structure in the correspondence management system that allows for storage of pertinent data while restricting access on a need-to-know basis.

One VA Enterprise Program Management Office (\$4.7 million)

The *One VA* Enterprise Program Management Office (EPMO) is charged with developing a standard set of portfolio and project management (PfM and PM) policies, processes, tools, training and certification across all administrations and staff offices. EPMO's mission has three main goal categories – people, processes, and tools.

- The goal of the "people" category is to develop and certify qualified, competent project managers, project team managers, and portfolio and project oversight staff members to successfully manage VA IT projects.

- The “processes” goal is to define and implement repeatable strategic planning, PfM and PM best practices and standardized processes that senior officials, project managers, and oversight staff can employ to successfully select, manage, control, and evaluate VA IT projects.
- The “tools” goal is to implement the best PM tools that project managers, project team members, and oversight staff will use to facilitate the successful management, reporting, and oversight of VA IT projects.

Automated Monument Application System (\$90,000)

The Automated Monument Applications System (AMAS) automates all business processes associated with monument ordering, delivery, and tracking. The application automates all manual, paper-intensive record keeping and forms processing associated with monument applications. Over 330,000 applications for Government-furnished monuments, i.e., headstones, markers, and niche covers are processed yearly. AMAS supports legislated benefits so its life cycle is indefinite. AMAS increases the level of service provided to veterans and beneficiaries by providing timely processing of monument applications for the graves of veterans who are buried in national, state veterans, post/military, Department of Army, Department of Interior, and private cemeteries. AMAS serves to facilitate monument condition and accuracy by improving the percent of headstones and markers correctly inscribed. AMAS is closely aligned to the Burial Operations Support System (BOSS). Both are benefit delivery systems, continue to meet scheduled target dates and performance goals, and require ongoing technical and project management support.

Burial Operations Support System (\$200,000)

The Burial Operations Support System (BOSS) automates all manual, paper-intensive record keeping information and forms processing associated with over 100,000 annual interments from National, State Veterans’, Post/Military, Department of Army, and Department of Interior cemeteries. BOSS increases the level of service provided to veterans and beneficiaries through faster eligibility determinations, automated interment scheduling, and expedited headstone and marker ordering. BOSS provides the capability to measure confirmation of burial eligibility. BOSS provides nationwide burial location capability via a Nationwide grave locator on the Web and at national cemeteries via touch screen kiosks. BOSS also provides a benefit crosscheck to facilitate a timely first notice of death to other VA organizations.

Financial and Logistics Integrated Technology Enterprise (\$35.0 million)

The Financial and Logistics Integrated Management System (FLITE) is being developed to address VA's long standing major Federal Financial Management Integrity Act (FFMIA) material weakness, the lack of an integrated financial management system. The objectives of FLITE are to effectively integrate and standardize financial/logistical data and processes across all VA offices. It will provide management with access to timely and accurate financial, logistics, budget, asset and related information on VA-wide operations as well as on specific programs and projects. It will also establish an advanced technology environment which provides the greatest capability and an extended life cycle.

Financial Management System (\$13.1 million)

The Financial Management System (FMS) is the VA's eleven-year-old core financial system, which contains VA's single standard general ledger for financial reporting. It is the single financial system for all administrative (non-benefit) payments and accounting. FMS is based on a JFMIP certified commercial off-the-shelf product. VA's FLITE program will replace FMS. Prior to replacement, VA's existing FMS must be maintained to provide the critical payment and accounting services required by all VA activities. FMS is the primary source of financial data for VA and is critical to assessing financial performance of VA programs and overall financial management performance. FMS and its related applications support the entire Department. Commercial payments, medical provider payments, and to some small degree, benefits payments are made through FMS. All VA facilities rely on FMS for accounting and financial reporting. This investment sustains reduced costs and improved efficiencies resulting from FMS full implementation in 1995 based on commercial-off-the-shelf products. FMS has supported, and continues to support, all electronic funds transfer initiatives, including such specialized methods as "credit card" and "prime vendor."

Payroll/Human Resource Systems (PAID) (\$24.8 million)

PAID is VA's 40-year-old legacy system comprised of two integrated components, one for payroll and another for human resources (HR). VA also subscribes to Employee Express, which is a government off-the-shelf product used for self-service changes to personal and benefit information. In 2003, VA began migrating the payroll portion of PAID to DFAS, the E-Gov designated provider. Effective with the 2005 Exhibit 300 for BY 2007, all DFAS migration work has been separated to its own Exhibit 300 under a project called "E-Payroll." Upon completion of the payroll migration, PAID will support ongoing maintenance of interfaces to and from the DFAS provider and continue to provide HR systems support. Until migration to the new HR LOB provider,

PAID will continue to be the ongoing HR system. Once both portions of PAID have been replaced, PAID will be decommissioned.

Personal Identification Verification (\$19.8 million)

The Personal Identification Verification (PIV) initiative will integrate Federal Information Processing Standards (FIPS) 201 requirements with the VA EA requirements for authentication, authorization, accountability, and non-repudiation. This initiative replaces VA's Authentication and Authorization Infrastructure Project (AAIP) with a system that directly addresses Homeland Security Presidential Directive (HSPD) 12 and FIPS 201 with the implementation of processes and procedures required to issue PIV cards. PIV includes five logical components that support PIV card issuance and the business process and procedures necessary to perform data capture, data management, identity proofing, identity management, access management, logical access control, physical access control, authorization, and authentication surrounding the PIV credential. PIV is a VA enterprise system that will be interoperable across the Federal government. Coordination with other agencies facilitates knowledge sharing between VA and other Federal departments and agencies.

Human Resources Information System (\$11.3 million)

The Human Resources Information System (HRIS) will replace VA's current HR/Payroll System (PAID). Basic HR processing activities will be performed by a public or private Shared Services Center (SSC) under a memorandum of understanding. This is an OMB/OPM managed project. VA anticipates the identification of a SSC during FY 2008.

Automated Position Management System (\$1.5 million)

VA is purchasing from HHS an Automated Position Management System (APMS), a position classification system. APMS will be modified to address VA position sensitivity management requirements in FY 2007. This initiative will include an annual license and maintenance fees.

Electronic Human Resources Initiative (\$1.5 million)

Under the Electronic Human Resources Initiative (EHRI), VA will (1) replace all paper employee Official Personnel Folders with an electronic version, (2) use OPM analytical tools and database for specialized reports, and (3) electronically provide employee data to OPM.

Enterprise Licenses (\$63.5 million)

VA pays the private sector annually for a variety of licensing fees to use and update various software applications. For large volume IT applications, VA will negotiate through GSA a discounted rate with vendors.

Staff Office Support (\$22.8 million)

Funds for obtaining computers and other office automation equipment and systems in support of day-to-day operation for VA staff offices, which includes the VA Secretary's office, Board of Veterans' Appeals, and the Offices of Congressional and Legislative Affairs, General Counsel, Human Resources and Administration, Public and Intergovernmental Affairs, and Policy, Planning, and Preparedness.

VA-wide e-Travel (\$825,000)

FedTraveler.com E-Gov Travel Service is a comprehensive one-stop shop for travel planning and authorizations; reservation and fulfillment services; travel expense report processing and approval; and travel management reporting and auditing. FedTraveler.com will replace the current Zegato system which will be terminated on February 28, 2007.

Office of Information and Techonology	
Summary of Projects and Subprojects Supported	
(Dollars in Thousands)	
	2008 Estimate
Projects	
Subprojects	
One VA Business Integration	\$25,785
Enterprise Privacy Program	\$2,770
One VA Eligibility and Registration	\$5,532
One VA Contact Management	\$6,063
VA Enterprise Architecture	\$7,290
Document and Correspondence Management System	\$338
Capital Asset Management System	\$1,900
One VA Enterprise Data Management Office	\$1,892
Memorial Operations and Management	\$1,293
Automated Monument Application System	\$90
Burial Operations Support System	\$200
Small/Other	\$1,003
Office of Management Activities	\$82,572
Financial Management System (FMS)	\$13,130
Payroll/HR Systems	\$24,753
VA-Wide e-Travel Solution	\$825
Other OM IT Spending	\$794
E-Payroll	\$8,070
Financial and Logistics Integrated Technology Enterprise	\$35,000
HRA Development Activities	\$34,140
Personal Identification Verification	\$19,800
Human Resources Information System	\$11,340
Automated Position Management System	\$1,500
Electronic Human Resources Initiative	\$1,500
Staff Office Support	\$22,840
IT Support of HR&A	\$21,346
IT Support of PP&P	\$130
IT Support of PIA	\$36
IT Support of C&LA	\$183
IT Support of OGC	\$925
IT Support of BVA	\$149
IT Support of VA Secretary and Associated Offices	\$71
Other	\$15,000
Total	\$181,630

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VHA Information Technology

Veterans Health Administration	
Summary of Projects and Subproject Appropriation Highlights	
(Dollars in Thousands)	
	2008 1/ Estimate
Projects	
Subprojects	
Healthe Vet	\$131,880
Healthe Vet VistA Foundations Modernization	\$67,580
Healthe Vet VistA Applications Development	\$64,300
Medical and Prosthetic Research	\$14,810
Other Health Care Development Activities	\$127,192
MyHealthe Vet	\$12,740
VistA Laboratory IS Re-Engineering	\$2,000
Health Data Repository	\$20,000
Pharmacy Re-Engineering	\$8,000
Scheduling Replacement	\$12,600
Federal Health Information Exchange	\$3,620
Enrollment Enhancement	\$8,310
Health Care Enterprise Architecture	\$4,590
VA Learning Management System	\$4,280
Pandemic Flu IT Support	\$9,405
Small/Other - Medical Care	\$28,257
Small/Other - Financial Management	\$13,390
Health Care Operations Management	\$187,586
VistA Imaging	\$24,000
VistA Legacy	\$129,400
Allocation Resource Center	\$980
Decision Support System (Legacy)	\$18,600
Enrollment	\$3,634
HAC IT Operations	\$7,020
Health Care Headquarters Support	\$3,952
Total	\$461,468

1/ The 2008 estimate assumes 2007 enacted funding is close to that passed by the House and Senate.

Program Description

VA operates the largest direct health care delivery system in the country, focusing on services that are uniquely related to veterans' special needs and providing a broad range of primary care, specialized care, gender-specific care for women veterans, and related medical and social support services. VA is a leader in the training of more than 40 health professions, including nurses, pharmacists, dentists, audiologists, dietitians, social workers, psychologists, physical therapists, optometrists, podiatrists, physician assistants, respiratory therapists, and nurse practitioners. In addition, VA pursues medical research in areas that most directly address the conditions and diseases affecting veterans. In FY 2008, more than 200,000 employees will engage in the delivery of health care, including more than 13,000 physicians and dentists, and approximately 42,000 nurses. Today, IT is a critical element of health care delivery, and the resources in this chapter are for improving health care services.

The funding table displays spending for FY 2008. Serving as a crosswalk to the FY 2006 IT portfolio, two investments were divided into separately managed investments in order to expedite progress, improve efficiency, and maximize economies of scale.

- The investment formerly known as VistA Healthvet now includes VistA Foundations Modernization and VistA Application Development. Enhancement related activities previously noted in VistA Legacy have now been incorporated into VistA Foundations Modernization and VistA Application Development. VistA Foundations Modernization will coordinate, unify, and supplement a number of efforts that are part of the VistA Legacy system by providing further capabilities, such as, infrastructure upgrades, development of a set of common services, establishment of a test lab, IV&V, and standardization and terminology maintenance of EHR data. VistA Foundations Modernization coupled with VistA Applications Development will resolve a key problem that VistA Legacy continues to confront, namely a continually decreasing supply of qualified software developers who can support the MUMPS language.
- The Enrollment investment is now referred to as *Enrollment Enhancements and Enrollment Operations and Maintenance*. Enrollment Enhancements will enable greater flexibility and reliability in meeting critical requirements through the development of a new system to replace the Health Eligibility Center (HEC) Legacy system. Enrollment Operations and Maintenance will continue to support the maintenance of the HEC Legacy system.

VistA Healthvet, Imaging, and Laboratory alone totals nearly one-third of the budget. The increases will afford VA an opportunity to (1) replace key components of the VistA aging infrastructure, taking steps necessary to ensure proper security for veterans' data, and (2) accelerate efforts to move the electronic health record (EHR) to a modern

architecture. VA has had automated information systems in all medical facilities since 1985. Today, VistA and the Computerized Patient Record System (CPRS) application for clinicians are recognized by health care and IT leaders as the most comprehensive EHR in use anywhere in the world. VistA enables clinicians to enter progress notes, vital signs, and orders, and to instantly find, organize, and analyze a patient's complete medical record. Through VistA Imaging, clinicians can view x-rays, endoscopies, wound photos, and other medical images as soon as they become available. VistA's Bar Code Medication Administration system (BCMA) helps ensure each patient receives the correct medication, in the correct dose, at the correct time. Clinical reminders, drug-drug alerts, and drug-allergy alerts help clinicians provide safer, more effective, and more efficient care. VA and DOD have put into service the secure transfer of protected health information through the Federal Health Information Exchange (FHIE) project.

HealthVet VistA (\$131.9 million)

The overall strategy is to migrate VistA Legacy into VA's new health care system. HealthVet will make use of standards which will enhance the sharing of data within VA and with other Federal departments and agencies, and with other public and private sector organizations. Health data will be stored in a valuable person/veteran centric format replacing the current facility-centric system. The health information will be standardized and completely sharable between facilities, making the patient's EHR available to those providing health care to the veteran.

Application rehosting will move MUMPS-based applications to a Java/Oracle platform. A set of common services will be developed that provides enterprise-wide software components that can be used by many applications, reducing the maintenance of separately developed instances of these capabilities.

Maintaining and improving the quality of health care delivery is the focus of the HealthVet program strategy and, therefore, must satisfy the following elements:

- COOP: Delivery of health care is a 24x7 operation and supporting systems must incorporate contingencies for natural disasters or terrorist events. Automation has become an integral part of health care delivery within VA.
- Availability of health data: Health data must be available online for clinicians when and where it is needed as part of the effort to ensure patient safety.
- Accuracy of health data: EHR must be current and accurate.
- Computability of health data: Standard terminology and computable data within the EHR are required for clinical decision making, alerts, statistical reporting, etc. Standardized terminologies are also an integral part necessary to support sharing of clinical data for projects, such as Clinical Data Repository/Health Data Repository (CHDR), and in support of data sharing for national bio-surveillance efforts.

- Increased demand: Increased capacity in systems and communications will be required to meet the expected increase in the number of patients receiving services at VA health care facilities.

VistA Foundations Modernization (\$67.6 million)

VistA Foundations Modernization is the capital investment for VA information systems that includes the foundational components for supporting the delivery of the reengineered/rehosted applications. This cross-cutting effort provides upgrades that significantly improve VA's ability to deliver high quality care to veterans. VistA Foundations Modernization must exist within an architectural framework that will support technology and business drivers.

VistA Application Development (\$64.3 million)

VistA Application Development consists of the enhancement and development activities that support the movement of the existing MUMPS-based applications from the "as-is" into the "to-be" VistA architecture, new data structures, and desired capabilities. There are approximately 65 existing VistA Legacy applications that must be re-engineered/rehosted over the course of the lifecycle of this project. For VA to continue to provide cost-effective, world class medical care to millions of veterans, the transition to a modern, open sourced IT system is a necessity. VistA Application Development, in conjunction with VistA Foundations Modernization, will take the necessary steps toward building VA's next generation.

Medical and Prosthetic Research (\$14.8 million)

IT funding maintains the state-of-the-art instrumentation involved in research-related data collection and analysis. To advance the reliability and speed of data analysis, outdated equipment must be replaced and new equipment purchased for ongoing studies and newly initiated projects each year. There is also an automated system which supports each of the four Research Program Offices and tracks and reports on research and development activity.

MyHealthVet (\$12.7 million)

During fiscal years 2007 and 2008 veterans will be able to request and store copies of key portions of their VA electronic health record in their My HealthVet (MHV) personal eVAult along with their self-entered health information and health assessments. As veterans build their lifelong personal health records, they will be able to share the ability to view and manage all or part of their account information with

health care providers, both inside and outside VA, as well as with family or others of their choice. This has the potential to dramatically improve the quality and outcome of care available to our Nation's veterans through increased access, information, education, co-management and advocacy. They will also be able to view VA appointments and co-pay balance. New capabilities directed by the MHV Clinical Advisory Board include mental health content and assessment tools, patient wellness reminders, smoking cessation education and assessment tools, and secure patient/provider messaging.

For example, they will have the ability to record medical events, medications, OTCs and herbals, and tests. They can track vitals and health readings (e.g., blood pressure, blood sugar, weight, and pain level) and graph results. Veterans can also keep health journals (e.g., activity and food journals) and record health histories (family, self and military health histories). In FY 2005, MyHealthvet delivered the number one veteran requested Web service as promised -- online prescription refill. Veteran response has been dramatic. Registration is up 202 percent since August. Usage statistics are increasing exponentially. In May 2006, MyHealthVet visits surpassed the total number of visits in 2005 in just five months.

VistA Laboratory IS Re-Engineering (\$2.0 million)

The Laboratory System Re-Engineering project will provide VA with a modernized Laboratory Information Management System (LIMS) that supports the business processes of Pathology and Laboratory Medicine Services (P&LMS) within the structure of the VA IT enterprise architecture. The new LIMS will support existing functionality as well as additional capabilities needed to enhance and/or keep VA laboratories current with optimal business practices.

The current LIMS was created more than 20 years ago and no longer meets the needs of P&LMS. The main data file structure is not compatible with the standard VistA database architecture. Therefore, to make changes in any applications requires virtually a major rewrite of the logical storage array as well as converting the data. The current system hinders process efficiencies, impedes revenue collections, is inconsistent with regulatory requirement, has the potential to jeopardize patient safety, and limits the provision of quality patient care.

Upgrading and/or replacing the LIMS will modernize the overall system architecture and allow for open interfaces with internal VistA applications and data stores (e.g., HDR) as well as external systems and entities (e.g., reference laboratories and DoD military treatment facilities). These system improvements will also support P&LMS's ability to respond to workload increases and enable the adoption of current and future technological improvements. The re-engineered LIMS will support the following business processes for the laboratory disciplines of general laboratory, anatomic

pathology, microbiology, chemistry, hematology, point of care testing, and diagnostic immunology:

- Acceptance and processing of clinical laboratory orders
- Collection and tracking of patient specimens, leveraging positive patient identification
- Laboratory quality control and quality assurance practices
- Laboratory testing with robust interface technology to laboratory instrumentation and analyzers
- Reporting of laboratory test results to include synoptic reporting, interpretive reporting and alert features
- Auto-verification of laboratory test results
- Workload reporting
- Support revenue collection efforts
- Support accreditation and regulatory compliance mandates
- Support VA, OMB, NIST, HIPAA and any other security and privacy related guidelines
- Support collaboration with private organizations and other Federal government departments and agencies, such as, DoD, the public health system, and reference laboratories
- Support specimen collection and workload reporting for the discipline of Blood Bank

In FY 2006, VA conducted market research and alternatives analysis and determined a commercial-off-the-shelf LIMS available through a DoD contract will provide the desired functionality much sooner and for less cost than anticipated. In fiscal years 2007 and 2008, VA will be developing and fielding a pilot of the commercial-off-the-shelf LIMS to test patient safety and privacy protection.

Health Data Repository (\$20.0 million)

The Health Data Repository (HDR) is a repository of clinical information normally residing on one or more independent platforms for use by clinicians and other personnel in support of veteran centric care. The data are derived from legacy, transaction-oriented systems and organized in a format to support clinical decision making in support of health care, independent of the physical location of patient information.

HDR will hold individual patient medical records that delineate all aspects of a veteran's clinical care across the continuum within VHA. The data comprise demographics, veteran centered data (e.g., problem list, allergies and adverse reactions, and vitals), ancillary data (e.g., medications, laboratory test results, and radiological

results), encounters (e.g., purpose of visit, procedures, and diagnosis), discharge summaries, etc. A perpetual store representing the veteran's medical history is managed via HDR. The repository is intended to represent the clinical portion of the legal medical record. Data are not overwritten. Thus the term "perpetual" implies the repository and its archives will support the need to retain data to meet legal requirements. The repository will:

- Allow access to clinical patient information regardless of VA location.
- Allow other medical agencies to share information with VA.
- Provide improved health care through decision support tools and alerts of required actions.
- Provide the components for the requirements of the legal record of patient care and eliminate the need for paper documents.
- Provide an environment for population based reporting.
- Provide improved information security.
- Enable enhanced patient safety, convenience, high quality care and measurable health care delivery.
- Maintain data quality, confidentiality, availability and integrity to ensure patient safety and protect veteran privacy.

HDR is further being developed to interface with the DoD's Clinical Data Repository (CDR) creating the Clinical Health Data Repository (CHDR). CHDR will support the bi-directional, computable data exchange between the DoD CDR with the VA HDR, enabling Armed Forces Health Longitudinal Technology Application (AHLTA) CDR and the HealthVet HDR to exchange clinical data so that both TRICARE and HealthVet beneficiaries receive seamless care. In FY 2006, VA completed the first phase of the CHDR project, which was populated with outpatient pharmacy, allergy, and vital signs data. Deliverables for FY 2008 include the addition of laboratory data related to chemistry and hematology to HDR. Deliverables also include the deployment of two replacement applications that will provide a more robust system whereby the data requested by the end user (provider) will be returned near real time, data integrity is enhanced, and audit and security services provided.

Pharmacy Re-Engineering (\$8.0 million)

Pharmacy Re-Engineering is undergoing modernization as defined by the HealthVet VistA strategy. The project scope is to replace current pharmacy software modules with new technology by re-engineering, new development, and purchase of commercial products. This project will facilitate improved VA pharmacy operations, customer service and patient safety, concurrent with pursuit of full re-engineering of VA pharmacy applications to support a new patient centric business model. Systems limitations and cumbersome inconsistent pharmacy processes have been identified as

weaknesses in VA's ability to provide efficient pharmacy service, driven by patient safety protocols, across the VA continuum. The re-engineered pharmacy system will address these inefficiencies and enhance pharmacy data exchange, as well as clinical documentation capabilities, in a truly integrated fashion that will improve operating efficiency. It will provide a flexible technical environment to adjust to and meet future business conditions and needs in the clinical environment, an environment that is focused on the patient with robust decision support safety features. However, the implementation of the Pharmacy Re-Engineering investment is dependent upon the personnel and budgetary resources and the HealthVet strategy and deployment schedule.

The Pharmacy Re-Engineered system will fit into the “systems of systems” by implementing the standards accepted by the Secretary of Health and Human Services. The re-engineered system will also utilize enterprise level services, such as, enterprise level authentication and authorization service, clinical data service to access HDR, person service to identify patients and access patient demographics, standard data service to access standard enterprise level reference tables, enterprise terminology service to access standard clinical code sets, ordering service to handle lab orders and infrastructure services, such as, a common delivery service, auditing service, defect logging service.

Scheduling Replacement (\$12.6 million)

The goal of the Scheduling Replacement project is to build an enterprise-level outpatient scheduling application. The project plan supports the Scheduling Future Business Model, which is the result of outpatient business process re-engineering and guidelines issued by the Institute for Healthcare Improvement (IHI) for open and advance access to care models. The project is the result of the GAO report on “Excessive Wait Times in VA Healthcare.” GAO findings for primary and specialty care cited that patients often wait over 30 days for an appointment and that VA must make a concerted effort to realign their health care delivery and improve access to care.

The current VistA appointment management module is 25 years old and based on a model that is no longer optimal in health care today. Appointment activity for a patient resides at each individual VA medical center, and the current clinic system is rigid and lacks efficiency. Providers must maintain multiple clinics/calendars for clinical activities, extended hours, or slots needed for special circumstances, such as, compensation and pension examinations. There is no link between appointments and ancillary services, and there is no suitable mechanism for coordination of care between facilities.

The Scheduling Replacement project will update the application and business flow to provide a global view of all appointments through a centralized database. The clinician

will see all patient history across VA regardless of point of care. Excessive wait times are addressed by moving to a resource-based management system that configures providers, rooms, and equipment to improve clinic efficiency. It satisfies the need for a single calendar for each provider rather than multiple clinics. Using IHI practices, there is the flexibility to add time for special needs to promote open care models. This reduces return appointments and wait times by enabling more future capacity. Clinicians will be able to link ancillary appointments that move if the patient cancels or rebooks. Other features are group scheduling, electronic wait lists, and patient preferences that are filed electronically and used when searching for appointments. This will reduce no-show rates and improve satisfaction. Patients will be able to view and request appointments via the Web, and select times that meet their needs. The enterprise level design also allows inter-facility scheduling to further coordinate care between facilities. In FY 2006 VA installed the enterprise database at AAC where all corporate appointment history will reside. Plans in FY 2008 include release in a Beta version of the application to two additional sites, with some functionality additional to that in the Alpha release.

Enrollment Enhancement (\$8.3 million)

Enrollment's Health Eligibility Center (HEC) Legacy system is being replaced by a new system that will provide greater flexibility to meet critical requirements on a timely basis, better safeguards to meet security requirements, and improved reliability. This new system is called Enrollment System Redesign (ESR), which is scheduled for deployment in FY 2007.

Enrollment Enhancement includes the development of ESR and its quarterly release cycle. The first in a series of enhancements will produce a workflow component to create, assign, view, track and complete work items. It also provides for changes to VistA in order to support the technology and business changes that will occur with the implementation of ESR. In FY 2008, the focus of this project will be providing enhancement to ESR. VHA is a supporter of the VA efforts toward a national *One VA* eligibility and registration system.

Further enhancements planned for deployment through FY 2014 will eliminate the requirement for certain veterans to update their financial assessments annually; allow authenticated veterans the opportunity to log into their accounts online to apply for health care benefits, manage their personal information on file with VA, and electronically sign forms; centralize eligibility and enrollment mail-out activities and processing of mail-in and online VA health care enrollment applications and updates; and expand sharing of information from all VA LOBs. Additional enhancements as prioritized by the customer will be developed, tested and released on a regular basis.

In years FY 2009 through FY 2014, this project also encompasses HEC IT operations support. This includes HEC's routine maintenance contracts for service and support of IT equipment, purchase of new and replacement equipment, software, telecommunications, and miscellaneous IT supplies.

Federal Health Information Exchange (\$3.6 million)

The Federal Health Information Exchange (FHIE) program addresses President's Management Agenda (PMA) items regarding coordination of VA and DoD programs and systems; record keeping requirements outlined in Presidential Review Directive #5; recommendations from the 2003 Presidential Task Force (PTF) report entitled "President's Task Force To Improve Health Care Delivery For Our Nation's Veterans, Final Report, May 2003"; the Secretary's priorities of improving care to veterans and strengthening the working relationship with DoD; and objectives of the Under Secretary for Health to be a leader in using health information technology. As of July 2006, DoD is storing electronic health records in the joint VA/DoD framework for over 3.6 million discharged or retired service members. VA averages 41,000 queries a month for DoD clinical information.

Additional improvements were implemented during recent software development to interoperate with the Defense Medical Surveillance System (DMSS). The interagency team created two domains, added to the original project scope: (1) DoD Pre-Deployment Health Assessment (DD Form 2795) and (2) DoD Post-Deployment Health Assessment (DD Form 2796). Over 1.5 million of these service member assessments are available real-time. Work presently underway will display additional content from the DoD Post Deployment Health Re-Assessment (DD Form 2900) in early FY 2007.

Non-government prescription data (e.g., Walgreens and CVS) from the DoD Pharmacy Data Transaction Service (PDTS) is available for authorized queries; and (2) outpatient encounter data extracted from the DoD Standard Ambulatory Data Record (SADR) are retrievable by clinicians. With VA receiving SADR data, this is the initial access by VA to DoD's Armed Forces Health Longitudinal Technology Application (AHLTA), formerly known as Composite Health Care System II (CHCS-2) clinical data. Through 2010, DoD and VA will continue to mutually fund the operation and maintenance of this joint capability.

In 2006, further enhancements have been made with the Bidirectional Health Information Exchange (BHIE). BHIE leveraged all existing FHIE assets. Interoperability has been achieved with DoD's Clinical Information System (CIS). CIS stores a substantial amount of DoD inpatient data. Both DoD and VA hospital discharge summaries can now be exchanged and displayed in each others health information system. Also during FY 2006, the FHIE/BHIE system was installed at all U.S. Navy medical sites as well as numerous other DoD health care facilities. As a

result, VA has access to 14 additional host sites consisting of 12 DoD medical facilities, 9 DoD hospitals, and over 120 DoD clinics.

Two-way functionality shares outpatient pharmacy records, allergy information, surgical pathology reports, cytology results, microbiology results, chemistry and hematology results, laboratory order data; radiology text reports and hospital discharge summaries. This is accomplished bi-directionally, in real time between DoD and VA. The VA performance metric averages less than twenty (20) seconds for the duration of time from the start of a clinical query to when the data are displayed for an authorized VA user. BHIE is a significant milestone in the interagency progression toward an interoperable electronic health record. BHIE was given the prestigious Excellence.Gov award by the American Council for Technology in February 2006.

VA Learning Management System (\$4.3 million)

The primary goal of the VA Learning Management System (LMS) is to provide a VA enterprise-wide online training tracker for all VA training programs that require tracking. LMS is a COTS product and will include catalogs of courseware as well as links to courseware content. The users are all VA employees and associated staff, including residents, volunteers, and contractors. In FY 2006, VA began the configuration development work and, in FY 2007, the remaining work includes the development of all applicable configurations and license purchases.

Pandemic Influenza Support (\$9.4 million)

In FY 2008, VA will continue to be an active participant in Federal planning to prepare, protect, and respond to a pandemic influenza. In doing so, VA will continue its effort to improve local and national VA surveillance, reporting on prevention of health care associated infections (HCAI), and surveying and tracking influenza associated infections and syndromes. Because of the advanced electronic medical records systems and endowments as a national, integrated health care system, VA will be establishing an electronic surveillance system. It will be designed to support prevention and target interventions for minimizing the impact of HCAI and influenza on veterans' health. VA is working with a number of leading surveillance system contractors/vendors during fiscal years 2006 and 2007 to develop the appropriate national system solutions for VA health care facilities. VA initiated this system in FY 2006 in response to specific requirements contained in the DoD Emergency Supplemental to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza Act of 2006.

FY 2008 budget resources will be used to further support the expansion of this HCAI and influenza syndromic surveillance (ISS) system. Implementation, considered Phase IV of the HCAI-ISS acquisition plan, will support the reporting of infectious

diseases, influenza and associated clinical information at the VA health care facility, regional and national levels as well as to local, county, state, and the CDC's National Healthcare Safety Network. Phase IV expenses will include continued contractor expenses (via the approved acquisition), server and software, site licenses, system maintenance expenses, and any equipment upgrades that may be required as a result of national implementation.

VistA Imaging (\$24.0 million)

The VistA Imaging project integrates state-of-the-art hardware and software to provide online patient clinical images and scanned documents to health care providers, increase clinician productivity, facilitate medical decision making, and improve the quality of care for veterans. VistA Imaging captures clinical images, scanned documents, EKG waveforms and other non-textual data files and makes them part of the computerized patient record (CPRS). VistA Imaging is a windows-based, low cost imaging display software that runs on COTS workstations and is totally integrated with the other VistA healthcare applications, thus enhancing workflow. Clinical images and scanned documents linked to online medical chart information are essential in providing healthcare in VA's distributed environment and in complying with hospital accreditation regulations. With the advent of VistA Imaging, VA now leads the Nation in integrating diagnostic images into the electronic health record. The VistA Imaging project has installed or upgraded VistA Imaging capabilities at all VA medical centers. Planned enhancements to VistA Imaging have provided VA medical centers with the capability to view their patients' images even when stored at other VA medical centers and to see dental images online. Based on FY 2005 accomplishments, in FY 2006, the number of images viewed by clinicians and medical center staff treating patients increased by 24.13 percent over FY 2005; the number of images or studies that are viewed monthly by offsite specialists increased by 11.04 percent; and the number of new images and documents acquired, stored, and available online increased by 44.9 percent.

The goal of this project's maintenance phase is to maintain the software and hardware of the VistA Imaging system at facilities in the field throughout the lifecycle of the project. Maintenance is provided for all VistA Imaging system components at all sites. Equipment is also upgraded, refreshed with new technology, or replaced in this phase.

VistA Legacy (\$129.4 million)

VistA Legacy consists of more than 100 applications and databases and supports IT services across the 21 Veterans Integrated Service Networks (VISNs). The VISNs manage approximately 1,400 sites that provide care to veterans, including 157 medical centers, over 887 outpatient clinics, 134 nursing homes, 206 readjustment counseling

centers, and 43 domiciliary facilities. VistA Legacy systems provide critical data that support the delivery of health care to millions of veterans and their dependents each year. In 2006, VA released over 600 software patches across the 100+ applications and minimized customer service complaints per 1,000 calls.

The VistA Legacy system has been in the mature phase of the capital investment lifecycle for some time. A significant amount of time and resources are spent maintaining the system, while other technical alternatives exist that can support the VistA Legacy application suite. These alternatives will lead to a system that is both more cost-effective and easier to maintain, and will resolve a key problem that VistA Legacy continues to confront; namely a continually decreasing supply of qualified software developers who can support the MUMPS language. Beginning in FY 2007, all development and enhancement related activities will be broken-out of the VistA Legacy OMB Exhibit 300 and more appropriately placed in VistA Application Development and VistA Foundations Modernization; VistA Legacy will then be considered a steady state/operations and maintenance project.

VistA Legacy will remain operational as reengineered/rehosted applications are developed and delivered through the efforts of the VistA Application Development and VistA Foundations Modernization projects. This strategy mitigates transition and migration risks associated with movement to a new technical architecture. As reengineered/rehosted applications are delivered, older VistA Legacy versions will be retired.

Allocation Resource Center (\$980,000)

The Allocation Resource Center (ARC) provides technical and analytical services supporting the VHA CFO's ability to develop, implement, and maintain resource allocation methodologies; gather and report on financial aspects of patient workload and cost; classify patients based on care and diagnosis rendered; train and provide information to management officials throughout VA. This effort allows for the appropriate allocation of over \$23 billion to the VA networks that provide health care to approximately 5 million patients.

Decision Support System (\$18.6 million)

The Decision Support System (DSS) is the health care Managerial Cost Accounting (MCA) system as required by Public Law 101-576, Chief Financial Officer's Act of 1990. DSS transforms day-to-day operational data into strategic information that can be used by managers to make informed operational decisions. The integration of clinical, financial and workload data assists decision makers as they manage costs and strive to improve the quality of veterans care. Displays of Decision Support Objects, a desktop

executive reporting system, provides graphical displays of summarized data. Financial data is available by facility and groups of facilities. DSS calculates the total operating cost of a facility, differentiating between fixed and variable costs and between direct and indirect costs. It also allows the facility to establish data driven operating budgets at the Department level and to monitor monthly variance from expected cost and workload. The process uses locally defined relative value inputs to specify the proportional amount of resources, such as staff time and supply costs, used to produce products. The data may also be used to calculate and measure productivity. Effective use of the system helps to ensure VA leads the industry in sound business practice and improved financial performance, advances operational efficiency, and aids in the assurance of budget and performance interaction. DSS provides tools for understanding and improving processes and outcomes of care delivery. Examples of the types of data include financial data from FMS is posted to departments and products; utilization data from VistA extracts, such as dental, provides department level products (labor and supplies) used on specific patients; and medical record data from VistA provides patient specific demographic and is used to record events such as admissions, discharges, surgical procedure or a ward move. Management and clinical reports at the local, VISN, and national level can be generated from the data.

DSS supports the VA continuous quality improvement initiatives by providing information systems support for outcomes based performance measurements that document the effectiveness of health care delivery processes. The combination of observations relating patient care outcomes (quality) with information about resource utilization (costs) facilitates understanding of the value of health care services provided by VA medical centers.

Enrollment Operations and Maintenance (\$3.6 million)

In October 1996, Congress enacted the Veterans' Health Care Eligibility Reform Act of 1996, Public Law 104-262, which required VA to implement a priority based enrollment system. The Enrollment project includes functionality to process veterans' applications for enrollment, share veterans' eligibility and enrollment data with all VA health care facilities involved in veterans' care, manage veterans' enrollment correspondence and telephone inquiries, and support national reporting and analysis of enrollment data. The Health Eligibility Center (HEC) Legacy system handles this functionality.

This project also encompasses income verification matching (IVM) functionality, which verifies certain veterans' self-reported income information with IRS and SSA Federal tax information to identify veterans' responsibilities for making medical care co-payments and enhance revenue from first party collections. The enrollment database (EDB) was created to house this updated functionality.

In addition, the Enrollment Operations and Maintenance project encompasses HEC IT operations support. This includes HEC's routine maintenance contracts for service and support of IT equipment, purchase of new and replacement equipment, software, telecommunications, and miscellaneous IT supplies.

Health Administration Center (\$7.0 million)

The Health Administration Center (HAC) establishes benefits policy, determines eligibility, processes claims, and checks for fraud, waste and abuse. The role of the HAC has expanded from its original mission of supporting the Civilian Health and Medical Program of VA (CHAMPVA) to also include administration of the Department's Foreign Medical Program, Spina Bifida Healthcare Program, Children of Women Vietnam Veterans Health Care Program, VA Diagnostic Related Grouping Recovery Audit, and the VHA Mail Management Office. Operations are required to support the HAC's automated claims processing system, the eligibility and authorization systems, document imaging, the call center, interactive Intranet and Internet Web pages for beneficiaries and providers, and various other HAC activities. In addition, the IT operations assist HAC with administrative functions (e.g., payroll) that are provided to several VHA Chief Financial Officer Field Offices (e.g., Allocation Resource Center) and to the Health Enrollment Center in Atlanta (part of the Chief Business Office).

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VBA Information Technology

Veterans Benefits Administration	
Summary of Projects and Subprojects Appropriation Highlights	
(Dollars in Thousands)	
	2008 1/ Estimate
Projects	
Subprojects	
Benefits Application Migration	\$3,000
The Education Expert System (TEES)	\$3,452
Benefits Operations and Management	\$59,196
BDN Maintenance and Operations	\$7,200
BIRLS/VADS	\$3,070
C&P Maintenance and Operations	\$31,660
Education Maintenance and Operations	\$2,170
Insurance Maintenance and Operations	\$66
Program Integrity/Data Management	\$12,290
VR&E Maintenance and Operations	\$2,740
Total	\$65,648

1/ The 2008 estimate assumes 2007 enacted funding is close to that passed by the House and Senate.

Program Description

VA provides benefits and services from 57 regional offices and 140 benefits delivery at discharge sites. These programs provide assistance to veterans in their readjustment to civilian life; with the current war in Iraq, the number of veterans in this position continues to grow. In FY 2008, VA is pursuing a new investment, benefits application migration, to standardize infrastructure and common services for creating the most efficient delivery system possible.

Benefits Application Migration (\$3.0 million)

The Application Migration project is focused on the replacement of VA's existing proprietary legacy applications by re-hosting these applications on a new technology platform in a modern environment. It includes hardware, software, databases, development/production systems and the trained staff to operate and maintain the new environment. This effort will also provide an opportunity to re-engineer those applications as business requirements evolve. There are currently 60 production applications that require funding to support their migration to our new technology platform. Based on an analysis that resulted in the creation of an IT mapping database and chart, VA identified the candidate applications for migration and estimates when these transformations may occur. The analysis also categorized each current application by technology type (proprietary, Web, client/server and mainframe) allowing the migration plan for each to be adapted to the specific requirements of that technology.

The Education Expert System (\$3.5 million)

VA faces a number of challenges that affect the operation of education claims processing. The Education Expert System (TEES) is a response to legislation mandating new benefits and the VA goal of processing 90 percent of veteran education benefit applications, enrollment certifications and notices of change in student status to final resolution without human intervention. TEES builds on previous VA initiatives and will replace the existing benefit payment systems with a new system that (1) provides processing for all benefit chapters and (2) works with the corporate database and data warehouse. Eligibility data, furnished by DoD will greatly simplify eligibility determination and thus reduce the time required to process benefit claims. It will introduce a significant rules-based processing component that will automatically process at least 90 percent of all claims received electronically by applying benefit-specific business rules and issuing payment for all claims. In addition, the incoming document and award document will be sent to The Image Management System (TIMS) to be drop filed in the claimant's electronic folder. For all VA education benefit programs, TEES will:

- Determine a veteran's entitlement and eligibility for education benefits;
- Apply benefit-specific business rules for processing each claim to award;
- Process enrollments and payments;
- Include complete inquiry functionality, reporting fee functionality, and functionality to audit claims processed by TEES to ensure rules are applied correctly and to guard against fraudulent claims; and
- Provide letters, reports, accounting, and audit trails.

Benefits Delivery Network Maintenance and Operations (\$7.2 million)

The Benefits Delivery Network (BDN) is the legacy system employed by VA to process entitlements for three business lines: compensation and pension, education, and vocational rehabilitation and employment. BDN primary services entail the receipt, processing, tracking and disposition of veterans' applications for benefits and requests for assistance, and the general administration of legislated benefit programs. VA has implemented a fully compliant disaster recovery platform at an alternative location. Annual disaster recovery testing for all benefit entitlement programs is scheduled to ensure uninterrupted service for veterans' payments. The pension program provides monthly payments to needy wartime veterans who are permanently and totally disabled as a result of a disability not related to military service. Educational assistance provides opportunities for higher education, restoration of lost educational opportunities, and vocational readjustment. The vocational rehabilitation and employment program helps service-disabled veterans achieve independent life skills and employment, provide service to enable veterans with service-connected disabilities to achieve independence in daily living, become employable and obtain and maintain suitable employment. BDN provides interface to VA's other benefits delivery systems; as such, the VA Hines IT Center maintains and administers all benefits databases for compensation, pension, education, and vocational rehabilitation and employment claims processing, supports the external interfaces (such as SSA and IRS) and provides payment data to the U.S. Treasury, which issues benefit payments.

Beneficiary Identification Records Locator Subsystem/Veterans Assistance Discharge System (\$3.1 million)

BIRLS/VADS databases serve as the system of record for information on veterans and their respective families and beneficiaries. These systems of record support all VA LOBs by providing information necessary to process any and all types of veterans' benefit claims.

The Beneficiary Identification Records Locator Subsystem (BIRLS) is a VA application and database that contains records of all veterans and, as applicable, their family members and beneficiaries. This information is used by VA LOBs to determine eligibility for benefits and initiate appropriate claims processes. BIRLS is a legacy stand-alone application that also integrates with many VA and government agency applications. BIRLS is maintained at the AAC; program

maintenance includes enhancements, updates and or repairs to BIRLS application programs and BIRLS data.

The Veterans Assistance Discharge System (VADS) is a joint program between VA and DoD. Military services provide a copy of the DD214 Military Discharge Certificate for each service member separated or retired from active duty. This information is used to issue outreach letters to recently separated veterans, update the BIRLS database, and provide address information to the Defense Manpower Data Center. Veteran record information in VADS is used to contact prior and current service members regarding their benefits, aid counselors who assist veterans, and answer queries from Congressmen concerning questions from their constituents. VADS generates statistical information concerning veterans, and aids in the creation of reports for veterans outreach groups, the Congress, Federal organizations, and colleges and universities. VADS also informs Prudential (VA's insurance servicing agent) when a veteran is to be offered insurance.

Compensation and Pension Maintenance and Operations (\$31.7 million)

The mission of the compensation program is to provide monthly payments to veterans in recognition of the effects of disabilities, diseases, or injuries incurred during active military service. The mission of the pension program is to provide monthly payments to wartime veterans who are permanently and totally disabled as a result of disability not related to military service. In total more than 3.2 million veterans benefit from these services. Both programs focus on restoring veterans' capabilities to the extent possible, thus improving their quality of life. These applications provide the vehicle through which veterans are rated, awarded benefits and paid any monies, which are not paid under the BDN. VA continues to work towards consolidation of like functions, enhanced Web access and deployment of service-oriented tools in an effort to streamline business processes. These systems are maintained during that consolidation effort to ensure continued custom services through the timeliness and accuracy of claims processing. C&P maintenance and operations includes systems supporting Web access and submission of claims, financial systems managing benefit payments using the U.S. Standard General Ledger, interfaces to SSA and DoD, electronic veterans' folders to replace older paper systems, and interfaces to more than 220 VA facilities throughout the VA network to ensure veterans receive all the services they are entitled to receive.

Education Maintenance and Operations (\$2.2 million)

The mission of the education program is to provide financial assistance, generally in the form of monthly benefit payments, to veterans, active duty service members, reservists, and certain eligible dependents of disabled or deceased veterans in recognition of their military service to this Nation. Financial assistance is administered through seven programs to eligible persons for their educational and vocational pursuits. VA processes education claims at four Regional Processing Offices located in Atlanta, Georgia; Buffalo, New York; Muskogee, Oklahoma; and St. Louis, Missouri.

Education program processing is supported by IT systems, including BDN legacy system, The Image Management System (TIMS), various client/server applications, and the Internet/Intranet. These systems will continue to be supported and enhanced as education processing is transitioned into VA's corporate IT environment through development of TEES. Systems will continue to be modified in order to comply with legislative and court decision changes to the program and provide optimal service to veterans and other beneficiaries.

Insurance System Maintenance and Operations (\$66,000)

VA provides life insurance benefits to veterans and service members that may not be available from the commercial insurance industry due to lost or impaired insurability resulting from military service. The average processing time for insurance disbursements is less than 2.7 days. In FY 2006, the actual performance was 1.76 days with veterans' satisfaction reaching 95.72 percent.

Program Integrity/Data Management (\$12.3 million)

The VA Program Integrity/Data Management investment has improved strategic and daily decision making capabilities and organizational information management by using enterprise data warehouse (DW) technology. The DW technology facilitates centralized data storage and provides timely and accurate business intelligence to internal and external stakeholders. VA determined a need to deliver strategic information in a faster, more flexible manner. The integrated information management system provided by the DW investment continues to have a significant positive impact on internal and external users by providing information through VA's Intranet at each employee's workstation. In addition, the information emanating from this central information repository will continue to contribute toward improved service delivery to veterans and their families by providing end users and their leadership with time-sensitive information. Organizational program reviews confirm the need for this strategic

investment based on continual demands that additional information be made available. A recent review of the physical data storage equipment shows that the data warehouse has nearly doubled in size over the past three years. This is a result of VA's continued reliance on the warehouse as a means to provide important business information.

Vocational Rehabilitation and Employment Maintenance and Operations (\$2.7 million)

The mission of the vocational rehabilitation and employment (VR&E) program is to provide for services and assistance necessary to enable veterans with service-connected disabilities to achieve maximum independence in daily living and, to the maximum extent feasible, to become employable and to obtain and maintain suitable employment. The VR&E program is supported by BDN and a number of legacy systems operating in the client/server and Internet/Intranet environments. Legacy systems will continue to be enhanced with improvements to support the VR&E program. These systems are maintained and updated as program needs and regulations change.



Office of Acquisition & Material Management: Supply Fund

Mission

To provide acquisition and materiel management services in support of our Nation's veterans.

Stakeholders

External stakeholders include: veterans and their families; Veterans Service Organizations; State Veterans Homes; supply services and recycling vendors; the Congress and other Government agencies (OGAs) including but not limited to Department of Defense (DoD), Health and Human Services, General Services Administration, U.S. Government Printing Office, Department of Treasury, General Accounting Office, and Office of Management and Budget.

Internal stakeholders include: Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and VA staff offices.

Performance Summary Table: Office of Acquisition & Material Management: Supply Fund							
Performance Measures	Results				Targets		Strategic Goal
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
Percentage of protested contracts w/ VA position sustained	98%	93%	90%	90%	90%	90%	90%
Percentage of service contract dollars awarded as performance-based contracts	10.7%	15.6%	35%	25%	30%	40%	40%
Average days to process orders to completion at the (Denver Acquisition and Logistics Center) DALC	2.0	3.0	3.0	3.0	3.0	3.0	3.0

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Function/Activity

The Office of Acquisition and Materiel Management (OA&MM) is an organizational element within the Office of the Assistant Secretary for Management. It is funded by the Supply Fund which is a self-sustaining, revolving fund. OA&MM is responsible for overseeing the acquisition, storage, and distribution of supplies, services, and equipment used by VA facilities and other Government agencies. OA&MM manages pharmaceuticals, medical supplies and equipment, and nonperishable subsistence through its procurement system. The primary activities of OA&MM are to:

- Contract for pharmaceutical, medical/surgical and subsistence (food) supplies and products principally for Just-In-Time delivery to user locations by a network of Prime Vendors;
- Contract for medical equipment;
- Contract for medical items to support Emergency Preparedness;
- Administer Government-wide Federal Supply Schedules for medical and laboratory products, equipment, and services;
- Provide a full-range of national contracting, contract administration, related financial services support, and pre- and post-award compliance audits for centrally procured commodities and services;
- Formulate Departmental regulations and provide oversight regarding VA and Federal acquisition and materiel management programs;
- Identify and distribute excess property in support of Mental Health and Behavioral Sciences Service homeless veteran programs;
- Distribute and repair hearing aids and other prosthetic and sensory aid devices to eligible veterans;
- Develop electronic commerce policies and program capabilities VA-wide;
- Service and reclaim medical equipment;
- Recover silver from X-ray film and solutions;
- Provide forms, publications and printing and reproduction services for VA activities;
- Develop and manage training programs and manage VA certification and warranting for personnel engaged in acquisition, contract administration, and materiel and property management;
- Coordinate and oversee the Department's environmental management efforts;
- Exclude non-responsible firms from VA and Federal procurements; and
- Increase small, disadvantaged, and veteran-owned business participation in VA contracts.

These activities are accomplished at several primary sites:

1. VA Central Office, in Washington, D.C.

2. National Acquisition Center, in Hines, IL
3. Hines Service and Distribution Center, in Hines, IL
4. Denver Acquisition and Logistics Center, in Denver, CO
5. Asset Management Service, in Hillsborough, NJ

Assumptions, Opportunities, and Constraints

OA&MM, using best business practices technology, is developing a VA Electronic Commerce (EC) acquisition program to automate all Departmental procurement processing activities. EC systems provide the capability to electronically request and receive vendor/supplier quotations, purchase orders, confirmations, invoices, and finally, to electronically remit payments. While primarily dedicated to VA customer order fulfillment, the EC technology is being shared with OGA customers to support their requirements for commodities and service. Thus, emerging EC technology supports customer-driven supply support for VA as well as for OGAs. OA&MM will continue to market and provide Center of Excellence EC capability to expand and diversify the Supply Fund revenue base.

In addition to sharing EC development technology, OA&MM has continued to develop and expand crosscutting programs that benefit OGAs as well as VA. These programs include partnering with DoD's Defense Service Center - Philadelphia (DSCP) for the acquisition of pharmaceuticals and the procurement support programs presently working with the Department of the Army's Medical Command and the Department of the Air Force's Medical Logistics Office. OA&MM hosts regional "Summits" as an opportunity for VA and OGAs to discuss best practices and mutual acquisition and logistics topics as VA continues to seek ways to leverage combined acquisition strengths. The Summits help participating agencies to become more efficient and cost effective. In addition, the annual Federal Healthcare Acquisition Conference is co-hosted by OA&MM along with DoD TRICARE and the National Contract Management Association. Representatives from all Federal health care agencies attend this conference to learn about the potential for savings from agencies specializing in specific procurement activities as well as from volume-leveraged contracting. Increasingly, OA&MM agrees to extend its program expertise to requesting OGA activities in accordance with current legal authorities.

Program Goals, Objectives, and Performance Measures

The Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.

Objective E.4. Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices,; and competitive sourcing; and linking strategic planning to budgeting and performance.

Program Objective E.4.1. Ensure the professionalism of VA’s acquisition and materiel management work force.

Performance Goal 1: VA’s position will be sustained at 90 percent of protested contracts in 2008.

Performance Measures	Results				Targets		Strategic Goal
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
Percentage of protested contracts w/ VA position sustained	98%	93%	90%	90%	90%	90%	90%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: OA&MM will continue to conduct technical and legal reviews of VA acquisitions to ensure they comply with federal procurement laws and regulations. Continuous training will be provided to VA’s acquisition workforce to ensure they possess the requisite knowledge, skills and abilities to process a variety of acquisitions.

Data Source(s): Data on contract protests are maintained in an Excel file.

Data Validation: The Excel files used to track protests are available for analysis.

Program Objective E.4.3. Increase the percentage of service contract dollars converted to performance-based contracts.

Performance Goal 2: Increase the percentage of service contract dollars awarded as performance-based contracts to 40 percent in 2008.

Performance Measures	Results				Targets		Strategic Goal
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
Percentage of service contract dollars awarded as performance-based contracts	10.7%	15.6%	35%	25%	30%	40%	40%

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: The use of performance-based contracts permits VA to receive an enhanced level of service at a reduction in overall cost. VA is making steady progress in converting new and existing service contracts to performance-based contracts. OA&MM will continue to provide training and continuing education on performance-based contracting to VA's contracting workforce in an effort to facilitate the conversion.

Data Source(s): A cyclical reporting mechanism has been established through the Federal Procurement Data System (FPDS) to monitor VA's progress in converting to performance-based contracts.

Data Validation: Through the FPDS process, VA will be able to verify and analyze the types of conversions and the dollars obligated on performance-based contract schedules.

Program Objective E.4.5. The Denver Acquisition and Logistics Center (DALC) will continue to provide prosthetic and sensory aid supplies/services to our veteran and facility customers in a timely manner and, where possible, increase the number of shipments by providing support to OGAs.

Performance Goal 3: The average number of days to process orders to completion at the DALC will be 3.0 in 2008.

Performance Measures	Results				Targets		Strategic Goal
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
Average days to process orders to completion at the Denver Acquisition and Logistic Center (DALC)	2.0	3.0	3.0	3.0	3.0	3.0	3.0

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies: VA will expand the number of shipments made by the DALC to directly support veterans and continue to provide a quick turnaround for their requests. This provides service to eligible veterans as they are seen in the medical centers and clinics increasing the number of shipments. In addition, the DALC and OA&MM Marketing staff are contacting OGAs, in particular the military, to add them as DALC customers for the products they provide. Reducing turnaround time on orders processed will be accomplished through information technology improvements. This will be accomplished incrementally during the next five years. The data used to track the results of these performance goals comes from the DALC automated remote ordering entry system (ROES). This system keeps a complete record of all transactions and provides an audit trail.

Data Source(s): The data tracked by the DALC is recorded in ROES, which is programmed in M programming language, and is transferred to a management information system.

Crosscutting Activities: Army and Air Force medical centers are receiving hearing aids, batteries, and repairs from the DALC. By providing this service to the Army and Air Force personnel they will be familiar with the VA system when they become eligible for our services.

Data Validation: The ROES data are available to all medical centers and any mistakes will be brought to the attention of the DALC management to be corrected.

Supply Fund Highlights (dollars in thousands)			
	2006 Actual	2007 Continuing Resolution	2008 Estimate
FTE	435	480	480
Appropriation	\$0	\$0	\$0
Obligations:			
Operating	\$82,736	\$94,202	\$96,427
Merchandising	\$1,895,166	\$2,600,000	\$2,704,001
Total Obligations	\$1,977,902	\$2,694,202	\$2,800,428
Outlays	\$261,043	\$0	\$0

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 for both VA and OGA customers. FTE and obligation estimates for 2008 are 480 and \$2,800,428,000 respectively. Due to an organizational assessment, the 2008 Budget is being submitted on a current services basis with increases attributed to inflation.

Summary of Employment and Obligations (dollars in thousands)				
	2006 Actual	2007		2008 Estimate
	2006 Actual	Budget Estimate	Continuing Resolution	2008 Estimate
FTE:				
Field	254	259	259	259
Central Office	181	214	221	221
Total FTE	435	473	480	480
Obligations:				
Personal Services	\$41,398	\$44,963	\$45,724	\$46,964
Travel	4,143	6,238	6,426	6,580
Transportation of Things	5,207	9,914	9,914	10,306
Rents, Communications & Utilities	4,104	4,463	4,463	4,571
Printing and Reproduction	14,769	9,312	9,312	9,680
Other Services	300,341	1,420,714	1,420,723	1,476,842
Supplies and Materials	1,134,150	743,641	743,642	773,365
Equipment	473,790	453,994	453,998	472,120
Total Obligations	\$1,977,902	\$2,693,239	\$2,694,202	2,800,428

<i>Changes from Original 2007 Budget Estimates</i> <i>(dollars in thousands)</i>		
	2007 Budget Estimate	2007 Continuing Resolution
FTE	473	480
Obligations	\$2,693,239	\$2,694,202

Changes

The increases of 7 FTE and \$963,000 are attributed to the following two initiatives within the VHA Prosthetics and Clinical Logistics Office: (a) Enhanced Sharing FTE (2 FTE, \$203,000) and (b) Strategic Asset Management System Program Office Staff (5 FTE, \$760,000).

Franchise Fund

Estimated payments to VA's Franchise Fund for 2007 and 2008 are \$3,090,855 and \$3,161,945 respectively.

Acquisition Workforce Education and Training

Estimated funding for VA's acquisition workforce education and training for both 2007 and 2008 are \$3,702,600 and \$3,791,462 respectively.

Environmental Management

This budget request includes \$169,000 for environmental management and meets the requirements as specified in OMB Circular A-11, Section 31.2 and in Sec. 301 of Executive Order 13148, Greening the Government through Leadership in Environmental Management. It encompasses the development and implementation of an effective Environmental Management System. This effort includes, but is not limited to the following components: initial self-assessments, development of performance measures, policy, and establishment of management systems.

<i>2007 Average Salary Methodology</i>	
2006 Average salary (261 days)	\$72,940
Annualization of 3.1 percent 2006 pay raise (0.775 percent)	565
Impact of 2.2 percent 2007 pay raise (1.65 percent)	1,204
Changes in staff composition	-855
2007 Average salary (260 days)	\$73,854
Regular benefits percent	25.0%
2007 Average salary with benefits	\$92,318

<i>2008 Average Salary Methodology</i>	
2007 Average salary (260 days)	\$73,854
Annualization of 2.2 percent 2007 pay raise (0.55 percent)	406
Impact of 3.0 percent 2008 pay raise (2.25 percent)	1,662
2008 Average salary (262 days)	\$75,922
Regular benefits percent	25.0%
2008 Average salary with benefits	\$94,903

<i>Analysis of Increases and Decreases</i> <i>(dollars in thousands)</i>		
	2007 Continuing Resolution	2008 Estimate
Prior year Obligations	\$1,977,902	\$2,694,202
Personal Services	+\$4,326	+\$1,240
Non-Personal Services	+711,974	+104,986
Total Net Change	+716,300	+\$106,226
Total Obligations	\$2,694,202	2,800,428

Increase to non-personal services reflects growing demand from OGAs.

Income and Expense (dollars in thousands)				
		2007		
	2006 Actual	Budget Estimate	Continuing Resolution	2008 Estimate
Income	\$106,968	\$89,000	\$95,000	\$97,000
Expense	82,071	89,000	95,000	97,000
Net Income	\$24,897	\$0	\$0	\$0
Analysis of Retained Earnings				
Retained Earnings, SOY	\$92,898	\$94,911	\$117,887	\$117,887
Retained Earnings, EOY	\$117,887	\$94,911	\$117,887	\$117,887

Balance Sheet (dollars in thousands)				
		2007		
	2006 Actual	Budget Estimate	Continuing Resolution	2008 Estimate
Assets:				
Treasury Balance	\$302,480	\$500,000	\$450,000	\$450,000
Accounts Receivable, Net	164,286	100,000	100,000	100,000
Advances	4,868	1,000	1,000	1,000
Inventory	23,924	40,000	40,000	40,000
Fixed Assets, Net	3,354	3,000	3,000	3,000
Total Assets	498,912	644,000	594,000	594,000
Liabilities	319,836	487,727	426,172	426,172
Equity	154,179	156,273	167,828	167,828
Net Income	24,897	0	0	0
Total Equity	179,076	156,273	167,828	167,828
Total Liabilities and Equity	\$498,912	\$644,000	\$594,000	\$594,000



Franchise Fund Enterprise Centers

Mission

The VA Franchise Fund is comprised of an administrative office (Enterprise Fund Office) and six self-supporting business entities (Enterprise Centers). The Enterprise Centers' mission is to supply common administrative services at competitive prices. The Enterprise Centers (Austin Automation Center, Debt Management Center, Financial Services Center, Law Enforcement Training Center, Security and Investigations Center, and the VA Records Center and Vault) are adopting more efficient business processes and increasing sales to new and existing customers. This conserves scarce VA resources by spreading fixed costs over a larger business base. VA can then devote more resources to its primary mission. As we successfully market our services to other Federal agencies, we will enable the programs in those agencies to derive similar benefits.

Stakeholders

External stakeholders include: Veterans and their families, private sector vendors, Office of Management and Budget, Department of Agriculture, Department of Defense, Department of Energy, Department of Health and Human Services, Department of the Interior, Department of the Treasury, Environmental Protection Agency, General Services Administration, Government Accountability Office, National Aeronautics and Space Administration, National Archives and Records Administration and other Federal agencies.

Internal stakeholders include: Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and other staff offices within VA.

Performance Summary Table

Performance Summary Table: Franchise Fund							
Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹	2008 (Initial)	
Austin Automation Center							
1) Ranking in the Information Technology Customer Satisfaction peer database	10%	6%	12%	8%	12.5%	12.5%	Top 10%
2) Availability rate of on-line systems during business hours (12 hours/day, M-F)	99.8%	99.8%	99.9%	99.9%	99.8%	99.8%	99.9%
Debt Management Center							
3) Rate of Return (Collections versus Expenses)	\$63	\$63	\$67	\$80	\$66	\$66	\$66
Financial Services Center							
4) Payment processing accuracy rate	98.9%	98.4%	99%	97.9	97.8%	98%	99.1
Law Enforcement Training Center							
5) Class graduation rate	95%	95.6%	95%	96.5%	95%	95%	95%
Security and Investigations Center							
6) Percentage of investigations that are completed within the established timeframes	98%	98%	89%	96%	98%	98%	98%
VA Records Center and Vault							
7) Percent of shipment (accession) numbers assigned within established timeframes	N/A	99.7%	100%	100%	98%	98%	99%
Enterprise Fund Office							
8) Number of audit qualifications for the VA Enterprise Centers	0	0	0	0	0	0	0

¹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Functions/Activity

The entrepreneurial organizations of the VA Franchise Fund provide a wide range of functions and activities:

Austin Automation Center (AAC). Located in Austin, TX, the AAC provides comprehensive e-government solutions to match the critical needs of VA and other Federal agency customers. The AAC supports over 100 customer applications that provide mission-critical data for financial management, payroll, human resources, logistics, medical records, eligibility benefits, and supply functions. In addition, the AAC offers a full complement of technical solutions (information technology system hosting, application management, information assurance, customer business continuity, configuration management, data conversion and data interfacing, and acquisition services) to best meet customers' varied projects.

Debt Management Center (DMC). Located in St. Paul, MN, the DMC is a centralized facility that provides services to directly collect 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 and Waco, TX, the FSC provides VA and other government agencies (OGA) with a full range of financial and accounting services, which include financial reports and accounting, invoice payments, credit card payments, medical claims adjudication and payments, vendor file maintenance, discount subsistence purchases, payroll processing, customer support help desks for travel and payment processing, electronic commerce/electronic data interchange, automated document management, audit recovery, data matching and reconciliation, permanent change of station (PCS) and Temporary Duty (TDY) travel pay processing, common administrative services, accounting training, and consulting.

Law Enforcement Training Center (LETC). Located in Little Rock, AR, the LETC provides special training for police officers working in a health care or service-oriented environment. Emphasizing training in medical center patient situations, the LETC is available to approximately 2,700 law enforcement personnel working at VHA health care facilities and to Federal law enforcement professionals at other Federal agencies.

VA Records Center and Vault (VA RC&V). Located in a subterranean, climate-controlled facility in a remote Midwestern part of the country, the RC&V provides records storage, protection, and retrieval services for official federal records. The facility is certified by the National Archives and Records Administration to operate as an agency records center. The RC&V can store

records in any type of medium. This includes general and vital records on paper, film, and electronic media as well as offsite storage of systems backups.

Security and Investigations Center (SIC). Located in Little Rock, AR, the SIC provides quality and timely background investigations and adjudications for employees and contractors in sensitive positions for all VA entities nationwide. The SIC also issues and manages employee identification badges and provides fingerprint processing for VA employees and other Federal customers.

Enterprise Fund Office (EFO). Located in Washington, DC, the EFO, 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 Franchise Fund Board of Directors.

Assumptions, Opportunities, and Constraints

The entrepreneurial organizations are designed to deliver common administrative services to Federal entities. These services allow VA and other Federal agency customers to conserve their budgetary resources through innovative methods and/or efficiencies of scale with the same or lower unit costs, while improving the quality of services provided.

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 services resulting in lower costs and higher quality. The VA Enterprise Centers must meet all operational expenses through revenue collection unless unforeseen changes in a customer's budget or requirements create a need for modification of this approach. Modifications could range from accessing retained earnings or operating reserves to renegotiations with impacted customers. When activities join the VA Franchise Fund, appropriated resources that directly fund those activities are moved from the general operating expenses (GOE) to their VA customers' operating budget accounts and they pay the Franchise Fund on a fee-for-service basis.

The Enterprise Centers' operations are totally dependent upon revenues realized from customer purchase of services. After the Board of Directors approves annual rates and service levels, the Enterprise Centers work with their customers

to determine the appropriate mix of services within budget constraints. They also market their services 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.

Program Goals, Objectives, and Performance Measures

The Enabling Goal. Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.

Objective E.4. Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting and performance.

Austin Automation Center

Program Objective E.4.1. Ensure all application processing support and general support are of the highest quality and meet customer needs and requirements.

The AAC strategy is to:

- Partner with customers to provide up-to-date and innovative information technology support in the development of business information management systems.
- Be proactive in implementing the recommendations resulting from the Government Performance and Results Act (GPRA) and the Information Technology Management Reform Act (ITMRA).
- Utilize business processes that enhance customer service.
- Improve processing performance and reduce processing costs.
- Improve customer access to their data by incorporating Internet/Intranet technologies, PCs, graphical user interfaces, download/upload facilities, customer-friendly access tools, etc.
- Enhance major applications.
- Improve and modernize the application development process.
- Reduce rates by expanding the AAC business base.
- Acquire and install computer resources in support of customer initiatives.

Performance Goal. In 2008 achieve a 12.5% ranking in the Information Technology Customer Satisfaction peer database.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ²	2008 (Initial)	
1) Ranking in the Information Technology Customer Satisfaction peer database	10%	6%	12%	8%	12.5%	12.5%	Top 10%

Means and Strategies. The AAC’s customer satisfaction survey allows customers to communicate areas of satisfaction and identify opportunities for improvement. By conducting regular customer satisfaction surveys and analyzing the results, specific improvement actions can be undertaken as part of the AAC’s continuous improvement efforts. For example, the AAC assigns each customer a customer relationship manager responsible for overseeing project management, system architecture, and coordinating deliverables. The AAC will improve customer access to centralized resources and data through application systems that take advantage of personal computers, local area networks, Internet/Intranet technologies, and enterprise server platforms for large-scale data processing and database management. Service Level Agreements will continue to be used to define and measure performance by application and customer.

Data Source(s). Customer satisfaction is measured through periodic surveys. In 2000, the AAC adopted a survey format designed and developed by Gartner Group. Customers rate the AAC on a set of evaluation criteria common to every Gartner Information Technology Customer Satisfaction survey.

Data Verification. A random sampling technique ensures a wide cross section of customers share their satisfaction with the AAC. This respondent size is sufficient to guarantee a 99 percent confidence level in the overall results. The respondents rate the AAC on a set of evaluation criteria common to every Gartner Information Technology Customer Satisfaction survey. The results from these questions are used for benchmark comparisons. Following analysis, Gartner provides overall results and the raw survey data. The AAC publishes initiatives undertaken to ensure customer satisfaction in their report of survey results and business plans.

Goal Validation. As an enterprise fund entity, the AAC’s survival depends on providing the highest quality services. One way to determine if the AAC is meeting customer expectations is to conduct regular customer satisfaction

² Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

surveys where opportunities for improvement can be identified and actions can be taken for improvement.

Major Management Challenges. AAC is implementing best practices in information technology (IT) service management, such as Information Technology Infrastructure Library and Capability Maturity Model Integration, in order to ensure the AAC is providing the highest level of service to its customers thus achieving high levels of customer satisfaction. Any factors that affect the AAC's ability to implement these best practices may impact achievement of this performance goal.

Crosscutting Activities. Survey responses are analyzed by Gartner to determine actions required to meet our commitment to customer satisfaction. Use of Gartner as an independent, recognized expert in the IT industry minimizes the potential for survey bias.

External Factors. While rare, major events such as Hurricane Katrina, that occur during the time period the survey is being conducted, will lead to fewer customers being able to complete the survey or geographic regions not being represented in the survey results.

Performance Goal. Online systems will be available during business hours (12 hours/day, M-F) 99.8 percent of the time in 2008.

Measure Description	Results ^{3, 4}				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ⁵	2008 (Initial)	
2) Availability rate of on-line systems during business hours (12 hours/day, M-F)	99.8%	99.8%	99.9%	99.9%	99.8%	99.8%	99.9%

Means and Strategies: Online availability will be supported by clustering mission critical systems coupled with continuous automated monitoring of systems. Monitoring allows AAC to proactively correct potential problems before they manifest themselves as system outages.

Data Source(s). Online systems availability is automatically tracked on the IBM operating system. Online systems are continuously monitored, outages are

³The industry standard is 99 percent and best practice is 99.5 percent.

⁴Goal will be 99.9 percent for mission critical systems architected for high availability.

⁵ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

recorded in an online database, and availability reports are produced monthly. Similar capabilities are being implemented on the open systems (UNIX and Windows operating environments) in 2006.

Data Verification. For mainframe operations, several IBM operating system data metrics are used. Specific metrics depend upon the software/hardware implementation of the online system. As this measurement process extends to open systems using business or service views, metrics will be determined for each critical component of the business process. This data is verified by matching externally reported data (network and database metrics) with system reported data. For open systems (Windows, UNIX and Linux), metrics are collected by the AAC's Center-wide monitoring systems, which are also tied to the Austin Service Desk. The metrics are collected on Web sites by customer. The AAC then analyzes this data.

Goal Validation. Online systems uptime is a crucial measure for a data center. This is the underpinning for all customer contracts and measures the availability of systems for customer use.

Major Management Challenges. The IT world is evolving at a tremendous rate of speed. An IT organization must constantly evolve and remain current with it in order to remain competitive in that world. The AAC strives to keep personnel trained in the latest technology and to maintain a technical infrastructure with current business trends.

Crosscutting Activities. The AAC metrics are based on service levels negotiated with customers as well as the underpinning contracts the AAC has in place with vendors and other providers.

External Factors. Availability can be impacted by external factors such as wide area network outages and security issues.

Debt Management Center

Program Objective E.4.2. Ensure acceptable rate of return.

Performance Goal. Provide a rate of return of \$66 in 2008 for every dollar spent on collections activities.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ⁶	2008 (Initial)	
3) Rate of Return (Collections versus Expenses)	\$63	\$63	\$67	\$80	\$66	\$66	\$66

Means and Strategies. Through the use of new technology, specifically the implementation of a pay.va.gov website for processing payments on-line, we anticipate an increase in collections of delinquent consumer debt owed to VA resulting from an individual's participation in VA's education, pension or disability compensation that will help us reach our goal for rate of return. Another means of reaching our goal will be through program execution. We continually look for means to streamline processes and reduce costs associated with the collection operation which will have a direct affect on our rate of return.

Data Source(s). Data will be obtained from general ledger reports and income statements.

Data Verification. The DMC management reviews these statistics on a monthly basis to ensure performance goals are met. The data used is verified against accounting records to ensure collections and expenses are accurate.

Goal Validation: Our mission is to collect benefits in the most cost effective manner possible. The rate of return, which is computed by dividing collections/offsets by operating expenses is a direct gauge of how successful we are in accomplishing our objective.

External Factors. Any legislative action that could hamper our ability to collect a debt could adversely affect our rate of return. In the same vein, any change in contractual services that would significantly increase our operating costs could also adversely affect our rate of return.

⁶ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Financial Services Center

Program Objective E.4.3. Ensure payroll and financial services meet customer needs and requirements.

Performance Goal 1: The payment accuracy rate will be 98 percent in FY 2008.

Measure Description	Results ⁷				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ⁸	2008 (Initial)	
4) Payment processing accuracy rate	98.9%	98.4%	99%	97.9%	97.8%	98%	99.1%

Means and Strategies. The FSC management actively reviews key performance measurement data and makes regular reports to VA Central Office, Deputy Assistant Secretary for Finance. The FSC regularly analyzes interest penalty payment and discount data to determine a root cause and identify process improvements. Once the FSC determines a cause, necessary actions are taken to modify the payment process to reduce the interest penalties and increase discounts taken.

Data Source(s). This information is derived from a number of the FSC reports and is available on an annual basis. The information used for review will be extracted from reports and data from VA's FMS System.

Data Verification. Prompt payment reporting and other financial reports from FMS and compliance with performance measures agreed upon by the FSC and its customers will provide the data verification. Annual audits performed by an independent CPA firm, with VA Inspector General oversight, and the Management Quality Assurance Service will confirm full compliance with government-wide and VA cost accounting policies.

Goal Validation. The measure is important because it gauges the effectiveness of the payment product line in meeting customer expectations.

Major Management Challenges. In order to ensure error-free payment processing, the FSC is dependent on the cooperation of VA vendors and customers to provide invoices, receiving reports, and certifications timely. The

⁷ FY 2006 reflects the centralization of VHA certified payments.

⁸ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

FSC also requires this cooperation in order to comply with the Prompt Payment Act, to ensure timely follow-up as needed, and to help drive more efficient payment processes and cost savings for VA.

Crosscutting Activities. The FSC developed partnerships with industry leaders in the accounts payable field including IKON Office Systems Incorporated and Kofax Incorporated to design and implement Optical Character Recognition software to improve payment accuracy and timeliness.

External Factors. The FSC payment product line accuracy will be affected by the adoption of the Central Contractor Registration (CCR) initiative. The CCR will require vendors to submit and maintain the accuracy of vendor information required for payment. The Internal Revenue Service Tax Identification Number verification process will also result in improved vendor information available for the payment product line.

Law Enforcement Training Center

Program Objective E.4.4. Ensure VA's work environment is recognized by employees as conducive to productivity and achievement, and fosters respect among all.

Performance Goal: Class graduation rate will be 95 percent in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ⁹	2008 (Initial)	
5) Class graduation rate	95%	95.6%	95%	96.5%	95%	95%	95%

Means and Strategies. Collaborate with customers and other law enforcement training and development units to develop appropriate assessment instruments and needs-based training measurement plans. The training measurement plans will insure the training is focused on our customers needs, and will help us achieve our goals. Criteria for successful completion of courses will be emphasized and measured in phases to ensure adequate time to correct training program deficiencies.

Data Source(s). Data will be collected through periodic review of automated class records, and input from student critiques. The data is collected by the individual instructors and input into our testing and class management system

⁹ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

(PARSCORE and PARTEST), which creates testing material, critiques, and surveys.

Data Verification. The LETC management reviews this data monthly and reports to the Office of Security and Law Enforcement. In addition, failure notifications are immediately reported to the individual VA Medical Center Directors and Chiefs of Police.

Goal Validation: The measurement is important to make sure the students are grasping the material, and that the customers are satisfied with the training products.

Security and Investigations Center

Program Objective E.4.5. Ensure high quality and timeliness of investigations and adjudications for employees in sensitive/national security and public trust positions and in managing and issuing customer identification badges.

Performance Goal. Security investigations will be adjudicated within 5 days of the completed and returned background check 98 percent of the time in 2008.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹⁰	2008 (Initial)	
6) Percentage of investigations that are completed within the established timeframes	98%	98%	89%	96%	98%	98%	98%

Investigations will be scheduled within 5 working days of receipt of the required investigative forms. Final approval for access to classified national security information or eligibility to occupy a public trust position will be processed within 180 working days from the date of scheduling.

Means and Strategies. Establish high-level automated performance management systems that emphasize, align with, and recognize achievement of specific organizational goals. It tracks initiations and all follow-up activity by employee, which allows us to see if someone is having trouble keeping focused

¹⁰ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

on getting the investigations scheduled and adjudicated. The system should include individual and group accountability for outcomes, promote innovation, and be the basis for individual and group performance plans, rewards, and recognition.

Data Source(s). The individual needing clearance provides the information necessary to conduct background investigations. Based on information provided, the Office of Personnel Management conducts a National Agency Check consisting of the Federal Bureau of Investigation, Department of Defense, and Immigration and Naturalization Service; verifies education claims; and interviews working associates and neighbors. Information found is forwarded to the Security and Investigations Center for adjudication.

Data Verification. Security management will be reviewing staff tally sheets on a monthly basis and making selective contacts with customers to confirm data.

Goal Validation: This measure is important because we need to make sure that the employees are performing at their best, and to keep the customers satisfied.

VA Records Center and Vault

Program Objective E.4.6. Ensure accurate records management and secure archival storage, protection, and retrieval services for veterans and other stored Federal records.

Performance Goal: Requests for accession numbers requiring no further action will be processed within 3 business days of receipt 98 percent of the time in 2008. Requests received during non-business hours will be processed as though they were received the next business day.

Measure Description	Results ¹¹				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹²	2008 (Initial)	
7) Percent of shipment (accession) numbers assigned within established timeframes	N/A	99.7%	100%	100%	98%	98%	99%

¹¹ This is a new measure. Results were tracked in FY 2004.

¹² Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

Means and Strategies. VA field facilities can maximize office space by archiving outdated or low activity records to the RC&V. Upon verification of disposition information, RC&V utilizes the electronic Records Retrieval System (RRS) to promptly provide the shipping (accession) number and also track the receipt of the records. Developed by the Austin Automation Center and implemented in early FY 2005, this on-line application is widely used by our customers. The RC&V will continue to develop and implement enhancements to increase capabilities and improve performance.

Data Source(s). Performance data are captured electronically in a Microsoft Access database and tallied. The data source to monitor the performance of this activity is our electronic RRS.

Data Verification. Monthly performance information is collected by the VA RC&V. The RRS captures all accessioning activities and makes them viewable in table format to both the customer and the RC&V employees at all times. The two key elements determining whether this performance element is met are request submit date and request approved date. As both these dates are electronically stamped into the RRS by the system software, there is almost no question

whether action to approve each request was taken within the required timeframes. The RC&V manager and contract foreman both review the accession number assignments monthly to verify no anomalies exist.

Goal Validation. The RC&V's mission is to earn our customers' trust with service that is reliable and responsive. By providing a timely turnaround for shipping (accession) numbers, this affords our customers the means to quickly process the boxes of records to transport to our facility and free up much needed office space.

Major Management Challenges. Electronic failure of the RRS would hamper our effort to provide timely approval of accession number requests. In this case, the RC&V would require customers to fax their requests to the RC&V, who would key pertinent data into the Access database used to track accession number assignment activities before the RRS was brought online in FY 2005.

External Factors. Under a current moratorium to allow time for review of options for increasing security of palletized shipment of records, facilities are not authorized to ship boxes to the RC&V. When the moratorium lifts, the RC&V may be inundated with requests for shipping (accession) numbers. The RC&V

will make every attempt to meet the established timeframe, but extenuating circumstances beyond our control may prevail.

Enterprise Fund Office

Program Objective E.4.7. Establish and manage the business aspects of the VA Enterprise Centers.

Performance Goal. The number of audit qualifications will remain at 0 on the 2008 audited financial statements of the VA Enterprise Centers.

Measure Description	Results				Targets		Strategic Target
	2003	2004	2005	2006	2007 (Final) ¹³	2008 (Initial)	
8) Number of audit qualifications for the VA Enterprise Centers	0	0	0	0	0	0	0

Means and Strategies. Annually, the financial statements and internal controls of the VA Enterprise Center (Franchise Fund) are subject to audit by a private sector CPA firm. This CPA firm performs the necessary reviews and substantive procedures to confirm that the financial statements fairly present the financial position of the Franchise Fund.

Data Source(s). The Franchise Fund financial statements are generated by the Enterprise Fund Office using data from FMS.

Data Verification. Annually, an independent CPA firm audits the financial statements generated by the Enterprise Fund Office. The independent CPA firm plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Goal Validation. Paramount to our success is the accuracy and efficiency of our financial management practices and operations. Hence, the Fund strives for the attainment of an unqualified “clean” audit opinion. In the event that there is an audit finding relating to significant deficiencies in the design or operations of the internal control that, in the auditor’s judgment, could adversely affect the Fund’s ability to record, process, summarize and report financial data consistent with the assertions by management in the financial statements, it could potentially impact our ability to obtain an unqualified “clean” audit opinion. In the event there is

¹³ Performance targets assume 2007 enacted funding close to that passed by the House and Senate.

an audit finding, the Fund will strive for a timely resolution and adopt the auditors' recommendations to correct this problem in order to prevent future occurrences.

Major Management Challenges. The Fund faces the challenge of ensuring the highest level of financial integrity, accountability and sound stewardship.

Crosscutting Activities. The VA Franchise Fund consolidated financial statements audit include the activity of six individual business centers of the Fund (Austin Automation Center, Debt Management Center, Financial Services Center, Law Enforcement Training Center, Security and Investigations Center and the Records Center and Vault) and one administrative office (Enterprise Fund Office).

External Factors. The VA's consolidated financial statements include the VA Franchise Fund. A material weakness and other reportable conditions that are noted in the VA's consolidated financial statements could potentially impact the VA Franchise Fund.

<i>VA Enterprise Center Highlights</i> <i>(dollars in thousands)</i>			
	2006 Actual	2007 Continuing Resolution	2008 Estimate
Average Employment	688	744	709
Appropriation Obligations ¹⁴	\$291,171	\$270,759	\$297,812
Outlays (Net)	\$0	\$0	\$0

Summary of Budget Request

In 2008, we request total obligations of \$297 million and an average employment of 709 to support the operations of the VA Enterprise Centers. Total obligations are primarily attributed to personnel services which reflect the salary requirements for 709 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.

¹⁴The total amount of obligations contained in our budget submission exhibits, as reported in SF-133 includes Intrafund transactions.

VA Enterprise Centers
Summary of Employment and Obligations
(In thousands)

	2006 Actual	2007		2008 Request
		Budget Estimate	Continuing Resolution	
<u>Average Employment:</u>				
Central Office	4	12	4	4
Field	684	732	740	705
	688	744	744	709
Total				
<u>Obligations:</u>				
Personal Services	\$56,813	\$62,654	\$61,943	\$63,186
Travel	1,551	3,205	2,353	2,467
Transportation of Things	82	108	84	85
Rents, Communications & Utilities	32,856	38,026	32,225	33,857
Printing & Reproduction	2,868	6,167	3,492	3,667
Other Services	176,814	303,730	165,128	189,427
Supplies & Materials	1,600	1,945	1,860	1,846
Equipment	17,592	10,667	3,583	3,240
Land and Structures	995	172	91	37
Insurance Claims & Indemnities	0	0	0	0
Total	\$291,171	\$426,674	\$270,759	\$297,812

*VA Enterprise Centers
Summary of Obligations*

Parent Organization/Service Activity	Obligations	FTE
Office of Management:		
Financial Services Center	\$84,415,860	257
Debt Management Center	8,540,254	69
Enterprise Fund Office	<u>2,033,347</u>	<u>4</u>
Subtotal	\$94,989,461	330
Office of Information & Technology:		
Austin Automation Center	\$190,370,344	352
VA Records Center and Vault	<u>3,306,508</u>	<u>5</u>
Subtotal	\$193,676,852	357
Office of Policy, Planning and Preparedness:		
Law Enforcement Training Center	\$4,916,323	14
Security and Investigations Center	<u>4,229,426</u>	<u>8</u>
Subtotal	\$9,145,749	22
Total	\$297,812,062	709
	\$297,812 (rounded)	

Summary of Revenue and Expenses

Revenues represent the total income received from all customers (both internal and external) of the VA Enterprise Centers. Expenses represent the full cost of operations.

In 2008, the VA Enterprise Centers anticipate revenues, including external customers, of \$298 million.

<i>Revenue, Expense, and Retained Earnings</i> <i>(dollars in thousands)</i>			
	2006	2007 Continuing Resolution	2008 Request
Sales Program:			
Revenue	\$297,715	\$271,627	\$298,704
Expense	<u>\$291,171</u>	<u>\$270,759</u>	<u>\$297,812</u>
Net Income	\$6,544	\$868	\$892
Reserves, SOY	\$73,585	\$75,961	\$76,798
Net Income	\$6,544	\$868	\$892
Capital Transactions ¹⁵	<u>-\$4,168</u>	<u>-\$31</u>	<u>\$4,388</u>
Reserves, EOY	\$75,961	\$76,798	\$82,078

¹⁵Acquisition or improvements to assets with a value greater than or equal to \$100,000



Pershing Hall Revolving Fund

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. 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 provides for the distribution of proceeds into the Construction Reserve Account of up to \$1 million, following reimbursement of expenses. Such proceeds will be available for projects and activities, determined by the Secretary in keeping with the mission of the Department. The Department can utilize up to \$100,000 annually, the maximum permitted by the law, for these purposes. In addition, all necessary expenses to operate and maintain Pershing Hall may be funded by the Revolving Fund.

From 2005 - 2014, a payment of 800,000 French Francs (FF) or the equivalent in Euros will be made to the fund, using an exchange rate of 6.50 FF per US dollar, which will yield an expected \$145,000 in annual receipts. From 2015 - 2097 annual payments have been negotiated at 1.2 million FF (\$180,180). These payments, however, are subject to escalation as described in the lease.

<i>Funding Highlights</i> <i>(dollars in thousands)</i>				
	2006 Actual	2007		2008 Estimate
		Budget Estimate	Current Estimate	
Budget authority	\$0	\$0	\$0	\$0
Obligations	\$145	\$100	\$100	\$100
Outlays (net)	-\$12	-\$45	-\$45	-\$45
Receipts	\$157	\$145	\$145	\$145